



**UNIT-3**

**ORGANIZATION AND HRM:**

**PRINCIPLES OF ORGANIZATION**



## ORGANIZING AND ORGANIZATION

**Organizing:** Organizing is one of the functions of management. Organizing is the means to achieve the plans. If planning involves making a road map for the chosen destination, then organization is the means by which you reach your chosen destination. Organizing is a process of;

- Determining, grouping and structuring the activities
- Creating roles for effective performance at work
- Allocating necessary authority and responsibility for results
- Determining detailed procedures and systems for different problems areas such as coordination, communication, decision-making, motivation, conflict resolution, and so on.

Organizing function ends with creating a structure of relationships. It explains who is responsible for a given task.

**Organization:** Organization refers to the institution wherein the management functions are performed. A social unit of people that is structured and managed to meet a need or to pursue collective goals. All organizations have a management structure that determines relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out different tasks. Organizations are open systems--they affect and are affected by their environment.

Organization may be formal, informal, or both.

**The formal organization** is basically goal oriented entity that exists to coordinate the efforts of individuals and it refers to the structure of jobs and positions with clearly defined functions, responsibilities and authorities.

According to Chester Bernard, an organization is formal when the activities are coordinated towards a common objective.



**Informal organization** refers to network of personal and social relationships (alliances, friendships) that arise as people associate with others people in a work environment.

The chief executive calls his staff for a meeting at a given time and when the staff meets, it is formal organization.

On the other hand, after the meeting is called off, when some staff stay back to discuss their personal problems with the chief executive, it is said to be an informal organization.

#### BASIC CONCEPTS OF ORGANIZATION

**Organizational Hierarchy:** Hierarchy is system/structure in which members in an organization are ranked according to their status and authority. The hierarchy in a business refers to the layers of management from the top management down to managers or superiors of the lowest rank. Number of layers depend upon the size of the organization.

Employees in a hierarchy have varying degrees of authority. Higher levels in the hierarchy are characterized by higher responsibility and authority.



### Authority and Responsibility:

**Authority** is the power or right to give orders/commands and to use discretion vested in that particular position or job. If the person is removed from the job, he or she loses the authority.

**Responsibility** is the obligation/duty on the part of subordinates to complete the given ob. If a manager has only authority, he may misuse it. As a control measure, the employee is held responsible for the results also. Authority can be transferred to lower positions but not responsibility.

**Delegation of Authority:** The process of transferring authority from the top to the lower levels in the organization is called **delegation**. Although a task may be delegated or passed down the chain of command from a manager to a subordinate, the manager continues to be responsible for making sure that his/her instructions are carried out. The organization is said to be **centralized** when the authority to take decisions is held by the corporate office. If the authority is delegated to the regional offices, then the organization is said to be **decentralize**

**Span of Management:** It is also called span of control. It refers to the number of subordinates that can be effectively controlled by the manager at a given point of time. If the production manager has, say, five employees under his direct control, it means his span is five.

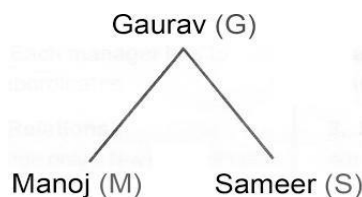
V.A. Graicunas mentioned three types of Superior-Subordinate relationships, viz.,

1. Direct Single Relationships,
2. Direct Group Relationships, and
3. Cross Relationships.

According to V.A. Graicunas, as the number of subordinates increases arithmetically (like 1, 2, 3, 4, 5, 6, etc.) the number of relationships which the superior has to control also increases almost geometrically (like 1, 6, 18, 44, 100, 222, etc.). Therefore, a superior can only control a limited number of subordinates, and anything beyond this limit is very hard to control.

V.A. Graicunas Theory can be explained with the help of this simple example.

For example, consider **Gaurav (G)** is a superior (boss) and **Manoj (M)** and **Sameer (S)** are his subordinates (juniors or lower-grade employees).



According to V.A. Graicunas, Gaurav (G) has to control following three types of relationships, with or among Manoj (M) and Sameer (S):-

**(a)** Direct Single Relationships :-

G with M, and G with S, i.e. a total of 2 direct single relationships.

**(b)** Direct Group Relationship :-



G with M in presence of S, and G with S in presence of M, i.e. a total of 2 direct group relationships.

(c) Cross Relationships :-

M with S, and S with M, i.e. again a total of 2 cross relationships.

Therefore, total number of relationships which Gaurav (G) has to control are:-  $2 + 2 + 2 = 6$  relationships.

Thus, when the number of subordinates is 2, the number of relationships, which the superior (boss) has to control is 6. Similarly, when the number of subordinates is 3, the number of relationships to control will be 18.

V.A. Graicunas has explained his **principle** with the help of the this formula:-

$$r = n \left( \frac{2^n}{2} + (n - 1) \right)$$

Here, r = No. of relations

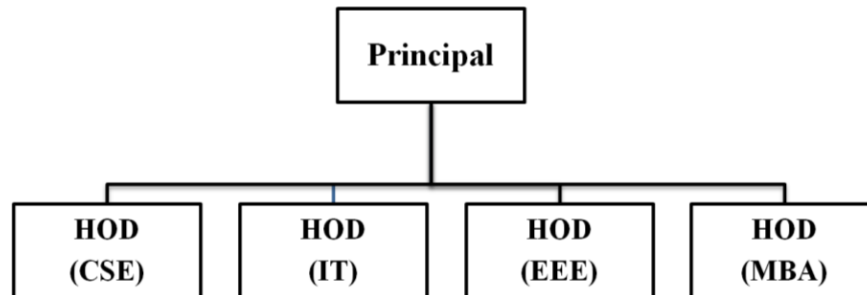
n = No. of subordinates

No. of Subordinates	No. of Relations
1	1
2	6
3	18
4	44
5	100
6	222

Flat and Tall Organizations:

### **Flat Organizational Structure (Horizontal Organizational Structure)**

Flat structures have fewer management levels. Flat organizations are known by their wider span of control. In other words, each manager controls more number of employees at a given point of time. These organizations focus on empowering employees in greater decision making rather than adhering to the chain of command. By encouraging autonomy and self-direction, flatstructures attempt to tap into employees' creative talents and to solve problems by collaboration.



**Fig: Flat Organizational Structure**

In this structure, there are few or no levels of management between staff and executives. Top management has direct contact with frontline employees. It is useful to small organizations.

#### **ADVANTAGES**

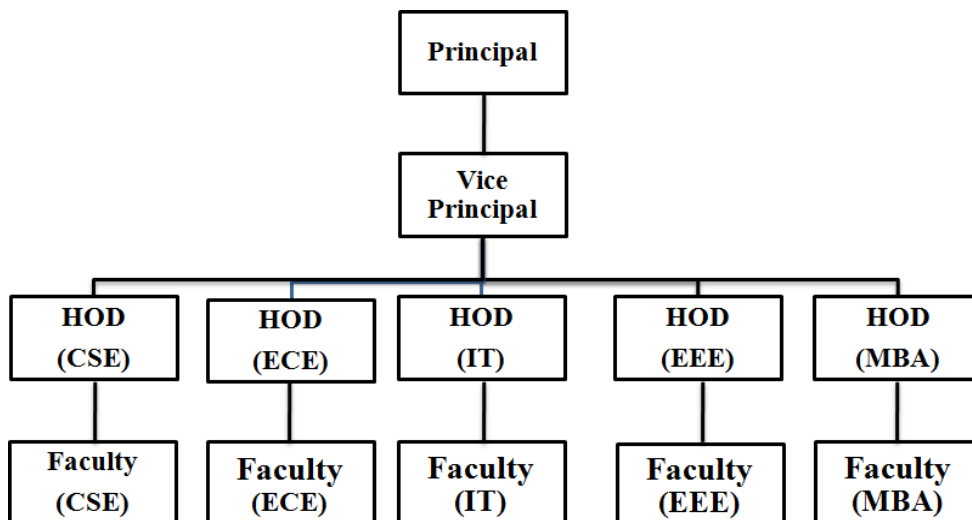
1. Lower supervision costs
2. It creates fewer levels of management.
3. Quick decisions can be taken
4. Clear communication is possible

#### **DISADVANTAGES**

1. There are chances of loose control
2. Discipline may not be good
3. It may not work as business expands
4. Experience superiors are required

#### Tall Organizational Structure (Vertical Organizational Structure)

Large, complex organizations often require a taller hierarchy. In its simplest form, a tall structure results in one long chain of command similar to the military. As an organization grows, the number of management levels increases and the structure grows taller. In a tall structure, managers form many ranks and each has a small area of control. Generally, the greater the height of the organization chart, the smaller is the span of control, and vice versa.



**Fig: Tall Organizational Structure**

Tall organizations have many levels of hierarchy. Span of control is narrow. Lines of communication are long. There are many level of middle management between top management and employees.

### **ADVANTAGES**

1. Allows for tight control and supervision
2. Quality of performance will improve
3. The manager gets more time to plan and organize
4. Easy communication is possible

### **DISADVANTAGES**

1. Delays in communication
2. It is very costly
3. Decisions are delayed
4. Coordination among numerous managers becomes difficult



## PRINCIPLES OF ORGANIZATION

- 1. Principle of Objective:** The enterprise should set up certain aims for the achievement of which various departments should work. A common goal so devised for the business as a whole and the organization is set up to achieve that goal. In the absence of a common aim, various departments will set up their own goals and there is a possibility of conflicting objectives for different departments. So there must be an objective for the organization.
- 2. Principle of Specialization:** The organization should be set up in such a way that every individual should be assigned a duty according to his skill and qualification. The person should continue the same work so that he specializes in his work. This helps in increasing production in the concern.
- 3. Principles of Co-ordination:** The co-ordination of different activities is an important principle of the organization. There should be some agency to co-ordinate the activities of various departments. In the absence of co-ordination there is a possibility of setting up different goals by different departments. .
- 4. Principle of Authority and Responsibility:** The authority flows downward in the line. Every individual is given authority to get the work done. Though authority can be delegated but responsibility lies with the man who has been given the work. If a superior delegates his authority to his subordinate, the superior is not absolved of his responsibility, though the



subordinate becomes liable to his superior. The responsibility cannot be delegated under any circumstances.

**5. Principle of Definition:** The scope of authority and responsibility should be clearly defined. Every person should know his work with definiteness. If the duties are not clearly assigned, then it will not be possible to fix responsibility also. The relationship between different departments should also be clearly defined to make the work efficient and smooth.

**6. Span of Control:** Span of control means how many subordinates can be supervised by a supervisor. The number of subordinates should be such that the supervisor should be able to control their work effectively. If the span of control is disproportionate, it is bound to affect the efficiency of the workers because of slow communication with the supervisors.

**7. Principle of Balance:** The principle means that assignment of work should be such that every person should be given only that much work which he can perform well. Some person is over worked and the other is under-worked, then the work will suffer in both the situations. The work should be divided in such a way that everybody should be able to give his maximum.

**8. Principle of Continuity:** The organization should be amendable according to the changing situations. Everyday there are changes in methods of production and marketing systems. The organization should be dynamic and not static. There should always be a possibility of making necessary adjustments.

**9. Principle of Uniformity:** The organization should provide for the distribution of work in such a manner that the uniformity is maintained. Each officer should be in-charge of his respective area so as to avoid dual subordination and conflicts.

**10. Principle of Unity of Command:** There should be a unity of command in the organization. A



person should be answerable to one boss only. If a person is under the control of more than one person then there may be confusion and conflict. He gets contradictory orders from different superiors. This principle creates a sense of responsibility to one person.

**11. Principle of Exception:** This principle states that top management should interfere only when something goes wrong. If the things are done as per plans then there is no need for the interference of top management. The management should leave routine things to be supervised by lower cadres. Principle of exception allows top management to concentrate on planning and policy formulation. Important time of management is not wasted on avoidable supervision.

**12. Principle of Simplicity:** The organizational structure should be simple so that it is easily understood by each and every person. The authority, responsibility and position of every person should be made clear so that there is no confusion about these things. A complex organizational structure will create doubts and conflicts among persons. There may also be over-lapping and duplication of efforts which may otherwise be avoided.

**13. Principle of Efficiency:** The organization should be able to achieve enterprise objectives at a minimum cost. The standards of costs and revenue are pre-determined and performance should be according to these goals. The organization should also enable the attainment of job satisfaction to various employees.

**14. Scalar Principle:** This principle refers to the vertical placement of supervisors starting from top and going to the lower level. The scalar chain is a pre-requisite for effective and efficient organization.



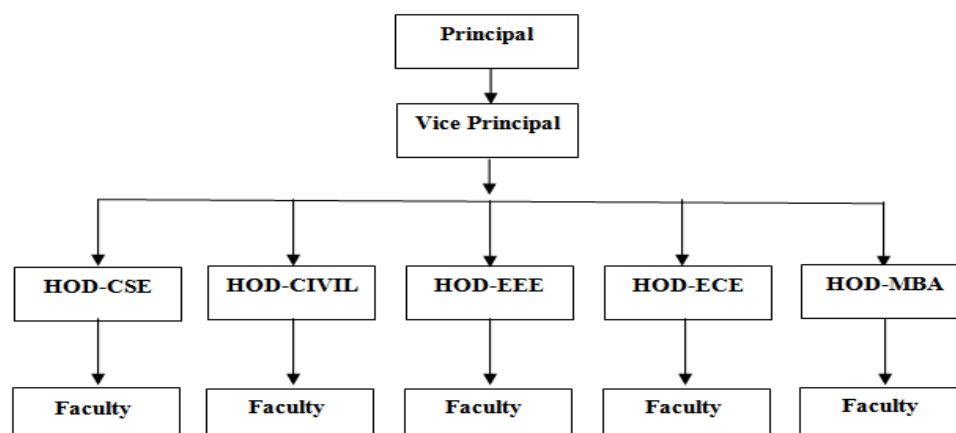
## ORGANIZATION DESIGN AND STRUCTURES

An organization can be classified on the basis of authority relationship or on the basis of its departments.

- I. Organization structures based on authority relationships
  1. **Line Organization:** Line organization is the simple and oldest type of organization followed in an organization. Under line organization, each department is generally a complete self-contained unit. A separate person will look after the activities of the department and he has full control over the department. The same level executives do not give or receive orders amongst themselves. But they receive orders from their immediate boss and give orders to their subordinates. Hence, all the heads are responsible to the general manager, the general manager, in turn, is responsible to the shareholders who are the owners. This type of organization is followed in the army on the same pattern. So, it



is called military organization. Under this type of organization, the line of authority flows from the top to bottom vertically. So it is called line organization



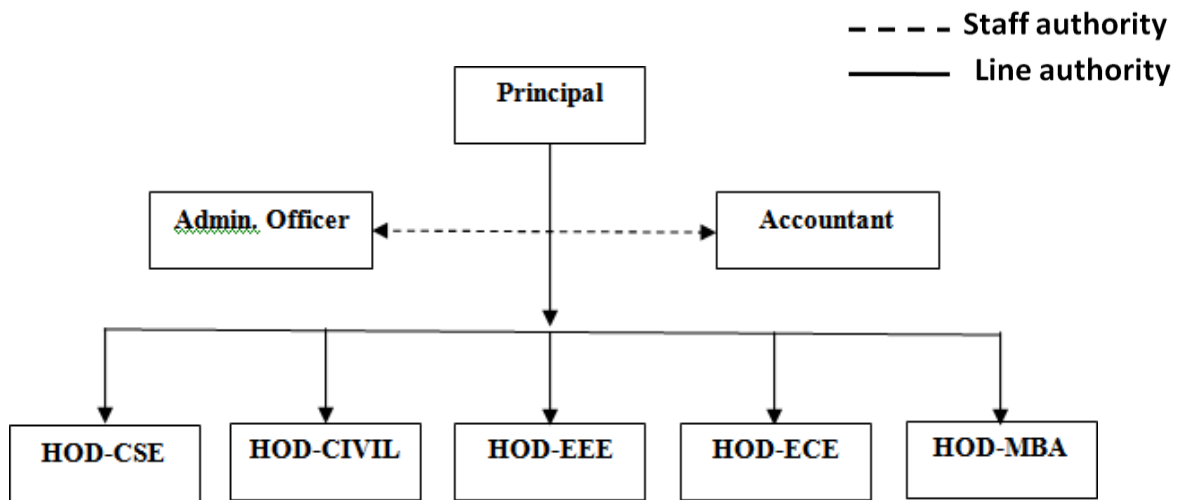


Merits of line organisation	Demerits of line organisation
1. Simplicity	1. Lack of specification
2. Division of authority and responsibility	2. Over loading
3. Unity of control	3. Lack of initiative
4. Speedy action	4. Scope for favoritism
5. Discipline	5. Dictatorial
6. Economical	6. Limited communication
7. Co-ordination	7. United administration
8. Direct communication	8. Subjective approach
9. Flexibility	9. Instability
	10. Lack of co-ordination

2. **Line and Staff organization:** In this organization, we have both the line managers and the staff managers. The staff managers are specially appointed to advise, suggest, or assist the line managers in their day to day matters. The word 'staff' means a stick for support. The line officers have authority to take decisions and implement them to achieve the objectives of the organization. The line officers may be assisted, advised, suggested in their day to day matters by the staff officers while framing the policies and plans and taking decisions organization. The authority flows from top level to the lower level of the organization through the line officers while the staff officers attached to the various



departments advise the departments. The staff officers are not in a position to compel the line officers to follow the advice by them. Each department is headed by a line officer who exercises full authority regarding the planning.



Merits of line and staff organization	Demerits of line and staff organization
1. It enhances the quality of decisions	1. It may create more friction or conflict between line and staff managers
2. There is great scope for advancement	2. Staff suggestions are seldom implemented
3. It relieves the line managers	3. It is expensive to have both staff and line managers
4. It is mostly beneficial where there is a line of command within staff departments, as in the case of Armed forces	

3. **Functional organization:** Under line organization, a single person is in charge of all the



**Functional organization:** Under line organization, a single person is in charge of all the activities of the concerned department. The person in charge finds it difficult to supervise all the activities efficiently. Taylor observed that one single foreman was overburdened with all the operations such as task setting, time recording, quality inspection,

disciplinary jobs and so on. He divided this job into eight functional foremen-four dealing with the planning task and four dealing with the implementation task.

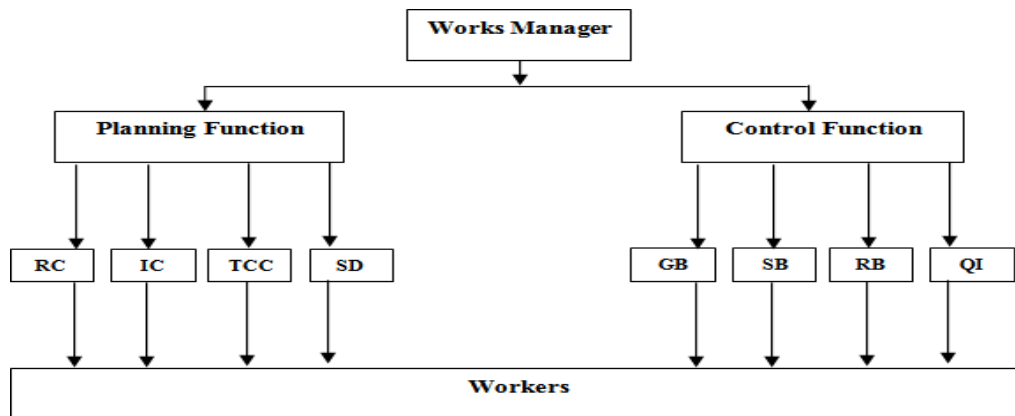
The foremen involved in the planning task are:

- Route clerk (identify the route for materials to pass on)
- Instruction clerk
- Time and cost clerk
- Shop disciplinarian

The foremen involved in the implementation task are:

- Gang Boss (Assembles the machinery needed for work)
- Speed Boss
- Repair Boss
- Quality inspector

Under functional organization, various specialists are for various functions performed in an organization. These specialists will attend to the work which is common to different functions of various departments. Workers, under functional organization, receive instructions from various specialists. From this, it can be noted that the functional type of organization violates the principle of one employee, one superior.



Merits of functional organization	Demerits of functional organization
1. Planned specialization	1. Ineffective control as workers have more than one boss
2. Separates activities related to planning and control	2. Very costly
3. Facilitates large scale production through standardization	3. Calls for more coordination
4. The disciplinary controls are well defined	4. Less appropriate when an organization diversifies
5. Appropriate when there is a single product or service	5. No clear line of authority
6. Offers clear career paths for functional specialists	



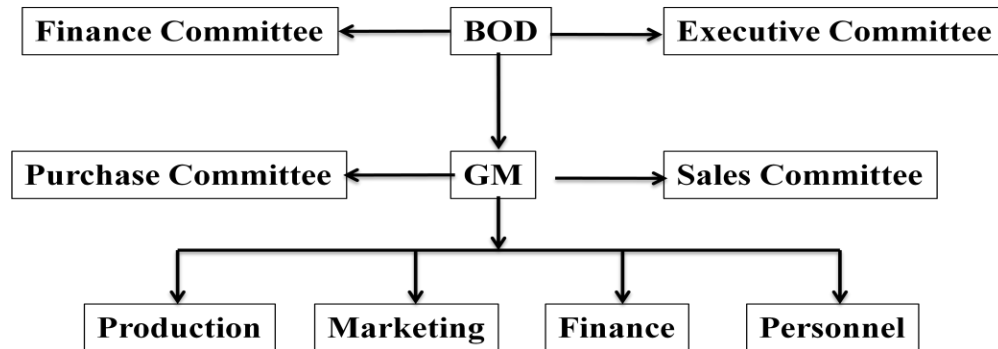
4. **Committee organization:** A committee may be defined as a group of people performing some aspects of Managerial functions.

Definitions:

-A committee consists of a group of people specifically designated to perform some administrative work | - **W.H. Newman**

— A committee is a body of persons appointed or elected to meet on an organized basis for the consideration of matters brought before it | - **Allen**

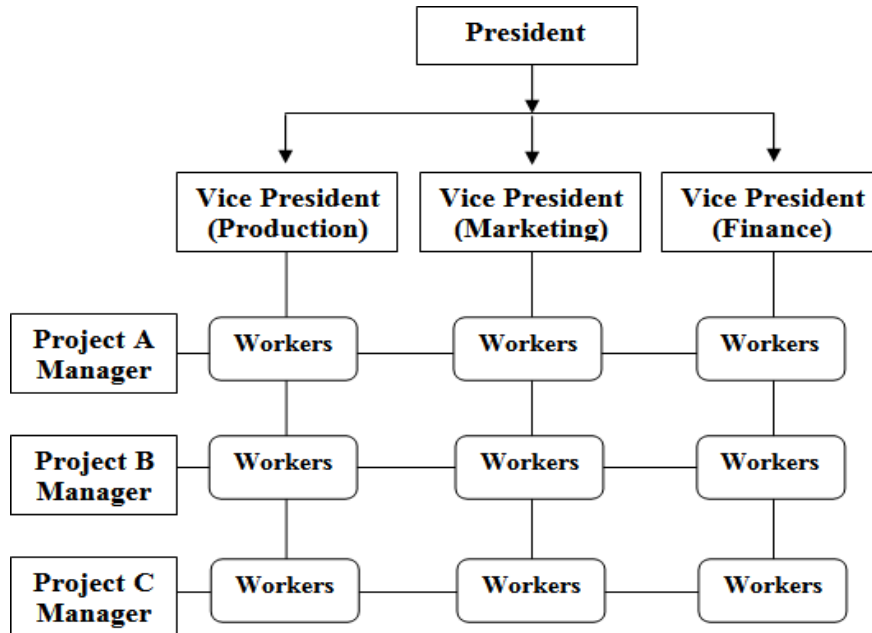
A committee is formed when two or more persons are appointed to work as a team to arrive at a decision on the matters referred to it. It is intended to utilize the knowledge, skills, and experiences of all the concerned parties. Particularly, in large organizations, problems are too high to be handled by one single expert. The committee studies the nature of the problem by carefully scrutinizing the office records, rule position, analysis of precedence (how such cases have been dealt with in the past), and so on.



MERITS	DEMERITS
1. Pooling of Knowledge	1. Slow decisions
2. Effective co-ordination is available	2. Most Expensive
3. Effective Communication	3. Difficult to maintain secrecy
4. Motivation through participation of employees	4. Compromise

5. **Matrix organization:** This is also called as project organization. Matrix organization structure is essentially a violation of unity of command A matrix organization is defined as an organization where people have to report to more than one boss. The first boss will be their functional manager and the other can be a project manager. Personnel are drawn from their respective functional departments. Each functional staff has two bosses his administrative head and his project manager.

The main objective of matrix organization is to secure higher degree of coordination than what is possible from the conventional organization structures such as the line and staff. In matrix organization there are two chain of command one along functional lines (vertically) and the other along the project line (horizontally). The figure shows that the president has three vice presidents for various departments and two project managers for two locations A and B. The figure reveals that both functional manager and project manager exercise authority



MERITS	DEMERITS
1. It offers operational freedom & flexibility.	1. It calls for greater degree of coordination.
2. It focuses on end results.	2. It violates unity of command.
3. It maintains professional Identity.	3. Difficult to define authority & responsibility.
4. It holds an employee responsible for management of resources.	4. Employee may be demotivated.

6. **Virtual organization:** Virtual organizations facilitate competitiveness particularly when these organizations are part of the global economy. Here, there can be alliances and partnerships with other organizations almost all over world. It is a flexible Organization structure that removes the traditional boundaries. It allows easy reassignment and reallocation of



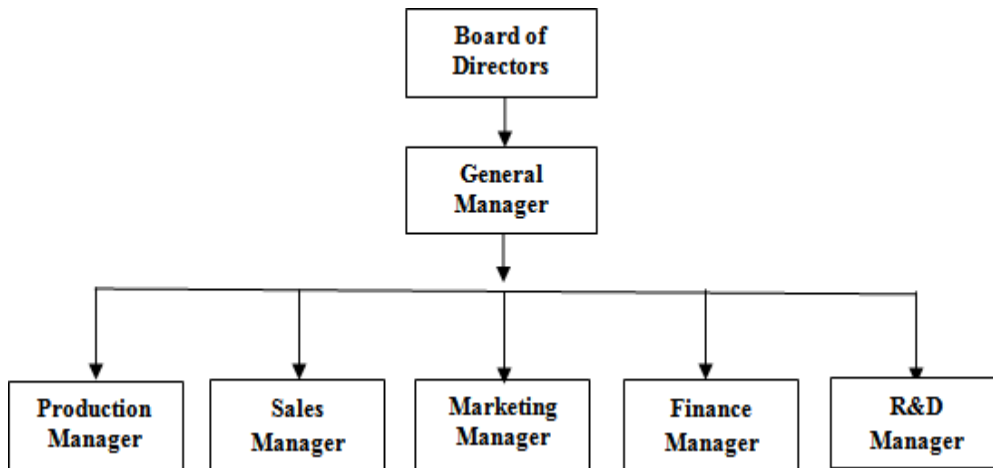
resources to take quick advantage of shifting opportunities in global markets. The virtual Organization is a temporary network of companies that come together quickly to exploit fast changing opportunities. Virtual Organizations appear to be bigger than traditional organizations. As virtual organizing requires a strong

information technology (IT) platform. The boundaries that traditionally separate a firm from its suppliers, customers and even competitors are largely eliminated, temporarily and in respect to a given transaction or business purpose. Virtual Organizations come into being 'as needed' when alliances are called into action to meet specific operating needs and objectives. When the task is complete, the alliance rests until next called into action. Each partner in the alliance contributes to the virtual Organization what it is best at - its core competence

7. **Cellular Organization:** Organization structured around the units/cells that complete the entire assembly processes are called cellular organizations. In the modern organizations, cellular Organizations have been replacing the continuous line or linear production process systems. In cellular organizations, workers manufacture total product or subassemblies in teams (cells). Every team (cell) of workers has the responsibility to improve or maintain the quality and quantity of its products. Each team is free to reorganize itself to improve performance and product quality. These cells comprise self-managed teams. They monitor themselves and also correct where necessary on their own. Cellular Organizations are characterized by much smaller staff all over the Organization with middle management positions reduced and lean management members at the top. It is both a lean and flat structure.

## II. Organization structures based on its departments

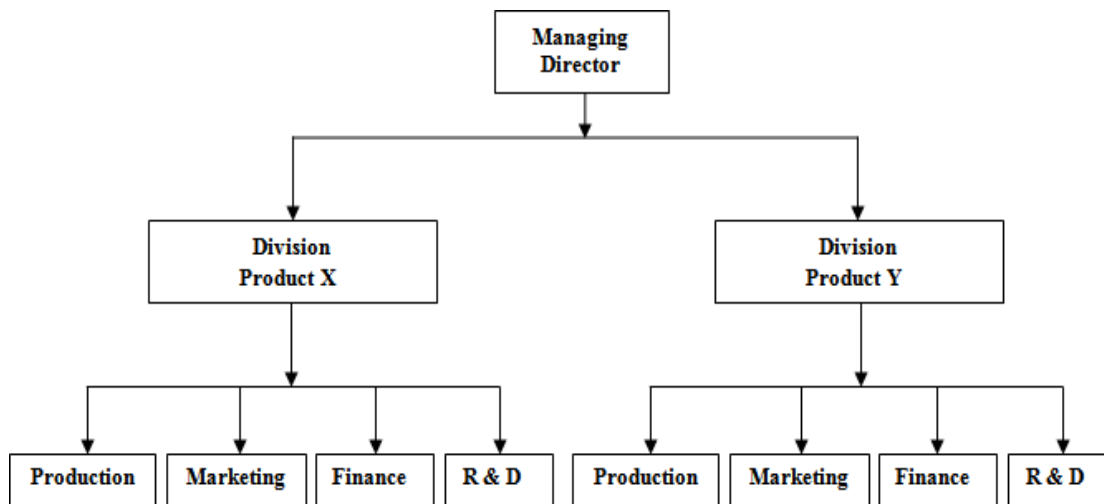
1. **Functional departmentation:** The process of classifying the organization on the basis of departments or similar activities in it is called *departmentation*. This is similar to the modern view of functional structure of organizations. Marketing, Production, Finance, Sales etc. are the basic functions of manufacturing organization. It follows the specialization principle. Every department is viewed as a separate entity by itself





MERITS	DEMERITS
1. It follows specialization	1. It delays decisions
2. Specialization enhances quality	2. Lack of coordination
3. Reduces load on seniors	3. It is expensive
4. It offers better control	4. Not suitable for small organizations
5. Training needs can be well identified	5. Department objectives are more focused than the corporate goals.
6. It is suitable for medium and large organizations	

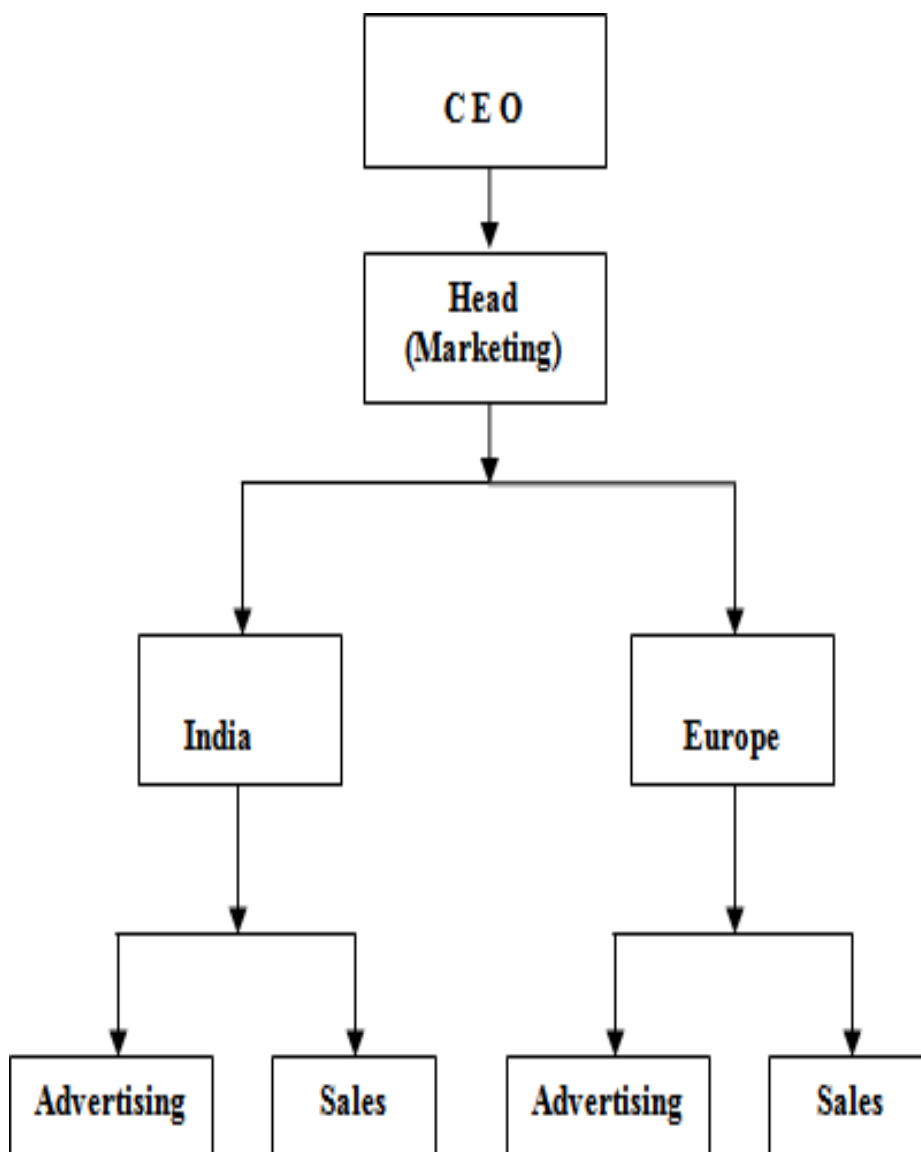
2. **Product organization:** The process of classifying the organization on the basis of products is called product organization. The grouping of the production and sales efforts of a business according to a particular line of goods or services. The departments are based on the products manufactured or services rendered. The product - based organization offers scope to strengthen the manufacturing facilities, skills and knowledge for every product or service. It can be used for growth and diversification.



MERITS	DEMERITS
1. It strengthen the manufacturing facilities product-wise or process-wise	1. Adequate number of qualified managers may not be available
2. It provides for growth and diversification	2. Cost increases
3. It ensures better customer care	3. Controlling problem for top management
4. All facilities are available under one roof	4. Proper coordination may not exist
5. Responsibility can be fixed	

3. **Regional or Geographical organization:** The process of classifying the organization on the basis of regions is called geographical organization. Organization is divided into territories or regions commonly used for the decentralization of responsibility over certain areas. This method is popularly used in sales and production function. This type of structure allows an

organization's offices to operate individually while adhering to company policies and values. Office locations can be local, national or international. Geographic organizational structure allows for each business unit or office to operate as its own entity based on where it's located.





MERITS	DEMERITS
1. Responsibility is fixed at the territory level	1. It is difficult to top management to control territorial operations
2. Local resources can be used	2. It may involve duplication of costs
3. It enhances the competitive edge in terms of lower delivery times and lower <u>labour</u> costs	3. If qualified managers are not available the territorial activities may hinder
4. It creates jobs for local community	
5. It reduces transportation costs	

4. **Customer organization:** The process of classifying the organization on the basis of customer profile is called customer organization. All the activities of the enterprise are grouped on the basis of the profile of its customers. Each group is managed by one department head. This type of organization is designed to cater to the requirements of clearly defined customer groups.



## MODERN TRENDS IN ORGANIZATIONAL STRUCTURES DESIGNSVIRTUAL

### ORGANIZATION STRUCTURE

This new form of organization, i.e., ‘virtual organization’ emerged in 1990 and is also known as digital organization, network organization or modular organization. Simply speaking, a virtual organization is a network of cooperation made possible by, what is called ICT, i.e. Information and Communication Technology, which is flexible and comes to meet the dynamics of the

market. Virtual Organization: A virtual organization is one whose employees are spread geographically and communicate via phone, email, and the internet. The concept explores technologies and issues surrounding virtual organizations from a knowledge management perspective. Virtual organizations facilitate competitiveness particularly when these organizations are part of the global economy. Virtual organization structure does not physically exist, but its effect is felt.

Virtual organization is one that it

- (1) does not have a physical (bricks and mortar) presence but exists electronically (virtually) on the internet.
- (2) is not constrained by the legal definition of a company, or
- (3) is formed in an informal manner as an alliance of independent legal entities.



### CELLULAR ORGANIZATION STRUCTURE

Organizations structured around the units/cells that complete the entire assembly process are called cellular organizations. In cellular organizations, workers manufacture total product or sub-assemblies in teams (cells). Every team (cell) of workers has the responsibility to improve or maintain the quality and quantity of its products. These cells comprise self-managed teams. They monitor themselves and also correct where necessary on their own.

**Example:** A system of hyper market such as BIGBAZAR is composed of many diversified sub-systems, say, electronic goods, good court, grocery etc. all these will be located and operated under one roof under the control of one coordinator, while each subsystem will report to its mother concern also. For example, an electronic goods (say a PHILIPS TV) seller has to abide by the regulations of Big Bazaar for selling function and reports to his company (Philips India) for other aspects.

### BOUNDARYLESS ORGANIZATION STRUCTURE

An organization has external boundaries that separate it from its suppliers and customers, and internal boundaries that provide demarcation to departments. This rigidity is removed in

boundary less organizations, where the goal is to develop greater flexibility and responsiveness to change and to facilitate the free exchange of information and ideas. It is made up of self-managing and cross-functional teams that are organized around core business processes. The teams include employees from different functional areas as well as customers and suppliers.



### TEAM ORGANIZATION STRUCTURE

A structure in which the entire organization is made up of work groups or teams is known as team structure. Team structures are both permanent and temporary in nature as situation demands. 'We report to each other' is the main feature of team structure. A cross functional team comprises members from different functional departments such as marketing, finance, HR, production etc. Project teams are convened for a particular task or project and these get dissolved once task is completed.

### DEPARTMENTATION

The first task in designing an organization structure is the identification of activities and to group them properly. The process of grouping the activities is known as Departmentation. The process of grouping of activities into units for the purpose of administration is called departmentation. It can be defined "as the process by which activities or functions of enterprise are grouped homogeneously into different groups." The administrative units are called divisions, units or departments.

The followings are the basis of departmentation:

- a) When departmentation is done on the back of functions the departments created are Production, marketing, accounting, and finance and personnel departments.
- b) When departmentation is done on the basis of geographical area, the departments are known as eastern department, western department, northern and southern department.
- c) Departmentation can be done on the basis of customers.
- d) Departmentation can be done on the basis of product handled.



## DELEGATION OF AUTHORITY

The process of transferring authority from the top to the lower levels in the organization is called **delegation**. Although a task may be delegated or passed down the chain of command from a manager to a subordinate, the manager continues to be responsible for making sure that his/her instructions are carried out. The organization is said to be **centralized** when the authority to take decisions is held by the corporate office. If the authority is delegated to the regional offices, then the organization is said to be **decentralized**.

## EMPOWERMENT

Empowerment means authority or power given to someone to do something. A management practice of sharing information, rewards, and power with employees so that they can take initiative and make decisions to solve problems and improve service and performance.

Empowerment is based on the idea that giving employees skills, resources, authority, opportunity, motivation, as well as holding them responsible and accountable for outcomes of their actions, will contribute to their competence and satisfaction.

Strategies to empower:

- 1. Foster open communication:** bottom-up open communication is much more powerful when compared to top-down communication. In open communication, employees can present their thoughts, feelings and observations easily and regularly. Use the feedback effectively and constructively. Never think of antagonizing employees for their criticism. Appreciate and reward the new ideas. Focus on creativity and innovation so that the organization becomes a buoyant one with a higher degree of new thinking and different perspectives.
- 2. Reward self-improvement:** To overcome complacency and stagnation among the employees, encourage and reward them for self-improvement, have budget and time in place for personal



development and training. Motivate employees to set a plan for growth and reward them as they advance. This is one sure way of creating leadership opportunities.

**3. Let the employees experiment on a continuous basis.** Even if they fail, keep on encouraging them to move forward. They should not feel that failure will cost their future. This

makes them more risk averse. Promote an environment where they can try new things while protecting the interests of the organization. Develop laboratory environment to test new ideas and learn from the failures, if any. Unless the employees will gain understanding and feel comfortable, they cannot focus on testing their new ideas on the field and bring innovation in the organizational perspectives. Exhibit high degree of trust and support in the employees' ability to accomplish a work assignment.

**4. Provide sufficient authority:** Delegate adequate authority so that the employees can develop the feeling of – I can do my job| and then address every problem in their work front. Further, give them ideas to experiment. Give them every opportunity to clearly understand the core values, purpose and direction of the company so that they can easily make consistent decisions and take appropriate action at any junction. Promote share vision to develop leadership across cadres.



**5. Encourage to work beyond the given role:** the vision of each job needs to be articulated. The employees need to think beyond their job roles and description within their functional areas so that they bring dynamism into their own well defined roles. Also support their independence in the job roles by providing necessary skills and resources.

**6. Fix accountability for results:** To understand the consequences of failures and need for making an extra effort, every employee need to be held accountable for results. Also keep appreciating and reward their efforts through consistent and diligent measurement of performance for their high morale.

organization. Centralization is a process where the concentration of decision making is in a few hands; All the important decisions and actions at the lower level, are subject to the approval of top management.

Benefits:

1. Centralization offers a simple, easier-to-manage system.
2. It improves efficiency by taking advantage of potential economies of scale.
3. It brings groups together to create order and enforce uniformity in the policies, practices, procedures and process.
4. It avoids the waste of money on duplicate systems, extra work, and manual processes.
5. Direct and close control on operations.



## CENTRALIZATION

Centralization is the degree to which decision-making is concentrated at upper levels of the organization. Centralization is a process where the concentration of decision making is in a few hands; All the important decisions and actions at the lower level, are subject to the approval of top management.

### Benefits:

6. Centralization offers a simple, easier-to-manage system.
7. It improves efficiency by taking advantage of potential economies of scale.
8. It brings groups together to create order and enforce uniformity in the policies, practices, procedures and process.
9. It avoids the waste of money on duplicate systems, extra work, and manual processes.
10. Direct and close control on operations.



## DECENTRALIZATION

Decentralization is the degree to which lower-level employees are given authority to make decisions except that which can only be exercised at central points. Decentralization is simply a matter of dividing up the managerial work and assigning specific duties to the various executive skills. Decentralization is a systematic delegation of authority at all levels of management and throughout the organization. Authority is retained by the top management for taking major decisions and framing policies concerning the whole concern. –Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization.

### Benefits:

1. It promotes efficiency as a result of faster decision making. The branches are empowered to take decisions within the given framework.
2. It improves speed and flexibility by reorganizing to increase local control and execution of a service.
3. It breaks away from frustrating bureaucratic ways of traditional systems.
4. In case of adversity or crisis, the damage can be confined to a given zone. The operations of other zones are not affected.
5. Improves scope for customization.



## RECENTRALIZATION

Recentralization is the process of taking back the authority from the divisions or departments where the purpose of decentralization is not achieved. If the situation so demands, the top management may hold back the power or authority from the lower level managers which were earlier decentralized. Since business conditions are volatile and uncertain, the process of decentralization may not yield the expected results. In cases where there are many complaints

from the customers or vendors, the head office may roll back the authority delegated to the branch offices. Where decentralization has failed, the head office institutes a detailed enquiry, call for all the reasons of failure, analyze how it can be corrected and identify who has to be trained further to improve the service quality. Once the corporate office feels that situation is under control and the divisional office is fully geared up to handle the situation competently, then the authority can be delegated back.

### Benefits:

1. It offers scope for the managers to correct the situation instantly.
2. It improves the confidence level of the stakeholders.
3. The head office can take stock of the situation and decide the next best course of action.
4. It is quick response tool to uphold service quality by improving leadership competence, staff motivation, improve service delivery by addressing the delays and increased bureaucracy.



## ORGANIZATIONAL CULTURE

To understand the meaning of organizational culture, we must first understand the meaning of culture. –Culture is the set of important understandings that members of a community share in common. It consists of a basic set of values, ideas, perceptions, preferences, concept of morality, code of conduct etc, which create a distinctiveness among human groups. In simple words, we can say that –culture is a combination of factors that are learned through our interaction with the environment during our developmental and growth years.

Organizational culture is the set of assumptions, beliefs, values, customs, traditions and norms that are shared by the members of an organization. It may be consciously created by its key members, or it may have simply evolved over time. It represents a key element of the work environment in which employees perform their jobs. A culture may exist across an entire organization, or it may refer to the environment within a single division, branch, plant, or department. The idea of organizational culture is somewhat intangible, for we cannot see it or touch it, but it is present and pervasive. Like the air in a room, it surrounds and affects everything that happens in an organization. Because it is a dynamic systems concept, culture is

also affected by almost everything that occurs within an organization. They give an organizational identity to employees – a defining vision of what the organization represents. They are also an important source of stability and continuity to the organization which provides a sense of security to its members. Also called corporate culture, it's shown in



- 1) The ways the organization conducts its business, treats its employees, customers, and the wider community,
- 2) The extent to which freedom is allowed in decision making, developing new ideas, and personal expression,
- 3) How power and information flow through its hierarchy, and
- 4) How committed employees are towards collective objectives.

It affects the organization's productivity and performance, and provides guidelines on customer care and service, product quality and safety, attendance and punctuality, and concern for the environment.

#### Characteristics of Organizational Culture

- 1. Individual Autonomy:** The degree of responsibility, freedom and opportunities of exercising initiative that individuals have in the organisation.
- 2. Structure:** The degree to which the organisation creates clear objectives and performance expectations. It also includes the degree of direct supervision that is used to control employee behaviour.
- 3. Management Support:** The degree to which, managers provide clear communication, assistance; warmth and support to their subordinates.
- 4. Identity:** The degree to which, members identify with the organisation as a whole rather than with their particular work group or field of professional expertise.
- 5. Performance Reward System:** The degree to which reward system in the organisation like increase in salary, promotions etc. is based on employee performance rather than on seniority, favouritism and so on.



**6. Conflict Tolerance:** The degree of conflict present in relationships between colleagues and work groups as well as the degree to which employees are encouraged to air conflict and criticisms openly.

**7. Risk Tolerance:** The degree to which, employees are encouraged to be innovative, aggressive and risk taking.

**8. Communication Patterns:** The degree to which, organisational communications are restricted to the formal hierarchy of authority.

**9. Outcome Orientation:** The degree to which, management focuses on results or outcomes rather than on the techniques and processes used to achieve these outcomes.

**10. People Orientation:** The degree to which, management decisions take into consideration the impact of outcomes on people within the organisation.

## ORGANIZATIONAL CLIMATE

Basically, the organisational climate reflects a person's perception of the organisation to which he belongs. It is a set of unique characteristics and features that are perceived by the employees about their organisations which serves as a major force in influencing their behaviour.

The term, 'Organisational climate' is defined as a relatively enduring quality of the internal environment of an organisation as perceived and experienced by its members, which can be described in terms of specific dimensions or characteristics and which influences the patterns of behavior and work performance of members. Organisation climate evolves over a fairly long period of time and is relatively stable. Since the dimensions of climate are internal, they can be measured, controlled and changed by the organisation, if it so decides. Organisational climate is the major frame of reference for the member's interpretation of organisational decisions and actions as also their own attitudes, behaviour and performance.

According to Forehand and Gilmer, "Climate consists of a set of characteristics that describe an organisation, distinguish it from other organisations are relatively enduring over time and influence the behaviour of people in it."

### Characteristics

- a) Organisational values, goals and priorities which are pursued in practice as against those which are professed.
- b) Managerial value systems and life styles.
- c) Competence, character, commitment and dynamism of management.
- d) The complexion of organisational policies and practices and the consistency.
- e) The power structure - The extent of concentration or dispersal of authority.
- f) General organisational structure-hierarchy, rigidity vs. flexibility, clarity of the structure,

communication and control systems, superior-subordinate relations, informal social relationships, etc.

- g) Nature of jobs – degree of skill required, relation between effort and productivity, variety in the tasks, perceived importance of the job, rewards associated with the job, relation with other jobs, security and so on.
- h) Degree of freedom and control – requirements of conformity and compliance to organisational norms and the extent to which behaviour of employees is structured.
- i) Supervisory style – attitudes and behaviour of supervisors and managers towards their subordinates and towards performance requirements.
- j) Reward structure – reward levels and interrelations, equity in reward structures, monetary and non-monetary rewards.
- k) Organisational approach to conflict and dissent, amicable resolution or suppression of conflict.
- l) The physical working conditions in the organisation.

#### Factors Affecting Organisational Climate

-Factors affecting organizational climate differ from organization to organization. In some organizations certain factors like structure, or process plays a major role and in some other organizations, technology might be the major factor influencing the climate. However the major factors, according to Lawrence James and Allan Jones affecting the organizational climate can be grouped under the following heads:

- 1. Organizational content:** The reactions of the employees and the degree to which they welcome and accept the managerial philosophy is very crucial to the development of sound and favorable organizational climate.
- 2. Structure:** Structure is the framework that establishes formal relationship and delineates authority and functional responsibility. It is generally believed that decentralized structure results in



sound climate.

Before understanding the meaning of organizational climate, we must first understand the concept of climate. Climate in natural sense is referred to as the condition of the weather at a place in a particular period of time and it consists of temperature, wind, velocity and precipitation.

The concept of organisational climate was formally introduced by the human relationists in the late 1940s. Some persons have used organisational culture and organisational climate interchangeably. But there are some basic differences between these two terms. According to Bowditch and Buono, –Organisational culture is connected with the nature of beliefs and expectations about organisational life, while climate is an indicator of whether these beliefs and expectations are being fulfilled. Climate of an organisation is somewhat like the personality of a person. Just as every individual has a personality that makes him unique and different from other persons. Each organisation has an organisational climate that clearly distinguishes it from other organisations.



**3. Process:** In every organization certain processes are vital so that it functions. Communication, decision making, motivation and leadership are some of the important processes through which management achieves the tasks. For instance, if we consider leader-follower relationship, leadership process, it is leader's choice whether to allow subordinates in decision-making, give assignments, etc. A leader has to be aware of the possible influence of his actions on the climate while deciding about the most appropriate supervisory technique for a given situation.

**4. Physical Environment:** the external conditions of environment, the size, location of the work place etc., will also affect organizational climate. An employee performing his job in relatively clean, quiet, safe environment will undoubtedly have a favorable perception of the organizational climate.

**5. System Values and Norms:** Every organization has discernible and fairly formal value system where certain kinds of behaviors are rewarded and encouraged and certain kinds of behavior forces an individual to formal sanctions. The formal value system is communicated to employees through rules, regulations and policies. But informal value system is very difficult to ascertain. But both exert influence on organizational climate

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### ORGANIZATIONAL CHANGE

Changes are taking place all around without exception. It is but natural that everything changes over time. What remains constant is change itself? Therefore, it's the responsibility of the manager to appreciate the change, assess its impact on the organization and prepare to adopt it, if necessary. Depending on the magnitude of change, it may impact an individual, a group, structure, process and subsystems. By scanning the environment and deciphering how changes in the environment are likely to widen the gap between desired and actual state of affairs of organization such as productivity, customer and employer satisfactions, the degree and impact of change could be gauged. Manager can be a change agent by introducing planned changes in the organization.

### Meaning

The term change in the organization context refers to any alteration that occurs in the work environment. Planned changes mean those changes which are effected in a planned manner after assessing the need for change and working out the details as to when and how they will be carried out. A planned change is also called *proactive change*. In contrast, reactive change is the one which takes place in random fashion as a crisis situation develops. For proactive or planned change to be initiated, manager shall be sensitive to the environmental changes affecting the organization so that organizational crisis situations can be averted.



Organizational change is the process by which organization move from their present state to some desired future state to increase effectiveness. When an organization system is disturbed by

some internal or external forces, change frequently occur or any alteration which occur in the overall work environment of an organization.

Organizational change is both the process in which an organization changes its structure, strategies, operational methods, technologies, or organizational culture to affect change within the organization and the effects of these changes on the organization. Organizational change can be continuous or occur for distinct periods of time.

#### Characteristics

- a) Change happen for the pressure or both internal and external forces in the organization.
- b) Change in any part of the organization affect the whole organization.
- c) Change may affect people, structure, technology and other elements of the organization.
- d) Change also affects the rate of speed and degree of effectiveness of the organization.
- e) Change may be reactive or proactive.



### Steps to Organizational Change management

- 1) **Clearly define the change and align it to business goals:** It is one thing to articulate the change required and entirely another to conduct a critical review against organizational objectives and performance goals to ensure the change will carry your business in the right direction strategically, financially, and ethically. Here key questions are: What do we need to change?. Why is this change required?.
- 2) **Determine impacts and those affected:** Once you know exactly what you wish to achieve and why, you should then determine the impacts of the change at various levels. Review the effect of change on each business unit and how it cascades through the organizational structure to the individual. Here key questions are: What are the impacts of the change?. Who will the change affect most?. How will the change be received?.
- 3) **Develop a communication strategy:** Determine the most effective means of communication for the group or individual that will bring them on board. The communication strategy should include a timeline for how the change will be incrementally communicated, key messages, and the communication channels and mediums you to use. Here key questions are: How will the change be communicated?. How will feedback be managed?. Who are to be most communicated?. What is the communication process?.
- 4) **Provide effective training:** With change message out in the open, it is important to provide training to the employees regarding the changes made in the organization. Training may be for skills and behavior. Here key questions are: What behaviors and skills are required to achieve business results?. What training delivery methods will be most effective?.



- 5) **Implement a support structure:** Providing a support structure is essential to assist employees to emotionally and practically adjust to the change and to build proficiency of behaviors and technical skills needed to achieve desired business results. Here key questions are: Where is support most required?. What types of support will be most effective?.
- 6) **Measure the change process:** Throughout the change management process, a structure should be put in place to measure the business impact of the changes and ensure that continued reinforcement opportunities exist to build proficiencies. Here key questions are: Did the change assist in achieving business goals?. Was the change management process successful? What could have been done differently?.

### Pressures for Change

The need for change exists when the manager finds that the goals are not being achieved. Thus, tension points in the organization are identified when the gap between the desired and the actual results is noticed. Such gaps could occur due to certain changes. In other words, these changes are precursors for organizational change, which are explained in below.

**1. Labor market Environment:** The work force composition is fast changing with increasing proportion of the woman, minorities, physically challenged. For instance, in India the work force diversity, of late is something unseen before. Human resource management policies will have to change to attract, maintain a diverse work force. Increasing participation of woman means dual-career couples. So organizations have to change their transfer and promotional policies as well as provide child and elder care facilities.

**2. Technological developments:** Changes in technology bring in their wake corresponding changes in the nature of the work. Computers, telecommunication systems, robotics, and flexible manufacturing systems are some of the 21st century changes that have brought unimaginable



changes at work place with respect to the time, comfort required for the execution of tasks. With changing technologies employees skills become obsolete.

**3. Economic conditions:** This is an age of discontinuity. To mention a few, oil shocks, accelerated inflation and interest rates, the stock market crashes, currency devaluation, etc., hit some industries and firms much harder than others. Globalization of markets is yet another significant change. The problem with these shocks is that it is impossible to predict what the future shocks will be and from where they come from.

**5. Work place diversity:** Emergence of global markets, mobility of factors of production across the globe, integration of economic systems imposes certain demands on employees who have to interact with people in other countries and work with persons brought up in different cultures. Business organizations, therefore, have to prepare the work force which could perform and feel at home regardless of the place of work and the composition of work teams.

**6. Competition:** Competition is intensifying by the day in every product category. Businesses also in line with the changed realities and compulsions need to address themselves to the global context.

## HUMAN RESOURCE MANAGEMENT

Human resources are the people who work for the organization. It is an asset to the organization like factory, machinery and cash. HRM is concerned with management of people from recruitment to retirement. Human Resource management is the body of knowledge and a set of practices that define the nature of work and regulate the employment relationship. HRM is the function within an organization that focuses on recruitment, management and providing direction for the people who work in the Organization.

HRM refers to the process of acquiring, training, appraising and compensating employees and of

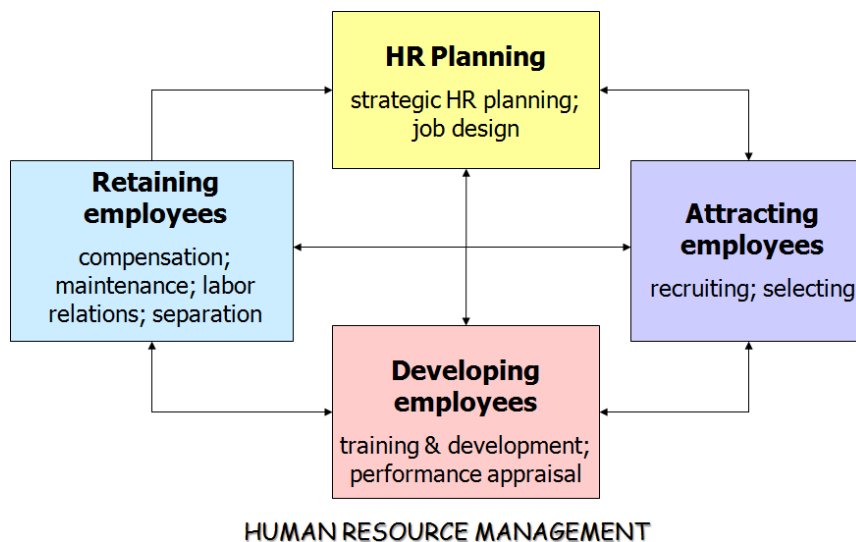


attending to their labour relations, health and safety and fairness concerns. The HRM process consists of planning, attracting, developing, and retaining the human resources (employees) of an organization.

According to Flippo — -Personnel management is the planning, organizing, compensation, integration and maintenance of people for the purpose of contributing to organizational, individual and societal goals.¶

Objectives:

- 1) To help the organisation to attain its goals effectively and efficiently by providing competent and motivated employees.
- 2) To utilize the available human resources effectively.
- 3) To increase to the fullest the employee\_s job satisfaction and selfactualization.
- 4) To develop and maintain the quality of work life (QWL) which makes employment in the organization a desirable personal and social situation.
- 5) To help maintain ethical policies and behavior inside and outside the organization.
- 6) To establish and maintain cordial relations between employees and management.
- 7) To reconcile individual/group goals with organizational goals.



### TALENT MANAGEMENT

**What is talent?:** According to Mckinsey, talent is the sum of person's ability, intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character, ability to learn and grow.

Talent Management, as the name itself suggests is managing the ability, competency and power of employees within an organization. The concept is not restricted to recruiting the right candidate at the right time but it extends to exploring the hidden and unusual qualities of your employees and developing and nurturing them to get the desired results. Hiring the best talent from the industry may be a big concern for the organizations today but retaining them and most importantly, transitioning them according to the culture of the organization and getting the best out of them is a much bigger concern.



Talent Management in organizations is not just limited to attracting the best people from the industry but it is a continuous process that involves sourcing, hiring, developing, retaining and promoting them while meeting the organization's requirements simultaneously. For instance, if an organization wants the best talent of its competitor to work with it, it needs to attract that person and offer him something that is far beyond his imagination to come and join and then stick to the organization. Only hiring him does not solve the purpose but getting the things done from him is the main task. Therefore, it can be said that talent management is a full-fledged process that not only controls the entry of an employee but also his or her exit.

We all know that it's people who take the organization to the next level. To achieve success in business, the most important thing is to recognize the talent that can accompany you in achieving your goal. Attracting them to work for you and strategically fitting them at a right place in your organization is the next step. It is to be remembered that placing a candidate at a wrong place can multiply your problems regardless of the qualifications, skills, abilities and competency of that person. How brilliant he or she may be, but placing them at a wrong place defeats your sole purpose. The process of talent management is incomplete if you're unable to fit the best talent of the industry at the place where he or she should be.



The concept, Talent Management (TM) refers to the forecasting and planning of required human capital for an organization. The term was coined by McKinsey & Company. TM is an organization's ability to recruit, retain, and produce the most talented employees available in the job market. Talent consistently uncovers benefits in the critical areas such as revenue, customer satisfaction, quality, productivity, cost, cycle time, and market capitalization.

Talent Management is the process of creating a high quality, highly engaged workforce by hiring, retaining, deploying, and engaging talent at all cadres and it has been the source of generating inimitable competitive advantage for the organization. Since the talent is a scarce resource, it must be managed effectively and efficiently.

According to Bersin, TM is defined as the implementation of integrated strategies or systems designed to improve processes for recruiting, developing, and retaining people with the required skills and aptitude to meet current and future organizational needs.

#### Merits of Talent Management

- 1) **Employee Motivation:** A survey conducted by Chandler and Macleod revealed that about 90% of employees wanted more than just money to feel engaged and motivated. And TM cannot motivate such people as it recognized the talent.
- 2) **Higher level business performance as it attracts top talent:** The very reason of existence of TM is attracting the top talent. So it is obvious to result in higher level of business performance.
- 3) **No problem in critical roles:** An organization will have a continuous flow of employees to fill critical roles if TM is adapted. This ensures smooth running of operations and clients and stakeholders are satisfied.
- 4) **No burden to employees:** Since the roles are fixed, the employees are not overburdened, which eventually lead to happy employment.

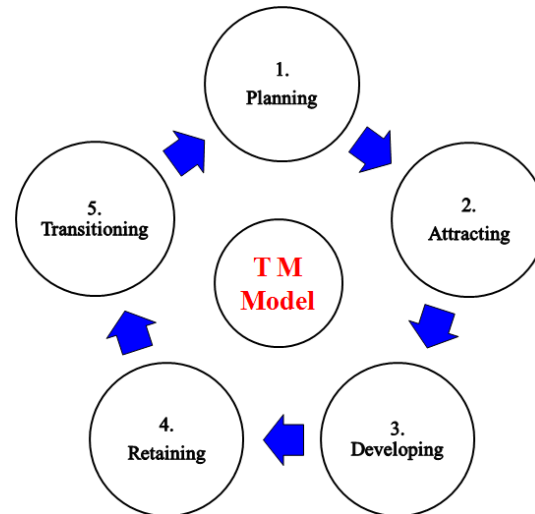


- 5) **Increased employee performance:** Identified ‘good fit’ employees, exhibition of talents are embedded in organizational strategy. This reduces performance management issues and grievances.
- 6) **Less employee turnover:** As long as talent is recognized, the top talent within the organization tends to stay longer. Thence, it will ensure less employee turnover.
- 7) **Engaged employees:** As there is fair process for development, employees feel more engaged which in turn increases retention rates and there will not be any fear of employee retrenchments.
- 8) **Reduced cost of recruitment:** The employee retention leads to reduced requirements so, an organization saves on recruitment and performance management costs in the long run.
- 9) **Higher client satisfaction:** When systems are more integrated, client satisfaction rates are usually higher, since they are dealing with less people and their needs are met faster.
- 10) **Strong and trusted organization culture:** The successful organizations like Apple, Google have a strong organization cultures whose employees do not just work for a pay-cheque, but for sharing and caring of their talents.

#### TALENT MANAGEMENT MODEL

Talent management can include; talent acquisition (and recruitment), learning and development, organizational values and vision, performance management, career pathways and succession planning.

While there are many talent management models, the elements of talent management can generally be categorized into five areas; planning, attracting, developing, retaining and transitioning.



1. **Planning:** Prior to developing the workforce plan, an evaluation of previous initiatives, an assessment of the workforce profile and talent performance and the behaviors to date, are carried out. A workforce plan is then developed based on the current workforce situation and the future desired state. The workforce plan ensures that the right people, at the right time and with the right skills are employed and working towards the strategy. In other words, the workforce plan translates business strategy into organisational talent needs. The planning stage of talent management is comprised of 3 key areas.

1. Understanding the organisational/business strategy
2. Evaluation and measurement/analytics
3. Developing a Workforce Plan



2. **Attracting:** Organizations that understand what their value is to potential employees, will often develop an Employee Value Proposition (EVP). The EVP articulates to employees a realistic, yet aspirational statement of the value the organisation can offer to an employee. An example EVP from Hubspot is:

-We're building a company people love. A company that will stand the test of time. So we invest in our people, and optimize for your long term happiness!. Attracting Involves:

1. Employee Value Proposition
2. Marketing
3. Talent acquisition
4. Consultants/Freelancers

3. **Developing:** Development of talent can include; leadership development, emerging leaders, technical development, team building or team development days, project work and on the job development. Developing Involves:

1. On-boarding
2. Performance Appraisals/Management
3. Learning and Development
4. Capability frameworks



5. Career pathways

4. **Retaining:** Culture is a continuous commitment and can be changed over time. This then ties into how attractive an organisation is to potential candidates, and retention rates of current employees as well as to how well the organization's clients are dealt with and therefore business performance overall.

Based on the workforce plan, an organisation can identify what their remuneration strategy must be, in order to attract and retain the talent they require to achieve business goals. Talent management involves the strategic use of recognition and rewards and is usually tied to identification of high performers and high potentials, as well as critical and highly specialized roles.

The importance of retaining top talent is critical because it can save on additional recruitment costs associated with hiring new employees, it can also save on the time it takes for a new employee to learn the job and start performing. Retaining Involves:

1. Culture
  2. Remuneration strategy
5. **Transitioning:** Succession planning is part of the workforce plan, and can take place prior to talent acquisition, however it can also be done when there have been unexpected changes in the workforce. Succession planning is a proactive measure and takes into account the amount of time required to develop talent for a particular role, or to bring someone in externally. It will usually involve the assumption that a particular role will become vacant within the next few years, either because of retirement, the nature of the role having high turnover, or it being a stepping stone type of role.

During the analysis of the workforce profile, if an ageing workforce is identified, appropriate measures would be put in place to plan ahead for retirement of such talent. This could be in the form of transition contracts, such as working part-time for several years, or taking on different



responsibilities for health reasons (if required). Again, having this knowledge in advance to talent retiring, means that as an employer, an organisation can be proactive and plan ahead for

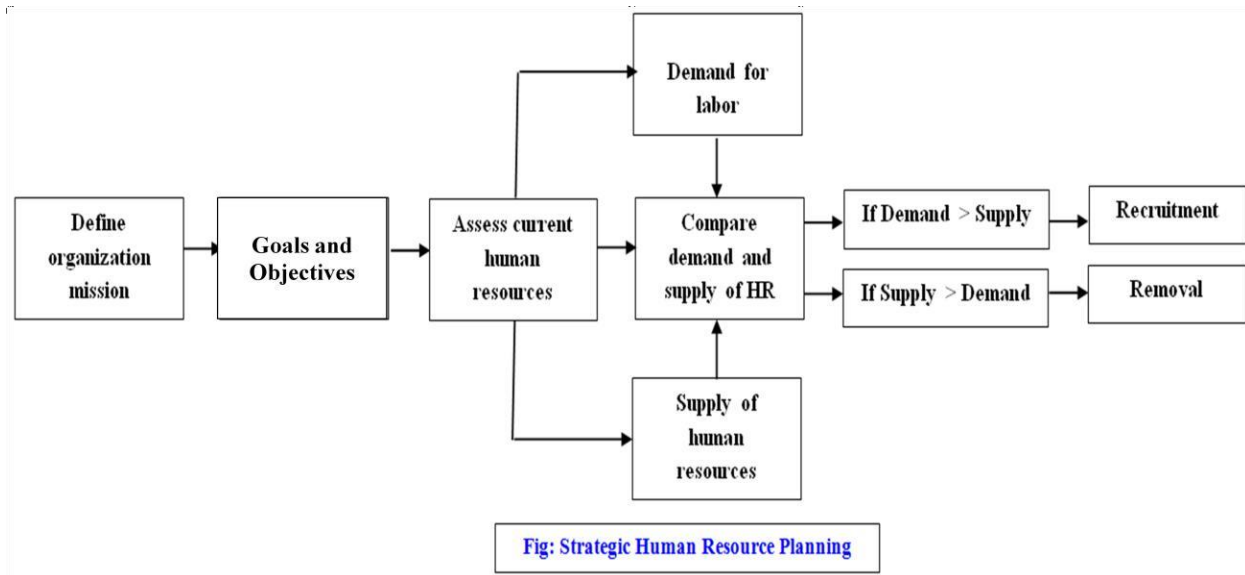
gaps in critical roles that will become available and can also support their employees in planning ahead for their future. Transitioning Involves:

1. Succession planning
2. Internal mobility
3. Retirement
4. Knowledge management
5. Exit interviews

#### STRATEGIC HUMAN RESOURCE PLANNING

In order to improve the strategic alignment of staff and other resources, it's essential to understand how a strategic HR planning process works. At its most basic level, strategic human resources planning ensures adequate staffing to meet your organization's operational goals, matching the right people with the right skills at the right time.

It's important to ask where your organization stands currently and where it is going in order to remain flexible. Each company's plan will look slightly different depending on its current and future needs, but there is a basic structure that you can follow to ensure you're on the right track



1. **Mission:** A mission statement defines what business the organization is in, including why it exists and who its customers are.
2. **Strategic goals/objectives:** Set by senior management to establish targets for the organization to achieve. Generally defined for the next 5-20 years.
3. **Assess current HR:** Gap or SWOT (Strengths-Weaknesses-Opportunities-Threats) analysis determines what is needed to meet objectives. HRM determines what knowledge, skills and abilities are needed by the organization's human resources.
4. **Determining the Demand for Labor:** A human resource inventory can be developed to project year-by-year estimates of future HRM needs for every significant job level and type. Forecasts must be made of the need for specific knowledge, skills and abilities.
5. **Predicting the Future Labor Supply:** A unit's supply of human resources comes from new hires - contingent workers transfers - individuals returning from leaves.



6. **Matching Labor Demand and Supply:** For employment planning, compare forecasts for demand and supply of workers.
7. **Recruitment or Removal:** if demand exceeds supply, recruit the employees. If supply exceeds demand, remove the employees.

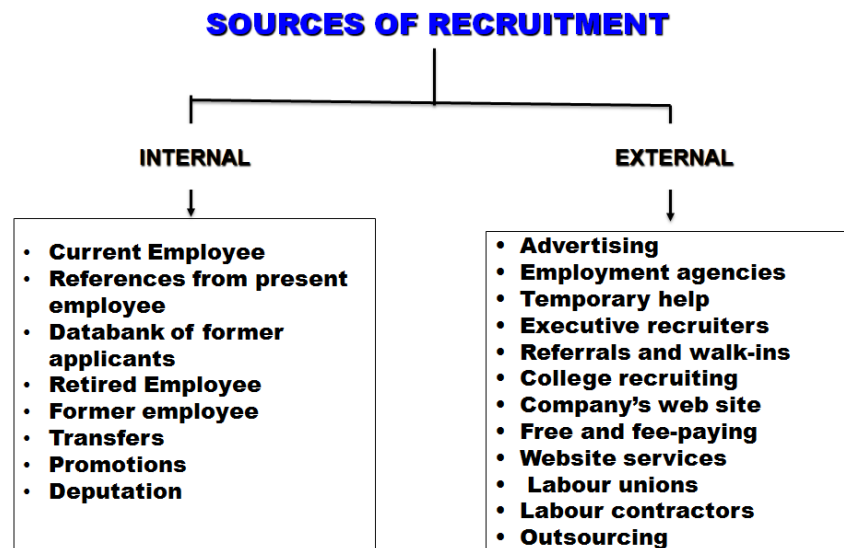
## RECRUITMENT

It is the process of finding and attracting capable applicants for employment. The process begins when new recruits are sought and ends when their applications are submitted. The result is pool of applicants from which new employees are selected.

Prior to initiating a recruitment procedure, the following matters should be considered:

1. Clarification of the scope and skill sets required to successfully perform the duties of the position
2. Review of the Job Fact Sheet or Position Description to ensure that the skills and abilities required coincide with the current expectations of the position. If they do not, then a position evaluation should be undertaken.
3. Review of the compensation available to the position (i.e. salary and benefit plans, etc.)

4. Analysis of the impact that the hiring will have on the budget.



## SELECTION

The process of identifying the most suitable persons for the organization is called selection. The main purpose of selection is to choose the right person for the right job. The job analysis, job description, and job specifications are carried out before the position is advertised. These provide adequate insight about nature of the job, its description, and its specifications, and further focus on what type of person is to be selected for a given position. The selection of a candidate with the right combination of education, work experience, attitude, and creativity will not only increase the quality and stability of the workforce, it will also play a large role in bringing management strategies and planning to fruition.



Selection process involves the following stages:

1. Initial screening/Short listing
2. Comprehensive application/bio data screening
3. Aptitude or written tests
4. Group discussion
5. Personal interviews
6. Medical examination
7. Employment offer letter

#### TRAINING AND DEVELOPMENT

**Meaning of Training:** Training is short-term process of utilizing systematic and organized procedure by which the staff acquires specific technical knowledge and functional skills for a definite purpose. The focus of training is the job or task. Training means organized activity aimed at imparting information/instructions to improve the recipients' performance.

Methods of Training:

- A) On-the job training methods:** It is learning by physically doing the work. The focus here is to provide specific skills in a real situation. These methods include:
- 1) Job instruction training:** This is a method used for such jobs which can be performed with relatively low skill. Here, the trainees systematically acquire skills by following routine instructions in key processes from a qualified instructor.



2) **Experiential learning (Learning By Doing):** This is a modern approach to the learning process. This method is more used for training the senior executives. It is a technique, which empowers the manager-trainee with the freedom of choice to act upon and the capacity to initiate, rather than simply respond, to circumstances.

3) **Demonstration:** Here, the work procedures are demonstrated to the trainees. Each of the trainees is asked to carry out the work, on a sample basis, based on his/her observation and understanding of the demonstration.

4) **Apprentice training:** It is a combination of on the job and class-room training wherein the workers get the knowledge about job in the class-room and then they are required to perform the same in the work place for a brief period ranging from three months to one year, depending upon the complexity of the training.

**B) Off-the job training methods:** provide a relatively broad idea relating to a given job or task. These are meant for developing an understanding of general principles, providing background knowledge, or generating an awareness of comparative ideas and practice. These methods include:



- 1) **Lectures/talks and class room instructions:** These techniques are designed to communicate specific interpersonal, technical, or problem-solving skills. Here, the trainer can maintain a tight control over learning. However, this method restricts the trainee's freedom to develop his/her own approaches to learning.
- 2) **Conferences:** Conferences refer to get-together of the experts from different areas of a given topic. These experts present their views based on their work experience and research results. When employees participate in such events they get a feel of the real world.
- 3) **Seminars:** Seminars are held periodically by the professional organisations for the benefit of all the practicing managers by taking into consideration the recent advances in a specialized area.
- 4) **Team discussions:** This technique develops team spirit among the executives from different departments. It also enables them to understand and appreciate each other's problems.
- 5) **Case study:** This technique helps to provide an understanding of what has gone wrong in a particular case, such as Kingfisher Airlines (Vijay Malya) case. Similarly, what are the factors responsible for the success of organizations such as Reliance or Hindustan Lever. Case study technique is a very good method of learning the principles and concepts.
- 6) **Role-playing:** The participants are assigned roles and are asked to react to one another, as they would do in their managerial jobs. These roles are eventually exchanged.
- 7) **Programmed instruction:** It is a system of instruction within which pre-established subject matter is broken into small, discrete steps and carefully organized into logical sequence in which, it can be learned by the trainee. Each step is built upon the previous one. The



programmed instruction techniques can be in the form of programmed tests and manuals, or video displays.

For instance, withdrawal of money through automatic teller machines (ATMs) involves responding to programmed instructions; working on a personal computer or internet involves responding to a series of programmed instructions.

- 1) **Simulation exercises:** Simulate means to do or make something that looks real but is not real. Simulation is the process of designing a model of a real system and conducting a series of repeated trial and error experiments with this model for the purpose of understanding the system. These exercises include interactive exercises in which trainees practice their skills on working models or in mock situations based on real-life situations.
- 2) **Group decision-making:** Group decision-making refers to the process of making decisions based on the opinions expressed by all the concerned — may be subordinates, peers, or outside consultants.

**Meaning of Development:** Lot of time, training is confused with development; both are different in certain respects yet components of the same system. Development implies opportunities created to help employees grow. It is more of long term or futuristic in nature as opposed to training, which focus on the current job. It also is not limited to the job avenues in the current organisation but may focus on other development aspects also. Many organisations choose certain employees preferentially for programs to develop them for future positions. This is done on the basis of existing attitude, skills and abilities, knowledge and performance of the employee. Most of the leadership programs tend to be of this nature with a vision of creating and nurturing leaders for tomorrow.



The major difference between training and development therefore is that while training focuses often on the current employee needs or competency gaps, development concerns itself with preparing people for future assignments and responsibilities.

#### PERFORMANCE APPRAISAL

Performance appraisal is the process of measuring and evaluating the performance or accomplishments."Performance appraisal is the systematic description of an employee's jobrelevant strengths and weaknesses.—

In a Performance appraisal, the employee's merits such as initiative, regularity, loyalty, personality, etc., are compared with others. Then each employee is rated or ranked. That is, he is given a particular rank such as First Rank, Second Rank, etc. So if an employee has the best attendance then he is given First Rank in attendance and so on.

Why should we appraise the performance?.-

1. To assess the employee's present level of performance
2. To identify the strengths or weaknesses of individual employee
3. To provide feedback to the employee so that he can improve his/her performance
4. To provide an objective basis for rewarding the employees for their performance
5. To motivate those employees who perform
6. To check and punish those employees who fail to perform
7. To identify the gaps in performance, and thus, assess training and development needs
8. To provide a basis for many other decisions such as fixation of incentives or increment, regularization or confirmation of the services of the employee, promotion, transfer or demotion.



## Methods of Performance Appraisal

**1. Ranking method:** Ranking Method is simplest, oldest and most conventional method of merit rating. In this method, a list is prepared for ranking the workers in order of their performance so that an excellent employee is at the top and the worst at the bottom. This technique is used in enterprises where there are few workers.

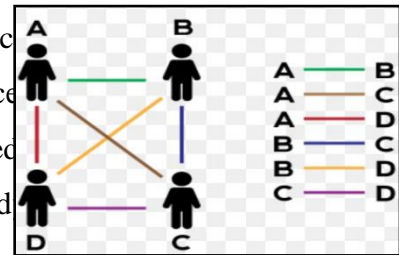
**Example:** If there are ten workers in the working group, the most efficient worker is ranked as number one and the least efficient worker is ranked as number ten.

**2. Paired comparison method:** Here, every employee is compared with all others in a particular cadre in the department. By comparing each pair of employees, the rater can decide which of the employees is more valuable/better to the organization. The maximum number of pairs is obtained by the below formula:

Where  $N$  = Total No. of employees to be evaluated.

For example, if there are 4 employees, the total number of pairs will be  $4(4-1)/2 = 6$ .

**Example:** If there are 4 employees to be compared, A's performance is first compared with B to determine who has better performance then, A is compared with C and D and performance is recorded. Later, B is compared to C and D since he has been already compared with A. Afterwards, C is



compared with D. These comparison results are tabled and rank is assigned to each employee. There are 6 comparisons (or pairs) among A,B,C,D employees.

$$\text{No. of relationships/pairs} = \frac{N(N - 1)}{2}$$

**1. Rating scale:** A rating scale is a set of factors designed to elicit information about a quantitative or a qualitative attribute. Under rating scale, certain features like analytical ability, cooperativeness, dependability, job knowledge etc are selected for evaluation. The employees are given grades according to the judgment of the rater. The grades may be such as A-Outstanding, B-Very good, C- Good, D-Average etc. The actual performance of every employee is rated with various grades in the mind of the rater.

**2. Forced distribution method:** Some evaluators suffer from a constant error i.e., either they rate all workers as good, average are poor. They don't evaluate the employees properly. This system minimises rater's bias so that all employees are not equally rated. This system is based on the presumption that all employees can be divided into 5 categories i.e., Poor, Below average, Average, Good and Excellent. The main aim in this system is to spread ratings in a number of grades. It is useful only when the group of employees is large. The rater may be asked to rate all the employees as follows:

Poor 10%, Below average 20%, Average 40%, Good 20%, Excellent 10%.



**3. Narrative or essay method:** In this method, the supervisor writes a detailed description about the employee's performance, output, behaviours and traits etc. according to his perception. He may include in his report the strengths, weaknesses, and potential of the employee.

**4. Management by objectives (MBO):** Management by objectives (MBO) is a tool for performance management. The MBO technique requires the supervisor and the employee to develop and agree on realistic, achievable and measurable objectives; to determine how those objectives will be met; and to agree on how results will be measured. In a true MBO plan, strategic objectives are established for the organization and are then broken into divisional and departmental objectives, and finally into individual objectives. In this method, actual performance is evaluated.

## JOB EVALUATION

Job evaluation is an assessment of the value of various jobs on the basis of qualifications and skills required. It is the process of establishing the value/worth of jobs in a job hierarchy. The objective of job evaluation is to determine which jobs should get more pay than others. Job evaluation begins with job analysis and ends at that point where the worth of a job is ascertained for achieving pay equity between jobs.

The process of job evaluation may be divided into the following stages:

**1. Job Analysis: What is a job?:-** A job is described as a collection of tasks assigned to a position in an organization structure.



**What is Job Analysis?:-** Job Analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job. The immediate products of this analysis are job description and job specification.

Job analysis is the systematic study of jobs to determine what activities and responsibilities they include, their relative importance in comparison with other jobs. The personal qualifications necessary for performance of the jobs and the conditions under which the work is performed.

**2. Job Description:** Job Description is a list of job's duties, responsibilities, reporting relationship, working conditions, and supervisory responsibilities.

Job Description contents:

- Job Title
- Location
- Job summary
- Duties
- Machine tools etc
- Material etc
- Supervision
- Working condition
- Hazards



**3. What is Job Specification:** Job specification is a list of job's -human requirements|| that is, the requisite education, skills, personality and so on.

Job Specification contents:

- Education
- Experience
- Training
- Initiative
- Physical effort
- Responsibilities
- Communication skills
- Emotional characteristics
- Attitude

#### LABOUR TURNOVER

**What is Labour Turnover?:-** It refers to the number of employees leaving the organization as against the total number of employees on the pay roll per year. It is measured in terms of percentage as follows:

$$\text{Labour Turnover Rate} = \frac{\text{Number of employees leaving per year}}{\text{Total number of employees on pay roll per year}} \times 100$$



### INDUCTION (ORIENTATION)

The main idea of this function is to share the information about the facts of the company with the new employee so that they feel proud of their association with the company. At the time of getting inducted into the organization, the personnel manager provides orientation to the new employees about the profile of the organization, its business, its departments, and their job. This process is also called orientation or indoctrination because the new recruits are taught a particular belief or attitude with the aim that they would only accept that belief or attitude exclusively.

### PLACEMENT

**What is Placement?:-** After training, the employee is placed in his/her position under the charge of a manager. Placement is a process of assigning a specific job to each of the selected candidates. It involves assigning a specific rank and responsibility to an individual. It implies matching the requirements of a job with the qualifications of the candidate.

The personnel manager is to administer promotion/demotion or transfer among the workforce as per the needs of the organization.