

2nd Module

Organisation- an organised group of people with a particular purpose, such as business or government department

Nature of Organisation:

There are some common features of organisation through which a clear idea about its nature can be obtained. These are indicated below:

1. Process:

Organisation is a process of defining, arranging and grouping the activities of an enterprise and establishing the authority relationships among the persons performing these activities. It is the framework within which people associate for the attainment of an objective.

The framework provides the means for assigning activities to various parts and identifying the relative authorities and responsibilities of those parts. In simple term, organisation is the process by which the chief executive, as a leader, groups his men in order to get the work done.

2. Structure:

The function of organising is the creation of a structural framework of duties and responsibilities to be performed by a group of people for the attainment of the objectives of the concern. The organisation structure consists of a series of relationships at all levels of authority.

An organisation as a structure contains an **“identifiable group of people contributing their efforts towards the attainment of goals.”** It is an important function of management to organise the enterprise by grouping the activities necessary to carry out the plans into administrative units, and defining the relationships among the executives and workers in such units.

3. Dividing and Grouping the Activities:

Organising means the way in which the parts of an enterprise are put into working order. In doing such, it calls for the determination of parts and integration of one complete whole on the other. In fact, organisation is a process of dividing and combining the activities of an enterprise.

Activities of an enterprise are required to be distributed between the departments, units or sections as well as between the persons for securing the benefits of division of labour and specialisation, and are to be integrated or combined for giving them a commonness of purpose.

L. Urwick defines organisation as: ‘determining what activities are necessary to any purpose and arranging them as groups which may be assigned to individual.

4. Accomplishment of Goals or Objectives:

An organisation structure has no meaning or purpose unless it is built around certain clear-cut goals or objectives. In fact, an organisation structure is built-up precisely because it is the ideal way of making a rational pursuit of objectives. Haney defines organisation as: **“a harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes”**.

5. Authority-Responsibility Relationship:

An organisation structure consists of various positions arranged in a hierarchy with a clear definition of the authority and responsibility associated with each of these. An enterprise cannot serve the

specific purposes or goals unless some positions are placed above others and given authority to bind them by their decisions.

In fact, organisation is quite often defined as a structure of authority-responsibility relationships.

6. Human and Material Aspects:

Organisation deals with the human and material factors in business. Human element is the most important element in an organisation. To accomplish the task of building up a sound organisation, it is essential to prepare an outline of the organisation which is logical and simple. The manager should then try to fit in suitable men. Henry Fayol says in this connection: **“see that human and material organisations are suitable”** and **“ensure material and human order”**.

From these features of organisation, it emerges that, an organisation is essentially an administrative ‘process’ of determining what activities are necessary to be performed for the achievement of objectives of an enterprise, dividing and grouping the work into individual jobs and, a ‘structure’ of positions arranged in a hierarchy with defined relationships of authority and responsibility among the executives and workers performing these tasks for the most effective pursuit of common goals of the enterprise.

Principles of Organisation

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 Specialisation:

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 specialises 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. The ultimate aim of the concern can be achieved only if proper co-ordination is done for different activities.

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. Everybody's responsibility will become nobody's responsibility. 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. Moreover, the work to be supervised should be of the same nature. 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 is a like-hood of confusion and conflict. He gets contradictory orders from different superiors. This principle creates a sense of

responsibility to one person. The command should be from top to bottom for making the organization sound and clear. It also leads to consistency in directing, coordinating and controlling.

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. It is only the exceptional situations when attention of top management is drawn. This principle relieves top management of many botherations and routine things. 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's and duplication of efforts which may otherwise be avoided. It helps in smooth running of the organization.

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.

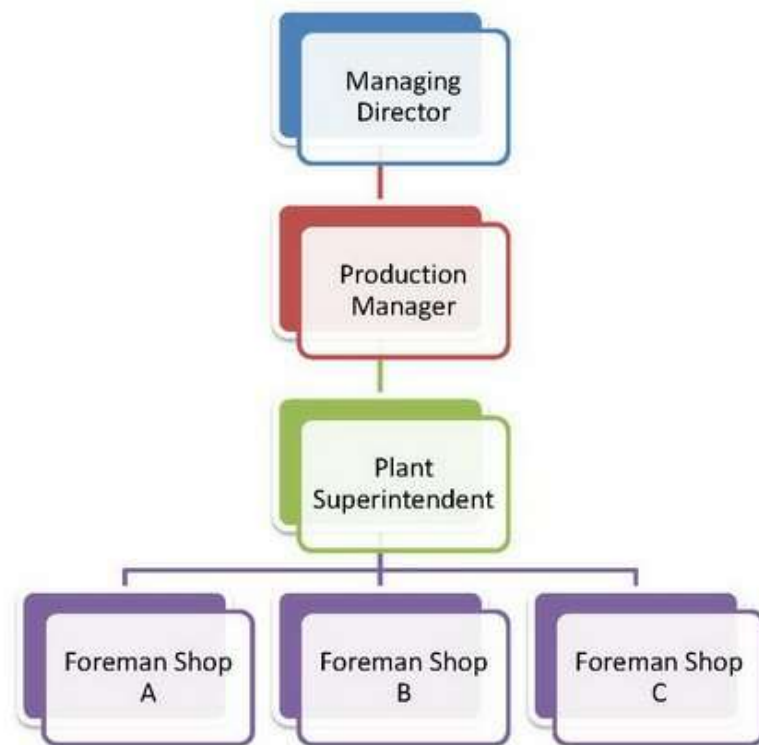
14. Scalar Principle:

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.

Types of Organisation

1. Line Structure Organization

Meaning of Line Structure Organization: – Line structure organization is the **simplest and oldest form** of organization structure. It is called as a **scalar type of military or divisional or organization**. Under this system, authority flows directly and vertically downward from the top of the managerial hierarchy to different levels of managers and subordinates, and down to the operative level of workers. It is also known as the chain of command or scalar principle.



Advantages of Line Structure Organization: –

- Simple to understand and simple to operate;
- Communication is fast and easy;
- Feedback can be acted upon faster;
- Responsibility is fixed and unified at each level and authority and accountability are clear-cut, hence each individual knows to whom he is responsible and who is or in truth responsible to him;
- Since it is especially useful when the company is small in size, it provides for greater control and discipline in the organization.
- It is a stable form of organization.

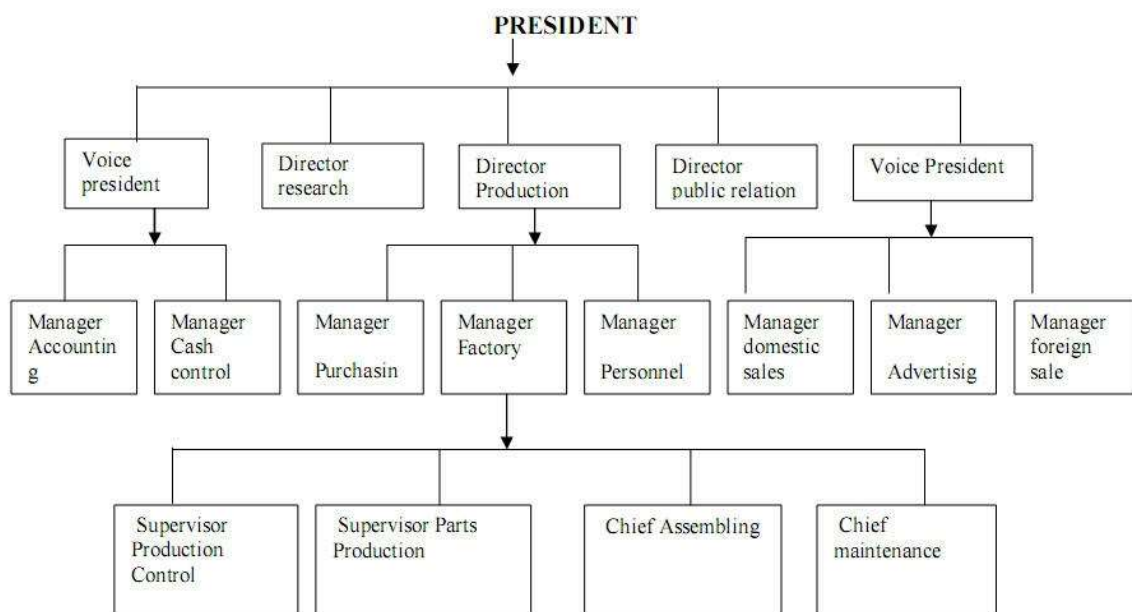
Disadvantages of Line Structure Organization: –

- It is a rigid and inflexible form of organization;
- Line authority has a tendency to become dictatorial;
- It overloads the executive with suppressive activities so that long-range planning and policy making are often neglected;
- A line organization can suffer from a lack of specialization. This is because each department manager is concerned only with the activities of his own [department](#).
- Different departments may be more interested in their interests rather than overall organizational interests and welfare;
- This is likely to encourage nepotism;

- It might stop progress and prevent the unit to work effectively.
- It does not provide any means by which a good worker can be rewarded and a bad one can be punished.

2. Line and Staff Organization

Meaning of Line and Staff Organization: – Line and staff organization, in management, approach authorities (For example: – managers) **establish goals and instructions** that are then met by employees and other workers. A line and staff organizational structure attempts to present a large and complex enterprise in a more flexible way without sacrificing managerial authority. Staff groups support those who are engaged in the central productive activity of the enterprise. They back up their work. Staff groups help the organisation in analysing, researching, counselling, monitoring, and in evaluating activities.



Advantages of Line and Staff Organization: –

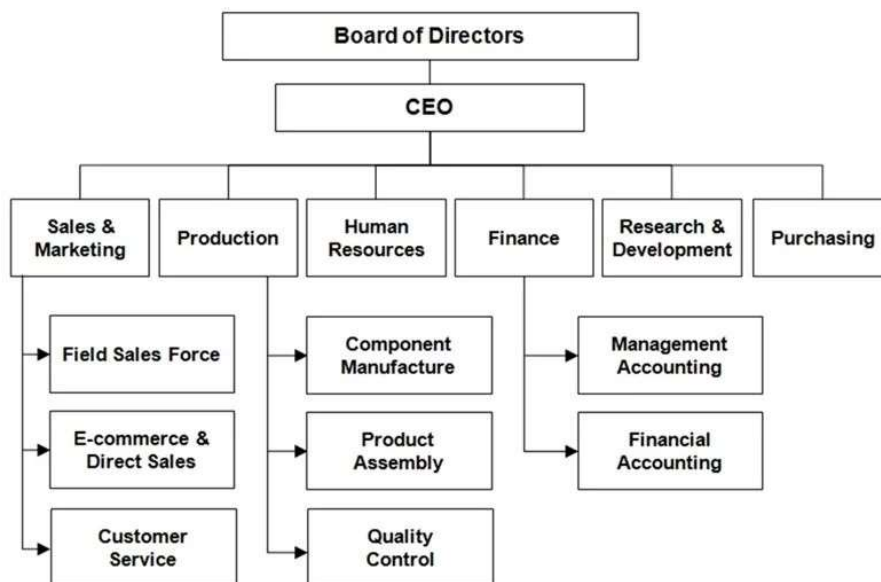
- Line officers can mainly focus on the task as planning and checking is done by the employees. Specialization provides expert advice and proficiency in management.
- Since the organization includes line and staff functions, decisions can be made easily.
- Staff officers provide complete factual data to line officers covering activity within and without their units. This will help to create more coordination.
- It provides ample opportunities for the advancement of workers.
- Staff services provide a training ground for various positions.
- This arrangement is flexible for newcomers in that employees can be forced to make early adjustments to the line arrangement.
- Staff experts are ideologically oriented to look forward and have time to undertake program and strategic planning and analyze the potential impacts of future potential events.

Disadvantages of Line and Staff Organization: –

- Confusion and conflict may arise between the line and the staff. Because the allocation of authority and responsibility is not clear and the lower level members may be confused with various line orders and staff advice.
- The staff usually advises the lines, but the line makes decisions and tasks. So employees often feel powerless.
- Too much reliance on staff officers may not be beneficial to the business as line officers may have to lose a lot about their decisions and duplication.
- Since staff specialists demand high pay, it is expensive.
- Employees are unable to carry out its plan or recommendations due to lack of authority. So they sometimes become ineffective, this will make them careless and indifferent to their jobs.
- As the line is performed, with advice provided by employees, if things go right, the employee takes credit and if things go wrong, the line gets the blame for it.

3. Functional Structure Organization

Meaning of Functional Structure Organization: – **Functional Structure Organization** is one of the most common structures of organization. They are grouped based on their **specific skills and knowledge**. Under this structure, the employees are divided into groups by the organization according to a particular or group of tasks. Where functional structures operate well in stable environments, where business strategies have little inclination for change or mobility, the level of bureaucracy makes it difficult for organizations to react quickly to market changes.



Advantages of Functional Structure Organization: –

- The executive or the team leader has the knowledge and experience of that particular field. For example, the person heading the IT department will have the education and skill necessary to shoulder this responsibility and successfully run his team.

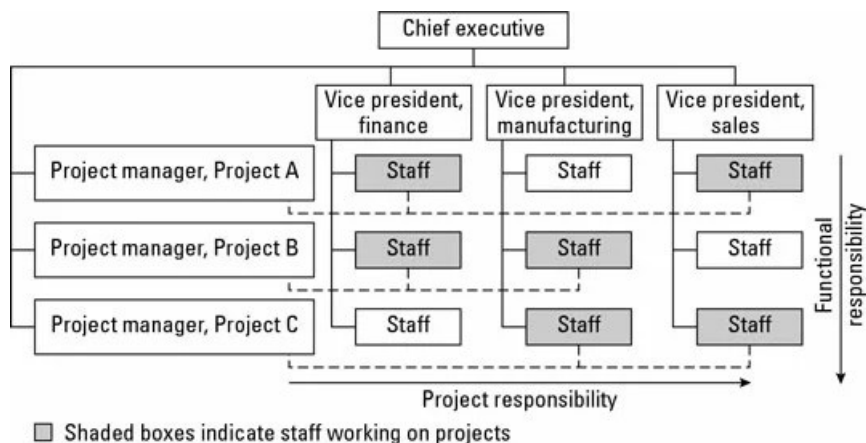
- Because the employee has expertise in that particular field, the work is more efficient and precise. There are fewer mistakes. This also helps with the [motivation](#) of the employees of the company.
- Since all team members come from similar backgrounds it allows them to share ideas and come up with solutions. There is a sharing of knowledge, which is always beneficial.
- The employees also having a clear idea of the hierarchy of the firm. They need not report or answer to several managers.
- Also, the employees feel secure in their work. They see that their work and efforts is not going unnoticed. This sense of security helps them perform better.

Disadvantages of Functional Structure Organization: –

- The work can be quite one dimensional. After a while, the employees may start feeling monotony or boredom. The lack of new challenges can make them unenthusiastic for the job at hand.
- In this structure, the manager must take care of the appraisal system. If the correct approach is not taken then conflicts may arise between the employees regarding [promotions](#) or appraisals.
- Also, this form of organization requires a high degree of specialization which is difficult to establish
- If there is a necessary change of personnel it can disrupt the whole system and its balance. Also, it is quite a rigid structure, not leaving a lot of scope for adaptation.
- In Functional Organizational Structure, the employees never gain any knowledge or skills outside their own department. This can cause difficulties in inter-departmental communication.

4. **Matrix Structure Organization**

Meaning of Matrix Structure Organization: – A **matrix organizational structure** is a structure of organization in which some **individuals report to more than one supervisor** or leader, which is described as solid line or dotted line reporting. More broadly, it can also describe the management of cross-functional, cross-business groups and other work models that do not maintain rigid business units or silos grouped by function and geography. For example, an employee may have a primary manager they report to as well as one or more project managers they work under.



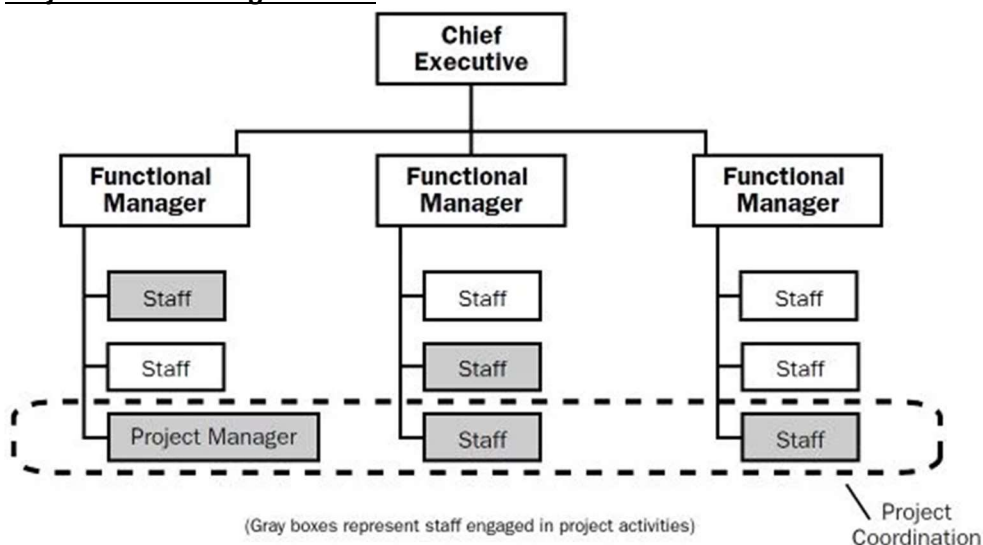
Advantages of Matrix Organization: –

- Since there is both vertical and horizontal communication, it increases coordination and this leads to greater and more effective control over operations.
- As the matrix organization is handling many projects, the available resources will be fully utilized.
- It focuses organizational resources on specified projects, thus enabling better planning and control.
- It is highly flexible in following rules, procedures etc. Experience here is the best guide for setting rules and procedures.
- As any department has to put its efforts towards the completion of any one project, employees are effectively motivated.

Disadvantages of Matrix Organization: –

- Since, there is more than one supervisor for each worker, this causes confusion and conflict and reduces effective control.
- There is continuous communication both vertically and horizontally, which increases paper work and costs.
- It is difficult to achieve downward balance on projects technical and administrative aspects.

5. Project Structure Organization



Meaning of Project Structure Organization: – A project structure organizational structure is used to determine the **hierarchy and authority of people** involved in a specific project. This organizational structure is temporarily created for specific projects for a particular period, for the project to achieve the goal of developing a new product, specialize in various functional departments such as production, engineering, quality control, marketing research etc. and will be ready to work together. These specialists return to their duties as soon as the project is completed.

In fact, the project organization is established with the aim of overcoming the major weakness of functional organization, such as absence of unity of command, delay in decision making and lack of coordination.

Advantages of Project Structure Organization: –

- It is a notable depiction of the relationship between environment, strategy and structure.
- The team can focus properly.
- The clustering of activities on the basis of each project initiates new authorization patterns.
- As experts from different organizations are ready to work together under the project organization, it helps in coordination.
- This makes for personal control and determination of personal responsibility.

Disadvantages of Project Structure Organization: –

- The uncertainty can be attributed to the diverse background of the professional who is deputed in the project.
- The project manager finds it difficult to control in the traditional way in order to motivate and control employees, in the absence of a norm of lines and norms responsible for communication.
- Project completion may be delayed.
- Effective project management can also be hindered by top management who may not be fully aware of the problems in the project center.

Centralisation and Decentralisation

1. Centralization and decentralization:

Centralisation:

Meaning and Definitions:

Centralisation implies that a majority of the decisions having to do with the work being performed are not made by those doing the work but at a point higher in the organisation.

According to Louis A. Allen, "Centralisation is the systematic and consistent reservation of authority at central points within the organisation."

Centralisation of authority has following implications:

- (a) Reservation of decision-making power at the top level.
- (b) Reservation of operating authority with the middle level managers.
- (c) Operations at lower levels are closely regulated by the top level.

All important decisions are taken by the top executives and operative decisions and actions at lower levels in the organisation are subject to the close supervision of the top executives under the process of centralisation. Unlike decentralisation, most of the decisions are taken not at a point where work is being done but at a point higher in the organisation. As Fayol put it, "Everything that goes to increase the importance of the subordinate's role is decentralisation, everything which goes to reduce it is centralisation."

Although centralisation of authority increases the burden on the top managers and hampers the growth of low level managers, but it has certain merits also. It prevents dilution of authority at lower

levels. Different organisations follow centralisation in different degrees. It should be noted that complete decentralisation is also not a feasible proposition of creating an effective organisation structure. Some authority must be reserved at the highest level of management.

Greater the reservation of authority at the top level, higher is the degree of centralisation and lower is the degree of decentralisation and vice versa. The issue of centralisation and decentralisation has to be decided objectively taking into consideration the size and nature of enterprise, diversity of the company's product, economies of division of labour, location of markets, nature of services to be performed, availability of trained and efficient managers, philosophy of management, etc.

Advantages of Centralisation:

1. It Promotes Personal Leadership – In case of small enterprises, personal leadership is an important factor for the success. Similarly, businesses in early stages have operations relatively on a small scale therefore top manager can concentrate entire authority with himself. This will help in taking quick and correct decisions essential for the success of the business.
2. Helps in Achieving Uniformity of Action – Where a company wishes all operative units to perform certain functions in the same manner and at the same time, there must be centralisation of appropriate decision-making. This will help in achieving uniformity of actions.
3. To Provide for Integration – Centralised control enables organisation in keeping all the parts of the enterprise moving harmoniously towards a common objective. A certain degree of centralisation of authority is necessary to unite and integrate the total operations of the enterprise.
4. To Handle Emergencies – In uncertain business conditions, centralisation of decision-making is essential as there are chances that emergency conditions may develop to endanger the very existence of the company. Centralisation facilitate rational decisions from both short- as well as long-term perspectives to meet such uncertainties.
5. To Overcome Duplication – Centralisation of various functions at the top level avoids duplication of equipments and efforts and thus leads to economy in operations.

Limitations of Centralisation:

Centralisation of authority has the following demerits:

1. It can delay decision-making process as decision-making is not allowed at the lower levels.
2. It leads to increases the burden on the top managers and hampers the growth of lower level managers.
3. It reduces motivation and morale of the lower level executives.
4. Success and growth of the enterprise becomes dependent on the capability of top executives
5. The chances of misuse of authority by the top executives increases.

Decentralisation:

Meaning and Definitions:

Most of the time, decentralisation is confused with delegation. But, decentralisation means much more than simple delegation. According to McFarland, decentralisation is a situation in which

ultimate authority to command and ultimate responsibility for results is localised as far down in the organisation as efficient management of the organisation permits

Thus, decentralisation can be understood as retention of some authority (to plan, organise, direct and control) at the top level and delegation of authority to make routine decisions at points as near as possible to where action is actually required.

Decentralisation is a philosophy of the organisation and management, which involve both selectively determining what, authority to push down into the organisation developing standing plans (such as – policies) to guide subordinates who have this authority delegated to them.

Factors Responsible for Decentralisation:

1. When top management does not want to devote much time in communication, it takes recourse of decentralisation.
2. Decentralisation is necessary to introduce flexibility in operation during growth and expansion phase of organisation.
3. Organisation can exploit the benefit of technological advancements through decentralisation of its activities.
4. When decision are required to be taken on the spot, decentralisation becomes necessity.
5. When the activities are physically located at different places, decentralisation is urgently required for timely and successful completion of the work.

Advantages:

- Raise morale and promote interpersonal relationships.
- Relieve from the daily administration.
- Bring decision-making close to action.
- Develop Second-line managers.
- Promote employee's enthusiasm and coordination.
- Facilitate actions by lower-level managers.
- Improves coordination, especially for services.

Disadvantages:

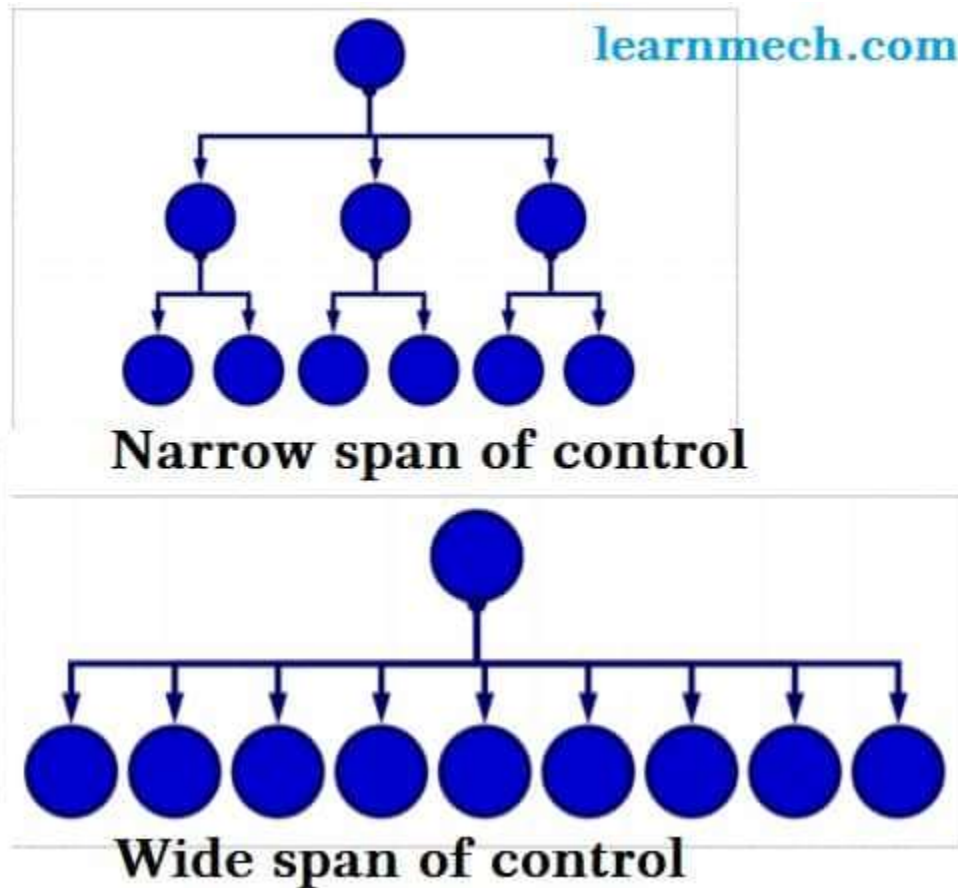
- Top-level administration may feel it would decrease their status.
- Managers may not permit full and maximum utilization of highly qualified personnel.
- Increased costs. It requires more managers and large staff.
- It may lead to overlapping and duplication of effort.

- It may lead to lack of uniformity and lowering of standards in decision-making. Emergency decision may not be possible.

SPAN OF CONTROL

Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization.

- **Factors Affecting Span of control:**
- **a) Capacity of Superior:**
Different ability and capacity of leadership, communication affect management of subordinates.
- **b) Capacity of Subordinates:**
Efficient and trained subordinates affects the degree of span of management.
- **c) Nature of Work:**
Different types of work require different patterns of management.
- **d) Degree of Centralization or Decentralization:**
Degree of centralization or decentralization affects the span of management by affecting the degree of involvement of the superior in decision making.
- **e) Degree of Planning:**
Plans which can provide rules, procedures in doing the work higher would be the degree of span of management.
- **f) Communication Techniques:**
Pattern of communication, its means, and media affect the time requirement in managing subordinates and consequently span of management.
- **g) Use of Staff Assistance:**
Use of Staff assistance in reducing the work load of managers enables them to manage more number of subordinates.
- **h) Supervision of others:**
If subordinate receives supervision form several other personnel besides his direct supervisor. In such a case, the work load of direct superior is reduced and he can supervise more number of persons.
- **Span of control is of two types:**
- **1. Narrow span of control:**
- Narrow Span of control means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure.



- types of span of control
- **Advantages:**
 - Close supervision
 - Close control of subordinates
 - Fast communication
- **Disadvantages:**
 - Too much control
 - Many levels of management
 - High costs
 - Excessive distance between lowest level and highest level
- **2. Wide span of control:**
- Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure.
- **Advantages:**
 - More Delegation of Authority
 - Development of Managers
 - Clear policies
- **Disadvantages:**
 - Overloaded supervisors
 - Danger of superiors loss of control
 - Requirement of highly trained managerial personnel
 - Block in decision making

Staffing: It's Meaning, Nature and Importance!

Meaning of Staffing:

The term 'Staffing' relates to the recruitment, selection, development, training and compensation of the managerial personnel. Staffing, like all other managerial functions, is the duty which the apex management performs at all times. In a newly created enterprise, the staffing would come as a third step—next to planning and organizing—but in a going enterprise the staffing process is continuous.

Nature of Staffing:

Staffing is an integral part of human resource management. It facilitates procurement and placement of right people on the right jobs.

The nature of staffing function is discussed below:

1. People Centred:

Staffing is people centred and is relevant in all types of organisations. It is concerned with all categories of personnel from top to bottom of the organisation.

The broad classification of personnel may be as follows:

(i) Blue collar workers (i.e., those working on the machines and engaged in loading, unloading etc.) and white collar workers (i.e., clerical employees).

(ii) Managerial and non-managerial personnel.

(iii) Professionals (such as Chartered Accountant, Company Secretary, Lawyer, etc.).

2. Responsibility of Every Manager:

Staffing is a basic function of management. Every manager is continuously engaged in performing the staffing function. He is actively associated with recruitment, selection, training and appraisal of his subordinates. These activities are performed by the chief executive, departmental managers and foremen in relation to their subordinates. Thus, staffing is a pervasive function of management and is performed by the managers at all levels.

It is the duty of every manager to perform the staffing activities such as selection, training, performance appraisal and counseling of employees. In many enterprises, Personnel Department is created to perform these activities.

But it does not mean that the managers at different levels are relieved of the responsibility concerned with staffing. The Personnel Department is established to provide assistance to the managers in performing their staffing function. Thus, every manager has to share the responsibility of staffing.

3. Human Skills:

Staffing function is concerned with training and development of human resources. Every manager should use human relations skill in providing guidance and training to the subordinates. Human relations skills are also required in performance appraisal, transfer and promotion of subordinates. If the staffing function is performed properly, the human relations in the organisation will be cordial.

4. Continuous Function:

Staffing function is to be performed continuously. It is equally important in the established organisations and the new organisations. In a new organisation, there has to be recruitment, selection and training of personnel. In a running organisation, every manager is engaged in various staffing activities. He is to guide and train the workers and also evaluate their performance on a continuous basis.

Importance of Staffing:

It is of utmost importance for the organisation that right kinds of people are employed. They should be given adequate training so that wastage is minimum. They must also be induced to show higher productivity and quality by offering them incentives.

In fact, effective performance of the staff function is necessary to realize the following benefits:

1. Efficient Performance of Other Functions:

Staffing is the key to the efficient performance of other functions of management. If an organisation does not have competent personnel, it can't perform planning, organisation and control functions properly.

2. Effective Use of Technology and Other Resources:

It is the human factor that is instrumental in the effective utilisation of latest technology, capital, material, etc. the management can ensure right kinds of personnel by performing the staffing function.

3. Optimum Utilisation of Human Resources:

The wage bill of big concerns is quite high. They also spend money on recruitment, selection, training and development of employees. In order to get the optimum output from the personnel, the staffing function should be performed in an efficient manner.

4. Development of Human Capital:

The management is required to determine the manpower requirements well in advance. It has also to train and develop the existing personnel for career advancement. This will meet the requirements of the company in future.

5. Motivation of Human Resources:

The behaviour of individuals is shaped by many factors such as education level, needs, socio-cultural factors, etc. that is why, the human aspect of organisation has become very important. The workers can be motivated through financial and non-financial incentives.

6. Building Higher Morale:

Right type of climate should be created for the workers to contribute to the achievement of the organisational objectives. By performing the staffing function effectively, management can show the significance it attaches to the personnel working in the enterprise. This will increase the morale of the employees.

Management by Objectives: It is the abbreviation for Management By Objectives which is a comprehensive management system that integrates many key managerial activities in a systematic

manner and that is consciously directed towards effective and efficient achievement of organizational and individual objectives.

Management by exception (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

Process of Selection and Recruitment

Recruitment-

- It is the process of attracting candidates to fill the positions in the organization structure
- Recruitment can be done with many sources. They are:
 1. **Re-employing former employees**
 2. **Friends and relatives of present employees**
 3. **Applicants at the gate**
 4. **College and technical institutions**
 5. **Employment exchange**
 6. **Advertisements**
 7. **Labor unions**
 8. **Consultants and private agencies**

Internal Recruitment

- This improves the security of employees
- Loyalty of employees increases
- Training cost is less
- Motivates the employees to perform better
- Employee turnover is reduced
- But this kind of recruitment may:

- Limit the choice of selection of best candidate
- Biasing of employees may be encouraged
- Unsuitable persons may get promoted
- Results in stagnation as this avoids new blood the organization

External recruitment

- This kind of recruitment brings new blood the organization which reveals the whole organization
- Scope of choice becomes wide
- But this may result in:
 - Increased turnover of employees
 - Reduces the morale of employees
 - Sense of security is lost
 - Deteriorates the employee-employer relationship

Selection

Steps in Selection process

1. **Application blank**

Here the applicants fill in the details in the application blank

In this the candidate gives details about his qualification, specialization, experience, etc.

2. **Initial interview of the candidate**

This is done to clarify the information already furnished in application blank and also to create a friendly environment for the candidates

3. Employment tests

- To test further abilities of the candidates, some tests are conducted in this step
- These tests can be Aptitude tests, technical tests, interest tests, performance test, personality test, intelligence test.
- These tests are conducted to test the traits, abilities, likes and dislikes, mental ability, adaptability, etc.

4. Checking reference

If the candidate is found satisfactory, then it is very important to get his personal background, history, character, etc. For this the candidates friends, previous employer, Institutional heads can be contacted. . **Physical or medical examination**

- It is done to check the physical fitness of the candidates for the job.
- To prevent the unwarranted claims by the candidates
- To prevent communicable diseases entering the company

6. Final interview

This is just an informal interview wherein the candidate will be intimated about his selection and briefed about his future prospects in the company.

MEANING AND NATURE OF DIRECTING Direction means issuing of orders, leading and motivating subordinates as they go about executing orders. It is also defined as the process and techniques used for issuing instructions to carry out a job and making sure that the operations are carried out as per the plan. Directing is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives. The direction has two major activities namely 1. Giving orders to employees and 2. Leading and motivating them to accomplish the goals. **DEFINITION OF DIRECTION:** "Directing is the interpersonal

aspect of managing by which subordinates are led to understand and contribute effectively to the attainment of enterprise objectives. (Harold D Koontz & O'Donnell)

Leadership styles

1. Transactional Leadership

Transactional leadership is a term used to classify a group of leadership theories that inquire the interactions between leaders and followers. This style of leadership starts with the premise that team members agree to obey their leader totally when they take a job on. The “transaction” is usually that the organization pays the team members, in return for their effort and compliance. As such, the leader has the right to “punish” team members if their work doesn’t meet the pre-determined standard. Team members can do little to improve their job satisfaction under transactional leadership. The leader could give team members some control of their income/reward by using incentives that encourage even higher standards or greater productivity. Alternatively a transactional leader could practice “management by exception”, whereby, rather than rewarding better work, he or she would take corrective action if the required standards were not met.

Transactional leadership is really just a way of managing rather a true leadership style, as the focus is on short-term tasks. It has serious limitations for knowledge-based or creative work, but remains a common style in many organizations.

2. Autocratic Leadership

Under the autocratic leadership styles, all decision-making powers are centralized in the leader as shown such leaders are dictators. Autocratic leadership is an extreme form of transactional leadership, where a leader exerts high levels of power over his or her employees or team members. People within the team are given few opportunities for making suggestions, even if these would be in the team’s or organization’s interest.

Autocratic leadership style is often considered the classical approach. It is one in which the manager retains as much power and decision-making authority as possible. The manager does not consult employees, nor are they allowed to give any input. Employees are expected to obey orders without receiving any explanations. The motivation environment is produced by creating a structured set of rewards and punishments. Autocratic leaders make decisions without consulting their teams. This is considered appropriate when decisions genuinely need to be taken quickly, when there’s no need for input, and when team agreement isn’t necessary for a successful outcome.

Many people resent being treated like this. Because of this, autocratic leadership often leads to high levels of absenteeism and staff turnover. Also, the team’s output does not benefit from the creativity and experience of all team members, so many of the benefits of teamwork are lost.

For some routine and unskilled jobs, however, this style can remain effective, where the advantages of control outweigh the disadvantages.

3. Transformational Leadership

Transformational leadership is a leadership style that is defined as leadership that creates valuable and positive change in the followers. A transformational leader focuses on “transforming” others to help each other, to look out for each other, to be encouraging and harmonious, and to look out for the organization as a whole. In this leadership, the leader enhances the motivation, morale and performance of his follower group. A person with this leadership style is a true leader who inspires his or her team with a shared vision of the future. Transformational leaders are highly visible, and spend a lot of time communicating. They don’t necessarily lead from the front, as they tend to delegate responsibility amongst their teams. While their enthusiasm is often infectious, they can need to be supported by “detail people”.

In many organizations, both transactional and transformational leadership are needed. The transactional leaders (or managers) ensure that routine work is done reliably, while the transformational leaders look after initiatives that add new value.

4. Servant Leadership

This term, coined by Robert Greenleaf in the 1970s, describes a leader who is often not formally recognized as such. When someone, at any level within an organization, leads simply by virtue of meeting the needs of his or her team, he or she is described as a “servant leader”. Servant Leadership’s focus was on the leader as a servant, with his or her key role being in developing, enabling and supporting team members, helping them fully develop their potential and deliver their best. In many ways, servant leadership is a form of democratic leadership, as the whole team tends to be involved in decision-making.

Supporters of the servant leadership model suggest it is an important way ahead in a world where values are increasingly important, and in which servant leaders achieve power on the basis of their values and ideals. Others believe that in competitive leadership situations, people practicing servant leadership can find themselves “left behind” by leaders using other leadership styles. Followers may like the idea of servant leadership so there’s something immediately attractive about the idea of having a boss who’s a servant leader. People without responsibility for results may like it for its obviously democratic and consensual approach.

5. Charismatic Leadership

The Charismatic Leader and the Transformational Leader can have many similarities, in that the Transformational Leader may well be charismatic. Their main difference is in their basic focus. Whereas the Transformational Leader has a basic focus of transforming the organization and, quite possibly, their followers, the Charismatic Leader may not want to change anything. A charismatic leadership style can appear similar to a transformational leadership style, in that the leader injects huge doses of enthusiasm into his or her team, and is very energetic in driving others forward.

However, charismatic leaders can tend to believe more in themselves than in their teams. This can create a risk that a project, or even an entire organization, might collapse if the leader were to leave because in the eyes of their followers, success is tied up with the presence of the charismatic leader. As such, charismatic leadership carries great responsibility, and needs long-term commitment from the leader.

6. Democratic Leadership or Participative Leadership

Although a democratic leader will make the final decision, he or she invites other members of the team to contribute to the decision-making process. This not only increases job satisfaction by involving employees or team members in what's going on, but it also helps to develop people's skills. Employees and team members feel in control of their own destiny, and so are motivated to work hard by more than just a financial reward. Democratic leadership can produce high quantity work for long periods of time. Many employees like the trust they receive and respond with cooperation, team spirit, and high morale.

As participation takes time, this style can lead to things happening more slowly than an autocratic approach, but often the end result is better. It can be most suitable where team working is essential, and where quality is more important than speed to market or productivity.

7. Laissez-Faire Leadership

The laissez-faire leadership style is also known as the "hands-off" style. It is one in which the manager provides little or no direction and gives employees as much freedom as possible. All authority or power is given to the employees and they must determine goals, make decisions, and resolve problems on their own.

This French phrase means "leave it be" and is used to describe a leader who leaves his or her colleagues to get on with their work. It can be effective if the leader monitors what is being achieved and communicates this back to his or her team regularly. Most often, laissez-faire leadership works for teams in which the individuals are very experienced and skilled self-starters. Unfortunately, it can also refer to situations where managers are not exerting sufficient control. The advantage of this kind of style is positive only in the case when the employees are very responsible and in case of creative jobs where a person is guided by his own aspirations. In these cases, less direction is required so this style can be good. This style has more disadvantages because usually it is the result of the lack of interest of the leader that leads to his adopting this style. It proves poor management and makes the employees lose their sense of direction and focus. The disinterest of the management and leadership causes the employees to become less interested in their job and their dissatisfaction increases.

8. Bureaucratic Leadership

This is style of leadership that emphasizes procedures and historical methods regardless of their usefulness in changing environments. Bureaucratic leaders attempt to solve problems by adding layers of control, and their power comes from controlling the flow of information. Bureaucratic leaders work "by the book", ensuring that their staff follow procedures exactly. This is a very appropriate style for work involving serious safety risks such as working with machinery, with toxic substances, at heights or where large sums of money are involved such as cash-handling.

In other situations, the inflexibility and high levels of control exerted can demoralize staff, and can diminish the organization's ability to react to changing external circumstances.

The different leadership styles discussed above proves that leadership styles are the characteristics that critically define the leaders in organizations. They're a mix-and-match of various traits, and goes a long way influence the culture of the whole company and or organization.

Motivation definition - (i) Motivation is a general term applying to the entire class of drives, desires, needs, wishes and similar forces that induces an individual or a group of people to work'. - Koontz and O'Donnell

MOTIVATION THEORIES There is no shortage of motivation theories. We can classify them under three broad- heads:

1. Content theories
2. Process theories
3. Reinforcement theory

The content theories tell us what motivates an individual. They throw light on the various needs and incentives which cause behavior.

The process theories, on the other hand, answer the question how behavior is caused.

Reinforcement theory explains the ways in which behavior is learned, shaped or modified.

THEORIES OF HUMAN MOTIVATION

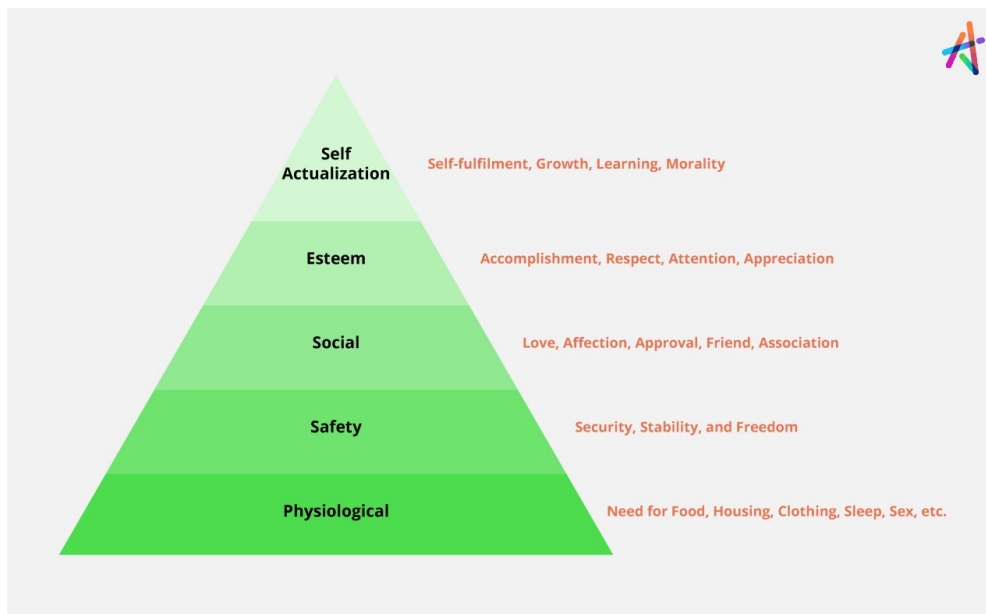
There are several theories of motivation based on different structures of human needs and expectations. Some of them are 1. Maslow's Hierarchy of Needs Theory 2. Herzberg's Motivation - Hygiene Theory

1. Maslow's theory of hierarchical needs

Abraham Maslow postulated that a person will be motivated when all his needs are fulfilled. People do not work for security or money, but they work to contribute and to use their skills. He demonstrated this by creating a pyramid to show how people are motivated and mentioned that ONE CANNOT ASCEND TO THE NEXT LEVEL UNLESS LOWER-LEVEL NEEDS ARE FULFILLED. The lowest level needs in the pyramid are basic needs and unless these lower-level needs are satisfied people do not look at working toward satisfying the upper-level needs.

Below is the hierarchy of needs:

- **Physiological needs:** are basic needs for survival such as air, sleep, food, water, clothing, sex, and shelter.
- **Safety needs:** Protection from threats, deprivation, and other dangers (e.g., health, secure employment, and property)
- **Social (belongingness and love) needs:** The need for association, affiliation, friendship, and so on.
- **Self-esteem needs:** The need for respect and recognition.
- **Self-actualization needs:** The opportunity for personal development, learning, and fun/creative/challenging work. Self-actualization is the highest-level need to which a human being can aspire.



The leader will have to understand at what level the team members are currently, and seek out to help them to satisfy those specific needs and accordingly work to help fulfil those needs. This will help the team members perform better and move ahead with the project. Also, as their needs get fulfilled, the team members will start performing, till the time they start thinking of fulfilling the next upper level of need as mentioned in the pyramid.

2. Herzberg's two factor theory

Herzberg classified the needs into two broad categories; namely hygiene factors and motivating factors:

- poor hygiene factors may destroy motivation but improving them under most circumstances will not improve motivation
- hygiene factors only are not sufficient to motivate people, but motivator factors are also required

Herzberg's two-factor principles		
Influenced by Hygiene Factors (Dis-satisfiers)	Improving motivator factors increases job satisfaction	Influenced by motivator factors (Satisfiers)
<ul style="list-style-type: none"> • Working condition • Coworker relations • Policies & rules • Supervisor quality 	Improving the hygiene factors decreases job dissatisfaction	<ul style="list-style-type: none"> • Achievements • Recognition • Responsibility • Work itself • Personal growth

Communication

Importance of Communication

1. The Basis of Co-ordination

The manager explains to the employees the organizational goals, modes of their achievement and also the [interpersonal relationships](#) amongst them. This provides coordination between various employees and also departments. Thus, communications act as a basis for coordination in the [organization](#).

2. Fluent Working

A manager coordinates the human and physical elements of an organization to run it smoothly and efficiently. This [coordination](#) is not possible without proper communication.

3. The Basis of Decision Making

Proper communication provides information to the manager that is useful for [decision making](#). No decisions could be taken in the absence of information. Thus, communication is the basis for making the right decisions.

Learn more about [Barriers of Communication here in detail](#).

4. Increases Managerial Efficiency

The manager conveys the targets and issues instructions and allocates jobs to the [subordinates](#). All of these aspects involve communication. Thus, communication is essential for the quick and effective performance of the managers and the entire organization.

5. Increases Cooperation and Organizational Peace

The two-way communication process promotes co-operation and mutual understanding amongst the workers and also between them and the [management](#). This leads to less friction and thus leads to industrial peace in the factory and efficient operations.

6. Boosts Morale of the Employees

Good communication helps the workers to adjust to the physical and social aspects of work. It also improves good human relations in the industry. An efficient system of communication enables the management to motivate, influence and satisfy the subordinates which in turn boosts their morale and keeps them motivated.

Co ordination meaning

"Co-ordination refers to the orderly arrangement of individual and group efforts to ensure unity of action in the realization of common goals." - Mooney and Reiley

IMPORTANCE OF CO-ORDINATION

The importance of co-ordination can be understood through the following points:

1. Co-ordination increases efficiency

Co-ordination helps minimizing wastages, overlapping and duplication of work, misuse of resources etc., and thus increases efficiency and economy in the organization. Co-ordination enables an organization to use all its resources in an optimum way.

2. Co-ordination improves human relations

Co-ordination improves and maintains harmonious relationships between individuals between individuals and the organization. With co-ordination, members begin to work, understand and adjust with each other, develop mutual trust and co-operation and probably move closer to each other. All these help improve human relations.

3. Co-ordination resolves conflicts

Conflicts in organizations arise usually because of differences between organizational goals and individual goals. An individual's perception of an organizational goal could be different to that of another, which again leads to conflicts. Coordination is the only means by which such conflicts can be avoided.

4. Co-ordination makes all departments focus together

Different departments in an organization such as production, R & D, finance, marketing, accounts etc., have to jointly focus in order to achieve better results. Without co-ordination, each department tends to look only at its needs and necessities, without caring for other departments. Co-ordination is the only way of making them look for a common cause.

5. Co-ordination helps sharing of resources

In any organization, there is always a shortage of resources such as manpower, finance, space, transportation etc. Co-ordination is the only way to ensure the best distribution of resources among all individuals and departments of the organization.

6. Co-ordination retains and attracts talent

Good all-around co-ordination improves not only harmonious relationships but also increases profit to an organization and to its employees. Naturally talented youngsters are attracted to join such organizations. There are lists of best employers in every country where people would love to work, and this does not necessarily depend on pay packets alone. Co-ordination plays a great role if a company comes to be known as a good employer.

TECHNIQUES OF CO-ORDINATION

A variety of techniques are used by managers to achieve co-ordination. The important ones are:

1. Co-ordination by plans and procedures

If plans and procedures are highly structured and in place, co-ordination becomes somewhat automatic. Apart from these, if the other types of plans such as schedules, rules, budgets, policies etc., are stated in precise terms so as to avoid confusion, it results in better co-ordination.

2. Co-ordination by sound and simple organization

If the structure of an organization is sound and simple, it leads to better co-ordination. If the authority, responsibility and accountability are established in a clear-cut manner, it improves co-ordination.

3. Co-ordination by chain of command If it is very clear as to who should report to whom in an organization, it helps co-ordination. Establishing a clear chain of command or a superior-subordinate relationship goes a long way in ensuring coordination.

4. Co-ordination by effective communication

Effective communication plays a vital role in achieving co-ordination. Communication facilitates proper understanding between individuals and groups among whom co-ordination is to be achieved.

5. Co-ordination by committees

Formation of committees to co-ordinate is a sound management technique. Committees are made up of Knowledgeable, experienced and responsible persons entrusted with discharging some functions collectively as a group. Creation of teams, task forces and interdepartmental committees are some of the ways of achieving co-ordination.

6. Co-ordination by conference

In large business organizations conferences are organized at regular intervals to provide a platform for discussion to the various units which could be geographically widespread. In such conferences top management and executives at lower levels exchange views, identify problems and resolve it through discussion. Some companies have 'Open forums' where any question raised by any employee should be answered by the appropriate man-in-charge. Such discussion forums and platforms pave the way for better co-ordination throughout the organization.

7. Co-ordination by special co-ordinators

If a manager in an organization has very less time to address issues of co-ordination, he may hire an assistant or a 'Special coordinator' to do the job for him. This man's job is to collect information regarding problems, analyze them, list various alternatives available, and suggests steps to be taken to the manager.

8. Co-ordination through sound leadership

Sound leadership of top management is the surest means of achieving co-ordination. Good leaders may persuade and convince their subordinates to place company interests above their personal interests. They may even inspire self-coordination within a group

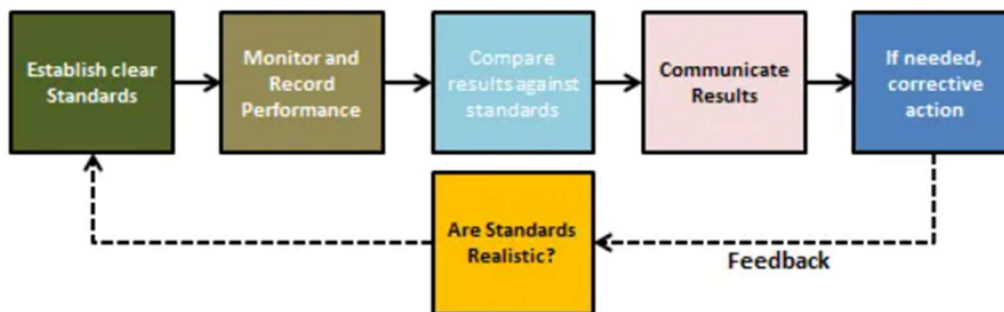
Meaning and steps in controlling

The “**Controlling Process**” is a method that can be used to make sure standards are being met within an organization. It involves the careful collection of information about a system, process, person, or group of people in order to make necessary decisions about each.

Definition: “**Controlling**” assures that the right things are done in the right manner at the right time. By controlling, a Program Manager checks the progress and compares it to what was planned. If the planned events are not the same, then corrective actions can be taken.

Controlling Process Steps

A five (5) step controlling process example is detailed below.



Step 1: Establish Clear Standards: Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called the criteria for judging performance. Standards generally are classified into two:

- Measurable or tangible: Those standards which can be measured and expressed are called measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
- Non-measurable or intangible: There are standards that cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called intangible standards.
- Controlling becomes easy through the establishment of these standards because controlling is exercised on the basis of these standards.

Step 2: Monitor and Record Performance: The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when the performance of a manager has to be measured. The performance of a manager cannot be measured in quantities. It can be measured only by:

- The attitude of the workers,
- Their morale to work,
- The development in the attitudes regarding the physical environment, and
- Their communication with the superiors.

Step 3: Comparison Results Against Standards: Comparison of actual performance with the planned targets are very important. The deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- the extent of deviation and cause of deviation. The extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. Once the deviation is identified, a manager has to think about various causes which have led to a deviation. The causes can be:

- Erroneous planning,
- Co-ordination loosens,
- Implementation of plans is defective, and
- Supervision and communication are ineffective, etc.

Step 4: Communicate Results: Once the results have been determined, all stakeholder needs to be notified and keep up to date.

Step 5: If needed, Take Corrective Action: Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for them. There are two alternatives here:

- Taking corrective measures for deviations that have occurred; and
- After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow-up is an important step because it is only through taking corrective measures, a manager can exercise control.

Elements of a good Control System

Every decent control system must possess certain basic elements. Since they all play a major role, the absence of any one of them can make the whole system weak. Hence, managers must ensure that their control systems contain the following basic elements and [considerations](#).

1) Feedback

Feedback is the backbone of all control systems. This feedback is nothing but the information that managers use to correct their [organization's](#) actual performance.

The aim of feedback is basically to adjust future actions using previous experiences. Managers use the information they receive from feedbacks to implement corrective [measures](#). Such measures generally help in bridging the gap between the actual performance of the organization and its goals.

Feedback may be either formal or informal. Formal feedback consists of sources like [financial statements](#), [statistics](#), [reports](#), other written communication, etc. On the other hand, informal feedback includes personal opinions, informal discussions and an individual's observations.

2) Control must be objective

The second essential requirement of a good control system is that it must always be objective. A subjective criterion should never be the basis of evaluating actual performances.

For example, evaluation of an employee's performance should comprise of standards like working hours, productivity, [efficiency](#), etc. Managers should not evaluate employees using subjective prejudices.

3) Prompt reporting of deviations

This element of the controlling system basically requires quick reporting of [deviations](#) and discrepancies. If some work is not going according to plans, relevant managers must take notice of this immediately. This is because any delay in reporting problems and taking corrective measures can lead to financial losses for a business.

4) Control should be forward-looking

Control systems can often suffer from the defect of delays in reporting of deviations and taking of corrective measures. As we saw above, this problem can lead to financial losses for a business.

Hence, managers must ensure that their control systems are forward-looking. This will help in predicting deviations in advance as well as giving adequate time for course correction.

5) Flexible controls

A rigid control system can often make it ineffective in extraordinary and unpredictable situations. It should, thus, be flexible and open to changes. Managers must be able to adapt their control measures as per the requirements of every possible scenario.

6) Hierarchical suitability

Almost all business organizations possess management hierarchies comprising of managers at various positions and levels. Since each manager performs controlling functions at his level, the system itself must suit his organization's hierarchy. Every manager must have adequate powers for this purpose and the flow of information for evaluation should be effective.

7) Economical control

Every good controlling system has to be economical when it comes to its implementation and maintenance. In other words, its benefits should outweigh its costs. An organization must be able to afford it and also derive all possible advantages from it.

8) Strategic control points

Not all deviations require the same level of attention and importance. For example, if an infrastructure company loses one government tender for constructing roads, it can work on other projects.

However, if the government blacklists it altogether due to its financial irregularities, this can be a huge issue.

A good control system must be able to deal with every deviation as per its seriousness. No organization can afford to accord equal importance to each and every problem. This is basically the whole aim of strategic control points.

9) Control must be simple to understand

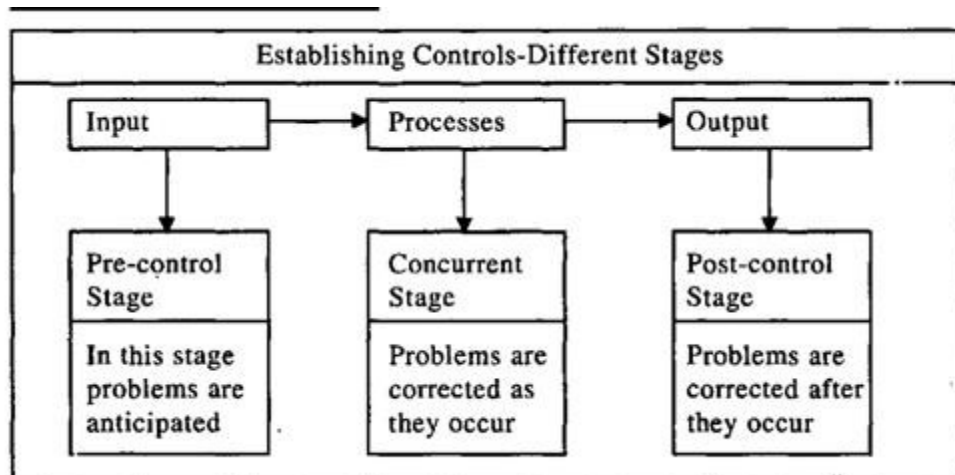
Sophisticated policies can often make elements of control systems difficult to understand and implement. A good system, however, is always simple to comprehend and work on.

Thus, before launching controlling measures, managers should first check whether their employees will be able to understand them. They should also try to resolve any ambiguities and confusion that may arise later.

10) Control should focus on workers

Good control systems always focus on workers instead of the work itself. Since it is workers who implement these systems, everybody should be able to work with them effectively.

Methods of Establishing Control (Control Stages)



Control methods are adopted in three stages.

In the **first phase**, the controls are evolved even before the plans are implemented. These methods are termed as "**Precontrol**" operation. In this stage, the proposed operations are devised in such a way that actual results will compare favourably with planned results. Therefore the important aspect to be considered is that the management policies are to be fully reflected in action plans. The policies actually give direction in which the objectives are to be achieved. The methods and procedure should be framed in accordance with policies.

As actual operation methods and procedure are prepared as per the objectives and policies, **Precontrol** becomes an effective control system and facilitate the attainment of desired results. Resources allocation is another aspect which gets importance in precontrol system. Both human and non-human (technical financial) resources are to be properly allocated and "monitoring" devices are to be developed for proper utilisation of these resources. Control devices should see that

resources are utilised for the purpose for which they are appropriated. Control system should signal the top management about dangers of diversion of resources immediately.

In the **second phase of controlling**, the operation managers have to monitor the procedures in accordance with the plan already laid down. The manager should observe the operations and instruct subordinates in the proper methods and procedures. He/She is only a link between top management and workforce and directs the operations in accordance with the laid policies, methods and procedures. The relative importance of direction depends upon the nature of task to be performed by the workforce of that unit. This technique is called "**Concurrent control.**"

In this stage every operation is directed. The director (i.e., manager) should possess "**interpersonal communication skill.**" The operational aspects are to be properly communicated to the workforce (Subordinates). If there is no clarity in communication, the subordinates, when they do not understand clearly the policies and procedures may deviate in their operations. Hence, the manager should have communication skills to regularly inform the subordinates about their operations. Many managers think that laid down methods and procedures are clear and there is no necessity for further clarification to be made to the workforce. But, many a time the workers had failed to understand their task and had deviated from the set task. Therefore proper communication of

Besides Precontrol and concurrent control systems, **post control measures** are to be adopted for successful completion of planning. Historical documents provide a base for post control operations. The financial statements, the production documents, marketing data etc. available after the implementation of plan will provide data for correct actions. The routine post control methods used in several organisations are (i) Standard costing techniques, (ii) Financial Statement analysis, (iii) Performance appraisal of employees and (iv) Quality control systems.