

3.1.1. 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. 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 likelihood 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 the 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 overlapping'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.

3.1.2. Organizational Design

What is organization design?

“Organization design” involves the creation of **roles, processes and structures** to ensure that the organization’s goals can be realized.

Some people associate organization design with the mechanical arrangement of positions and reporting lines on the organization chart.

It is certainly true that organizational designers also need to define the vertical structure, including reporting lines...

Organization design problems are often some of the hardest problems that leaders face. Finding the right design often requires inventing a new solution to resolve a dilemma. And decisions made with regard to formal structure, roles and processes directly impact the jobs and careers of employees – and the ability of the firm to realize its strategic objectives.

In an organization re-design process one may consider elements at different levels:

- The overall organizational “architecture” (e.g., the corporate level, the role of the headquarters versus business areas in a large firm, etc.)
- The design of business areas and business units within a larger firm

- The design of departments and other sub-units within a business unit
- The design of individual roles

The field of organization design sits at the intersection of strategy, operations, law and HR.



1. An important driver for organization design is the organization's strategy – but the design of the organization may also to a great extent determine which strategies we may be able to form in the first place.
2. We should, in general, attempt to align the organization with the work processes – so there is a close link between operations and organization design.
3. The design of the organization is also influenced by laws, regulations, and governance principles adopted by the industry sector.
4. Last but not least, organization design is fundamentally about people. People inhabit the roles that are defined in the organization design process. People participate in design processes and also influence designs in many direct and indirect ways.

Organizational Design is a step-by-step methodology which identifies dysfunctional aspects of work flow, procedures, structures and systems, realigns them to fit current business realities/goals and then develops plans to implement the new changes. The process focuses on improving both the technical and people side of the business.

The hallmark of the design process is a comprehensive and holistic approach to organizational improvement that touches all aspects of organizational life, so you can achieve:

- Excellent customer service
- Increased profitability
- Reduced operating costs
- Improved efficiency and cycle time
- A culture of committed and engaged employees
- A clear strategy for managing and growing your business

3.1.3. Organizational Structures

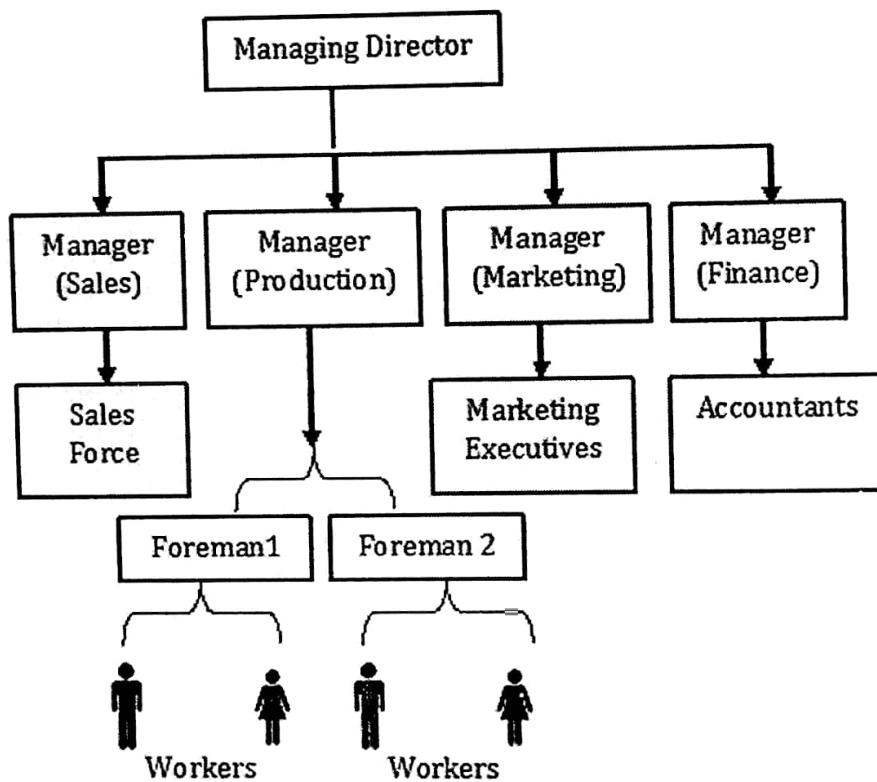
An organization can be classified on the basis of Authority relationship or on the basis of its departments. On the basis of authority relationships the organization classified as follows

FUNDAMENTALS OF MANAGEMENT

1. Line organization or Military organization or Scalar organization
2. Line and Staff organization
3. Functional organization
4. Project organization
5. Committee organization
6. Matrix organization

1. LINE ORGANIZATION OR MILITARY ORGANIZATION OR SCALAR ORGANIZATION

Where efforts of large number of people have to be controlled and discipline is of prime importance line type organization structure will serve the purpose. This is also one of the oldest structures. However, in present conditions this type of structure has lost the applicability. In line structure ten lines of instruction, directing is vertical. This means in this type boss is always right and his orders are to be obeyed at any cost.



Merits:

1. **Simplicity:** Line organization is very simple to establish and can be easily understood by the employees.
2. **Discipline:** Since each position is subject to control by its immediate superior position, often the maintenance of discipline is easy unity of command and unity of direction foster discipline among the people in the organization.

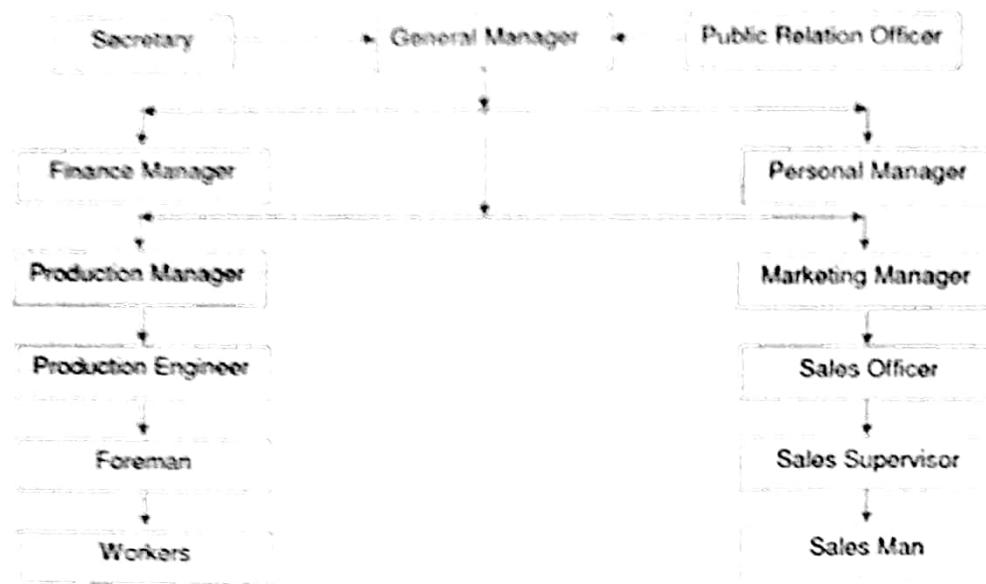
- 3. Co-ordination:** The hierarchy in management helps in achieving effective coordination.
- 4. Effective communication:** There will be a direct link between superior and his subordinate; both can communicate properly among him or herself.
- 5. Economical:** Line organization is easy to operate and less expensive.
- 6. Unity of command:** In line organization every person is under the command of one boss only.
- 7. Prompt decision:** Only one person is in charge of one division or department. This enables manager to take quick decisions.
- 8. Over all development of the managers:** The departmental head has to look after all the activities of his department; therefore, it encourages the development of all round managers at the higher level of authority.

Demerits:

- 1. Undue reliance:** The success of the enterprise depends upon the caliber and ability of few departmental heads, loss of one or two capable men may put the organization in difficulties.
- 2. Personnel limitations:** In this type of organization an individual executive is suppose to discharge different types of duties. He cannot do justice to all different activities because he cannot be specialized in all the trades.
- 3. Overload of work:** Departmental heads are overloaded with various routine jobs hence they cannot spare time for important managerial functions like planning, development budgeting etc.
- 4. Dictatorial way:** In line organization, too much authorities centre on line executive. Hence it encourages dictatorial way of working.
- 5. Duplication of work:** Conflicting policies of different departments result in duplication of work.
- 6. Unsuitable for large concerns:** It is limited to small concerns General interest of enterprise may be over looked: Departments may work for their self-interest and may sacrifice the general interest of the enterprise.
- 7. Scope of favourism:** As the departmental heads has the supreme authority, there is chance of favours.

2. LINE AND STAFF ORGANIZATION:

Line and Staff organization is the in which the line heads are assisted by specialist staff. If the firm is of large size, manager cannot give careful attention to every aspect of management. They are busy with ordinary task of production and selling. Hence staff is deputed to do the work of investigation, research, recording, and advising to managers. Thus the staff brings advising to managers. Thus the staff brings specialization by assisting the line officers.

**Merits:**

- Planned specialization:** The line and staff structure is based upon the principle of specialization. The line managers are responsible for operations contributing directly to the achievement of organizational objectives whereas staff people are there to provide expert advice on the matters of their concerns.
- Quality decisions:** Decisions come after careful consideration and thought each expert gives his advice in the area of his specialization which is reflected in the decisions.
- Prospects for Personal growth:** Prospect for efficient personal to grow in the organization not only that, it also offers opportunity for concentrating in a particular area, thereby increasing personal efficiency.
- Less wastage:** There will be less wastage of material.
- Training ground for personnel:** It provides training ground to the personnel in two ways. First, since everybody is expected to concentrate on one field, one's training needs can easily be identified. Second, the staff with expert knowledge provides opportunities to the line managers for adopting rational multi-dimensional approach towards a problem.

Demerits:

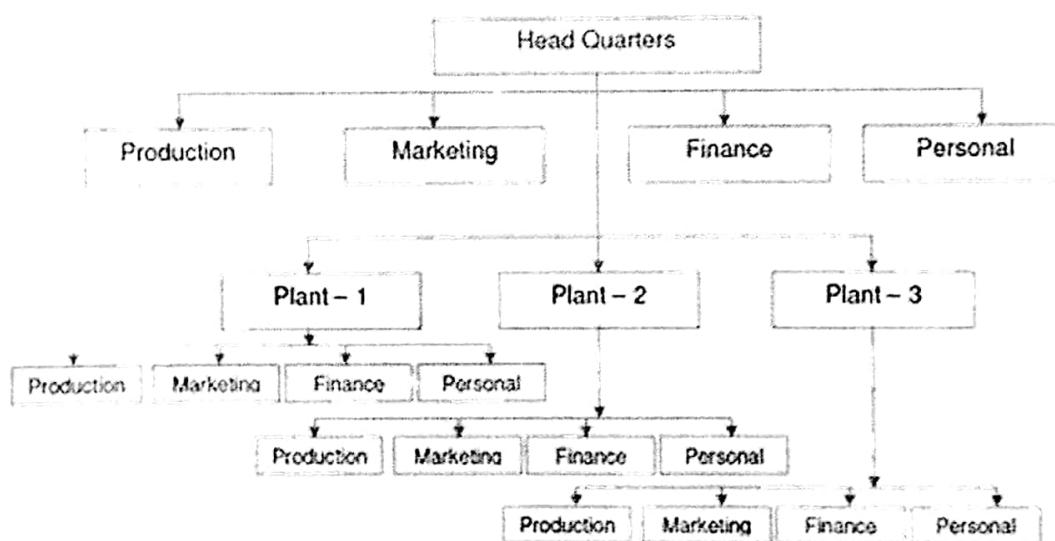
- Chances of Misinterpretation:** Although the expert advice is available, yet it reaches the workers through line supervisors. The line officers may fail to understand the meaning of advice and there is always a risk of misunderstanding and misinterpretation.
- Chances of friction:** There are bound to be occasions when the line and staff may differ in opinion may resent in conflict of interests and prevents harmonious relations between the two.

3. **Ineffective Staff in the absence of authority:** The staff has no authority to execute their own advice. Their advice is not a binding on the line officers. Therefore the advice given by specialist may be ignored by line heads.
4. **Expensive:** The overhead cost of the product increases because of high salaried specialized staff.
5. **Loss of initiative by line executives:** If they start depending too much on staff may lose their initiative drive and ingenuity.

3. FUNCTIONAL ORGANIZATION:

This structure most widely used, in the medium and large organizations having limited number of products. This was introduced by F.W. Taylor and is logical extension of the division of labor cover departments as well as men. In this authority is delegated to an individual or department to control specified processes, policies or other matter relating to activities undertaken by persons in other departments.

In this system planning is separated from performance since the direction of work is divided by various functions in the factory. It has been found that this type of structure becomes ineffective when the work of departments and individuals increases in variety and complexity.



Merits:

1. **Separation of work:** In functional organization, work has been separated from routine work. The specialist has been given the authority and responsibility for supervision and administration pertaining to their field of specialization unnecessary over loading of responsibilities is thus avoided.
2. **Specialization:** Specialization and skilled supervisory attention is given to workers the result is increase in rate of production and improved quality of work.

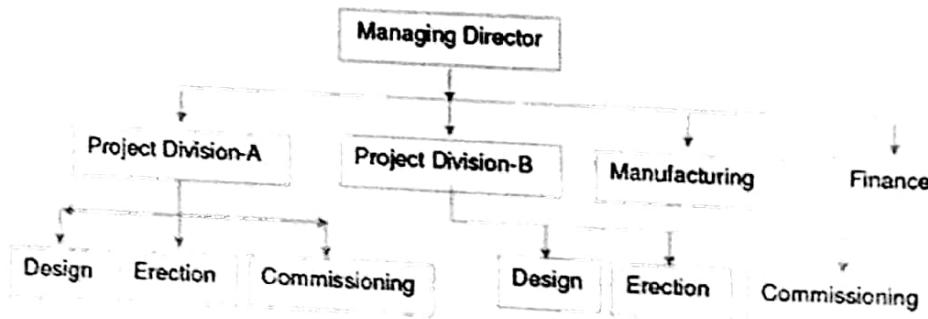
3. **Narrow range with high depth:** The narrow range of activities enable the functional expert to develop a deep understanding in his particular area of activity.
4. **Ease in selection and training:** Functional organization is based upon expert knowledge. The availability of guidance through experts makes it possible to train the workers properly in comparatively short span of time.
5. **Reduction in prime cost:** Since for every operation expert guidance is there, wastage of material is reduced and thus helps to reduce prime cost.
6. **Scope of growth and development of business:** This type of organization presents ample scope for the growth and development of business.

Demerits:

1. **Indiscipline:** Since the workers receive instructions from number of specialists it leads to confusion as to whom they should follow. Therefore, it is difficult to maintain discipline.
2. **Shifting of responsibility:** It is difficult for the top management to locate responsibility for the unsatisfactory work as everybody tries to shift responsibility on others for the faults and failure.
3. **Kills the initiative of workers:** As the specialized guidance is available to the workers the workers will not be using their talents and skills therefore their initiative cannot be utilized.
4. **Overlapping of authority:** The sphere of authority tends to overlap and gives rise to friction between the persons of equal rank.
5. **Lack of co-ordination between functions:** except the function in which he is specialized he is absolutely indifferent to other functions. Therefore, there is a lack of coordination of function and efforts.

4. PROJECT ORGANIZATION:

A project organization is a special case where common service like finance, purchase etc. are organized at the functional level. But project resources are allocated to the project manager. Since the business responsibility rests with the project manager, necessary authority is given to him with the requisite resources. This type of organization structure helps in making decisions for project control in terms of cost, resource and time. In a project organization some of the functions are corporate responsibility and some of them are project manager's responsibility.



Merits:

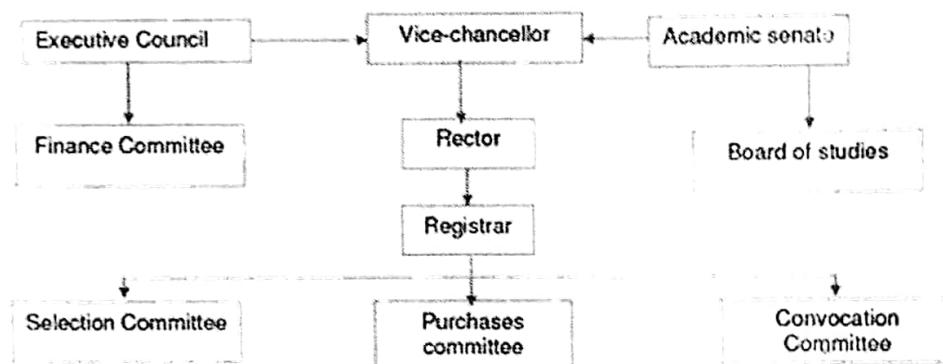
1. This calls for quick divisions
2. Organizing all functional
3. Proper coordination of work of different departments

Demerits:

1. It tends to increase the problems of control for top management
2. It is special case of product organization
3. The organization may get disintegrated with increasing focus on departments

5. COMMITTEE ORGANIZATION:

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 big to be handled by one single expert.

**Merits:**

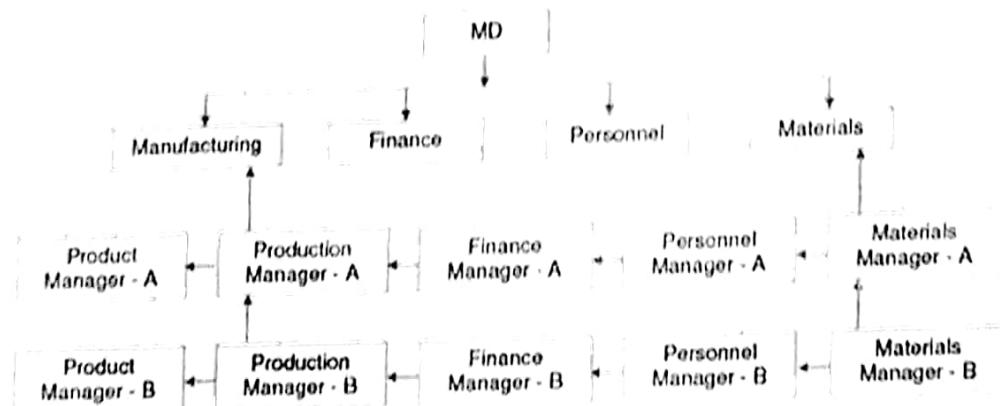
1. It pools up the organizational resources in terms of knowledge skills and experiences.
2. It represents all interested groups and thus, facilitates group decision.
3. It yields good results if the committee are headed by taskmaster like chairman and time bound in terms of decision-making.
4. It minimizes the fear of too much authority vested in one person
5. It motivates all the concerned or effected groups to participate.

Demerits:

1. Responsibility of decisions cannot be fixed on a particular person.
2. It calls for high degree of coordination.
3. It involved high cost in terms of time and money.

6. Matrix Organization:

This is also called as project organization it is a combination of all relationships in the organization in vertical, horizontal and diagonal. It is mostly used in complex projects. It provides a high degree of operational freedom, flexibility and adoptability for both the line and staff managers in performing their respective roles. The main objective of matrix organization is to secure a higher degree of coordination than what is possible from the conventional organizational structure as the line and staff.



Merits:

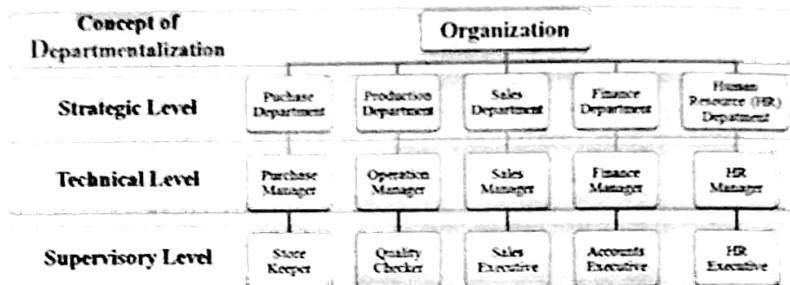
1. It offers operational freedom and flexibility
2. It seeks to optimize the utilization of resources
3. It focuses on results
4. It maintains professional identity
5. It holds employees responsible for management of resources

Demerits:

1. It calls for greater degree of coordination
2. It violates unity of command principle
3. It may be difficult to define authority and responsibility precisely
4. Employees may find it frustrating to work with two bosses

3.1.4. Departmentalization

In Departmentalization, similar activities are grouped together to form various departments.



Departmentalization is an aspect of organizational design that includes the subdivision of a business into units based on their function or other criteria. Most companies, including restaurants, are likely to use two or more types of departmentalization simultaneously. Some of the standard methods of departmentalization include grouping jobs by functional activities, product types, customer groups, geography or location, processes, and chain of command.

- Location** - A restaurant is likely to use a combination of different groupings. Location is likely to be used in a restaurant chain, where more than one branch of the same chain exists in a region, city or county. For example, the 25 percent of McDonald's restaurants that are not franchises are managed by a hierarchy of staff, including area supervisors. Each area supervisor is responsible for the performance of a group of stores in a specific geographical area.
- Function** - Functional departmentalization in a restaurant could operate by separation of sales and marketing versus operations. Operations in the restaurant context apply to the preparation of food, while sales would apply to the serving of customers. In this scenario, management may have difficulty deciding where to include staff that makes and serves drinks at the restaurant's bar, because they are involved in both activities.
- Product** - The departmentalization according to product type could work in a licensed restaurant, by separating the activities and costs related to the preparation and serving of food from those that applied to preparing and serving drinks. In this type of departmentalization, the bar becomes a separate department from the dining area, a logical method of categorization in this industry.
- Chain of Command** - Chain of command departmentalization works when the restaurant is large enough to require more than one management division. For example, if a management role for one or more people exists on the same level as another management role that oversees different staff or customer groups, such as the operations and the finance, then these can be said to be departmentalized by chain of command.
- Customer** - Customer departmentalization works by dividing the organization around the different types of customers. In a restaurant environment, this could take the form of individual customers versus

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catering for corporate clients and group events. One group of staff may handle the day-to-day operations of the restaurant, while a separate group manages the catering arm of the company, whether on the premises or outside. Departmentalization like this would effectively also be functional and possibly chain-of-command departmentalization at the same time.

6. **Combined Departmentalization** - Depending on the size of a restaurant, it may use two or more types of departmentalization. A chain may split its operation along the lines of both product and chain of command by having a food department and a beverage department, with food reporting to the chef while beverage reports to the licensee. A smaller restaurant may use functional departmentalization, such as kitchen operations versus customer service, and combine this with process departmentalization. This would result in operational kitchen staff already defined by function being further departmentalized into preparation of ingredients versus actual cooking.

3.1.5. Delegation

Delegation is assigning responsibility and authority to someone in order to complete a clearly defined and agreed upon task while you retain ultimate responsibility for its success. Delegation incorporates empowering your teammates through effective leadership, and may be directed in any direction and used in any organization.

Importance of Delegation

Delegation is important for

1. Efficiency and
2. Development.

As shown in the introduction to the module, the chairman of the senior retreat committee involved his committee. This involvement led not only to the team's efficiency, but also to the contribution of every team member, increasing everyone's development.

1. **Efficiency** - Delegation improves efficiency when it allows work to be transferred to people whose skills are a better match for the work. You are in charge of planning and strategizing the next steps for your team. When your teammates are able to carry out most of the routine activities required of your team, it will allow you the time and effort needed to plan for your team's next move.
2. **Development** - As a team leader, you possess important skills and abilities that you can pass on to your team members. The best way of doing this is to coach them in the new skills and then delegate tasks to them so that they may use those new skills. Delegating is a great way of encouraging your team members to develop themselves and for you to develop coaching and mentoring skills.

Types of Delegation

1. **Specific or General Delegation:** specific delegation of authority is related with an assigned the task or a particular function. The authority that has been delegated to the production manager in order to perform this function can be considered as specific delegation of authority. The managers of various departments had given specific authority so that they can complete their departmental duties..
2. **Formal or informal delegation:** the former delegation of authority is considered as a part of organizational structure. Whenever, a particular task has been assigned to a person, the necessary authority is also conferred on such a person. This type of delegation is considered as a part of the routine functioning of the organization. In such a case, authority is automatically provided to every person, according to the duties assigned to such a person.
3. **Lateral Delegation:** when authority is provided to a person to complete a task, the person may require the assistance of several other persons. As it may take some time to formally get the assistance of these persons, the person may indirectly ask these persons for their help to complete the task and in this way, cut short the time needed informal delegation. Therefore when authority is delegated informally, it is known as lateral delegation.
4. **Reserved authority and delegated authority:** the person who is going to delegated authority may not want to delegate the authority to the subordinates. In this way, the authority that the person keeps with himself is known as reserved authority and the authority that has been conferred upon the subordinates is known as the delegated authority.
5. **Requirements for Delegation:** Every superior in the organization wants to retain as much authority as possible. The circumstances or the load of work may require the superior to delegate authority downwards. But if the authority has not been delegated willingly, then it may not be easy to achieve the desired results.
6. **Willingness to delegate:** The first requirement in this regard is that there should be willingness on the part of the superior to delegate authority to the subordinates. Unless the superior is mentally ready to part with his authority, the delegation of authority cannot prove to be effective.
7. **Environment of trust and confidence:** trust and confidence should be present between the superiors and their subordinates in the organization. The subordinates are required to be provided opportunities or real job situations where they may get a chance to use their talent and experience. On the other hand if any mistake is made by the subordinates, the superiors should help and correct these mistakes.
8. **Faith in the subordinates:** There are certain cases where the superiors failed to delegate authority to the fear that the subordinates will not be able to complete the job independently on their own. In such a case, the superiors do not have faith in the abilities of the subordinates and they do not want to take any risks.

subordinates. The ultimate authority in the organization should rest somewhere. The subordinates should be aware of the person to whom the matter should be referred if it is beyond the authority provided to them.

3.1.6. Empowerment

Empowerment means letting others become the experts, even if this means that they will surpass your abilities. In this way, you will encourage your team members to take a personal interest in their own development and your team's success. The senior retreat chairman empowered the committee, which led to the success of the retreat.

OR

Empowerment refers to the delegation of some authority and responsibility to employees and involving them in the decision-making process, not in mere job activities, but rather at all the levels of management.

In other words, empowerment implies freedom, power, authority, motivation and encouragement given to the employees to take decisions related to a specific organizational task. It is also called as Participative Management, as employees are involved in the decision making. The purpose of empowerment is to facilitate decision-making at lower levels of the organization where the employees can offer a unique idea and suggestion about the problem being faced by the organization at a certain level.

Benefits of Empowerment

It brings a sense of ownership to the employee due to which he personalizes the goals and objectives of the organization and associates his success with his own abilities.

Empowerment increases the organization's responsiveness towards the problems or issues. Also, there is an increase in the productivity of an employee as he is completely engaged with the firm and takes decisions for the betterment of the organization as a whole.

Limitations of Empowerment

- **First**, the decisions made might not be in line with the organizational goals.
- **Second**, there could be a lack of coordination among the different levels of the organization.
- **Third**, the superior-subordinate relation might get tensed due to the violation of authority.
- **Fourth**, sometimes it can be counterproductive as the superior might keep a close watch on the employee to check if the authority is misused. This might increase the dissatisfaction among the employees.

Elements of Empowerment

There are thousands of examples of empowerment strategies that have been initiated by poor people themselves and by governments, civil society, and the private sector. Successful efforts to empower poor people, increasing their freedom of choice and action in different contexts, often share four elements:

1. Access to information
 2. Inclusion and participation
 3. Accountability
 4. Local organizational capacity
1. **Access to Information** - Information is power. Informed citizens are better equipped to take advantage of opportunities, access services, exercise their rights, negotiate effectively, and hold state and nonstate actors accountable. Without information that is relevant, timely, and presented in forms that can be understood, it is impossible for poor people to take effective action. Information dissemination does not stop with the written word, but also includes group discussions, poetry, storytelling, debates, street theater, and soap operas—among other culturally appropriate forms.
 2. **Inclusion and Participation** - Inclusion focuses on a question that is included? Participation addresses the question of how they are included and the role they play once included. Inclusion of poor people and other traditionally excluded groups in priority setting and decision making is critical to ensure that limited public resources build on local knowledge and priorities, and to build commitment to change.
 3. **Accountability** - Accountability refers to the ability to call public officials, private employers or service providers to account, requiring that they be answerable for their policies, actions and use of funds. Widespread corruption, defined as the abuse of public office for private gain, hurts poor people the most because they are the least likely to have direct access to officials and the least able to use connections to get services.
 4. **Local Organizational Capacity** - Local organizational capacity refers to the ability of people to work together, organize them, and mobilize resources to solve problems of common interest. Often outside the reach of formal systems, poor people turn to each other for support and strength to solve their everyday problems. Poor people's organizations are often informal, as in the case of a group of women who lend each other money or rice.

3.1.7. Centralization & Decentralization

3.1.7.1. Centralization

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

According to Allen, "Centralization" is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be :-

- Reservation of decision making power at top level.
- Reservation of operating authority with the middle level managers.
- Reservation of operation at lower level at the directions of the top level.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level.

The two definitions of centralization given by Louis Allen and Henry Fayol are:

"Centralization is the systematic and consistent reservation of authority at central points within the organization."

- Louis Allen

"Everything that goes to increase the importance of the subordinate's role is decentralization; everything which goes to reduce it is centralization".

- Henry Fayol

Advantages of Centralization

1. Focused Vision
2. Fast Execution
3. Reduced Conflict and
4. Control & Accountability

3.1.7.2. Decentralization

It refers to the situation in which a significant number of job activity and a maximum amount of authority are delegated to subordinates.

It signifies the necessity of dividing the managerial task to the lowest level of managers, with an intention to grant all the authority to make the particular division or department autonomous. Each department has the full authority to decide on all matters concerning the department except those matters which need to be left to the top management to decide.

"Decentralization refers to the systematic efforts to delegate to the lowest levels all authority except that which can only be exercised at central points."

- Louis Allen.

"Decentralization is simply a matter of dividing up the managerial work and assigning specific duties to the various executive skills."

- Newman, Summer & Warren.

On the other hand, **Decentralization** is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization** and **decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, "Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points."

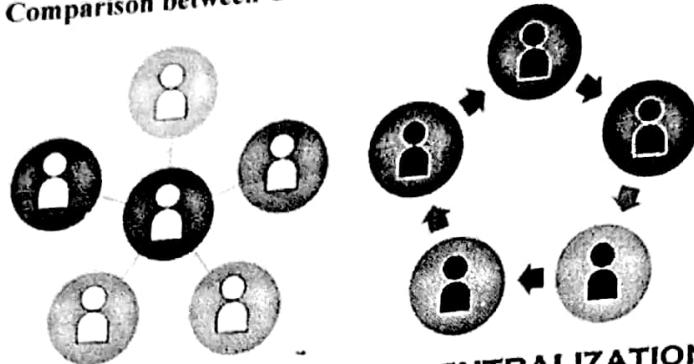
Implications of Decentralization

- There is a less burden on the Chief Executive as in the case of centralization.
- In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
- In decentralization, diversification and horizontal can be easily implanted.
- In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.
- In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
- In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.
- In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches.

Advantages of De-Centralization

1. Empowering Employees
2. Relieving Burden
3. Preparing of Emergencies
4. More Efficient Decision Making and
5. Easy of Execution

FUNDAMENTALS OF MANAGEMENT
Comparison between Centralization and De-Centralization



CENTRALIZATION VS DECENTRALIZATION

Basis for Comparison	Centralization	Decentralization
Meaning	The retention of powers and authority with respect to planning and decisions, with the top management, is known as Centralization.	The dissemination of authority, responsibility and accountability to the various management levels, is known as Decentralization.
Involves	Systematic and consistent reservation of authority.	Systematic dispersal of authority.
Communication Flow	Vertical	Open and Free
Decision Making	Slow	Comparatively faster
Advantage	Proper coordination and Leadership	Sharing of burden and responsibility
Power of decision making	Lies with the top management.	Multiple persons have the power of decision making.
Reasons	Inadequate control over the organization	Considerable control over the organization
Best suited for	Small sized organization	Large sized organization

Comparisons between Delegation and Decentralization

Basis	Delegation	Decentralization
Meaning	Managers delegate some of their function and authority to their subordinates.	Right to take decisions is shared by top management and other level of management.
Scope	Scope of delegation is limited as superior delegates the powers to the subordinates on individual bases.	Scope is wide as the decision making is shared by the subordinates also.
Responsibility	Responsibility remains of the managers and cannot be delegated	Responsibility is also delegated to subordinates.

Freedom of Work	Freedom is not given to the subordinates as they have to work as per the instructions of their superiors.	Freedom to work can be maintained by subordinates as they are free to take decision and to implement it.
Nature	It is a routine function	It is an important decision of an enterprise.
Need on purpose	Delegation is important in all concerns whether big or small. No enterprises can work without delegation.	Decentralization becomes more important in large concerns and it depends upon the decision made by the enterprise, it is not compulsory.
Grant of Authority	The authority is granted by one individual to another.	It is a systematic act which takes place at all levels and at all functions in a concern.
Grant of Responsibility	Responsibility cannot be delegated	Authority with responsibility is delegated to subordinates.
Degree	Degree of delegation varies from concern to concern and department to department.	Decentralization is total by nature. It spreads throughout the organization i.e. at all levels and all functions
Process	Delegation is a process which explains superior subordinates relationship	It is an outcome which explains relationship between top management and all other departments.
Essentiality	Delegation is essential of all kinds of concerns	Decentralization is a decisions function by nature.
Significance	Delegation is essential for creating the organization	Decentralization is an optional policy at the discretion of top management.
Withdrawal	Delegated authority can be taken back.	It is considered as a general policy of top management and is applicable to all departments.
Freedom of Action	Very little freedom to the subordinates	Considerable freedom

3.1.7.3. Recentralization

Recentralization means back to centralization.

If the situation demands, the top management may hold back the power or authority from the lower level managers which were earlier decentralized.

3.1.8. Organizational Culture

Organizational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organization.

3.2. Human Resource Management & Business Strategy

Human Resource refer to the individuals or personnel or workforce within an organization responsible for performing the tasks given to them for the purpose of achievement of goals and objectives of the organization which is possible only through proper recruitment and selection, providing proper orientation an induction, training, skill developments, proper assessment of employees (performance appraisal), providing appropriate compensation and benefits, maintaining proper labor relations and ultimately maintaining safety, welfare and health concern of employees, which is process of the human resource management.

Human Resource Management is the process of Recruitment, Selection, Training, Appraising Performance, Compensating, Maintaining Relationships, Looking Welfare, Health and Safety measures of employees in compliance with labor laws of the land.

3.2.1. Talent Management

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.

Some organizations may find the whole process very unethical especially who are at the giving end (who loses their high-worth employee). But in this cut-throat competition where survival is a big question mark, the whole concept sounds fair. Every organization requires the best talent to survive and remain ahead in competition. Talent is the most important factor that drives an organization and takes it to a higher level, and therefore, cannot be compromised at all. It won't be exaggerating saying talent management as a never-ending war for talent!

Benefits of Talent Management

Talent management can be a discipline as big as the HR function itself or a small bunch of initiatives aimed at people and organization development. Different organizations utilize talent management for their benefits. This is as per the size of the organization and their belief in the practice.

- **Right Person in the right Job:** Through a proper ascertainment of people skills and strengths, people decisions gain a strategic agenda. The skill or competency mapping allows you to take stock of skill inventories lying with the organization. This is especially important both from the perspective of the organization as well as the employee because the right person is deployed in the right position and employee productivity are increased.

- **Retaining the top talent:** Despite changes in the global economy, attrition remains a major concern of organizations. Retaining top talent is important to leadership and growth in the marketplace. Organizations that fail to retain their top talent are at the risk of losing out to competitors. The focus is now on charting employee retention programs and strategies to recruit, develop, retain and engage quality people.
- **Better Hiring:** The quality of an organization is the quality of workforce it possesses. The best way to have talent at the top is have talent at the bottom. No wonder then talent management programs and trainings, hiring assessments have become an integral aspect of HR processes nowadays.
- **Understanding Employees Better:** Employee assessments give deep insights to the management about their employees. Their development needs, career aspirations, strengths and weaknesses, abilities, likes and dislikes. It is easier therefore to determine what motivates whom and this helps a lot Job enrichment process.
- **Better professional development decisions:** When an organization gets to know who its high potential is, it becomes easier to invest in their professional development. Since development calls for investment decisions towards learning, training and development of the individual either for growth, succession planning, performance management etc, an organization remains bothered where to make this investment and talent management just make this easier for them.

Principles of Talent Management

Here are no hard and fast rules for succeeding in execution of management practices, if you ask me. What may work wonders for one organization may ruin another one! For convenience sake however there are certain principles of Talent Management that one should follow or keep in mind.

⇒ Principle 1 - Avoid Mismatch Costs

In planning for future manpower requirements, most of the HR professionals prepare a deep bench of candidates or manpower inventory. Many of the people who remain in this bracket start searching for other options and move when they are not raised to a certain position and profile. In such a scenario it is better to keep the bench strength low and hire from outside from time to time to fill gaps. This in no way means only to hire from outside, which leads to a skill deficit and affects the organizational culture.

⇒ Principle 2 - Reduce the Risk of Being Wrong

In manpower anticipations for future an organization can ill afford to be wrong. It's hard to forecast talent demands for future business needs because of the uncertainty involved. It is therefore very important to attune the career plans with the business plans. A 5 year career plan looks ridiculous along with a 2 year business plan.

Further, long term development and succession plans may end up as a futile exercise if the organization lacks a firm retention strategy.

⇒ **Principle 3 - Recoup Talent Investments**

Developing talent internally pays in the longer run. The best way to recover investments made in talent management is to reduce upfront costs by finding alternative and cheaper talent delivery options. Organizations also require a rethink on their talent retention strategy to improve employee retention.

⇒ **Principle 4 - Balancing Employee Interests**

How much authority should the employees' have over their own development? There are different models that have been adopted by various corporations globally. There is 'the chess master model', but the flipside in this is that talented employees search for options. Organizations can also make use of the internal mobility programs which are a regular feature of almost all the top organizations.

These principles are just broader guidelines; their application varies across industries and organizational cultures.

Talent Management Process

People are, undoubtedly the best resources of an organization. Sourcing the best people from the industry has become the top most priority of the organizations today. In such a competitive scenario, talent management has become the key strategy to identify and filling the skill gap in a company by recruiting the high-worth individuals from the industry. It is a never-ending process that starts from targeting people. The process regulates the entry and exit of talented people in an organization. To sustain and stay ahead in business, talent management cannot be ignored. In order to understand the concept better, let us discuss the stages included in talent management process:

- **Understanding the Requirement:** It is the preparatory stage and plays a crucial role in success of the whole process. The main objective is to determine the requirement of talent. The main activities of this stage are developing job description and job specifications.
- **Sourcing the Talent:** This is the second stage of talent management process that involves targeting the best talent of the industry. Searching for people according to the requirement is the main activity.
- **Attracting the Talent:** it is important to attract the talented people to work with you as the whole process revolves around this only. After all the main aim of talent management process is to hire the best people from the industry.
- **Recruiting the Talent:** The actual process of hiring starts from here. This is the stage when people are invited to join the organization.
- **Selecting the Talent:** This involves meeting with different people having same or different qualifications and skill sets as mentioned in job description. Candidates who qualify this round are invited to join the organization.
- **Training and Development:** After recruiting the best people, they are trained and developed to get the desired output.
- **Retention:** Certainly, it is the sole purpose of talent management process. Hiring them does not serve the purpose completely. Retention depends on various factors such as pay package, job specification, challenges involved in a job, designation,

personal development of an employee, recognition, culture and the fit between job and talent.

- **Promotion:** No one can work in an organization at the same designation with same job responsibilities. Job enrichment plays an important role.
- **Competency Mapping:** Assessing employees' skills, development, ability and competency is the next step. If required, also focus on behaviour, attitude, knowledge and future possibilities of improvement. It gives you a brief idea if the person is fit for promoting further.
- **Performance Appraisal:** Measuring the actual performance of an employee is necessary to identify his or her true potential. It is to check whether the person can be loaded with extra responsibilities or not.
- **Career Planning:** If the individual can handle the work pressure and extra responsibilities well, the management needs to plan his or her career so that he or she feels rewarded. It is good to recognize their efforts to retain them for a longer period of time.
- **Succession Planning:** Succession planning is all about who will replace whom in near future. The employee who has given his best to the organization and has been serving it for a very long time definitely deserves to hold the top position. Management needs to plan about when and how succession will take place.

Exit: The process ends when an individual gets retired or is no more a part of the organization.

Talent Management process is very complex and is therefore, very difficult to handle. The sole purpose of the whole process is to place the right person at the right place at the right time. The main issue of concern is to establish a right fit between the job and the individual.

Talent Management - Opportunities and Challenges

There is no dearth of professionals but there is an acute shortage of talented professionals globally. Every year b-schools globally churn out management professionals in huge numbers but how many of are actually employable remains questionable! This is true for other professions also.

The scenario is worse even in developing economies of south East Asia.

It faces the following opportunities and challenges:

1. Recruiting talent
2. Training and Developing talent
3. Retaining talent
4. Developing Leadership talent
5. Creating talented ethical culture

1. Recruiting Talent

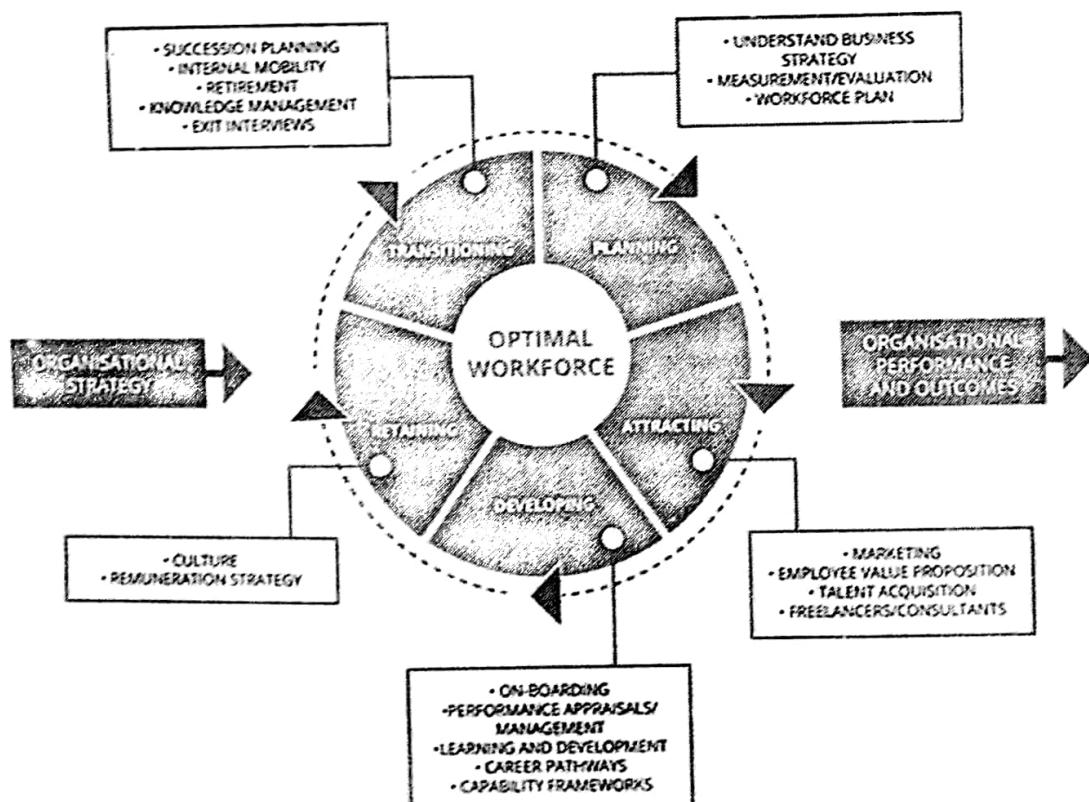
The recent economic downturn saw job cuts globally. Those who were most important to organizations in their understanding were retained, others were sacked. Similarly huge shuffles happened at the top leadership positions. They were seen as crisis managers unlike those who were deemed responsible for throwing

- **Talent Management to rescue HR:** HR has been compelled to focus qualitative aspects equally and even more than quantitative aspects like the head count etc. Through talent management more effort is now being laid on designing and maintaining employee scorecards and employee surveys for ensuring that talent is nurtured and grown perpetually.
- **Increase in Employer of Choice Initiatives:** An organization's perceived value as an employer helps improve its brand value in the eyes of its consumer. Most importantly it helps it attract the right talent.

3.2.2. Talent Management Models

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.



Talent Management Model

- Evaluating and measurement/analytics
- Developing a Workforce Plan
- **Attracting**
 - Employee Value Proposition
 - Marketing
 - Talent acquisition
 - Consultants/Freelancers
- **Developing**
 - On-boarding
 - Performance Appraisals/Management
 - Learning and Development
 - Capability frameworks
 - Career pathways
- **Retaining**
 - Culture
 - Remuneration strategy
- **Transitioning**
 - Succession planning
 - Internal mobility
 - Retirement
 - Knowledge management
 - Exit interviews

3.2.3. Strategic Human Resource Planning

Strategic HR planning is an important component of strategic HR management. It links HR management directly to the strategic plan of your organization. Most mid- to large sized organizations have a strategic plan that guides them in successfully meeting their missions. Organizations routinely complete financial plans to ensure they achieve organizational goals and while workforce plans are not as common, they are just as important.

Strategic HR management is defined as:

Integration of human resource management and systems for achieving the overall mission, strategies, and success of the firm while meeting the needs of employees and other stakeholders.

The overall purpose of strategic HR planning is to:

- Ensure adequate human resources to meet the strategic goals and operational plans of your organization - the right people with the right skills at the right time
- Keep up with social, economic, legislative and technological trends that impact on human resources in your area and in the sector
- Remain flexible so that your organization can manage change if the future is different than anticipated

Strategic HR planning predicts the future HR management needs of the organization after analyzing the organization's current human resources, the external labour market and the future HR environment that the organization will be operating in. The basic questions to be answered for strategic planning are:

- Where are we going?
- How will we develop HR strategies to successfully get there, given the circumstances?
- What skill sets do we need?

The strategic HR planning process

The strategic HR planning process has four steps:

1. Assessing the current HR capacity
2. Forecasting HR requirements
3. Gap analysis
4. Developing HR strategies to support organizational strategies

1. Assessing current HR capacity

Based on the organization's strategic plan, the first step in the strategic HR planning process is to assess the current HR capacity of the organization. The knowledge, skills and abilities of your current staff need to be identified. This can be done by developing a skills inventory for each employee.

An employee's performance assessment form can be reviewed to determine if the person is ready and willing to take on more responsibility and to look at the employee's current development plans.

2. Forecasting HR requirements

The next step is to forecast HR needs for the future based on the strategic goals of the organization. Realistic forecasting of human resources involves estimating both demand and supply. Questions to be answered include:

- How many staff will be required to achieve the strategic goals of the organization?
- What jobs will need to be filled?
- What skill sets will people need?

When forecasting demands for HR, you must also assess the challenges that you will have in meeting your staffing need based on the external environment. To determine external impacts, you may want to consider some of the following factors:

- How does the current economy affect our work and our ability to attract new employees?
- How do current technological or cultural shifts impact the way we work and the skilled labour we require?
- What changes are occurring in the Canadian labour market?
- How is our community changing or expected to change in the near future?
- Do read more about the changing labour force and why it matters to non-profit employers. go to the Diversity at Work section of the E-B Toolkit
- Why diversity at work matters

3. Gap Analysis

The next step is to determine the gap between where your organization wants to be in the future and where you are now. The gap analysis includes identifying the number of staff and the skills and abilities required in the future in comparison to the current situation. You should also look at all your organization's HR management practices to identify practices that could be improved or new practices needed to support the organization's capacity to move forward. Questions to be answered include:

- What new jobs will we need?
- What new skills will be required?
- Do our present employees have the required skills?
- Are employees currently in positions that use their strengths?
- Do we have enough managers/supervisors?
- Are current HR management practices adequate for future needs?

4. Developing HR strategies to support organizational strategies

There are five HR strategies for meeting your organization's needs in the future:

- a) Restructuring strategies
- b) Training and development strategies
- c) Recruitment strategies
- d) Outsourcing strategies
- e) Collaboration strategies

a) Restructuring strategies

This strategy includes:

- Reducing staff either by termination or attrition
- Regrouping tasks to create well designed jobs
- Reorganizing work units to be more efficient

If your assessment indicates that there is an oversupply of skills, there are a variety of options open to assist in the adjustment. Termination of workers gives immediate results.

Sometimes existing workers may be willing to voluntarily reduce their hours, especially if the situation is temporary. Job sharing may be another option. The key to success is to ensure that employees are satisfied with the arrangement, that they confirm agreement to the new arrangement in writing, and that it meets the needs of the employer. Excellent communication is a prerequisite for success.

Your analysis may tell you that your organization may have more resources in some areas of the organization than others. This calls for a redeployment of workers to the area of shortage. The training needs of the transferred workers needs to be taken into account.

b) Training and development strategies

This strategy includes:

- Providing staff with training to take on new roles

- Providing current staff with development opportunities to prepare them for future jobs in your organization

Training and development needs can be met in a variety of ways. One approach is for the employer to pay for employees to upgrade their skills. This may involve sending the employee to take courses or certificates or it may be accomplished through on-the-job training. Many training and development needs can be met through cost effective techniques. See the HR Toolkit section on Learning, Training and Development for more information.

c) Recruitment strategies

This strategy includes:

- Recruiting new staff with the skill and abilities that your organization will need in the future
- Considering all the available options for strategically promoting job openings and encouraging suitable candidates to apply

For strategic HR planning, each time you recruit you should be looking at the requirements from a strategic perspective. Perhaps your organization has a need for a new fundraiser right now to plan special events as part of your fundraising plan. However, if your organization is considering moving from fundraising through special events to planned giving, your recruitment strategy should be to find someone who can do both to align with the change that you plan for the future.

d) Outsourcing strategies

This strategy includes:

- Using external individuals or organizations to complete some tasks

Many organizations look outside their own staff pool and contract for certain skills. This is particularly helpful for accomplishing specific, specialized tasks that don't require ongoing full-time work.

Some organizations outsource HR activities, project work or bookkeeping. For example, payroll may be done by an external organization rather than a staff person, a short term project may be done using a consultant, or specific expertise such as legal advice may be purchased from an outside source.

e) Collaboration strategies

Finally, the strategic HR planning process may lead to indirect strategies that go beyond your organization. By collaborating with other organizations you may have better success at dealing with a shortage of certain skills.

Types of collaboration could include:

- Working together to influence the types of courses offered by educational institutions
- Working with other organizations to prepare future leaders by sharing in the development of promising individuals

- Sharing the costs of training for groups of employees
- Allowing employees to visit other organizations to gain skills and insight

Documenting the strategic HR plan

Once the strategies for HR in your organization have been developed they should be documented in an HR plan. This is a brief document that states the key assumptions and the resulting strategies along with who has responsibility for the strategies and the timelines for implementation.

Implementing the strategic HR plan

Once the HR strategic plan is complete the next step is to implement it:

Agreement with the plan

Ensure that the board chair, executive director and senior managers agree with the strategic HR plan. It may seem like a redundant step if everyone has been involved all the way along, but it's always good to get final confirmation.

Communication

The strategic HR plan needs to be communicated throughout the organization. Your communication should include:

- How the plan ties to the organization's overall strategic plan
- What changes in HR management policies, practices and activities will be made to support the strategic plan
- How any changes in HR management will impact on staff including a timeframe if appropriate
- How each individual member of staff can contribute to the plan
- How staff will be supported through any changes
- How the organization will be different in the future

Legislation and mandate - Ensure that the actions you are considering are compliant with existing laws, regulations and the constitution and bylaws of your organization. To review laws relating to employment, visit the HR Toolkit section on Employment Legislation and Standards

Organizational needs - Whether you are increasing or reducing the number of employees, there are implications for space and equipment, and on existing resources such as payroll and benefit plans.

Evaluation - HR plans need to be updated on a regular basis. You will need to establish the information necessary to evaluate the success of the new plan. Benchmarks need to be selected and measured over time to determine if the plan is successful in achieving the desired objectives.

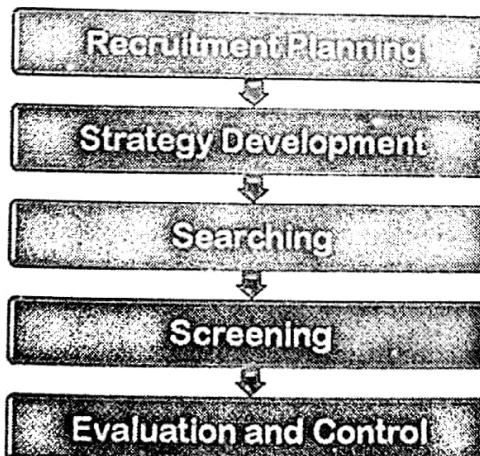
Recruitment

The Recruitment is the process of analyzing the job requirements and then finding the prospective candidates who are then encouraged and stimulated to apply for the job in the organization.

The Recruitment programme is designed to attract more and more applicants such that the pool of candidates applies for the job, and the organization has more options to select the best out of them. The recruitment process consists of five interrelated stages which are as follows:

- 1. Recruitment Planning:** The recruitment process begins with the planning where in the vacant job positions are analyzed and then the comprehensive job draft is prepared that includes, job specifications and its nature, skills, qualifications, experience needed for the job, etc.

Here, the recruitment committee decides on the number and the type of applicants to be contacted. The aim of any organization is to attract more candidates as some of them might not be willing to join, or some might not qualify for the job position. So the company has a sufficient number of candidates to choose amongst them. The type of candidates required for the job is well specified in terms of the task and responsibilities involved in a job along with the qualification and experience expected.



- 2. Strategy Development:** Once the comprehensive job draft is prepared, and the type and the number of recruits required are decided upon; the next step is to decide a strategy that is adopted while recruiting the prospective candidates in the organization. The following strategic considerations should be kept in mind:
 - **Make or Buy Employees**, which means the firm either, decides to select less skilled employees and invest in training and education programmes or hire skilled professionals.

- **Methods of Recruitment**, the firm decide on the methods used for recruiting the individuals. Such as the internet provides detailed information about the prospective candidates and helps in short listing the best-qualified individuals.
 - **Geographical Area**, the next decision is related to the area from where the candidates shall be searched. The firm looks for those areas where the handful amount of qualified employees is concentrated, with a view to curtailing a search cost.
 - **Sources of Recruitment**, there are two sources of recruitment: Internal source (within the organization), external source (outside the organization). The firm must decide the source from where the candidates are hired.
- 3. Searching:** Once the strategy is prepared the search for the candidates can be initialized. It includes two steps: source activation and selling. The source activation means, the search for the candidate activates on the employee requisition i.e. until and unless the line manager verifies that the vacancy exists, the search process cannot be initiated.
- The next point to be considered is selling, which means the firm must judiciously select that media of communication that successfully conveys the employment information to the prospective candidates.
- 4. Screening:** The screening means to shortlist the applications of the candidates for further selection process. Although, the screening is considered as the starting point of selection but is integral to the recruitment process. This is because the selection process begins only after the applications are scrutinized and shortlisted on the basis of job requirements. The purpose of recruitment here is to remove those applications at an early stage which clearly seems to be unqualified for the job.
- 5. Evaluation and Control:** Evaluation and control is the last stage in the recruitment process wherein the validity and effectiveness of the process and the methods used therein is assessed. This stage is crucial because the firm has to check the output in terms of the cost incurred.

The recruitment is a costly process as it includes the salaries of recruiters, time spent by the management, cost of advertisement, cost of selection, a price paid for the overtime and outsourcing in case the vacancy remains unfilled. Thus, a firm is required to gather all these relevant information to evaluate the performance of a recruitment process effectively.

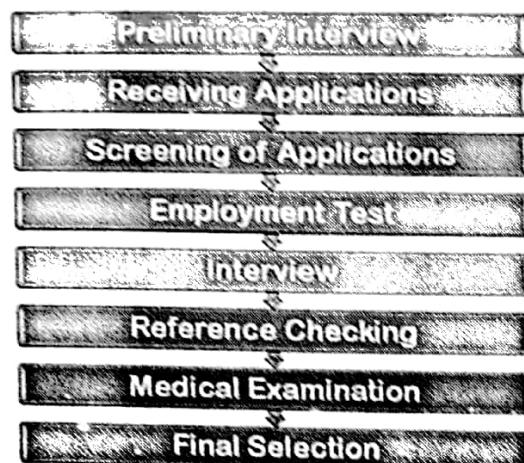
Selection

The Selection is a process of picking the right candidate with prerequisite qualifications and capabilities to fill the jobs in the organization.

The selection process is quite lengthy and complex as it involves a series of steps before making the final selection. The procedure of selection may vary from industry to industry, company to company and even from department to department. Every organization designs its selection process, keeping in mind the urgency of hiring people and the prerequisites for the job vacancy.

Selection Process

The selection procedure comprises of following systematic steps:



- 1. Preliminary Interview:** The preliminary interview is also called as a screening interview wherein those candidates are eliminated from the further selection process who does not meet the minimum eligibility criteria as required by the organization.

Here, the individuals are checked for their academic qualifications, skill sets, family backgrounds and their interest in working with the firm. The preliminary interview is less formal and is basically done to weed out the unsuitable candidates very much before proceeding with a full-fledged selection process.

- 2. Receiving Applications:** Once the individual qualifies the preliminary interview he is required to fill in the application form in the prescribed format. This application contains the candidate data such as age, qualification, experience, etc. This information helps the interviewer to get the fair idea about the candidate and formulate questions to get more information about him.
- 3. Screening Applications:** Once the applications are received, these are screened by the screening committee, who then prepare a list of those applicants whom they find suitable for the interviews. The short listing criteria could be the age, sex, qualification, experience of an individual. Once the list is prepared, the qualified candidates are called for the interview either through a registered mail or e-mails.
- 4. Employment Tests:** In order to check the mental ability and skill set of an individual, several tests are conducted. Such as intelligence tests, aptitude tests, interest tests, psychological tests, personality tests, etc. These tests are conducted to judge the suitability of the candidate for the job.

5. **Employment Interview:** The one on one session with the candidate is conducted to gain more insights about him. Here, the interviewer asks questions from the applicant to discover more about him and to give him the accurate picture of the kind of a job he is required to perform.

Also, the briefing of certain organizational policies is done, which is crucial in the performance of the job. Through an interview, it is easier for the employer to understand the candidate's expectations from the job and also his communication skills along with the confidence level can be checked at this stage.

6. **Checking References:** The firms usually ask for the references from the candidate to cross check the authenticity of the information provided by him. These references could be from the education institute from where the candidate has completed his studies or from his previous employment where he was formerly engaged. These references are checked to know the conduct and behavior of an individual and also his potential of learning new jobs.
7. **Medical Examination:** Here the physical and mental fitness of the candidate are checked to ensure that he is capable of performing the job. In some organizations, the medical examination is done at the very beginning of the selection process while in some cases it is done after the final selection.

Thus, this stage is not rigid and can take place anywhere in the process. The medical examination is an important step in the selection process as it helps in ascertaining the applicant's physical ability to fulfill the job requirements.

8. **Final Selection:** Finally, the candidate who qualifies all the rounds of a selection process is given the appointment letter to join the firm.

Thus, the selection is complex and a lengthy process as it involves several stages than an individual has to qualify before getting finally selected for the job.

3.2.5. Training and Development

Training and development are essential for achieving organizational goals. Training and development always go hand in hand. Training leads to human development, that is, better skills, motivation, and personality development.

Training: Training is a short-term process of utilizing systematic and organized procedures by which the staff acquires specific technical knowledge and functional skills for a definite purpose. The focus of training is the job or task. The role of training in the organization is governed by the overall purpose of the organization. In a fast-moving consumer goods company, training will be geared strongly to achieve larger sales than that of competitors. In a high-technology manufacturing company, training will be geared to product quality and innovation.

Need for training: The need for training need not be over-emphasized, particularly in the world of fast changing technology, eroding values and work ethics, the increasing work pressures, the degree of complexity in the job, changing conditions of work, discontinuities in the skill levels as a result of foreign technologies, and so on, demand based training programmes and close monitoring of the progress of the trainees.

Training Methods: Training methods are of two types:

1. On-the-job training and
2. Off-the-job training.

On-the job training methods are designed to make the employees immediately productive. It is learning by physically doing the work. The focus here is to provide specific skills in a real situation .These methods include:

- (a) **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.
- (b) **Experiential learning:** 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..
- (c) **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.
- (d) **Apprentice training:** Those who are selected to work in the shop floor are trained as apprentices in the factory for a brief period ranging from three months to one year, depending upon the complexity of the training. Those who show good progress in this training are likely to be absorbed in the same organization. Those who complete apprentice training are likely to get good jobs outside also.

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 back ground knowledge or generating an awareness of comparative ideas and practice. These methods include:

- (a) **Lectures/talks and classroom 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.
- (b) **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. They may also get motivated to perform better.

- (c) **Seminars:** Seminars are held periodically by the professional organizations for the benefit of all the practicing managers by taking into consideration the recent advances in a specialized area. Participation in such seminars enables the executives to get exposed to the recent developments in the area of their interest.
- (d) **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. It reinforces a feeling of unity among those who work towards common goals.
- (e) **Case study:** It is a predominant technique followed even in premier management institutes. This technique helps to provide an understanding of what has gone wrong in particular case, such as Delhi Cloth Mills (OCM). 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. However, this method has one weakness. The circumstances you are likely to face in your life may be totally different from the-cases you have analyzed earlier! Case studies help to enhance the analytical & decision making skills. .
- (f) **Role-playing:** The participants are assigned roles and are asked to react to one another & they would do in their managerial jobs. These roles are eventually exchanged. In other words, each participant will get a turn to play all the roles. For instance, the role playing in a grievance handling situation involves two players; In the first step the worker presents his grievance to the personnel manager. In the second step, the worker plays the role of the personnel manager while the personnel manager plays the role of the worker. Role-playing allows participants to understand problems of each other. It enhances the interpersonal-handling skills.
- (g) **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.
- (h) **Simulation exercises:** These include interactive exercises in which trainees practice their skills on working models or in mock situations based on real-life situations.
- (i) **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. The manager thus ensures that more people are involved in taking decisions. Each member of the group will accept the responsibility for the decisions made as she is a party to it. This method facilitates to generate more alternative solutions to a given problem because more people are involved in the thinking exercise.

The personnel manager is concerned with choosing the right method of training for the right segment of the work force. The right segment of the work force may include workers, supervisory staff, junior managers, senior managers, and so on. It is necessary to optimize the benefits of training..

processes that serve the purpose for which it was intended.

3.2.6. Performance Appraisal

Performance appraisal is the process of measuring and evaluating the performance or accomplishments, including individual behavior, of an employee

on the job front for a given period. The purpose is to assess the worth and value of a person to the organization. It is also meant for assessing his/her potential for future development in an objective manner.

Need to have appraised the performance:

There are several reasons for carrying out performance appraisal.

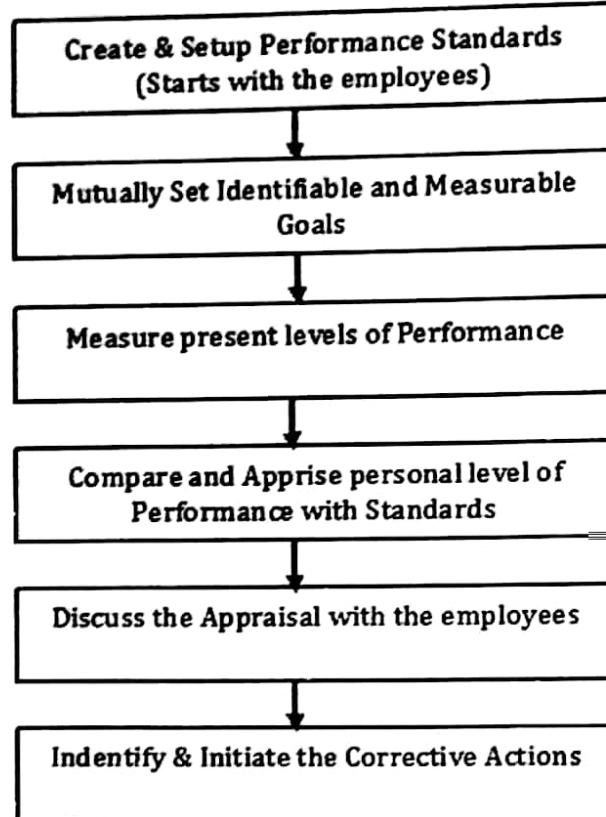
They are:

- a) To assess the employee's present level of performance.
- b) To identify the strengths or weaknesses of individual employee.
- c) To provide feedback to the employee so that he can improve his/her performance.
- d) To provide an objective basis for rewarding the employees for their performance.
- e) To motivate those employees who perform.
- f) To check and punish those employees who fail to perform.
- g) To identify the gaps in performance, and thus, assess training and development needs.
- h) To identify the employee's potential to perform.
- i) To provide a database for evolving succession strategies.
- j) 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.

STEPS IN PERFORMANCE APPRAISAL

The following stages in the process of performance appraisal

- a) **Creating and setting up performance standards:** This should be done for every employee at each level in every department, in accordance with the organisational goals. These standards should be clear and objective, capable of being understood and measured.
- b) **Setting mutually the identifiable and measurable goals:** Communicate with the employees to discuss with them how best the goals can be set in an identifiable and measurable manner. Seek information about their expectations regarding the performance standards.
- c) **Measuring present level of performance:** The present level of performance is assessed by collecting information relating to it from managers and personal observation by oral or written reports.
- d) **Comparing and appraising the present level of performance:** The focus here is to note the deviations in the actual performance from the set standards.



- e) **Discussing the appraisal with the employee:** To ensure that the appraisal is transparent and free from bias or subjectivity, discuss with the concerned employee. The employee may raise his/her objection, in case the appraisal is far from reality. Free exchange of such information reduces not only the scope for subjectivity errors in the process of appraisal but also may strengthen the morale and self-esteem.
- f) **Identify and initiate the corrective action where necessary:** Suitable corrective action may be identified and initiated immediately. At times, this may yield only temporary results. Immediate corrective action is often described as putting out fire.

Basis of performance appraisal:

The principal basis of performance appraisal is to check how far the performance of the employee has contributed to the attainment of the organizational goals. The parameters to evaluate the performance widely differ from job to job. However, the common measures of performance appraisal include.

- Volume of sales.
- Total revenue generated.
- Return on investment.
- Volume of production.
- Quality standards achieved.
- Operating costs.
- Time saved.
- Number of customer complaints processed or pending.