MAR GREGORIOS COLLEGE
OF ARTS & SCIENCE

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DEPARTMENT OF CORPORATE SECRETARYSHIP

SUBJECT NAME: CORPORATE MANAGEMENT

SUBJECT CODE: AY22B

SEMESTER: II

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Course Objectives: • To make the students to understand the basic concept of management. • To prepare the students to know about the significance of management in corporate world

UNIT I - Introduction to Management Nature and functions of Management – Principles – role and function of Manager – Levels of Management – Development of Scientific Management and other Schools of thought and Approaches.

UNIT II - Planning and Organising Planning – need and importance – forms – types – steps – decision making – types – process. Organisation – types – Organisation structure – Centralisation and Decentralisation – Departmentation.

UNIT III - Human Resource Management Human Resource – HRM and Personnel Management – Recruitment, Selection and Training methods – Human Resource Audit.

UNIT IV - Performance Appraisal and Incentives Performance Appraisal – methods – promotions and transfer – incentives – monetary and nonmonetary- welfare and social security measures.

UNIT V - Direction and Control Direction – purpose – requirements of effective direction – motivation theories. Co-ordination – need, type and techniques for excellent co-ordination – controlling- meaning and importance – control process.

SUGGESTED READINGS:

1. Weihrich and Koontz, Essentials of Management, McGraw Hill, New Delhi

2. Dinakar Pagare, Principles of Management, Sultan Chand & Sons, New Delhi.

3. C.B.Gupta – Business Management, Sultan Chand & Sons, New Delhi.

4. L.M.Prasad – Principles of Management, Sultan Chand & Sons, New Delhi.

5. L.M.Prasad – Human Resource Management, Sultan Chand & Sons, New Delhi.

6. Ashwathappa, Human Resource Management, Tata McGraw Hill, New Delhi.

7. Tripathi - Human Resource Management, Sultan Chand & Sons, New Delhi

Unit – 1: Introduction to Management.

Meaning of Management:

It is a universal phenomenon. It is a very popular and widely used term. All organizations - business, political, cultural or social are involved in management because it is the management which helps and directs the various efforts towards a definite purpose.

Definition of Management:

According to *Harold Koontz*, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals”.

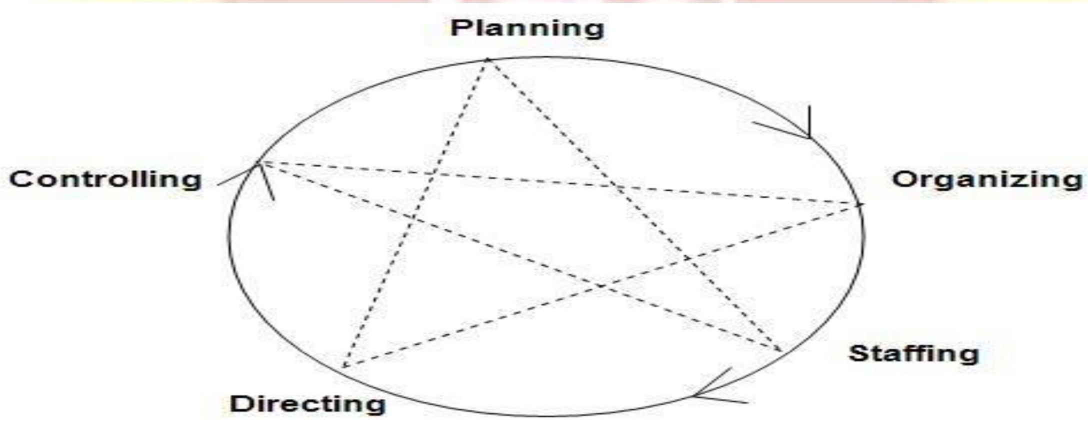
According to *F.W. Taylor*, “Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way”.

Functions of Management

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manger irrespective of his level or status.

Different experts have classified functions of management. According to *George & Jerry*, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword ’**POSDCORB**’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNEL i.e. **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**.



1. **Planning**

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. **Organizing**

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

3. **Staffing**

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose o staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed un the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

4. **Directing**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. **Controlling**

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished". Therefore controlling has following steps:

a. Establishment of standard performance.
b. Measurement of actual performance.
c. Comparison of actual performance with the standards and finding out deviation if any.
d. Corrective action.

Principles of Management:

A principle refers to a fundamental truth. It establishes cause and effect relationship between two or more variables under given situation. They serve as a guide to thought & actions. Therefore, management principles are the statements of fundamental truth based on logic which provides guidelines for managerial decision making and actions. These principles are derived: -

a. On the basis of observation and analysis i.e. practical experience of managers.
b. By conducting experimental studies.

There are 14 Principles of Management described by Henri Fayol.

1. **Division of Labor**
   a. Henri Fayol has stressed on the specialization of jobs.
   b. He recommended that work of all kinds must be divided & subdivided and allotted to various persons according to their expertise in a particular area.
   c. Subdivision of work makes it simpler and results in efficiency.
   d. It also helps the individual in acquiring speed, accuracy in his performance.
   e. Specialization leads to efficiency & economy in spheres of business.
2. **Party of Authority & Responsibility**
   a. Authority & responsibility are co-existing.
   b. If authority is given to a person, he should also be made responsible.
   c. In a same way, if anyone is made responsible for any job, he should also have concerned authority.
   d. Authority refers to the right of superiors to get exactness from their sub-ordinates whereas responsibility means obligation for the performance of the job assigned.
   e. There should be a balance between the two i.e. they must go hand in hand.
   f. Authority without responsibility leads to irresponsible behavior whereas responsibility without authority makes the person ineffective.
3. **Principle of One Boss**
   a. A sub-ordinate should receive orders and be accountable to one and only one boss at a time.
   b. In other words, a sub-ordinate should not receive instructions from more than one person because -

      - It undermines authority
      - Weakens discipline
      - Divides loyalty
      - Creates confusion
      - Delays and chaos
      - Escaping responsibilities
      - Duplication of work
      - Overlapping of efforts

   c. Therefore, dual sub-ordination should be avoided unless and until it is absolutely essential.
   d. Unity of command provides the enterprise a disciplined, stable & orderly existence.
   e. It creates harmonious relationship between superiors and sub-ordinates.
4. **Unity of Direction**
   a. Fayol advocates one head one plan which means that there should be one plan for a group of activities having similar objectives.
   b. Related activities should be grouped together. There should be one plan of action for them and they should be under the charge of a particular manager.
   c. According to this principle, efforts of all the members of the organization should be directed towards common goal.
   d. Without unity of direction, unity of action cannot be achieved.
   e. In fact, unity of command is not possible without unity of direction.

Therefore it is obvious that they are different from each other but they are dependent on each other i.e. unity of direction is a pre-requisite for unity of command. But it does not automatically comes from the unity of direction.

5. **Equity**
    a. Equity means combination of fairness, kindness & justice.
    b. The employees should be treated with kindness & equity if devotion is expected of them.
    c. It implies that managers should be fair and impartial while dealing with the subordinates.
    d. They should give similar treatment to people of similar position.
    e. They should not discriminate with respect to age, caste, sex, religion, relation etc.
    f. Equity is essential to create and maintain cordial relations between the managers and sub-ordinate.
    g. But equity does not mean total absence of harshness.
    h. Fayol was of opinion that, "at times force and harshness might become necessary for the sake of equity".
6. **Order**
    a. This principle is concerned with proper & systematic arrangement of things and people.
    b. Arrangement of things is called material order and placement of people is called social order.
    c. Material order- There should be safe, appropriate and specific place for every article and every place to be effectively used for specific activity and commodity.
    d. Social order- Selection and appointment of most suitable person on the suitable job. There should be a specific place for every one and everyone should have a specific place so that they can easily be contacted whenever need arises.
7. **Discipline**
    a. According to Fayol, "Discipline means sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise".
    b. This principle applies that subordinate should respect their superiors and obey their order.
    c. It is an important requisite for smooth running of the enterprise.
    d. Discipline is not only required on path of subordinates but also on the part of management.
    e. Discipline can be enforced if -

        - There are good superiors at all levels.
        - There are clear & fair agreements with workers.
        - Sanctions (punishments) are judiciously applied.

8. **Initiative**
    a. Workers should be encouraged to take initiative in the work assigned to them.
    b. It means eagerness to initiate actions without being asked to do so.
    c. Fayol advised that management should provide opportunity to its employees to suggest ideas, experiences& new method of work.
    d. It helps in developing an atmosphere of trust and understanding.

e. People then enjoy working in the organization because it adds to their zeal and energy.
f. To suggest improvement in formulation & implementation of place.
g. They can be encouraged with the help of monetary & non-monetary incentives.

9. Fair Remuneration

a. The quantum and method of remuneration to be paid to the workers should be fair, reasonable, satisfactory & rewarding of the efforts.
b. As far as possible it should accord satisfaction to both employer and the employees.
c. Wages should be determined on the basis of cost of living, work assigned, financial position of the business, wage rate prevailing etc.
d. Logical & appropriate wage rates and methods of their payment reduce tension & differences between workers & management creates harmonious relationship and pleasing atmosphere of work.
e. Fayol also recommended provision of other benefits such as free education, medical & residential facilities to workers.

10. Stability of Tenure

a. Fayol emphasized that employees should not be moved frequently from one job position to another i.e. the period of service in a job should be fixed.
b. Therefore employees should be appointed after keeping in view principles of recruitment & selection but once they are appointed their services should be served.
c. According to Fayol. “Time is required for an employee to get used to a new work & succeed to doing it well but if he is removed before that he will not be able to render worthwhile services”.
d. As a result, the time, effort and money spent on training the worker will go waste.
e. Stability of job creates team spirit and a sense of belongingness among workers which ultimately increase the quality as well as quantity of work.

11. Scalar Chain

a. Fayol defines scalar chain as ’The chain of superiors ranging from the ultimate authority to the lowest”.
b. Every orders, instructions, messages, requests, explanation etc. has to pass through Scalar chain.
c. But, for the sake of convenience & urgency, this path can be cut shirt and this short cut is known as Gang Plank.

12. Sub-Ordination of Individual Interest to General Interest

a. An organization is much bigger than the individual it constitutes therefore interest of the undertaking should prevail in all circumstances.
b. As far as possible, reconciliation should be achieved between individual and group interests.
c. But in case of conflict, individual must sacrifice for bigger interests.
d. In order to achieve this attitude, it is essential that -

- Employees should be honest & sincere.
- Proper & regular supervision of work.
- Reconciliation of mutual differences and clashes by mutual agreement. For example, for change of location of plant, for change of profit sharing ratio, etc.

13. Espirit De' Corps (can be achieved through unity of command)

a. It refers to team spirit i.e. harmony in the work groups and mutual understanding among the members.
b. Spirit De' Corps inspires workers to work harder.
c. Fayol cautioned the managers against dividing the employees into competing groups because it might damage the moral of the workers and interest of the undertaking in the long run.
d. To inculcate Espirit De' Corps following steps should be undertaken -
    - There should be proper co-ordination of work at all levels
    - Subordinates should be encouraged to develop informal relations among themselves.
    - Efforts should be made to create enthusiasm and keenness among subordinates so that they can work to the maximum ability.
    - Efficient employees should be rewarded and those who are not up to the mark should be given a chance to improve their performance.
    - Subordinates should be made conscious of that whatever they are doing is of great importance to the business & society.
e. He also cautioned against the more use of Britain communication to the subordinates i.e. face to face communication should be developed. The managers should infuse team spirit & belongingness. There should be no place for misunderstanding. People then enjoy working in the organization & offer their best towards the organization.

14. Centralization & De-Centralization

a. Centralization means concentration of authority at the top level. In other words, centralization is a situation in which top management retains most of the decision making authority.
b. Decentralization means disposal of decision making authority to all the levels of the organization. In other words, sharing authority downwards is decentralization.
c. According to Fayol, "Degree of centralization or decentralization depends on no. of factors like size of business, experience of superiors, dependability & ability of subordinates etc.
d. Anything which increases the role of subordinate is decentralization & anything which decreases it is centralization.
e. Fayol suggested that absolute centralization or decentralization is not feasible. An organization should strike to achieve a lot between the two.

Role of a Manager:

Non-business executive sometimes say that the aim of business managers is simple-to make a profit. But profit is really only a measure of a surplus of sales rupees over expense rupees. In a very real sense, in all kinds of organizations, whether business or non-business, the logical and publicly desirable aim of all managers should be a surplus.

Thus, managers must establish an environment in which people can accomplish group goals with the least amount of time, money, materials, and personal dissatisfaction or in which they can achieve as much as possible of a desired goal with available resources.

In a non-business enterprise such as a police department, as well as in units of a business (such as an accounting department) that are not responsible for total business profits, managers still have goals and should strive to accomplish them with the minimum of resource or to accomplish as much as possible with available resources.

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Interpersonal Roles:

(1) The figure head role (performing ceremonial and social duties as the organisation's representative

(2) The leader role and

(3) The liaison role (communicating particularly with outsiders).

Informational Roles:
(1) The recipient role (receiving information about the operation of an enterprise)

(2) The disseminator role (passing information to subordinates) and

(3) The spokesperson role (transmitting information to those outside the organisation).

Decision Roles:
(1) The entrepreneurial role.

(2) The disturbance handler role.

(3) The resource allocator role.

(4) The negotiator role.

Levels of Management:

The term "**Levels of Management**' refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. **Top level / Administrative level**
2. **Middle level / Executory**

3. **Low level / Supervisory / Operative / First-line managers**

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:

4.

1. **Top Level of Management**

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows -

a. Top management lays down the objectives and broad policies of the enterprise.
b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
c. It prepares strategic plans & policies for the enterprise.
d. It appoints the executive for middle level i.e. departmental managers.
e. It controls & coordinates the activities of all the departments.
f. It is also responsible for maintaining a contact with the outside world.
g. It provides guidance and direction.
h. The top management is also responsible towards the shareholders for the performance of the enterprise.

2. **Middle Level of Management**

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

a. They execute the plans of the organization in accordance with the policies and directives of the top management.
b. They make plans for the sub-units of the organization.
c. They participate in employment & training of lower level management.
d. They interpret and explain policies from top level management to lower level.
e. They are responsible for coordinating the activities within the division or department.
f. It also sends important reports and other important data to top level management.
g. They evaluate performance of junior managers.
h. They are also responsible for inspiring lower level managers towards better performance.

3. **Lower Level of Management**

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, "Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees". In other words, they are concerned with direction and controlling function of management. Their activities include -

a. Assigning of jobs and tasks to various workers.
b. They guide and instruct workers for day to day activities.
c. They are responsible for the quality as well as quantity of production.
d. They are also entrusted with the responsibility of maintaining good relation in the organization.
e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
f. They help to solve the grievances of the workers.
g. They supervise & guide the sub-ordinates.
h. They are responsible for providing training to the workers.
i. They arrange necessary materials, machines, tools etc for getting the things done.
j. They prepare periodical reports about the performance of the workers.
k. They ensure discipline in the enterprise.
l. They motivate workers.
m. They are the image builders of the enterprise because they are in direct contact with the workers.

Popular Management Theories

1. Scientific Management Theory

American mechanical engineer Frederick Taylor, who was one of the earliest management theorists, pioneered the scientific management theory. He and his associates were among the first individuals to study work performance scientifically. Taylor's philosophy emphasized the fact that forcing people to work hard wasn't the best way to optimize results. Instead, Taylor recommended simplifying tasks so as to increase productivity.

The strategy was a bit different from how businesses were conducted beforehand. Initially, a factory executive enjoyed minimal, if any, contact with his employees. There was absolutely no way of standardizing workplace rules and the only motivation of the employees was job security.

According to Taylor, money was the key incentive for working, which is why he developed the "fair day's wages for a fair day's work" concept. Since then, the scientific management theory has been practiced worldwide. The resulting collaboration between employees and employers evolved into the teamwork that people now enjoy.

2. Systems Management Theory

Systems management offers an alternative approach to the planning and management of organizations. The systems management theory proposes that businesses, like the human body, consists of multiple components that work harmoniously so that the larger system can function optimally. According to the theory, the success of an organization depends on several key elements: synergy, interdependence, and interrelations between various subsystems.

Employees are one of the most important components of a company. Other elements crucial to the success of a business are departments, workgroups, and business units. In practice, managers are required to evaluate patterns and events in their companies so as to determine the best management approach. This way, they are able to collaborate on different programs so that they can work as a collective whole rather than as isolated units.

3. Contingency Management Theory

The main concept behind the contingency management theory is that no one management approach suits every organization. There are several external and internal factors that will ultimately affect the chosen management approach. The contingency theory identifies three variables that are likely to influence an organization's structure: the size of an organization, technology being employed, and style of leadership.

Fred Fiedler is the theorist behind the contingency management theory. Fiedler proposed that the traits of a leader were directly related to how effectively he led. According to Fiedler's theory, there's a set of leadership traits handy for every kind of situation. It means that a leader must be flexible enough to adapt to the changing environment. The contingency management theory can be summed up as follows:

- There is no one specific technique for managing an organization.
- A leader should be quick to identify the particular management style suitable for a particular situation.
- The primary component of Fiedler's contingency theory is LPC – the least preferred co-worker scale. LPC is used to assess how well oriented a manager is.

4. Theory X and Theory Y

Do you believe that every individual gets maximum satisfaction from the work they do? Or are you of the opinion that some view work as a burden and only do it for the money? Such assumptions influence how an organization is run. The assumptions also form the basis of Theory X and Theory Y.

Douglas McGregor is the theorist credited with developing these two contrasting concepts. More specifically, these theories refer to two management styles: the authoritarian (Theory X) and participative (Theory Y).

In an organization where team members show little passion for their work, leaders are likely to employ the authoritarian style of management. But if employees demonstrate a willingness to learn and are enthusiastic about what they do, their leader is likely to use participative management. The management style that a manager adopts will influence just how well he can keep his team members motivated.

Theory X holds a pessimistic view of employees in the sense that they cannot work in the absence of incentives. Theory Y, on the other hand, holds an optimistic opinion of employees. The latter theory proposes that employees and managers can achieve a collaborative and trust-based relationship.

Still, there are a couple of instances where Theory X can be applied. For instance, large corporations that hire thousands of employees for routine work may find adopting this form of management ideal.

<u>Top 8 Schools of Management Thought:</u>

1. Scientific Management School:

This school envisages management to be a scientific management.

It means that, scientific methods and scientific principles are to be followed and applied in managing the affairs of an enterprise.

Frederick Winslow Taylor (1856-1915), popularly known as the 'Father of Scientific Management Movement', was the first to recognise and emphasise the need for adopting a systematic scientific approach to the task of managing an enterprise.

Taylor joined the Midvale Steel Company in the USA, as a worker and later on rose to the position of chief engineer. Subsequently he joined the Bethlehem Works where he experimented with his ideas and made his contribution to management theory for which he is so well-known.

He studied the causes of low efficiency in industry and came to the conclusion that much of the waste and inefficiency is due to the lack of order and system in the methods of management. He observed that the managers were usually ignorant of the amount of work that could be done by a worker in a day and had no clear notion of the best method of doing the work.

It was his realisation that there was lack of efficient work standard, absence of clear-cut division of works between the managers and workers, lack of incentive of the workers, unscientific selection and placement of workers. He, therefore, suggested that the managers should follow a 'scientific approach' in their work and apply scientific methods for achieving higher efficiency.

With a view to improving management practice, he conducted a series of experiments. On the basis of these experiments he developed his concepts and techniques into a philosophy which is known as 'Scientific Management'.

He published many papers and books and all his contributions were compiled in his book "The Principles of Scientific Management'. Taylor's ideas on scientific management were greatly expanded by H. S. Person, Henry L. Gantt, and Lillian Gilbreth, Harrington Emerson and M. L. Cooke.

2. Management Process School:

This school builds up the idea that management is a process of getting things done through and with other people operating in organised groups. It analyses the management process by describing its functions like planning, organising, directing, coordinating and controlling. The executives perform this process. In this approach importance is given to the activities of the managers, the general principles and rules which they should follow.

Henry Fayol is considered to be the 'Founder of Management Process School'. He points out that management is a functional concept which is universal and applicable to any type of enterprise, be it a business enterprise or otherwise. Other persons who worked to develop this approach are J. D. Mooney, A. C. Reiley, Lyndall Urwick, Harold Koontz and O'Donnell, Newman, Luther Gullick, George Terry, E. F. L. Brech, Mcfarland, etc.

3. Human Relations School:

In scientific management, importance is given to its technical side to increase the efficiency of the organisations. On the other hand, 'Human Relations School' believes in the importance of human resources in the management. This approach focuses attention on the relationship between the management authority and the working personnel.

The importance of working personnel in management is immense. If their mentality, aspirations, desires, wants and needs are properly looked into and satisfied by the managers, their activities become effective and meaningful. The main aspect of this approach is to treat the workers as human beings.

This school highlights the importance of informal social groups in the organisation, good human relations, the need for managerial motivation, greater recognition, participation, better communication and good leadership.

According to this school, an organisation is not merely a formal arrangement of men and functions, more than that, it is a social system, and the human factor is the most important element within it.

In the early twentieth century Elton Mayo, professor at the Harvard University, could realise the importance of this thought by experiments and observations in the factory of the Western Electric Company at Hawthorne city in Chicago. These experiments and observations of Prof. Elton Mayo are known as 'Hawthorne Experiment'.

These experiments revealed that physical and environmental factors do not materially influence the workers' performance and attitude to work. Mayo realised first the necessity to consider and solve the problems of the workers with human relation approach.

He thought that the productivity of workers depends upon human relationship. Other important propagators of this school of management thought are—Roethlis Berger, William J. Dickson, Mary Parker Follet and A. F. Maslow.

4. Human Behavioural School:

The behavioural approach to management relates to the application of the methods and findings of psychology and sociology to the organisational behaviour. This school emphasises the actions and reactions of the human beings in group activity. Mental reactions like emotions, feelings, aims, instincts, hopes and desires regulate a man's behaviour or conduct.

'Human Behavioural School' believes that, unless these mental reactions of the workers are considered, and their problems are either solved or at least attempts are made to fulfill their needs and demands by the managers, effective and meaningful management is not possible.

Thus, according to this school, performance of managerial activities in consideration of the conduct or behaviour of working personnel is an effective and decent management.

As a result of the experiments, observations and researches of many psychologists and sociologists, and after the Hawthorne Experiment, 'Human Behaviour Management Thought' was evolved out. In this respect, the contribution of Mary Parker Follet, a member of Human Behaviour School, is particularly mentionable. Other notable propagators of this school are A. F. Maslow. F. H. Herzberg, McGregor, Keith Davis and Chrris Argrys.

The following other schools of management thought are also important in modern management:

5. System Approach School:

According to this school, management is a 'system' of co-ordination of some different factors forming the parts of an overall management process, which are inter-related or inter-dependent. If the activities related to production of an enterprise are performed, giving much importance to one of its factors or parts, without considering its relationship and dependence on other factors, the desired result cannot be obtained.

For example, men, machine, money and raw materials are the factors of production in management. These elements are not isolated rather they are correlated and interdependent on one another. A perfect assemblage of these factors results in production. Efficient workers cannot perform their activities well with bad machines.

Good work cannot be expected of inefficient workers working with good machines. So, management is a system to assemble the different correlated and inter-dependent factors that are parts of the overall system. It must be viewed in the context of total environment, and the managers should take into account the various characteristics and changes therein in managing the organisation.

The major contributors to this school are Kenneth, Boulding, Johnson, F. E. Kast, J. E. Rosenzwig, Katz and Kahn, Forester and C. W. Churchman.

6. Decision Theory School:

The essence of management lies in decision-making. Whatever a manager does is the outcome of a decision made by him from several alternatives available to him. The 'Decision Theory School' of management thought concentrates its attention on decision-making and treats the various aspects of decision-making as constituting the scope of the study of management.

Advocates of this school opine that decision-making is the most critical function of management and any study of management should focus directly on the decision-making process. Rational approach to decision-making is the basis of this school.

To perform the managerial functions properly and effectively, one has to learn the procedures, techniques, causes and effects of taking decisions. Top level management authority has to take decisions at the stage of planning and the managers in charge of execution of plans have to take decisions at the stage of its implementation.

It becomes proper, meaningful and effective only if decisions are taken through a reasonable procedure. Among the proponents of this theory, the names of Herbert Simon, Stephen Robins and Chester Barnard are especially mentionable.

7. Mathematical or Quantitative School:

This school views Management as a system of mathematical models and process. The exponents of this school of thought believe that effective solution of the intricate problems of management of an enterprise can be achieved through organising mathematical or quantitative model. Management or organisation, planning or decision-making, as a logical process, can be expressed in terms of mathematical symbols and relationships.

The contributors to this school of thought have been using mathematical and quantitative techniques in developing the models of various kinds of decision and problems involved in managing the organisations with a view to understanding them and also for finding out solutions to them.

This theory uses the techniques of Operation Research, Games Theory, Linear Programming, Queing Theory and Model Building. As proponents of this theory the names of L. Ackoff, C. W Churchman, Newman, Hicks and Joel Dean may be mentioned.

8. Contingency Approach School of Management:

According to this approach, management is a subject that is situational by nature. It has no hard and fast principle and theory. In one way, this is an extension of the system approach. The basic idea of the contingency approach is that there cannot be a particular management action which will be suitable for all situations. Study of management, according to this approach, lies in identifying the important variables in the situation. An appropriate management action is one that is designed on the basis of external environment and internal states and needs. Management may be effective and fruitful, if its principles and procedures are appropriately followed and its techniques are intelligently applied according to the circumstances. Contingency theorists suggest that the systems approach does not adequately spell out the precise relationship between the organisation and its environment. Contingency approach tries to fill this gap by suggesting what should be done in response to an event in the environment. The supporters of this theory are mainly, Lorsch and Lawrence, John Woodward, Fiedler and H. M. Carlisle.

Unit – 2: Planning and Organising

Planning is the first of essential managerial functions. Planning is important as by nature it enquirers about organizational goals and involves decision making about desired ways and means to achieve goals.

Planning is the process by which managers establish goals and define the methods by which these goals are to be attained. Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, which is choosing from among alternative future courses of action.

It is, therefore, a rational approach to achieving pre-selected objectives.

Planning is thus taken as the foundation for future activities. Newman has thus defined it as, "Planning is deciding in advance what is to be done; that is a plan is a projected course of action."

So, planning can be thought of as deciding on a future course of action. It may also be treated as a process of thinking before doing it.

Management has to plan for long-range and short-range future direction by looking ahead into the future, by estimating and evaluating the future behavior of the relevant environment and by determining the enterprise's own desired role.

Planning involves determining various types and volumes of physical and other resources to be acquired from outside, to allocate these resources in an efficient manner among competing claims and to make arrangements for the systematic conversion of these resources into useful outputs.

As it is clear from the above discussion, plans have two basic components: goals and action statements.

Goals represent an end state — the targets and results that managers hope to achieve.

The Need and Importance of planning is discussed below:

1. Focus attention on objectives:
Every organization seeks to achieve certain objectives. The planning process helps the organization devise means to achieve these objectives. Plans focus on the achievement of objective they prevent the manager form being distracted by less significant activities.

2. Reduces uncertainty and risks:
Uncertainty and change are inevitable and planning cannot eliminate them. But planning enables an organization to cope with uncertainty and change. With the help of planning, an enterprise can predict future events and make due provision for them.

3. Provides sense of direction:
The first step of planning is setting goal and objectives for the organization. Setting goals and objectives facilities the smooth progress of organizational activities. The absence of planning makes or direction regarding the future of the organization.

4. Provides guidelines for decision-making:
Plans elaborate the actions necessary for achieving organizational objectives and thus, help in deciding the activities to be taken up in the future. Planning involves identifying alternatives and choosing among those courses of action that are necessary for carrying out a given tasks. Thus, it helps people take future oriented decisions.

5. Increases organizational effectiveness:
Planning ensures the effective functioning of an organization to be truly effective; an organization must be able to achieve its objectives with the available resources. Planning facilitates the optimum utilization of available resources. Thus, planning and control ensure that the resources are used in accordance with organizational specification.

6. Provides efficiency in operations:
Planning results in the use of the most efficient methods for achieving organizational objectives. It improves performance by focusing management's attention on adjectives and by helping management established priorities and cope with the ever-changing external environment.

7. Helps in co-ordination:
Planning is the best stage for the integration of diverse forces at work sound planning interrelates all the activities and resources of an organization. It also helps to relate internal conditions and processes to external events and forces. Seeks to achieve a co-ordinate structure of operations. It provides a unifying framework.

8. Facilitates control:
Planning provides the basic for control. Plans serve as standards for the evaluation of performance. Sound planning enables management to control the events rather than be controlled be them. It permits control by expectation. Control cannot be exercised without plans because the function of control is to ensure that the activities conform to the plans. Any attempt to control without plans is meaningless as they are no gauges for performance.

9. Encourages innovation and creativity:
By involving employees, the process of planning encourages a healthy work atmosphere. Planning also encourages mangers to devise new ways of doing things. It facilitates innovative and creative thinking among managers. This is prerequisite for the long-term survival and growth of a business.

10. Facilitates delegation:
The planning process facilitates the delegation of authority. Well-established plans act as a guide to sub-ordinates thus eliminating the need for constant guidance by managers.

Forms of Planning:

Strategic

A strategic plan is the company's big picture. It defines the company's goals for a set period of time, whether that's one year or ten, and ensures that those goals align with the company's mission, vision, and values. Strategic planning usually involves top managers, although some smaller companies choose to bring all of their employees along when defining their mission, vision, and values.

Tactical

The tactical strategy describes how a company will implement its strategic plan. A tactical plan is composed of several short-term goals, typically carried out within one year, that support the strategic plan. Generally, it's the responsibility of middle managers to set and oversee tactical strategies, like planning and executing a marketing campaign.

Operational

Operational plans encompass what needs to happen continually, on a day-to-day basis, in order to execute tactical plans. Operational plans could include work schedules, policies, rules, or regulations that set standards for employees, as well as specific task assignments that relate to goals within the tactical strategy, such as a protocol for documenting and addressing work absences.

Contingency

Contingency plans wait in the wings in case of a crisis or unforeseen event. Contingency plans cover a range of possible scenarios and appropriate responses for issues varying from personnel planning to advanced preparation for outside occurrences that could negatively impact the business. Companies may have contingency plans for things like how to respond to a natural disaster, malfunctioning software, or the sudden departure of a C-level executive.

Types of Planning in Business Management

Planning may be classified on the basis of various objectives, needs, and circumstances. There ate many different types of planning in business management.

1. Top Level Planning

The plans and policies which are determined at the top-level management are known as the **top-level planning**, like- general policies, objectives, goals, budget determination, etc.

2. Requestive Planning

Some plans are prepared on the request of the subordinates or colleagues, These are called requestive planning, like- suggestion plan.

3. Imposed Planning

The plan which is not adopted willingly, but is imposed by external Agencies, like- government, trade unions, and the Chamber of Commerce, etc. are known as Imposed Planning.

4. Standing Planning

The plans which are frequently used are known as **standing planning**. These plans are of a permanent nature. These plans include plans relating to policies, organization, Framework, nature of production, and standard process, and methods of the organization.

5. Single Cycle Planning

Single Cycle Planning means such planning which is formulated for fulfilling specific objectives and for solving specific problems and automatically end with achievements of the objectives or solution of the problem. Such plans are also known as Ad-hoc Planning.

6. Routine Planning

Plans relating to day to day activities of the organization at various levels are known as routine planning. These plans are prepared as subsidiary plans of the comprehensive plan.

7. Creative Planning

The plans prepared for executing new policies, technical changes, new systems, and Research are called creative plans.

8. Corrective Planning

The plans prepared for improvements in the objectives, policies, modalities, sales, standard, production system, and **long-term plans** of the organization, as a result, of the changes occurring in the real world, are known as corrective plans.

9. Comprehensive or Master Planning

By Comprehensive or master planning, we mean such planning which concentrates on all the constitutions of institutions, Like- goals, interests, problems, and other aspects, etc. **In the master plan**, the detailed analysis is carried out with respect to the goals and problems of all the departments.

10. Functional or Departmental Planning

Functional planning is related to specific problems of the organization or specific departments, like- productions, marketing, finance, personnel, buildings, and construction, etc. This plan should be prepared in accordance with the objectives of the comprehensive plan.

11. Short-Term Planning

Generally, such planning which is for a period of less than one year is known as a short-term planning. The **objectives of such planning** are to nourish one's own organization by achieving the targets for production and supply of its present commodities or services in the existing market. A short term plan is also called **operational planning or tactical planning**.

12. Middle Term Planning

Planning which is for the period of 1 year to 5 years is called middle term planning, within which sub-plans prepared for the success of **long term planning** are included.

13. Long-Term Planning

Long-term planning means the plan prepared for a period of more than five years. **In plans**, the objectives of the enterprise are determined and policies for achieving these objectives are also decided. Besides, decisions are also taken in respect of the activities, which are to be implemented for achieving the long-term objectives.

14. Administrative Strategic Planning

Administrative **strategic planning** implies such planning which is formulated by the high-level management of the situation for determining long-term targets and policies. **For that**, the future of the institution is determined with reference to the changing circumstances, like, trade cycles, market conditions, innovations and relationships with other Institutions, etc. This planning is the indicator of the objectives and managerial outlook of the institution. In such planning, strategies are worked out by evaluating future business circumstances.

Decision-making process:

The business decision-making process is a step-by-step process allowing professionals to solve problems by weighing evidence, examining alternatives, and choosing a path from there. This defined process also provides an opportunity, at the end, to review whether the decision was the right one.

7 decision-making process steps

Though there are many slight variations of the decision-making framework floating around on the Internet, in business textbooks, and in leadership presentations, professionals most commonly use these seven steps.

1. Identify the decision

To make a decision, you must first identify the problem you need to solve or the question you need to answer. Clearly define your decision. If you misidentify the problem to solve, or if the problem you've chosen is too broad, you'll knock the decision train off the track before it even leaves the station.

If you need to achieve a specific goal from your decision, make it measurable and timely so you know for certain that you met the goal at the end of the process.

2. Gather relevant information

Once you have identified your decision, it's time to gather the information relevant to that choice. Do an internal assessment, seeing where your organization has succeeded and failed in areas related to your decision. Also, seek information from external sources, including studies, market research, and, in some cases, evaluation from paid consultants.

3. Identify the alternatives

With relevant information now at your fingertips, identify possible solutions to your problem. There is usually more than one option to consider when trying to meet a goal—for example, if your company is trying to gain more engagement on social media, your alternatives could include paid social advertisements, a change in your organic social media strategy, or a combination of the two.

4. Weigh the evidence

Once you have identified multiple alternatives, weigh the evidence for or against said alternatives. See what companies have done in the past to succeed in these areas, and take a good hard look at your own organization's wins and losses. Identify potential pitfalls for each of your alternatives, and weigh those against the possible rewards.

5. Choose among alternatives

Here is the part of the decision-making process where you, you know, make the decision. Hopefully, you've identified and clarified what decision needs to be made, gathered all relevant information, and developed and considered the potential paths to take. You are perfectly prepared to choose.

6. Take action

Once you've made your decision, act on it! Develop a plan to make your decision tangible and achievable. Develop a project plan related to your decision, and then set the team loose on their tasks once the plan is in place.

7. Review your decision

After a predetermined amount of time—which you defined in step one of the decision-making process—take an honest look back at your decision. Did you solve the problem? Did you answer the question? Did you meet your goals?

If so, take note of what worked for future reference. If not, learn from your mistakes as you begin the decision-making process again.

The following are the main types of decisions every organization need to take:

1. Programmed and non-programmed decisions:

Programmed decisions are concerned with the problems of repetitive nature or routine type matters. A standard procedure is followed for tackling such problems. These decisions are taken generally by lower level managers. Decisions of this type may pertain to e.g. purchase of raw material, granting leave to an employee and supply of goods and implements to the employees, etc. Non-programmed decisions relate to difficult situations for which there is no easy solution.

These matters are very important for the organisation. For example, opening of a new branch of the organisation or a large number of employees absenting from the organisation or introducing new product in the market, etc., are the decisions which are normally taken at the higher level.

2. Routine and strategic decisions:

Routine decisions are related to the general functioning of the organisation. They do not require much evaluation and analysis and can be taken quickly. Ample powers are delegated to lower ranks to take these decisions within the broad policy structure of the organisation.

Strategic decisions are important which affect objectives, organisational goals and other important policy matters. These decisions usually involve huge investments or funds. These are non-repetitive in nature and are taken after careful analysis and evaluation of many alternatives. These decisions are taken at the higher level of management.

3. Tactical (Policy) and operational decisions:

Decisions pertaining to various policy matters of the organisation are policy decisions. These are taken by the top management and have long term impact on the functioning of the concern. For example, decisions regarding location of plant, volume of production and channels of distribution (Tactical) policies, etc. are policy decisions. Operating decisions relate to day-to-day functioning or operations of business. Middle and lower level managers take these decisions.

An example may be taken to distinguish these decisions. Decisions concerning payment of bonus to employees are a policy decision. On the other hand if bonus is to be given to the employees, calculation of bonus in respect of each employee is an operating decision.

4. Organisational and personal decisions:

When an individual takes decision as an executive in the official capacity, it is known as organisational decision. If decision is taken by the executive in the personal capacity (thereby affecting his personal life), it is known as personal decision.

Sometimes these decisions may affect functioning of the organisation also. For example, if an executive leaves the organisation, it may affect the organisation. The authority of taking organizational decisions may be delegated, whereas personal decisions cannot be delegated.

5. Major and minor decisions:

Another classification of decisions is major and minor. Decision pertaining to purchase of new factory premises is a major decision. Major decisions are taken by top management. Purchase of office stationery is a minor decision which can be taken by office superintendent.

***6.* Individual and group decisions:**
When the decision is taken by a single individual, it is known as individual decision. Usually routine type decisions are taken by individuals within the broad policy framework of the organisation.

Group decisions are taken by group of individuals constituted in the form of a standing committee. Generally very important and pertinent matters for the organisation are referred to this committee. The main aim in taking group decisions is the involvement of maximum number of individuals in the process of decision- making.

Organization

Definition: Organization refers to a collection of people, who are involved in pursuing defined objectives. It can be understood as a social system which comprises all formal human relationships. The organization encompasses division of work among employees and alignment of tasks towards the ultimate goal of the company.

It can also be referred as the second most important managerial function, that coordinates the work of employees, procures resources and combines the two, in pursuance of company's goals. Organization is a goal oriented process, which aims at achieving them, through proper planning and coordination between activities. It relies on the principle of division of work and set up authority-responisbility relationship among the members of the organization.

Organization Structure:

Organizational structure defines the manner in which the roles, power, authority, and responsibilities are assigned and governed, and depicts how information flows between the different levels of hierarchy in an organization.

The structure an organization designs depends greatly on its objectives and the strategy it adopts in achieving those objectives.

An **organizational chart** is the visual representation of this vertical structure. It is therefore very important for an organization to take utmost care while creating the organizational structure. The structure should clearly determine the reporting relationships and the flow of authority as this will support good communication – resulting in efficient and effective work process flow.

Common Organization Structures

Managements need to seriously consider how they wish to structure the organization. Some of the critical factors that need to be considered are −

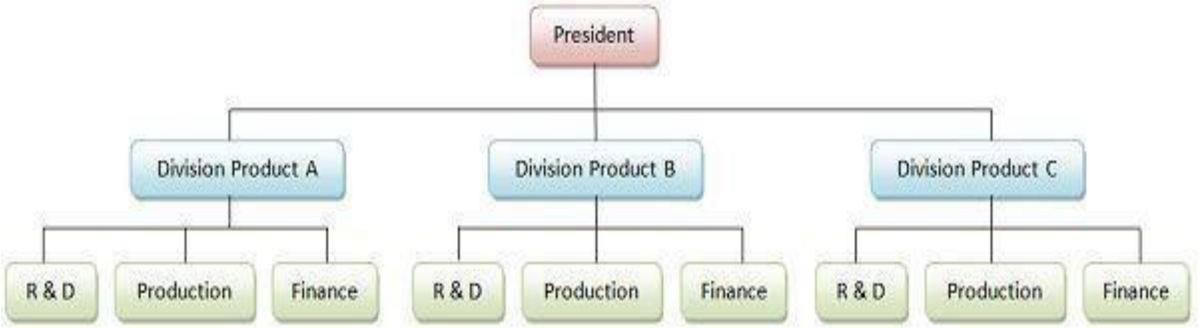
- The size of the organization
- Nature of the business
- The objectives and the business strategy to achieve them
- The organization environment

Types of Organization Structure

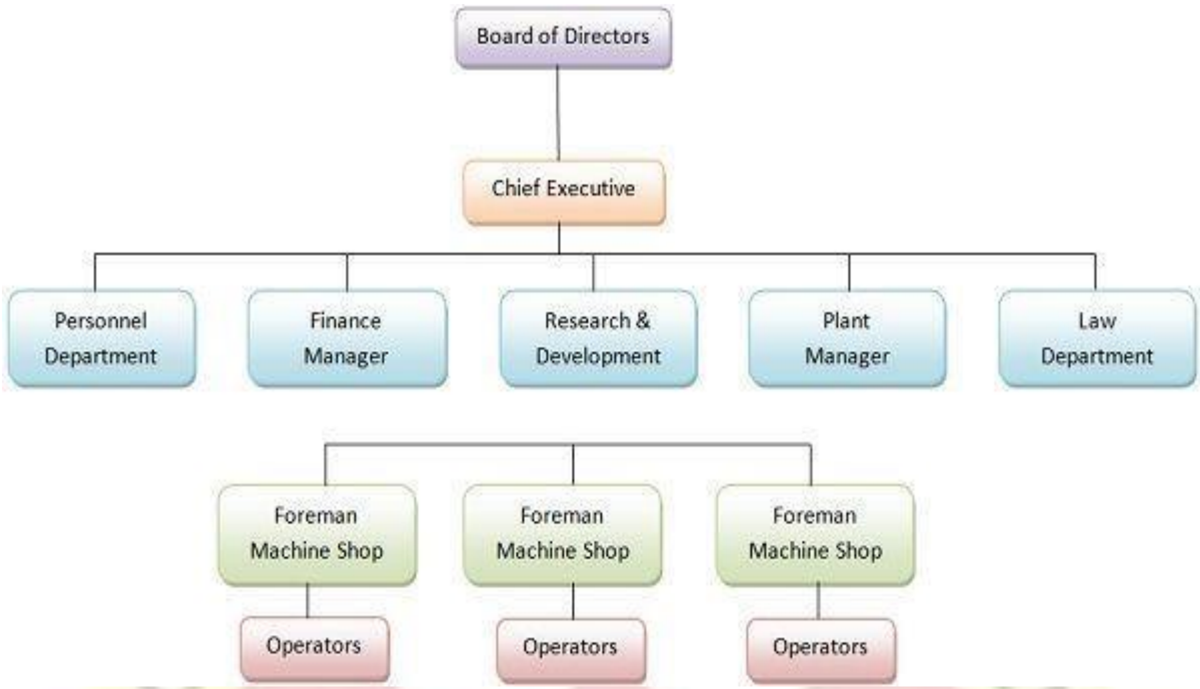
1. **Formal Organization Structure**: The organization structure of jobs and positions, with specified activities and relationships, is known as formal organization structure. It is created by management, to attain the objectives of the company.

- **Line Organization**: Line organization is the oldest and simplest pattern of orgnization, wherein the supervisor has outright supervision over the subordinate. The flow of authority is from the top level executive to the person at the lowest level of the organization's echelon.

- **Functional Organization**: As the name suggests, functional organization structure is one in which the thorough task of managing and directicting the employees, is grouped as per the functions or type of work involved.



- **Line and Staff Organization**: This type of organization structure is an improvement over the traditional line organization. In line and staff organization primary and supportive activities are related to the line of supervision by appointing supervisor and specialist, who are linked to line authority.



- **Project Management Organization**: Project Organization is not an independent organization, like the organization structure discussed above. Instead it is a set up within an organization, so as to accomplish a project or firm's objectives. It is led by project manager, who is responsible for project objectives.
- **Matrix Organization**: Matrix organization is the emerging structure of the organization, which is a combination of functional organization and project organization. In such an organization, the functional departments such as production, accounting, marketing, human resource, etc. constitute a vertical chain of command, while project division consitute horizontal line of authority.

2. **Informal Organization Structure**: The relationship between the employees, that relies on personal attitudes, prejudices and interests rather than procedures. It is system of personal and social connection, whose creation is not needed by formal organization.

   The organization structure is a basic idea, which depends on the activity authority relationship in the company. It is designed in such a way to realise business objectives.

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.

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. According to Allen, decentralisation refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points.

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.

Earnest Dale mentions four criteria to measure the extent of decentralisation in an organisation. He states that whenever decentralisation is greater.

1. The greater is the number of decisions made at lower levels;
2. The more important are the decisions made at lower levels;
3. The more is the number of areas in which decisions can be made at lower levels; and
4. The fewer are the people to be consulted, lesser checking is required on the decisions made at the lower levels.

Centralisation vs. Decentralisation:

Centralisation and decentralisation are the opposite ends of an organisation continuum. As against centralisation which brings uniformity of policy and action, utilises the skills of centralised and specialised staff, and enables closer control over operating units, decentralisation has impact on faster decision-making and action on the spot without consulting higher levels. Decentralisation helps in motivating the subordinates since they have a greater share in management decision making but such features are not available in case of centralisation of authority.

Meaning of Departmentation:

Departmentation is the foundation of organisation structure, that is, organisation structure depends upon departmentation. Departmentation means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features.

As the organisation grows in size, the work is divided into units and sub-units. Departments are created and activities of similar nature are grouped in one unit. Each department is headed by a person known as departmental manager. Departmentation, thus, helps in expanding an organisation and also promotes efficiency by dividing the work on the basis of specialisation of activities and appointing people in various departments on the basis of their specialised knowledge.

Departmentation as is defined follows:

Pearce and Robinson: “Departmentalisation is the grouping of jobs, processes and resources into logical units to perform some organisational task.”

Terry and Franklin: “Departmentalisation is the clustering of individuals into units and of units into departments and larger units in order to facilitate achieving organisational goals.”

Unit – 3: Human Resource Management

Human resource management (HRM) is the process of employing people, training them, compensating them, developing policies relating to them, and developing strategies to retain them. As a field, HRM has undergone many changes over the last twenty years, giving it an even more important role in today's organizations. In the past, HRM meant processing payroll, sending birthday gifts to employees, arranging company outings, and making sure forms were filled out correctly—in other words, more of an administrative role rather than a strategic role crucial to the success of the organization. Jack Welch, former CEO of General Electric and management guru, sums up the new role of HRM: "Get out of the parties and birthdays and enrollment forms.… Remember, HR is important in good times, HR is defined in hard times" (Frasch, et. al., 2010).

It's necessary to point out here, at the very beginning of this text, that every manager has some role relating to human resource management. Just because we do not have the title of HR manager doesn't mean we won't perform all or at least some of the HRM tasks. For example, most managers deal with compensation, motivation, and retention of employees—making these aspects not only part of HRM but also part of management. As a result, this book is equally important to someone who wants to be an HR manager and to someone who will manage a business.

What Is a Human Resource?

A human resource is one person within a company's overall workforce, with each person lending their skills and talents to the organization to help it succeed. Any person willing to trade their labor, knowledge, or time for compensation in an effort to improve the organization is a human resource. It doesn't matter if they're part-time, full-time, freelance, or contract employees.

<u>Difference Between Personnel Management and Human Resource Management:</u>

The main difference between Personnel Management and Human Resource Management lies in their scope and orientation. While the scope of personnel management is limited and has an inverted approach, wherein workers are viewed as tool. Here the behavior of the worker can be manipulated as per the core competencies of the organization and are replaced when they are worn-out.

On the other hand, human resource management has a wider scope and considers employees as the asset to the organization. It promotes mutuality in terms of goals, responsibility, reward etc. that will help in enhancing the economic performance and high level of human resource development.

In early centuries, when Human Resource Management (HRM) was not prevalent, then the staffing and payroll of the employees were taken care of, by the Personnel Management (PM). It is popularly known as Traditional Personnel Management. Human Resource Management have emerged as an extension over the Traditional Personnel Management. So, in this article, we are going to throw light on the meaning and differences between Personnel Management and Human Resource Management.

Comparison Chart

BASIS FOR COMPARISON	PERSONNEL MANAGEMENT	HUMAN RESOURCE MANAGEMENT
Meaning	The aspect of management that is concerned with the work force and their relationship with the entity is known as Personnel Management.	The branch of management that focuses on the most effective use of the manpower of an entity, to achieve the organizational goals is known as Human Resource Management.
Approach	Traditional	Modern
Treatment of manpower	Machines or Tools	Asset
Type of function	Routine function	Strategic function
Basis of Pay	Job Evaluation	Performance Evaluation
Management Role	Transactional	Transformational
Communication	Indirect	Direct
Labor Management	Collective Bargaining Contracts	Individual Contracts
Initiatives	Piecemeal	Integrated
Management Actions	Procedure	Business needs
Decision Making	Slow	Fast
Job Design	Division of Labor	Groups/Teams
Focus	Primarily on mundane activities like employee hiring, remunerating, training, and harmony.	Treat manpower of the organization as valued assets, to be valued, used and preserved.

Key Differences Between Personnel Management and Human Resource Management

The following are the major differences between Personnel Management and Human Resource Management:

1. The part of management that deals with the workforce within the enterprise is known as Personnel Management. The branch of management, which focuses on the best possible use of the enterprise's manpower is known as Human Resource Management.
2. Personnel Management treats workers as tools or machines whereas Human Resource Management treats it as an important asset of the organization.
3. Human Resource Management is the advanced version of Personnel Management.
4. Decision Making is slow in Personnel Management, but the same is comparatively fast in Human Resource Management.
5. In Personnel Management there is a piecemeal distribution of initiatives. However, integrated distribution of initiatives is there in Human Resource Management.
6. In Personnel Management, the basis of job design is the division of work while, in the case of Human Resource Management, employees are divided into groups or teams for performing any task.

7. In PM, the negotiations are based on collective bargaining with the union leader. Conversely, in HRM, there is no need for collective bargaining as individual contracts exist with each employee.
8. In PM, the pay is based on job evaluation. Unlike HRM, where the basis of pay is performance evaluation.
9. Personnel management primarily focuses on ordinary activities, such as employee hiring, remunerating, training, and harmony. On the contrary, human resource management focuses on treating employees as valued assets, which are to be valued, used and preserved.

What is recruiting in HRM?

Human Resource Management, otherwise known as HRM or HR for short, is the function of people management within an organization. HR is responsible for facilitating the overall goals of the organization through effective administration of human capital — focusing on employees as the company's most important asset.

Recruitment is the first step in building an organization's human capital. At a high level, the goals are to locate and hire the best candidates, on time, and on budget.

What does recruitment involve?

While the recruitment process is unique to each organization, there are 15 essential steps of the hiring process. We've listed them here, but for a detailed exploration of these steps.

- Identify the hiring need
- Devise a recruitment plan
- Write a job description
- Advertise the position
- Recruit the position
- Review applications
- Phone Interview/Initial Screening
- Interviews
- Applicant Assessment
- Background Check
- Decision
- Reference Check
- Job offer
- Hiring
- Onboarding

Types of recruiting

There are several types of recruiting. Here's an overview:

Internal Recruiting: internal recruiting involves filling vacancies with existing employees from within an organization.

Retained Recruiting: When organization hire a recruiting firm, there are several ways to do so; retained recruiting is a common one. When an organization retains a recruiting firm to fill a vacancy, they pay an upfront fee to fill the position. The firm is responsible for finding candidates until the position is filled. The organization also agrees to work exclusively with the firm. Companies cannot, in other words, hire multiple recruiting firms to fill the same position.

Contingency Recruiting: like retained recruiting, contingency recruiting requires an outside firm. Unlike retained recruiting, there is no upfront fee with contingency. Instead, the recruitment company receives payment only when the clients they represent are hired by an organization.

Staffing Recruiting: staffing recruiters work for staffing agencies. Staffing recruiting matches qualified applicants with qualified job openings. Moreover, staffing agencies typically focus on short-term or temporary employment positions.

Outplacement Recruiting: outplacement is typically an employer-sponsored benefit which helps former employees transition into new jobs. Outplacement recruiting is designed to provide displaced employees with the resources to find new positions or careers.

Reverse Recruiting: refers to the process whereby an employee is encouraged to seek employment with a different organization that offers a better fit for their skill set. We offer Reverse Recruiting Days to help workers with this process. At our Reverse Recruiting Days we review resumes, conduct mock interviews, and offer deep dives into specific job roles. Click here for more information.

Selection Process:

Selection is the process of choosing the most suitable candidates from those who apply for the job. It is a process of offering jobs to desired candidates.

Once the potential applicants are identified, the next step is to evaluate their qualification, qualities, experience, capabilities, etc. & make the selection. It is the process of offering jobs to the desired applicants.

Selection means choosing a few from those who apply. It is picking up of applicants or candidates with requisite qualifications and qualities to fill jobs in the organization.

Definition of Selection

According to Harold Koontz, "Selection is the process of choosing from the candidates, from within the organization or from outside, the most suitable person for the current position or for the future positions."

Dale Yoder said, "Selection is the process by which candidates for employment are divided into classes those who will be offered employment and those who will not."

Steps in Selection Process

1. Initial Screening.
2. Completion of the Application Form.

3. Employment Tests.
4. Job Interview.
5. Conditional Job Offer.
6. Background Investigation.
7. Medical Examination.
8. Permanent Job Offer.

Training:

Training is concerned with the teaching/learning carried on for the basic purpose of enabling the employees to acquire and apply the knowledge, skills, abilities and attitudes needed by that organization.

The objective of training is to develop specific and useful knowledge, skills and techniques. It is intended to prepare people to carry out predetermined tasks in well-defined job contexts. Training is basically a task-oriented activity aimed at improving performance in current or future jobs.

As observed by ***Andrew F. Sikula****, the need or the purpose of training is to ensure increase in productivity; and it is believed that "increased human performance (through instructions), often directly leads to increased operational productivity and increased company profit".*

Secondly, the purpose of training is improvement of quality since better informed workers are less likely to make operational mistakes.

Methods of training:

Broadly speaking, there are two methods of training, viz., on-the-job training and off-the-job training.

A. On-The-Job Training:
In this method the employee learns by doing. He is exposed to the real work situation. An experienced employee will act as the friend, philosopher and guide. The new employee follows the orders, carries out instructions and adopts the right technique while doing the job. In this way, he is able to learn the work practically.
While doing so he can ask questions, seek clarifications on various job-related matters and obtain guidance from his senior employee. Important on-the-job methods of training include, job rotation, coaching or job instruction, working as an assistant or understudy under senior employees, temporary promotions etc.

Some of the widely used on the job training methods are discussed below:

1. Job Instruction Training (JIT):
The JIT method (developed during World War II) is a four step instructional process involving preparation, presentation, performance try out and follow up. It is used primarily to teach workers how to do their current j obs. A trainer, supervisor or co-worker acts as the coach.

2. Coaching and Mentoring:
Coaching is a one-on-one relationship between trainees and supervisors which offers workers continued guidance and feedback on how well they are handling their tasks. Mentoring is a particular form of coaching used by experienced executives to groom junior employees.
Normally, mentoring involves one-on-one coaching for a period of several years until the individual is eventually capable of replacing the mentor.

(3) Apprenticeship Training:
Apprenticeship training dates back to Biblical times and is frequently used to train personnel in some skilled trades such as electricians, mechanics, tailors, bricklayers, and carpenters. The period of training ranges from two to five years depending on the occupation in which the trainee is engaged.
Frankly speaking, apprenticeship refers to a combined on-the-job as well as off-the-job training approach in the sense that the trainee agrees to work for a salary below that a fully qualified employee gets, in exchange for a specified number of formal training hours in the organization.

4) Job Rotation:
Job rotation is also known as cross training. Job rotation is the process of training employees by rotating them through series of related tasks. In job rotation, an individual learns several different jobs within a work unit or department. He performs each for a specified time period. The trainees, therefore, are exposed to various coaches, points of views, and task operations. Job rotation has one main advantage; it makes flexibility possible in the department. For instance, when one employee of a work unit is absent, another employee can perform his job. Job rotation is uncommon and not useful for training technical skills such as programming and welding. Job rotation, is common for training managers. Job rotation, rather is very necessary for middle managers because through rotation managers are exposed to different operations, departments and acquire general knowledge of the company's procedures and policies.

(5) Refresher Training:
Rapid changes in technology may force companies to go in for this kind of training. By organising short-term courses which incorporate the latest developments in a particular field, the company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialise in a particular discipline.

(6) Orientation Training:
Orientation or induction training tries to put the new recruits at ease. Each new employee is usually taken on a formal tour of the facilities, introduced to key personnel and informed about company policies, procedures and benefits. To be effective, orientation training should be well planned and conducted within the first week of employment.
Such a pre-job training helps the recruit to familiarise 7 himself with the job and its settings. The above on the job methods are cost effective. Workers actually produce while they learn. Since immediate feedback is available, they motivate trainees to observe and learn the right way of doing things.

B. <u>Off-the-Job Training:</u>

Under this methods of trainee is separated from the job situation and his attention is focused upon learning the material related to his future job performance. Since the trainee is not distracted by job requirements, he can place his entire concentration on learning the job rather than spending his time in performing it. There is an opportunity for freedom of expression for the trainees.

Off the job training methods are as follows:

(a) Vestibule Training:
In this method, actual work conditions are simulated in a class room. Material, files and equipment those are used in actual job performance are also used in training. This type of training is commonly used for training personnel for electrical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practice in this method.

(b) Role Playing:
It is defined as a method of human interaction that involves realistic behaviour in imaginary situations. This method of training involves action, doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers and the like. This method is mostly used for developing interpersonal interactions and relations.

(c) Lecture Methods:
The lecture is a traditional and direct method of instruction. The instructor organises the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees.

(d) Conference/Discussion Approach:
In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubts about the job get clarified. When big organizations use this method, the trainer uses audio-visual aids such as blackboards, mockups and slides; in some cases the lectures are videotaped or audio taped.
Even the trainee’s presentation can be taped for self-confrontation and self-assessment. The conference is, thus, a group-centered approach where there is a clarification of ideas, communication of procedures and standards to the trainees.
Those individuals who have a general educational background and whatever specific skills are required—such as typing, shorthand, office equipment operation, filing, indexing, etc. may be provide with specific instructions to handle their respective jobs.

(e) Programmed Instruction:
In recent years this method has become popular. The subject-matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instructions. The trainee goes through these units by answering questions or filling the blanks. This method is, thus, expensive and time-consuming.

HUMAN RESOURCE AUDIT:

Meaning:
HR audit is an important management control device. It is a tool to judge organisations performance and effectiveness of HR management. According to Dale Yoder, “Personnel audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management.”

It is an analytical, investigative and comparative process. It gives feedback about HR functions to operating managers and HR specialists. It enables to know about the effectiveness of personnel programmes. It further provides feedback about how well managers are meeting their HR duties. It provides quality control check on HR activities. It refers to determine the effectiveness and efficiency of HRM.

The essential features of HR audit are:

(1) The measurement and effectiveness HR management's mission, goals, strategies, policies, programmes and activities, and

(2) To determine the action plan for future in response to the results from such measurement.

According to **R.D. Gray**, "the primary purpose of audit is to know how the various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon; and to assist the rest of the organization by identifying the gap between objectives and results for the end product of an evaluation should be to formulate plans for corrections or adjustments."

Unit – 4: Performance Appraisal and Incentives

<u>Performance Appraisal:</u>

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

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

<u>Objectives of Performance Appraisal</u>

Performance Appraisal can be done with following objectives in mind:

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

Traditional Methods of Performance Appraisal:

1) Rating Scales Method

It is a popular traditional method of performance appraisal. In this method, a rating scale is created to evaluate the performance of employee against certain parameters. These parameters usually include his attitude, attendance, punctuality and interpersonal skills. The rating scale used in this method ranges from 1 to 10. Low score indicates negative feedback and high score indicates positive feedback.

2) Checklist Method

In this method, a checklist is prepared. It is comprised of descriptive statements related to behavior of the employee. Each statement has two options, Yes & No or True or False. The rater can choose one out of two options which he thinks correctly describes the behavior of the employee.

3) Forced Distribution Method

This method was popular in big organizations. It is based on the fact that the performance of employees varies greatly in an organization, some would be more productive and some would be less productive. So in this method, the manager is forced to distribute employees on the basis of their performance on all points of the bell shaped scale. Some fall into outstanding zone, some into average and some into the bottom region of the curved scale.

4) Critical Incident Method

Critical incident method gives emphasis on critical behaviors of employees such as the reaction of employee to a certain situation. So in this method, the performance is evaluated against a list of critical behaviors. For example,

On July 22 the manager efficiently handled an annoyed customer. He was very prompt and polite in solving the issue ? It is a positive critical incident.

On July 22, the manager was very rude in handling an annoyed customer ? it is a negative critical incident.

5) Essay Method

In this method, the rater writes a description about the behavior and performance of the employee. The description includes all relevant information like employee?s attitude, job knowledge, current performance and potential for growth.

6) Paired Comparison Method

In this method, one particular trait is considered to evaluate the employees. Based on this trait, each employee is compared with others on one to one basis, in pairs. The possible number of pairs is calculated by the formula: N (N-1)/2. N is the number of employees to be evaluated. Let us understand it with an example:

There are five employees A,B,C,D,E who are to be evaluated. So on applying the formula 5(5-1)/2, there will be 10 pairs to be compared.

A with B B with C C with D D with E

A with C B with D C with E

A with D B with E

A with E

7) Field Review Method

This method is based on superiors' opinion on the performance, behavior and skills of the employee. The HR specialist asks seniors to answer questions related to employee's employment and appraises the employee on the basis of feedback received from the superiors.

8) Confidential Appraisal Method

This method is mostly used in government organizations to make decisions regarding promotion and transfer of the employees. The senior prepares the confidential report on the performance, behavior and other traits of the employee. The report is supposed not to be revealed to anyone. It is sent in a sealed cover to the concerned officials who appraise the employee on the basis of this report and take decisions accordingly.

Five Modern Performance Appraisal Methods:

1. Management by Objectives (MBO)
In this method, managers and employees collaborate together to identify, plan, organize, and communicate objectives. This is usually for a specific appraisal period and objectives are validated using the SMART (Specific, Measurable, Achievable, Realistic & Time-sensitive) method.
After setting clear goals, managers and employee interact periodically to discuss the feasibility of achieving set objectives and the progress made. These measures of progress help analyze the contributions of an employee at the end of the review period. Success is rewarded with appraisals like salary hike or promotion, whereas others are re-evaluated for further training.

2. 360-Degree Feedback Method
Considered a multidimensional method of performance appraisal, 360 degree feedback is gaining popularity lately. The method focuses on collecting feedback from everyone an employee interacts with like managers, customers, peers, etc. When data is collected from multiple sources, the chances of a manager's bias affecting the appraisal are eliminated. Plus, it offers a clearer picture of the employee's competence in terms of work.
Businesses understand that employees seek unbiased and objective feedback on their performance to stay motivated and engaged. A continuous 360 degree digital feedback method opens additional channels of feedback for the employee. The objective evaluation is seen as a fair evaluation and encourages the employee to improve their performance based on the appraisal. In fact, 8.9% greater profitability is seen when managers are offered feedback on their strengths.

3. Assessment Center Method
Introduced by the German Army in the 1930s, the concept of assessment center has been revamped to suit the current business scenario. The employees are assessed based on their performance like social-stimulating exercises like role-playing, decision-making, informal discussions, etc. The assessment evaluates the performance of employees to identify future leaders and managers.
The effectiveness of the Assessment Center Method allows employees to get a clear picture of their own performance and how others observe them. The impact of other's perspective on their performance can also be realized from these exercises. It is easier to evaluate the current performance of an employee and also predict future performance.

4. Human Resource Accounting Method
Also known as Human Resource Cost Accounting Method, it is used to evaluate an employee's performance as per the monetary benefits they yield from the organization. This means the performance of an employee is compared against the salary & other costs the company pays to the employee.

The cost of retaining an employee in regard to their contribution is evaluated to get the cost of that employee for the organization. This method of performance appraisal considers factors like work quality, overhead cost, unit-wise average service value, interpersonal skills and, so on. The idea is to analyze how the contributions compare with regard to cost (recruiting, hiring, training and development) benefit the organization. In this method, the company appraises employees on the basis of cost to the company and the value they offer.

5. Behaviorally Anchored Rating Scale (BARS)

In this modern method of performance appraisal, both the qualitative and quantitative aspects of an employee are evaluated. BARS compares an employee's performance with specific behavioral examples that are assigned a numerical rating. As per employee's role and job-level, BARS has a set of predetermined standards called BARS statements. These statements are used as yardsticks to measure the performance on each BARS scale level.

BARS sets typical workplace behaviors as per a job role and evaluates an employee's performance in comparison to these set standards. How an employee should behave in any given situation (critical incidents) is measured as per the expected behavior. The performance appraisal with BARS provides more accurate and unbiased results.

PROMOTIONS AND TRANSFERS

Developing effective incentives for employee initiative and ambition is of major concern to the University. One of the most successful ways for departments to obtain skilled and experienced employees is to encourage advancement opportunities through transfers and promotions. When they meet all qualifications prescribed for the new position, Murray State University employees are encouraged to apply for job vacancies which would result in a promotion or transfer.

Transfer or promotion within a department or from one department to another may be made. Careful consideration should be given to the benefits which can be derived for both the employee and the University.

1. Definitions

a. Promotion is defined as the movement of an employee from one position to another position of a higher pay grade or salary.
b. Transfer is defined as the movement of an employee from one position to another position at the same pay grade level or similar salary.

2. Requirements

a. An employee must normally have completed at least six (6) consecutive months of employment in the current position before being eligible for transfer or promotion. The Director of Human Resources shall have the authority to waive the six (6) months requirement where circumstances indicate that an exception would serve the best interests of the University. See also Probationary Period.
b. The employee must have the qualifications specified in the position specifications for the new position.

3. Promotion and Transfer Procedures

a. Within a Department

1. Promotions and transfers within a department may be effected if the employee meets all of the designated requirements for the vacant position. Approval to fill the vacancy must be obtained by the department before transfers or promotions can be initiated. The transfer or promotion may be effected without advertising the vacant position.

2. Requests to transfer employees within a department should be made to the department chair or administrative director by the supervisor. The department chair or administrative director shall initiate such transfers by completing and forwarding the Notice of Personnel Action Form through the proper channels.

b. Between Departments

Requests for transfer or promotion may be initiated by department chairs or administrative directors but must be coordinated through Human Resources when two departments are involved.

c. When Initiated by the Employee

1. An employee may seek a promotion or transfer by applying through Human Resources for any posted position vacancy which meets his/her qualifications.
2. The employee may contact Human Resources to discuss promotion and transfer possibilities at any time.
3. Notification to Supervisor
   a. In the overall interest of a satisfactory employment relationship, it is recommended that an employee initially discuss his/her interest in transfer with the current supervisor. Such discussions allow the employee the opportunity to communicate his/her career goals and/or provide the supervisor reasonable time to assess the possible transfer in light of the needs of the department and the needs of the employee.
   b. In any event, it shall be the responsibility of the employee to arrange with the present supervisor for the time needed, if any, for interviews during work hours. Such reasonable time off the job shall not be charged to the employee's leave balances. Such time shall not be arbitrarily withheld.

4. Administrative Procedures

a. When an employee is transferred or promoted into another department, the current department and the new department must mutually determine the effective date of the transfer.
b. A Notice of Personnel Action Form must be submitted and approved for every employee transferred or promoted. Such form must be submitted far enough in advance (normally one week) to allow time for the final approval prior to the effective date of action.
c. When the transfer or promotion is to another department, the new department must initiate the Notice of Personnel Action Form and obtain the signature of the department chair or administrative director of the old department. The Notice of Personnel Action Form should then be forwarded through the appropriate channels of the new department to Human Resources.

5. Transfer of Accrued Vacation and Sick Leave

The transferred or promoted employee shall retain all accumulated vacation and sick leave from his/her previous position if the transfer or promotion is to a position eligible for these benefits. The Notice of Personnel Action Form initiating the transfer or promotion must include the amount of accrued vacation and sick leave at the time of transfer or promotion. NOTE: Grants and contracts cannot assume accrued vacation and sick leave. Therefore, accrued vacation will be paid to the employee at the time of the transfer and accrued sick leave will be placed in the employee's file in Human Resources and reinstated if or when the employee transfers to a non-grant or non-contract position.

Monetary vs non-monetary incentives:

Whether you are a small business owner or a human resource professional you will find it essential and advantageous to incentivize your employees occasionally to ensure a smooth running, effectiveness, and expansion of your business. Incentivizing brings great benefits. It enhances employee morale and renews dedication which in turn cultivates efficiency, higher productivity, better customer service, and results in greater sales revenues and ultimately profits. Incentives can be categorized into two – monetary and non-monetary incentives. Monetary incentives are quite straightforward and represent quantifiable cash benefits. Non-monetary incentives come in the form of opportunities or tangible gifts which have an underlying monetary value as well.

This article defines and explains monetary and non-monetary incentives in more detail and highlights the difference between two.

Definitions and meanings:

Monetary incentives

Monetary incentives are solid cash rewards which are presented to employees for exceptional performance or attainment of long term goals. As the name suggests monetary incentives have a monetary value and the employees can instantly recognize their exact worth. Such cash rewards can take several forms like merit pay, scheduled bonuses or commissions, stock options, mutual funds, and other forms of profit sharing and even extended vacation time.

Monetary incentives are the most straightforward method of showing appreciation and encouraging motivation. Since they hold an undoubted appeal for all employees, they more or less help maintain a positive work environment. They are clear and easily understood by employees. They help solve the challenges of a small business owner like lack of proper management or a stringent budget who can easily offer an annual reward instead of a pay raise. They also do not require any working on behalf of the management and no personalization is required as money speaks for all.

Despite being obvious, monetary incentives can create a turbulent workforce environment since they are mostly awarded to the top achievers only. This causes colleagues to become competitors and battle each other to attain their desired goals. They may create hurdles for each other disrupting teamwork and affecting the company at large. In short, they may crush the spirits of the employees who are left out. There are also some instances when an employee cannot relate his accomplishment to the incentive and denies it inhibiting the anticipated improvement.

Non-monetary incentives

Non-monetary incentives are presented for exceptional job performance or attainment of special goals that add value to the company such as achievement of sales goals, completing professional training, certifications and conducting successful research programs etc.

They don't have a consistent form and are specifically tailored according to the needs of the employees. This implies that the management or the business owner has to take several considerations into account before handing them out like employee age, career-stage and proximity to retirement from job etc. This has to be managed by the human resource (HR) department that should conduct a comprehensive evaluation program to match employee preference.

Motivational non-incentive rewards do not involve cash but are replaced with opportunities and benefits like vehicle provision and allowances, healthcare benefits, life insurance, and provision of electronic gadgets.This shows that non-monetary incentives also have basic monetary value and are also worthwhile. Research has also proven that employees further appreciate when given a choice in these allowances.

Companies are now witnessing a new incentivizing trend by using tangible rewards that are known to have multiple positive effects on the business. This is due to the simple reason that employees tend to appreciate tangible gifts more because it empowers them to show it off in their circle. There are many examples of such gifts like gift cards, tickets, gadgets, branded apparel, watches etc. and the possibilities are just limitless. Employees feel that the boss is being thoughtful and kind and view them in a favorable light.

This insight can be leveraged to the company's benefit. If the employee is photographed with the incentive showing his accomplishment and the picture is displayed publicly, it will not only be a reminder for him but will boost the spirits of all other employees. The incentive can also be advertised during the recruitment stage for marketing.

Difference between monetary and non-monetary incentives:

The main points of difference between monetary and non-monetary incentives are given below:

1. Represent different forms

Monetary incentives represent quantifiable cash rewards presented for accomplishments, whereas non-monetary incentives have multiple forms like opportunities, allowances and include gift items etc.

2. Effect on employee behavior

Research has shown that monetary incentives encourage compliance in associates whereas non-monetary incentives amplify innovation and risk-taking in their decisions.

3. How employees perceive them

Since monetary incentives are clear, employees understand their worth easily. In the case of non-monetary incentives employee reaction is unpredictable; some might appreciate gifts, and others might deem them useless items.

4. How long can there impact last

Monetary incentive might feel like an addition to the salary and be forgotten. Tangible gifts and opportunities, in addition to offering bragging rights, can be used for longer duration and have lasting impact.

5. Main reason for backfiring

Monetary incentives are rendered useless when competitors find themselves in a race to achieve set goals and attempt to sabotage each other in the process. Non-monetary incentives lose their purpose when employee preferences aren't taken into account properly.

6. How do they effect the budget

Monetary incentives are hard on the budget. In comparison, non-monetary incentives clearly enjoy a greater influence while they only take a small portion from the budget.

7. Role of the management before incentivizing

Monetary incentives hold a universal value and do not require any work. They are granted instantly. Non-monetary incentives require planning and employee evaluation to make them effective and successful.

Social Security and Welfare Measures:

Meaning of Social Security:

Social security is a dynamic concept which is considered in all advanced countries of the world as an indispensable chapter of the national programme. With the development of the idea of the welfare state, it has been considered to be most essential for the industrial workers, though it includes all sections of the society.

Social security is that security which the society furnishes through appropriate organisation against certain risks or contingencies to which its members are exposed. These risks are essentially contingencies against which the individual cannot afford by his small means and by his ability or foresight alone.

Definitions of Social Security:

According to International Labour Organisation:

"Social security is the security that society furnishes through appropriate organisation against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means and meager resources cannot effectively provide by his own ability or foresight alone or even in private combination with his fellows. These risks being sickness, maternity, invalidity, old age and death. It is the characteristic of these contingencies that they impair the ability of the working man to support himself and his dependents in health and decency."

Social Security in India:

Although social security measures had been introduced in many countries decades ago, in India they were introduced only after the independence. It was partly due to lack of official sympathy and the comparative weakness of the trade unions in pressing their demand for such measures .After independence, India declared itself a welfare state under the constitution and as such several social security measures were introduced.

According to Article 41 of the constitution of India "The state shall within limits of its economic capacity and development make effective provision securing the right to work, to education and to public assistance in case of umemployment, old age, sickness and disablement and other cases of unserved wants".

Social security is an important step towards the goal of welfare state. Many State Governments have introduced old age schemes and other types of social assistance benefits. Several laws have been enacted since independence in the country to provide for social security to the workers.

Some of the important social security laws are given below:

(i) The Workmen's Compensation Act, 1923
(ii) The Employee's State Insurance Act, 1948
(iii) The Maternity Benefits Act, 1961
(iv) The Employees Provident Fund Act, 1952
(v) The Payment of Gratuity Act, 1972
(vi) Group Life Insurance

Unit – 5: Direction and Control

DIRECTING is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing have got no importance if direction function does not take place.

Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. According to Human, "Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned" Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

Direction has got following characteristics:

1. **Pervasive Function -** Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.
2. **Continuous Activity -** Direction is a continuous activity as it continuous throughout the life of organization.
3. **Human Factor -** Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.
4. **Creative Activity -** Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
5. **Executive Function -** Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise, a subordinate receives instructions from his superior only.
6. **Delegate Function -** Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

Purpose of Direction:

1. Initiates action:

Direction initiates action that motivates people to convert the resources into productive outputs. It gives substance to managerial functions of planning, organising, staffing and controlling. People learn to manage the resources in the most effective way that results in their optimum utilisation.

2. Creates a sound work environment:

If directions are issued in consultation with employees (participative), it creates an environment of understanding where people work to their maximum potential, willingly and enthusiastically to contribute towards organisational goals.

3. Develops managers:

Managers who are personally motivated to work can also direct others to work. Managers develop their skills and competence to direct others to follow. If managers and employees work in harmony, it promotes skills of the employees and develops managers to assume responsibilities of higher levels in the organisation.

Motivation, leadership and communication help in bringing people together. They exploit employees' talent to the fullest and also provide scope for their skill enhancement. This is beneficial for both the employees and organisation. Direction, thus, prepares future managers.

4. Behavioural satisfaction:

Since direction involves human behaviour and psychology, employees feel behaviourally satisfied and personally inspired to achieve organisational goals.

5. Increase in productivity:

Personally satisfied employees contribute towards output and efficiency of the organisation.

Direction gets maximum out of subordinates by exploiting their potential and increasing their capabilities to work.

6. Achieves coordination:

Directing aims at continuous supervision of activities. It achieves coordination by ensuring that people work towards planned activities in a coordinated manner. It integrates the actions of employees that increases their understanding of mutual interdependence and their collective effort to achieve the organisational goals. It also helps to harmonies individual goals with organisational goals.

7. Facilitates control:

Coordination brings actual performance in conformity with planned performance. The controlling function is, thus, facilitated through effective direction.

8. Facilitates change:

Direction helps in introducing change in the organisation structure and adapting the organisation structure to external environment. Organisation operates in the society as an open system and has to accept social changes for its survival and growth. People are not easily receptive to changes. Direction helps in changing attitude of people towards change and accepts it as a way of life.

9. Facilitates growth:

Organisation open to change is responsive to growth. Direction harmonizes physical, financial and human resources, balances various parts of the organisation and creates commitment amongst people to raise their standards of performance.

Following are the important principles which are helpful in achieving effective direction:

1. Principle of harmony of objectives:
An organisation aims at achieving the predetermined objectives with the help of people. With different techniques of direction management should try to integrate the organisational and individual objectives. The interest of the group must always prevail over individual interests. A manager must try to reconcile personal interest of the subordinates with the common interest. Harmony of objectives makes the task of direction easy.

2. Principle of scalar chain:
Scalar chain means that chain of subordinates and superiors ranging from top to the lowest ranks. This chain clearly establishes superior- subordinate relationships and scope of authority is clearly defined. For carrying the function of direction successfully a clear scalar chain is immensely helpful.

3. Principle of unity of command:
Principle of unity of command means that a subordinate should get orders and instructions from one boss only. The employee will be confused, if he has to report to more than one superior. In the absence of unity of command, authority is undermined, discipline weakened, Loyalty divided and confusion and delays in work are frequent.

4. Principle of unity of direction:
For ensuring effective direction, there should be one head and one plan for a group of activities having the same objectives. This principle clearly lays down that the efforts of all the members should be directed by a single head for the accomplishment of the objectives of the organisation.

5. Principle of effective communication:
Communication is an important instrument for effective direction. Without communication, the function of direction cannot be performed. Two-way communication provides an opportunity to the subordinates a chance to express their feelings and the superior to know the feelings of the subordinates.

A well knit system of communication provides for free flow of ideas, information, suggestion, complaints and grievances.

***6. Principle of direct supervision**:*
The function of direction becomes more effective, if the supervisor maintains a direct and personal contact with his subordinates. Direct supervision infuses a sense of participation among the subordinates and encourages them to give their best to attain the organisational goals.It also boosts the morale of the employees, increases their loyalty and provides the superior with immediate feedback about their performance.

7. Principle of effective leadership:
Effective leadership is the essence of the function of direction. The superior must possess the qualities of a good leader, if he is to get the work done from the subordinates. Effective leadership is also helpful in winning the confidence of the subordinates

8. **Principle of follow-up:**

A manager or the superior has to monitor or follow-up the performance of the subordinates constantly so as to ensure that the work is being performed as per the plans made. He should keenly observe the subordinates at work and correct them wherever they go wrong.

Motivation Theories:

Motivation is a state-of-mind, filled with energy and enthusiasm, which drives a person to work in a certain way to achieve desired goals. Motivation is a force which pushes a person to work with high level of commitment and focus even if things are against him. Motivation translates into a certain kind of human behaviour.

It is important to ensure that every team member in an organization is motivated. Various psychologists have studied human behaviour and have formalized their findings in the form various motivation theories. These motivation theories provide great understanding on how people behave and what motivates them.

Motivation is a huge field of study. There are many theories of motivation. Some of the famous motivation theories include the following:

1. Maslow's hierarchy of needs

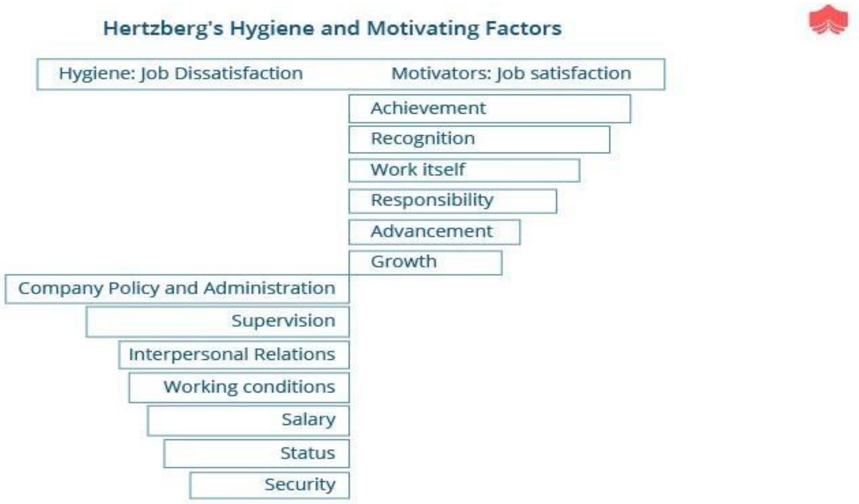
Abraham Maslow postulated that a person will be motivated when his needs are fulfilled. The need starts from the lowest level basic needs and keeps moving up as a lower level need is fulfilled. Below is the hierarchy of needs:

- Physiological: Physical survival necessities such as food, water, and shelter.
- Safety: Protection from threats, deprivation, and other dangers.
- Social (belongingness and love): The need for association, affiliation, friendship, and so on.
- Self-esteem: The need for respect and recognition.
- Self-actualization: The opportunity for personal development, learning, and fun/creative/challenging work. Self-actualization is the highest level need to which human being can aspire.

The leader will have to understand the specific need of every individual in the team and accordingly work to help fulfil their needs.

2. Hertzberg's two factor theory

Hertzberg classified the needs into two broad categories namely hygiene factors and motivating factors. Hygiene factors are needed to make sure that an employee is not dissatisfied. Motivation factors are needed for ensuring employee's satisfaction and employee's motivation for higher performance. Mere presence of hygiene factors does not guarantee motivation, and presence of motivation factors in the absence of hygiene factors also does not work.



3. McClelland's theory of needs

McClelland affirms that we all have three motivating drivers, and it does not depend on our gender or age. One of these drives will be dominant in our behaviour. The dominant drive depends on our life experiences.

The three motivators are:

- **Achievement**: a need to accomplish and demonstrate own competence People with a high need for achievement prefer tasks that provide for personal responsibility and results based on their own efforts. They also prefer quick acknowledgement of their progress.
- **Affiliation**: a need for love, belonging and social acceptance People with a high need for affiliation are motivated by being liked and accepted by others. They tend to participate in social gatherings and may be uncomfortable with conflict.
- **Power**: a need for control own work or the work of others People with a high need for power desire situations in which they exercise power and influence over others. They aspire for positions with status and authority and tend to be more concerned about their level of influence than about effective work performance.

4. Vroom's theory of expectancy

Victor Vroom stated that people will be highly productive and motivated if two conditions are met: 1) people believe it is likely that their efforts will lead to successful results and 2) those people also believe they will be rewarded for their success.

People will be motivated to exert a high level of effort when they believe there are relationships between the efforts they put forth, the performance they achieve, and the outcomes/ rewards they receive.

5. McGregor's theory X and theory Y

Douglas McGregor formulated two distinct views of human being based on participation of workers. The first is basically negative, labelled as Theory X, and the other is basically positive, labelled as Theory Y. Both kinds of people exist. Based on their nature they need to be managed accordingly.

- **Theory X**: The traditional view of the work force holds that workers are inherently lazy, self-centred, and lacking ambition. Therefore, an appropriate management style is strong, top-down control.
- **Theory** Y: This view postulates that workers are inherently motivated and eager to accept responsibility. An appropriate management style is to focus on creating a productive work environment coupled with positive rewards and reinforcement.

Coordination

Definition: Coordination can be described as that invisible cord, which runs through all the activities of the organization and binds them together. It is not a function of the management, rather it is the **essence of management**, which is needed at all levels and at each step of the firm, to achieve the objectives of the organization.

In basic terms, coordination means the integration and synchronization of the activities, resources and efforts of the people working in the organization, which leads to unity of action, in the pursuit of the organization's objectives.

Coordination is that hidden force that links all the functions of the management, i.e. planning, organizing, staffing, directing and controlling.

Need for Coordination

We all are aware of the fact that there are several departments in an organization, such as Finance, Purchase, Production, Sales, Human Resource, Marketing, Research and Development etc. and the work of all the departments are interlinked and interdependent. Further, there are three levels in organizational hierarchy, wherein:

1. **Top-level**: Comprises of the Board of Directors, Chief Executives, Managing Directors, etc.
2. **Middle-Level**: Comprises of departmental heads and managers.
3. **Lowest-Level**: Comprises of supervisors, first-line managers and foreman.

Coordination is a process, which ensures that various departments, units and levels of the organization work smoothly and continuously in tandem, i.e. in the same direction, towards the accomplishment of organizational goals, while effectively utilizing the resources. It aims at involving all the elements of the company, in the plan, strategy or task, to get input from everyone and attain best results.

Coordination tends to lineup the resources, people and efforts in such a way that there is no chaos, hustle, disorder and conflict, regarding any issue in an organization. Hence it is not wrong to say "With coordination comes harmony in the performance of organizational tasks".

Types of Co-ordination:

There are 4 Types of Coordination in Organizations are as follows:

i. Vertical Coordination

ii. Horizontal Coordination

iii. Internal Coordination

iv. External Coordination

i. Vertical Coordination:
Vertical coordination is the coordination between different levels of the organization to ensure that all levels of organization are in harmony with the organizational policies and programmes. This is achieved through delegation of authority by directing and by controlling.

ii. Horizontal Coordination:
Horizontal coordination is the coordination between departments on the same level of managerial hierarchy. Coordination between production and marketing departments at the same level or organizational hierarchy is an example of horizontal coordination. This is achieved by forming cross-functional teams and self-managed teams.

iii. Internal Coordination:
Vertical and horizontal types of coordination, if carried out within an organization, are called internal coordination.

***iv.* External Coordination:**

Success or failure of an organization also depends on number of external forces. No organization can operate in isolation, it has to continuously interact with dynamic environmental forces and devise its strategies to respond to such forces to survive.

External coordination facilitates such process by integrating the organization with the dynamic external forces.

Internal coordination is achieved through following techniques:

Coordination through Effective Supervision:
Supervision ensures harmonious and reciprocal performance of subordinates. It also synchronizes and coordinates subordinates' efforts both among themselves and in relation to other groups. Such collaborative efforts of individuals and groups to achieve organizational objectives are possible through coordination, which again is best achieved through supervision.

Coordination through Organizational Process:
Suitable organizational process achieves coordination. Proper grouping of activities, assignment of job to the subordinates, proper authority delegation, etc., are parts of the organizational process, which helps in achieving coordination.

Coordination through Personal Contact:
Another important technique of achieving coordination is through personal contact. Personal contact reciprocally relates one function with another and this is achieved through the development of interpersonal and horizontal relationships of people working in the organization. This promotes cooperation and collaboration due to mutual understanding; hence, coordination through personal contact is significant for realizing the objectives of an organization.

Coordination through Effective Communication:
Transparency through communication achieves coordination. Keeping people in the organization informed time to time about the internal and external changes is essential to make them understand the changed situation arid coordinate their efforts to achieve intended goals. Communication can be made through letters, documented procedures, reports, bulletins and also through personal behaviour of managers.

Communication does the important task of dovetailing information for the benefit of the organization. People react to the communication quickly, provided it is properly coordinated. This is why effective communication is considered to be an important technique of coordination.

Coordination by Group Meetings:
Henry Fayol pointed out that lack of coordination is more visible when each department knows nothing about others or fails to relate them to the organization as a whole. This is primarily for the existence of water tight compartments for the traditional hierarchical structure, where people lack initiative and loyalty.

To eliminate such a situation, coordination is essential which can be best achieved by periodic group meetings and conferences of departmental heads. Group meetings help people to understand the organizational needs better.

It helps them to exchange ideas, know about plans and activities of their department and so also the organization as a whole. Proper coordination, therefore, is best achieved through group meetings, and this is why group meetings are considered to be an important technique of coordination.

Coordination through Liaison Officers:
Particularly for large organizations, direct personal contact of managers of various units and functions may not be very frequent. Such gap is often filled by the organizations through liaison officers. Therefore, also by appointing liaison officers, an organization seeks to achieve coordination.

For effective external coordination, an organization at the outset has to know what the pertinent external forces are.

After such identification, the organization has to analyse their potential impact and take suitable remedial to preventive measures to cope with the same. Important external forces may be the changing expectations of stakeholders (like suppliers, customers, investors, employees or even the society) or changing competitive situation, technological advancement, changing government policies and regulations, etc.

To facilitate external coordination, a number of techniques are adopted by an organization. New management concepts like, customer relationship management (CRM), which aligns organization with the customers, supply chain management (SCM), which increases market share and multiply customer satisfaction, etc., have now been developed for more effective external coordination.

Controlling:

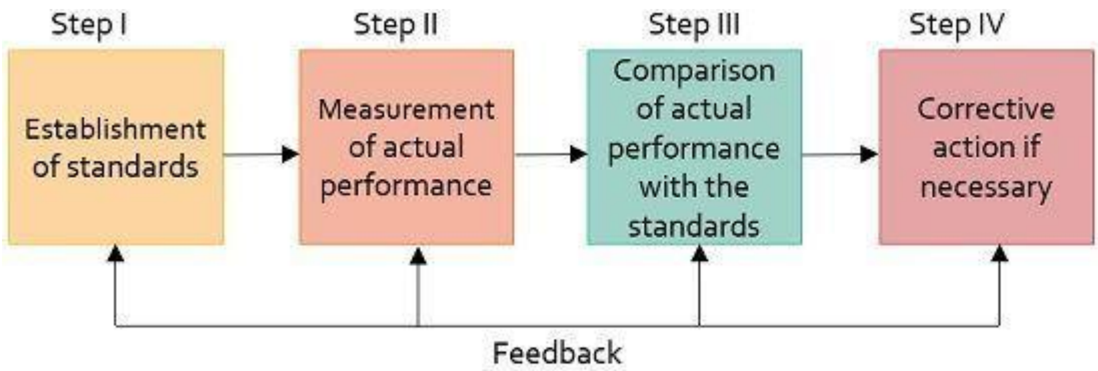
Definition: Control is a primary goal-oriented function of management in an organisation. It is **a process of comparing the actual performance with the set standards of the company** to ensure that activities are performed according to the plans and if not then taking corrective action.

Every manager needs to monitor and evaluate the activities of his subordinates. It helps in taking corrective actions by the manager in the given timeline to avoid contingency or company’s loss.

Controlling is performed at the lower, middle and upper levels of the management.

Process of Controlling:

Control process involves the following steps as shown in the figure:



- **Establishing standards**: This means setting up of the target which needs to be achieved to meet organisational goals eventually. Standards indicate the criteria of performance.

  Control standards are categorized as quantitative and qualitative standards. **Quantitative standards** are expressed in terms of money. **Qualitative standards**, on the other hand, includes intangible items.

- **Measurement of actual performance**: The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.
- **Comparison of actual performance with the standard**: This compares the degree of difference between the actual performance and the standard.
- **Taking corrective actions**: It is initiated by the manager who corrects any defects in actual performance.

  Controlling process thus regulates companies' activities so that actual performance conforms to the standard plan. An effective control system enables managers to avoid circumstances which cause the company's loss.

The importance of controlling becomes clear from the following facts:

(1) Accomplishing Organisational Goals:
The controlling process is implemented to take care of the plans. With the help of controlling, deviations are immediately detected and corrective action is taken. Therefore, the difference between the expected results and the actual results is reduced to the minimum. In this way, controlling is helpful in achieving the goals of the organisation.

(2) Judging Accuracy of Standards:
While performing the function of controlling, a manager compares the actual work performance with the standards. He tries to find out whether the laid down standards are not more or less than the general standards. In case of need, they are redefined.

(3) Making Efficient Use of Resources:
Controlling makes it possible to use human and physical resources efficiently. Under controlling, it is ensured that no employee deliberately delays his work performance. In the same way, wastage in all the physical resources is checked.

(4) Improving Employee Motivation:
Through the medium of controlling, an effort is made to motivate the employees. The implementation of controlling makes all the employees to work with complete dedication because they know that their work performance will be evaluated and if the progress report is satisfactory, they will have their identity established in the organisation.

(5) Ensuring Order and Discipline:
Controlling ensures order and discipline. With its implementation, all the undesirable activities like theft, corruption, delay in work and uncooperative attitude are checked.

(6) Facilitating Coordination in Action:
Coordination among all the departments of the organisation is necessary in order to achieve the organisational objectives successfully. All the departments of the organisation are interdependent. For example, the supply of orders by the sales department depends on the production of goods by the production department.

Through the medium of controlling an effort is made to find out whether the production is being carried out in accordance with the orders received. If not, the causes of deviation are found out and corrective action is initiated and hence, coordination between both the departments is established.

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