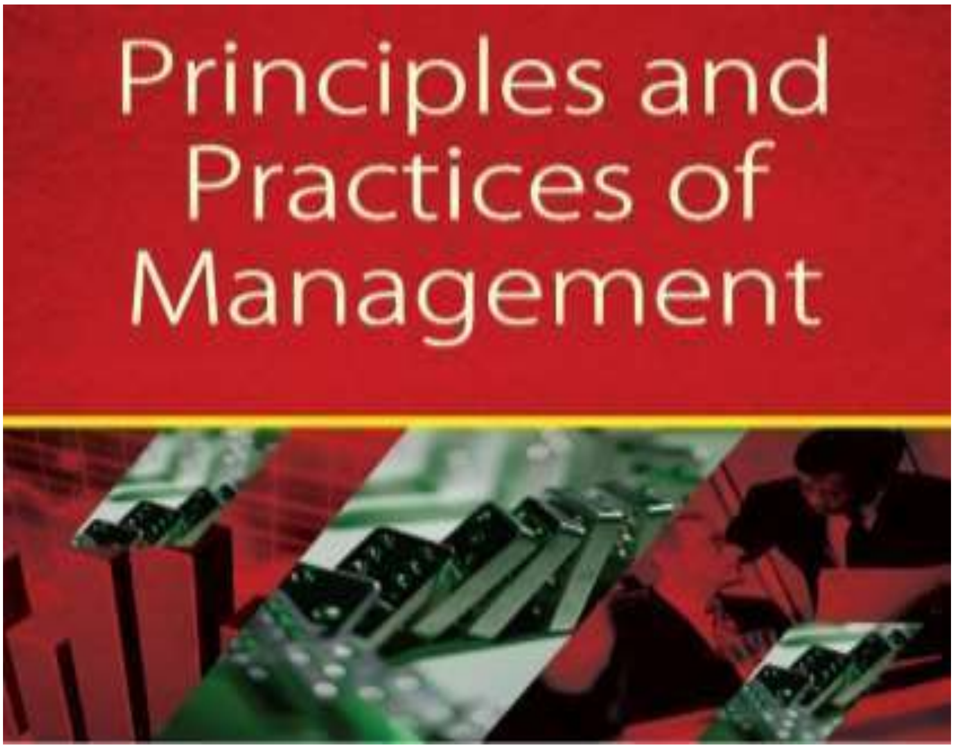
Class - F.Y BBA

SEMESTER – I

SUBJECT: PRINCIPLES AND PRACTICES OF MANAGEMENT



- **Course Objectives:**

1. Course To understand the basic concepts, principles, and theories of management.
2. To examine the essential functions of managers.
3. To analyze the impact of globalization, diversity, and ethics on management.
4. To develop skills in strategic planning, decision-making, and leadership.

- **Content:**

Unit 2: Planning, Organizing and Staffing

Meaning, Importance of planning in management; Types of plans: Strategic, tactical, Operational; Planning process; Decision- making- process; Organizing – meaning and process; types of organizational structures: Functional, Line, Line &Staff, Matrix, Committee, Delegation of authority
- Process, principles, Blocks to effective delegation., Centralization and Decentralization (Benefits and Limitations); Meaning and Importance of staffing – Difference between Recruitment and Selection, Sources of Recruitment

1.1 Functions of Management

Management is an activity consisting of process which is mainly concerned with important task of goal achievement. No business enterprise can achieve its objective until all the members of the organization work in planned and integrated way. Therefore, the process of management involves the determination of objectives and putting them in action.

According to G.R. Terry 'Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources''

Management is considered a continuing activity made up of basic management functions which are Planning, Organizing, Staffing, Directing and Controlling. The managers have to perform all these functions in order to achieve the desired organizational goals.

1.2 Planning

The first and the most important function of management is Planning. Planning involves setting objectives in advance, a goal which is to be achieved within a stipulated time. Various alternatives are formulated in order to achieve the goals. The best alternative courses of action is then selected which will help the organization to achieve its objectives. Planning is the most basic function of management. It is deciding in advance what to do and how to do when to do and by whom it is to be done. It bridges the gap between where we are and where we want to go. All the other functions of management like organizing, staffing, directing, controlling are dependent on planning. Planning is related to future and is a continuous process. All the organization have to make a concrete plan before they start business or execute any project.

❖ Definition of Planning

According to Theo Haiimann **“Planning is deciding in advance what is to be done. When a manager plans, he projects a course of action for the future, attempting to achieving a consistent, coordinated structure of operation aimed at desired result”.**

1.3 Importance of Planning

Planning increases the efficiency of an organization. All business organizations would like to be successful, have a goodwill in the market, have higher profits. For attaining these attributes, the thinking process has to be very effective. Now let’s understand why planning is important for the organization.

Planning has assumed great importance in all types of organizations. That is why it is said, "If you have planned well, half of your work is done". The most important differentiator between successful and unsuccessful organizations is planning. This is why top management of successful companies devotes maximum time on planning. The importance of planning may be seen in the following contexts:

1. Direction for Action. A good plan is like a road map: it shows the final destination and usually the best way to get there. A good plan is a result of good planning process. Thus.it shows that planning provides direction for action by prescribing what is to be achieved (objectives) and how it can be achieved (various actions organization-wide). Clarity of what is to be achieved and how this can be achieved leads to coordinated efforts of employees.

2. Reducing Risk of Uncertainty. Planning does not reduce uncertainty of environment but it reduces risk likely to emerge because of uncertainty of environment. In the planning process, managers forecast likely behavior of environment in future. Because of this forecasting, managers are sure, to a great extent, about the likely outcomes of their actions. thereby reducing their risk.

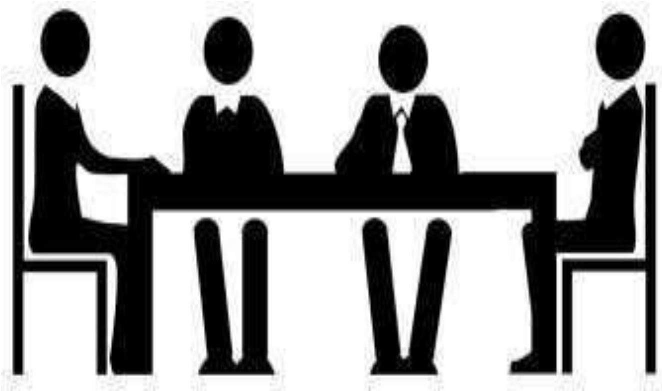
3. Reducing Overlapping and Wasteful Activities. Planning reduces overlapping and wasteful activities by prescribing what is to be done and how this can be done. Because of this prescription, only necessary activities are performed, unnecessary activities are avoided. and there is no duplication of activities.

4. Promoting Creativity and Innovation. Since planning is a mental exercise, it promotes creativity and innovation. Creativity is generation of new ideas which are unique in some way to solve problems. Innovation is introduction of any product, service, or idea that is considered as new. Creativity and innovation help an organization to increase its market standing

5. Facilitating Decision Making. Planning facilitates decision making throughout an organization by providing standing plans. Decisions are made on the basis of guidelines provided by these standing plans. For example, planning sets policies, procedures, rules. etc. which ease decision making. This not only quickens decision-making process but also ensures similarity of decisions on the same matters throughout the organization.

6. Help in Coordination. Though all managerial functions lead to coordination in the organization, real beginning is made at the level of planning stage. Well-considered overall plans unify interdepartmental activities and consequently restrict the area of freedom in the development of purely departmental plans. Thus, various departments work in accordance with the overall plan and harmony is achieved. It is true to say that coordination is essence of management and planning is the base for it.

7. Providing Basis for Controlling. Planning provides basis for controlling by specifying standards for evaluating actual performance results. In controlling, actual performance results are compared with standards. If there is any deviation between the two, necessary corrective actions are taken to ensure that no deviation emerges between the two in future. Because of the above importance of planning, an organization which adopts planning in a systematic way tends to achieve its objectives.



➢ Nature and Purpose of Planning in Management

Planning is essential in every walk of life. In every human activity, there is an element of planning. Your parents plan the household and other expenditure, they also plan the daily household chores, a teacher plans the teaching work, you, as a student, plan your studies and even the farmer plans his agricultural activities. **In the management field**, the need for planning is all the more because of various factors such as fluctuations in demand, growing competition, introduction of new products, scarcity of resources, changing technology, change in prices, government policy, etc. In the absence of a plan, an enterprise would be like a ship without a rudder.

Organizational activity without a plan is likely to be ineffective, without achieving success. Hence, planning is a must for business organizations. An organization can be successful in effective utilization of its human financial and material resources only when its management decides in advance its objectives, and methods of achieving them. Without it purposive and coordinated effort is not possible, and what results are chaos, confusion and wastage of resources. Business planning should be a way or mode of life essential to maintain the health of an enterprise. It demands a firm determination and conviction to plan constantly and systematically and business planning must be an integral part of the Management.

1.4 Types of Planning:

1. Strategic Plans

Strategic planning defines the long-term vision, mission, and overarching goals of the entire organization.

- **Created By:** Top-level executives, board members, and CEOs.
- **Timeframe:** Typically, **3 to 5+ years** into the future.
- **Focus:** Broad, high-level corporate growth, market positioning, and survival.
- **Question Answered: "Where** do we want the organization to go?"
- **Example:** A technology corporation establishes a goal to **"Achieve $2 billion in annual revenue and expand operations globally by entering European markets."**

2. Tactical Plans

Tactical planning bridges the gap between high-level strategy and ground-level execution by translating corporate goals into specific divisional or departmental initiatives.

- **Created By:** Middle management, including department heads and regional directors.
- **Timeframe:** Shorter-term, usually covering **1 to 3 years**.
- **Focus:** Resource allocation, budget distribution, and coordinating departmental actions.
- **Question Answered: "How** will we implement the strategies to achieve our goals?"
- **Example:** The marketing department develops a plan to **"Launch three targeted digital marketing campaigns in Germany and France to secure early international market share."**

3. Operational Plans

Operational planning focuses on the highly detailed, day-to-day work routines, processes, and schedules required to keep the organization running efficiently.

- **Created By:** Frontline managers, team leads, and supervisors.
- **Timeframe:** Highly immediate, spanning **daily, weekly, monthly, or up to 1 year**.
- **Focus:** Specific employee tasks, inventory tracking, quality control, and output quotas.
- **Question Answered: "What** needs to be done right now to keep things moving?"
- **Example:** A team manager schedules shifts and tasks to **"Translate website product pages into German and publish 20 localized marketing blogs this month."**

➢ 1.6 Planning Process

❖ PLANNING PROCESS

Planning process consists of various steps in a sequence through which plans are formulated. Various steps of planning process have been presented

Perception of opportunities is not strictly a planning process. However, this perception is a preliminary look at possible opportunities provided by the environment and ability of tox whether opportunities exist for taking up particular plans. Perception of opportunities includes is a preliminary stage in planning exercise, hence the analysis of environment not takes is organization to capitalize those opportunities in the light of its strengths and weaknesses. Thos elaborated form but analysis remains confined to the determination of opportunities at fire instance. Once the opportunities are perceived to be available, steps of planning are undertaken

1. **Setting Objectives.**

At this stage major organizational objectives are set. Objectives are process. At this stage, organizational objectives are specified in all key result areas. Key the end results to be achieved by implementation of plans formulated through planning result areas are those areas in which satisfactory performance leads to achieve organizational objectives. These areas are identified on the basis of organizational objectives. For example, for a manufacturing organization, key result areas may be profitability, sales, research and development, manufacturing, and so on. Once organizational objectives are identified, objectives of organizational units and sub-units can be identified on the basis of organizational objectives.

2. **Establishing Planning Premises.**

After setting organizational objectives, the next step is establishing planning premises, that is, the conditions under which planning activities will be undertaken. Planning premises are assumptions about the expected environmental and internal conditions in future. These assumptions are base materials on which plans are formulated. There are two types of planning premises: external and internal. External premises include factors of environment-both general and specific-which are expected to affect organizational working, Internal premises include organization's policies. resources of various types, and the ability of the organization to withstand the environmental pressure. Emphasis on types of planning premises differs at different levels of planning, At the top level, it is mostly externally focused. As one moves down the organizational hierarchy, emphasis on planning premises changes from external to internal

3. **Identifying Alternatives.**

Based on the organizational objectives and planning premises various alternatives (alternative courses of action) are identified. The concept of various alternatives suggests that a particular objective can be achieved through alternative actions. For example, if an organization has set its objective to grow further, it can be achieved in several ways like expanding the present business, diversifying in new businesses, taking over another organization, and so on. Within each category of alternatives, there may be several alternatives. For example, diversification itself may point out the possibility of entering in one of the several businesses. The most common issue involved in identification of alternatives is not just to identify alternatives only but to reduce the number of alternatives so that only promising ones may be taken for detailed analysis because it requires lot of time and efforts. In order to prune number of alternatives, some preliminary criteria should be set like investment requirement, type of technology to be used, etc.

4. **Evaluating Alternatives.**

Various alternatives which are considered feasible in terms of preliminary criteria may be taken for detailed evaluation. At this stage, an attempt is made to evaluate how each alternative contributes to achieve objectives of the organization in the light of its resources and constraints. This presents a problem because each alternative may have certain positive points on one aspect but negative on others. For example, one alternative may be more profitable but requires heavy investment with long gestation period; another may be less profitable but also involves less risk. Therefore, for evaluation of alternatives, rational criteria should use like organizational vision, cost. return, risk, etc.

5. **Choosing Alternative.**

After the evaluation of various alternatives, the most suitable one is selected. Sometimes, evaluation of alternatives may show that more than one alternative is equally good or the first alternative is just marginally better than the second or alternatives that follow it. In such a case, a planner may choose more than one alternative keeping in view the various planning premises. This is beneficial because chosen course of action is to be undertaken in future which is not constant but changes. Therefore, the planner must be ready with alternative plan, known as contingency plan, which can be implemented in changed situations.

6. **Plan Implementation.**

When a plan is selected, it is implemented, that is, putting the plan into action. For implementing the plan, various action plans, also known as supporting plans or derived plans, are formulated. In an organization there can be various action plans like plan for buying equipment's, buying raw materials, recruiting and training personnel, etc. These action plans are formulated on the basis of the main plan and lead to implementation of the plan.

7. **Follow-up Action.**

Plan implementation takes lot of time. Therefore, when the plan is put into action, follow-up action is required to see whether plan is implemented according to schedule. If no, suitable actions should be taken to ensure that the plan is implemented according to prescription and within the specified time and stated objectives of the organization are achieved.

➢ <u>Decision Making-</u>

Before we go through the various aspects of decision making, it is essential to go through the concept of decision and decision making. The word 'decision' has been derived from the Latin word decider which means a cutting away or a cutting off, or in a practical sense. It implies that a decision involves a cut of alternatives between those that are desirable and those that are not desirable. Thus, decision is choice of a desirable alternative out of the more than one alternative. Decision making is a process to arrive at a decision: the process by which an individual or organization selects one position or action from several alternatives.

In psychology, **decision-making (also spelled decision making and decision-making) is regarded as the cognitive process resulting in the selection of a belief or a course of action among several possible alternative options. It could be either rational or irrational.** The decision-making process is a reasoning process based on assumptions of values, preferences and beliefs of the decision-maker.

[1] Every decision-making process produces a final choice, which may or may not prompt action.

[2] Research about decision-making is also published under the label problem solving, particularly in European psychological research.

➢ Importance

- One of the most important functions of a manager is to take decisions in the organization. Success or failure of an organization mainly depends upon the quality of decision that the managers take at all levels. Each managerial decision, whether it is concerned with planning, organizing, staffing or directing is concerned with the process of decision-making.

- A decision is a course of action which is consciously chosen from among a set of alternatives to achieve a desired result. It means that the need for decision arises when various alternatives are
- present. Hence, in any organization an executive form a conclusion by developing various courses of actions in a given situation. It is made to achieve goals in the organization. To decide means to cut off or to come to a conclusion.

- Decision making is a mental process. Whether the problem is large or small in the organization, it is usually the manager who has to confront it and decide what action is to be taken. So, the quality of managers' decisions is the yardstick of their effectiveness and value to the organization. This indicates that managers must necessarily develop decision making skills.

➢ Steps in Decision-Making

The decision-making process is a step-by-step method used to choose the best solution from multiple alternatives. Following a structured approach helps minimize risk and removes emotional bias.
Here is the standard 7-step decision-making process explained in detail.

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.
Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.

Decision making is an indispensable component of management process and a manager's life is full of making decisions after decisions. Managers see decision making as their central job because they constantly choose what is to be done, who is to do when to do where to do, and how to do. Collectively, the decisions of managers give form and direction to organizational functions

However, such a fine distinction is seldom made in practice and both decision making and problem solving are used interchangeably because of use of the same techniques in both the cases. In this text, decision making and problem solving have been used Interchangeably.

The above decision-making process is based on Simon's decision-making process who has proposed three phases of decision making: intelligence (problem identification), design (alternative generation), and choice (choosing an alternative). 2 Additional onal steps have been incorporated in the decision-making process to reflect decision implementation, thereby making decision making a continuous process. All these steps lead to making rational decision. Therefore, this process is also known as rational decision-making process. Let us go through various steps of decision-making process.

1. **Specific Objective.**

The need for decision making arises in order to achieve certain specific objective. Every action of human beings is goal directed. This is true for decision making which is also a human action. Therefore, the starting point in any analysis of decision making involves the determination of whether a decision needs to be made. In fact, setting of specific objectives itself is an outcome of an earlier decision. However, since the objective setting is an outcome of an earlier decision, this may not be considered truly as the first step of decision-making process but it provides framework for further actions.

2. **Problem Identification.**

Since a particular decision is made in the context of a certain given objective, identification of problem is the real beginning of decision-making process. A problem is the gap between actual state of affairs and desired state of affairs on the subject-matter of decision. Problem should be identified clearly and specifically so that it may be solved by taking appropriate action. Any problem which does not have any alternative for its solution is not treated as a problem from decision making point of view though it may have serious adverse consequence. A problem can be identified by analyzing the situation which is causing gap between actual state of affairs and desired state of affairs at a particular point of time. For example, an organization wants to grow. This is a problem from the point of view of decision making because of gap between actual state affairs (organization without growth) and desired state of affairs organization w growth). In order to overcome this gap (solving the problem), decision is required

3. **Search for Alternatives.**

Based on identification of the problem, the decision maker seeks suitable alternative/s to solve the problem. A problem can be solved in several ways though all the ways may not be equally suitable. Further, if there is only one way of solving a problem, no question of decision making arises. Therefore, the decision maker must try to find out the various alternatives in order to get the most suitable alternative. Degree of search for alternatives may vary according to the degree of importance of decision under consideration. Information about alternatives may be collected from various sources. in case of a complex problem, brainstorming can be used. Brainstorming is a technique in which a group of 10-15 members give their ideas without considering their quality. In this process, though many ideas may be worthless, some ideas may emerge which may be relevant for decision making.

4. **Evaluation of Alternatives.**

After the various alternatives are identified, the next step is to evaluate these alternatives so that the most desirable alternative is selected. However, all alternatives available for decision making will not be taken for detailed evaluation because of time and cost constraint. Therefore, only those alternatives should be taken for detailed analysis that meet initial criteria set for choosing an alternative. After identifying the alternatives which require serious consideration, the decision maker should go for evaluating how each alternative may contribute towards achievement of the specific objectives by using relevant techniques of decision making.

5. **Choice of Alternative.**

The evaluation of various alternatives presents a clear picture of how each alternative contributes to achievement of the specified objectives. Based on this the most acceptable alternative is chosen. Though the attempt should be made to choose the most desirable alternative, there are many subjective factors which affect what alternative will be chosen. Thus, rational process of decision making is considerably. affected by these factors (see the situation presented in the opening example of the chapter) and it is not necessary that the chosen alternative is the best one, it is just the most acceptable one. Choice of the most acceptable alternative is based on the satisficing approach rather than the maximizing approach of decision making proposed by Simon.

6. **Action.**

After the alternative is selected, it is put into action. Truly speaking, the actual process of decision-making ends with the choice of an alternative through which the specified objective can be achieved. However, decision making, being a continuous and ongoing process, must ensure that the objective has been achieved by the chosen alternative. Unless this is done, managers will never know what way their choice has contributed. Therefore, the implementation of decision may be seen as an integral aspect of decision making

7. **Result.**

When the decision is put into action, it brings certain result. The result must correspond with the objective, the starting point of decision-making process, to check whether effective decision has been made and implemented properly. If there is any deviation between objective and result, this should be analyzed and factors responsible for this deviation should be located and suitable actions should be taken.

- **Features of decision making are as follows:**

1. Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve a problem or achieve expected results.

2. Existence of alternatives suggests that the decision maker has freedom to choose an alternative of his liking through which his purpose is served.

3. Decision making may not be completely rational but may be judgemental and emotional in which personal preferences and values of the decision maker play significant role.

4. Decision making, like any other management process, is goal-directed. It implies that the decision maker attempts to achieve some results through decision making.

- **Decision Making and Problem Solving**

In management literature, decision making and problem solving are either used interchangeably or together because the process and techniques for both are same. However, sometimes, difference is made between the two on the basis of nature of decision-making process and problem-solving process. Decision making is the selection of an alternative which may or may not be new while problem solving is the invention of an alternative that is different in meaningful ways from the existing one that has created the problem. Thus, problem solving is more concerned with solving the problem that has emerged because of implementation of an earlier decision. For example, the marketing manager of an organization has fixed certain amount of price bof a product (a decision but the problem is that at this price level, there is not adequate demand from customers a problem). Therefore, the question is, what should the marketing manager do to overcome the problem (problem solving).

❖ <u>Organizing:</u>

Concept of Organizing:

After planning the next function of management is organizing. Organizing involves division of work among people whose efforts must be coordinated to achieve specific objectives and to implement pre-determined strategies. It is the backbone of management. After the objectives of an enterprise are determined and the plan is prepared, the next step in the management process is to organize the activities of the enterprise.
According to Louis Allen **"Organizing is the process of identifying and grouping the work to be performed defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives."**
According to the Heimann "Organizing is the process of defining and growing the activities of the enterprise and establishing authority relationships among them. "
With reference to above definitions its clear that organizing refers to the way in which the work of a group of people is arranged and distributed among group members.

2.1 Importance of Organizing

The following points highlight the crucial role that organizing plays in any business enterprise-

1. **It facilitates efficient management** - Organizing is necessary for the performance of other functions of management. Poor organization may result in duplication of work and efforts.
2. **It facilitates coordination and communication** - Organization creates a clear-cut relationships between the departments and helps in laying down balanced emphasis on various activities. It also provides channels of communication and coordination of activities of different departments.
3. **It facilitates growth and diversification**- Sound organization helps in the growth and expansion of the enterprise by facilitating its efficient management. It also increases the capacity of the enterprise to undertake more activities.
4. **It ensures optimum use of resources** -Organizing leads to the optimum use of all material, financial and human resources. It matches the jobs with the individuals and vice versa and ensures that job position is clearly defined. It minimizes confusion and wastage of resources.
5. **It provides for optimum use of technological innovations**-Sound organization structure is not rigid. It is flexible and provides adequate scope for adoption of new technology.
6. **It facilitates specialization**- Organizing provides a great scope for bringing specialization in every department of an enterprise through proper allocation of jobs among the employees. **Organizing thus can be understood in two ways**

1. **Organizing as a process**

2. **Organizing as a structure**

2.2 Organization as a process

In simple terms, 'structure' is the pattern in which various parts or components are interrelated or inter-connected. Organization Structure is the framework that provides a set of relationships among various components or parts of the enterprise. This prescribes the relationships among various activities and positions. Since these positions are held by various persons, the structure is the pattern of relationships between and among individuals and groups in the enterprise. The set of inter-personal relationships which operates in the context of position, procedure, process, technology and social environment, comprises what is known as Organization Structure.

Organizing is a facilitating function and structure is its mechanism. The structure depends upon the needs of the enterprise. The concepts of organization and its structure, and inter-personal relationships are extremely complex. It is desirable to build up a suitable organization structure which will assist economical and effective attainment of objectives, avoiding the complexities as far as possible. Good structure is indispensable. Unsound structural framework will seriously impair good business perfot5vg,m rmance and may even destroy it. It should be the task of the managers to establish a structure best suited for the enterprise. It refers to the way in which the work of a group is arranged and distributed among members to efficiently achieve the objectives. It creates a relationship of one job to another and lays down the scope of authority and responsibility. The duties are fixed in such a manner so that the work is performed with speed, accuracy and economy.

➢ Steps in the process of organizing

Organizing is the process of initiating plan implementation by clarifying jobs and working relationships among organizational members to achieve organizational objectives. Organizing process has the following steps:

1. **Identification and Division of Work.**

This step involves identification of the work considered to be necessary for implementing a plan, thereby, achieving desired objectives Each work contains various types of activities. In identifying work. generally, deducting method is applied, that is, for achieving the desired objectives, what work must be performed. Thus, for a business organization, work is related to production, marketing finance, and human resources. Since each work is quite broad in a large organization is divided into relevant activities. These activities may be further divided into sub-activities For example, marketing work may be divided into product pricing. product promotion sales, and product distribution. Similarly, product promotion is divided into advertising sales promotion, and personal selling. This process goes on till the level beyond which division of work is not desirable. Division of work is required because it cannot be performed by a single person or group of persons in a large organization. Division of work enhances work efficiency because of specialization in performing a small number of activities instead of performing the whole work.

2. **Departmentation.**

Departmentation, also known as departmentalization, involves creating various departments, divisions, and sections by grouping similar activities together. for example, grouping all activities related to marketing together to constitute marketing department. While grouping activities, three considerations are taken into account. (i) all necessary activities are performed. (if) there is no duplication in performing the activities and (fff) activities are performed in a coordinated way. Departments are created on different bases which have been discussed later.

3. **Assigning Duties.**

Assignment of duties involves giving responsibility to various organizational positions for performing the activities relevant to the positions. Based on this responsibility, job specification for each position is prepared which shows the type of competence (education, experience, skills, etc.) which the position holder must possess Along with assigning duties, authority is delegated to each position which will be discussed in the next chapter

4. **Creating Hierarchy.**

Hierarchy is a system in which members of an organization are ranked according to their relative status or authority. This creates superior-subordinary relationships among organizational members and establishes reporting relationships specifying who will work under whom', that is, 'who will get orders from whom and will report his work performance to whom. Thus, in an organization, there is a chain of superior-subordinate relationships in a single chain of command because everyone is both superior and subordinate, except the person at the top and persons at bottom. Toa very great extent, length of a chain of command (also known as scalar chain) depends on span of management which has been discussed later.

2.3 Organization Structure

Line, Functional, Line and Staff, Matrix, Committee Organization Structures

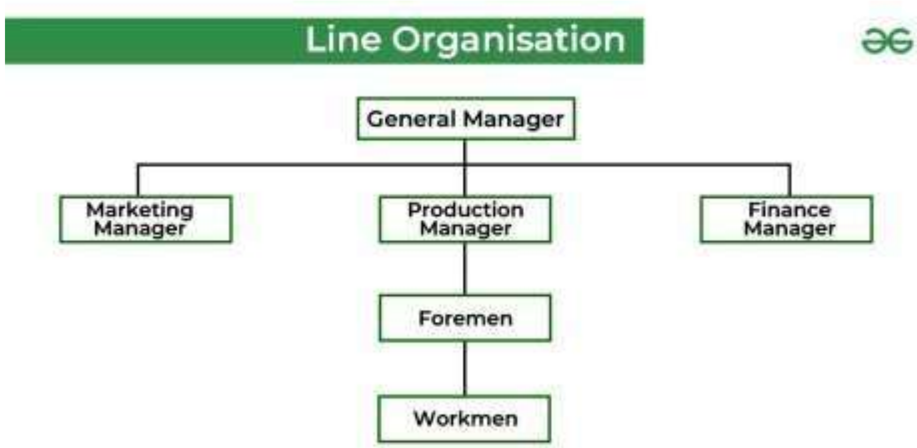
An Organization Structure shows the authority responsibility relationship between the various positions in the organization by showing who reports whom, It lays down the pattern of communication and coordination in the enterprise. It facilitates growth of the enterprise by increasing capacity to handle diversified situations. Organization structure is usually shown on an organization chart. There are basically

❖ Line Organization Structure:

In the following example, the production manager reports to the general manager, assistant production managers' report to the production manager, and factory staff report to assistant managers immediately above them. Theoretically, there is no cross-communication between persons on the same level. Contacts between persons on the same level are indirect and are affected through the next higher level. The assistant production manager of one Division, for example, may arrange to confer with the assistant production manager of any other Division through the production manager. It is also known as Scalar organization or Military form of organization.

The line organization is the oldest and simplest organizational structure. It is widely used in smaller firms with small numbers of personnel. Under this method, authority flows in a vertical manner from top to bottom. Each position in the structure has an authority over a lower position. Line executives are directly involved in the performance of the activities of an enterprise and are called the 'doers. All executives' exercise line authority, and each subordinate is responsible only to one person on the next higher level. Responsibility is fixed and those charged with it also make decisions and take action. Lines of authority run vertically through the structures and all persons on any one organizational level are independent of all others on that level

➢ Line Organization Structure Diagram:



Strengths:

- The basic simplicity of line organization is the main reason for its use.
- Problems of discipline and control are small because each member reports to only one superior.
- Lines of authority and responsibility are clear and logical.

- Definite placement of authority and responsibility saves time in making policy changes, in deciding new plans, and in converting plans into action.
- It is easier for executives to develop close relations with salespersons. Administrative expenses are low because there, usually, are a few levels.
-

Weaknesses:

- The greatest weakness of the line organization is that so much depends upon the department head.
- Even if the head is well versed in all phases of management, there is insufficient time for policy making and planning, since great deal of attention needs to be given to direction of operations.
- The line organizational structure is inappropriate for rapidly growing concerns and for those with large number of employees.
  As the department grows, new layers of executives need to be added to retain control. Managerial effectiveness becomes impaired as directions become more and more distorted at each succeeding level.

➢ Line and staff Organization:

Line and staff organization is a combination of functional and line structure. Line authority flows from top to bottom- and the-line executive is directly concerned with the accomplishment of primary objectives. They are the actual doers and generally do not possess specialized knowledge to solve complex problems. To provide specialized assistance to line mangers, staff positions are created. A 'staff' means a stick in the hand for support. Thus, staffs help the line executives in their work. They play the role of an advisor.

The line and staff department structure is mostly found in large and medium-sized firms, employing substantial numbers of personnel. The line and staff organization provides the top executive – such

as the Vice-President in Charge of Marketing - with a group of specialists – experts in dealer and distributor relations, sales analysis, sales organization, sales personnel, sales planning, sales promotion, sales training, service, traffic and warehousing, and the like. These staffs help to conserve the top sales executives' time and frees them from excessive detailed work. By delegating problems involving considerable study or detailed analysis to staff executives, the top sales executive has more time for planning and for dealing with higher-priority matters.

Staff executives do not have authority to issue orders or directives. Recommendations are submitted to the top executive for approval and necessary instructions are transmitted by them to the line organization. Sometimes, staff members may be authorized to deal directly with line executives but this requires prior management approval.

In the following example, the general sales manager reports to the vice-president in charge of marketing as do the advertising manager and the manager of marketing research. Six subordinates report to the general sales manager, but only one – the assistant general sales manager – is a line executive. The other five are staff executives out of which four have responsibilities in specialized fields. The fifth – the assistant to the general sales manager – is given more general assignments.

The 'assistant' has general line authority delegated by the superior, whereas the 'assistant to' is a staff executive who is given a broader operating area than the other staff specialists with more descriptive titles. The assistant general sales manager is an understudy of the general sales manager and performs assignments of a line nature in the name of the superior. The assistant to the general sales manager carries part of the general administrative load that would otherwise be borne by the general sales manager.

➢ Line and staff Organization Structure

Strengths:

- The main advantage of line and staff organization is that of specialization.
- The chief executive, relieved from detailed work, can take a broader view of the department.
- Problems can be seen in clearer perspective.
- A pool of experts provides advice and assistance in specialized fields.
- Planning activities are subdivided and apportioned to staff members.
- Decisions and policies rest on a sounder base than in the line organization.
- Top sales executive can concentrate on control and coordination of subordinates.

Weaknesses:

- Specialization made possible by line and staff organization is also the source of its weakness. Work of the staff specialists must be coordinated, and this is costly.
- Other departmental expenses may also increase.
- Close control over staff-line relations is essential. If staff people issue instructions directly to line executives, it is difficult to prevent some persons from evading unwanted responsibilities.
- The time between problem recognition and corrective action tends to widen.

➢ Functional structure-

This type of organization structure is formed by grouping together all activities into functional department and putting each department under one head. Functional structure leads to specialization. It promotes efficiency and results in increased profits. Its suitable to organization where operations require high degree of specialization. For example –A steel manufacturing Company. has divided its structure into Manufacturing, Finance, Marketing Personnel, Research and Development, as it has diversified activities and its operation require a high degree of specialization.

Strengths

- **High Efficiency:** Standardized tasks reduce duplication of work and resource waste.
- **Skill Development:** Employees learn from senior specialists within their own department.
- **Clear Career Paths:** Staff have obvious promotion tracks within their specific functions.
- **Expert Supervision:** Managers possess deep technical knowledge to guide their direct reports.
- **Operational Economies of Scale:** Shared departmental resources lower overall company expenses.

Weaknesses

- **Functional Silos:** Departments often isolate themselves and fail to communicate with others.
- **Slow Decision-Making:** Conflicts between departments must travel up to top management.
- **Lack of Broad View:** Employees focus heavily on departmental goals instead of overall company objectives.
- **Poor Leadership Training:** Managers become narrow specialists rather than well-rounded general executives.
- **Low Adaptability:** The rigid structure struggles to respond quickly to sudden market changes.

➢ Committee Organization:

A committee, consisting of a group of persons, is consciously and deliberately formed to discuss a problem and provide solutions to overcome it. They meet on an organized basis to discuss and deal with the matter placed before it. It is a method of organising the executive group for planning and policy. Thus, many firms have a personnel training committee (comprised of the general manager, his assistants, the training manager, and representative divisional or regional managers) that meets periodically to draft training plans and formulate training policies. Implementation of these plans and policies, however, is the responsibility of the sales training manager or other executives responsible for sales training. Other committees found in organizations include customer relations committee, operations committee etc

Strengths:

- Important problems are deliberated by committee members and are measured before policies are made and action is taken.
- Diverse opinions are presented and ideas are interchanged in committee meetings.
- Committee meetings promote greater coordination and cooperation among members of the executive team.

Weaknesses:

- It is not possible to fix responsibilities on any particular individual.
- Committees tend to consume large amounts of time to sit down and discuss a problem and finally come up with any suggestion.

.

➢ Matrix Organization Structure

A matrix organizational structure is a workplace setup where employees report to two or more managers instead of a single supervisor. Dual reporting relationships—typically to both a functional manager (e.g., HR, Engineering) and a project or product manager—define this framework.
This structure breaks down traditional departmental silos to improve cross-functional collaboration and resource flexibility

Characteristics

- Dual Command: Employees have two boss lines: vertical (functional) and horizontal (project/product).
- Shared Resources: Teams assemble dynamically from different departments based on project needs.
- Grid-Like Pattern: Intersecting lines of authority create a grid rather than a traditional hierarchy pyramid.

The Three Types of Matrix Structures

- Weak Matrix: The functional manager maintains primary authority. Project managers act more as coordinators or expediters with limited power.
- Balanced Matrix: Authority is shared equally. The project manager defines what needs to be done, while the functional manager decides who does it and how.
- Strong Matrix: The project manager has primary authority over resources and project direction. Functional managers provide technical expertise and assign staff.

Strengths:

- Efficient Resource Utilization: Teams pool specialized talent from different departments as needed, reducing redundant hiring.
- Enhanced Cooperation: Breaking down departmental silos improves communication and knowledge sharing across the entire business.
- Rapid Adaptability: Grid structures allow project teams to assemble, pivot, or dissolve quickly to meet changing market demands.
- Employee Development: Workers gain diverse project experience, learn new skills, and interact with different leadership styles.
- Functional Continuity: Employees retain a permanent "home" department, ensuring their technical skills and professional standards stay sharp. [1]

Weaknesses:

- Role Ambiguity: Reporting to two bosses creates confusion over daily priorities, tasks, and performance expectations.
- Managerial Conflict: Power struggles frequently break out between functional and project managers over resource allocation and timelines.
- Increased Stress: Employees often face conflicting demands, leading to heavy workloads, frustration, and eventual burnout.

➢ Delegation of Authority

1. Meaning of Delegation of Authority

Delegation of authority refers to the process by which a manager assigns a part of his total work and authority to his subordinates, while remaining accountable for the final results. It is a technique through which a manager multiplies himself by dividing his work among his subordinates and getting things done through them. Delegation is not abdication — the manager still remains responsible for the work delegated; only authority and responsibility for performing the task are shared, not the ultimate accountability. The process of delegation enables a person to assign work/ task to his subordinates and give them necessary authority to accomplish it successfully. It helps in completing the work in time, reduces the workload of managers and motivates and develops subordinates. Delegation is the downward transfer of formal authority from one person to another. The process of delegation starts from the chief executive of an organization who has the total responsibility for the achievement of goals. In order to share the responsibility of accomplishing goals, he further delegates the work to his subordinates.
These subordinates assign a portion of their works to their own subordinates. This process continues till all the tasks and activities are assigned to those who have the appropriate physical, psychological and professional abilities to do it.

Delegation of authority involves giving authority to various organizational positions to get things done. It is one of the important factors in the process of organizing and is essential to the existence of a formal organization

Delegation of authority has the following features:

1. Delegation is authorization to a manager to act in a certain manner. The degree of delegation prescribes the limits within which a manager has to decide the things. Since formal authority originates at the top level, it is distributed throughout the organization through delegation and redelegation.

2 depending on the situation and requirement. For example, change in organization structure, policy. procedure, method, etc. may require change in the degree of delegation of authority

3. Delegation of authority is always to the position created through the process of organizing The Individual occupying a position may exercise the authority so long as he holds the position. Therefore, the authority is recovered fully from the individual when he moves from the particular position.

4. A manager delegates authority out of the authority vesting in him. He cannot delegate authority which he himself does not possess. Moreover, he does not delegate his full authority because if he delegates all his authority, he cannot work.

5. Delegation of authority may be specific or general. Delegation of authority is specific when courses of action for particular objectives are specified. It is general when these are not specified though objectives may be specified.

❖ Process/Steps in Delegation of Authority

Delegation of authority throughout an organization does not occur automatically. This requires certain steps which are as follows:

1. **Determination of Results Expected.**

This step involves determination of results expected to be achieved by exercise of authority to be delegated. This is essential because authority should be delegated to a position according to the results expected from that position. Since authority is intended to enable a manager to get things done to achieve organizational objectives, it is essential that authority delegated to him is adequate to accomplish results expected.

2. **Assignment of Duties.**

This step involves assignment of duties to subordinates. Duties can be described in two ways: First, duties can be described in terms of an activity or set of activities; for example, selling activity of a salesman. Second, duties can be described in terms of results that are expected from the performance of activities, for example, how much sale is to be achieved by a salesman. Assignment of duties creates responsibility of the subordinates.

3. **Authorization for Action.**

This step involves granting of permission to act in a specified way like giving orders to subordinates, use of resources, and exercise control to get the assigned work done. Prescription to act in a spectfied way determines the scope of authority that may be exercised by the person to whom authority is delegated.

4. **Creation of Accountability.**

The last step of delegation of authority is segment accountability of the subordinate for the satisfactory performance of his assignment whether he carries out the total assignment himself or part of it is given to subordinates.

1. Principles of Effective Delegation

According to L.M. Prasad, effective delegation should be guided by the following principles:

1. **Principle of Functional Definition** — Duties, authority, and responsibility relating to a job/department should be clearly defined; this reduces confusion and conflict.
2. **Principle of Parity of Authority and Responsibility** — Authority granted should match the responsibility assigned. Too much authority may lead to misuse; too little makes it impossible to perform the task.
3. **Principle of Absolute/Unity of Responsibility** — The responsibility of the superior towards his own

boss is absolute; delegating work to a subordinate does not relieve the superior of responsibility for that work.

4. **Principle of Authority Level (Scalar Principle)** — Decisions within the authority of individual managers should be made by them, not referred upward; maintains a clear chain of command.

5. **Principle of Unity of Command** — Each subordinate should be accountable to only one superior to avoid confusion and conflicting instructions.

6. **Principle of Exception** — Managers should delegate authority to make routine decisions, keeping only exceptional/critical matters (needing top-level judgment) for themselves.

7. **Principle of Communication** — There should be an open channel of communication between superior and subordinate to make delegation effective (clarifications, feedback, guidance).

❖ BLOCKS TO EFFECTIVE DELEGATION

L.M. Prasad classifies barriers to delegation into three broad categories:

A. Barriers on the Part of Superiors (Delegator)

1. **Feeling of Insecurity** — Fear that the subordinate might outperform them or that they will lose importance/control.

2. **Lack of Confidence in Subordinates** — Belief that subordinates are not competent enough to do the job well.

3. **Fear of Mistakes** — Belief that "I can do it better myself," leading to reluctance to delegate.

4. **Absence of Ability to Direct** — Lack of the managerial skill to properly guide and instruct subordinates.

5. **Lack of Control** — Absence of proper control systems to keep track of a subordinate's performance once authority is delegated.

6. **Temperamental Factors** — Some managers, by nature, resist sharing authority or power.

B. Barriers on the Part of Subordinates (Delegatee)

1. **Fear of Criticism** — Subordinates may avoid taking on responsibility for fear of being blamed for mistakes.

2. **Lack of Self-Confidence** — Subordinates may feel they lack the required skill/knowledge to shoulder additional responsibility.

3. **Lack of Incentives** — Absence of rewards (financial or otherwise) discourages subordinates from accepting added responsibility.

4. **Overdependence on the Boss** — Habit of relying on the superior for every decision instead of exercising independent judgment.

5. **Inadequate Information and Resources** — Without proper resources, subordinates hesitate to accept delegated authority.

C. Barriers in the Organization

1. **Poor Planning** — Absence of clearly defined goals, policies, and job definitions makes delegation difficult.

2. **Single-Person / Centralized Control** — Organizations designed around one dominant decision-maker leave little scope for delegation.

3. **Lack of Proper Control Techniques** — Without a good control/feedback mechanism, monitoring delegated work becomes difficult, discouraging delegation.

Aspect	**Key Point**
Meaning	Manager assigns work + authority to subordinate, retains accountability
Elements	Responsibility (upward), Authority (downward), Accountability (cannot be delegated)
Golden Rule	Authority = Responsibility (Parity Principle)
Cannot be delegated	Accountability
Main barrier types	Superior-related, Subordinate-related, Organization-related

➢ Centralization and Decentralization

Centralization of authority refers to the concentration of decision-making power at the top level of management. The concentration of decision making is in a few hands. All important decisions are taken at the top level. Centralization is the systematic and consistent reservation of authority at central points within the organization. Everything which goes to reduce the importance of subordinate is called centralization. All the important decision and actions at the lower level, all actions at the lower level are subject to the approval of top management. The implications of centralization are:

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

For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people. Therefore, in this case, decision making power remain in the hands of father & son.

Decentralization refers to the dispersal of decision-making power to the lower levels of the organization. It is the diffusion of authority throughout the organization – a systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points.
Decentralization is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralized concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

➢ Centralization and Decentralization

(Based on L.M. Prasad — Principles and Practice of Management)

1. Meaning

Centralization refers to the systematic and consistent concentration of authority at central points in the organization — i.e., decision-making power remains largely with top management, and lower levels simply implement decisions.
Decentralization refers to the systematic dispersal / delegation of authority to the lowest levels of management throughout the organization. It is an extension of the delegation process — when delegation is done consistently to all levels, the organization moves toward decentralization.
Centralization and decentralization are not absolute states but a matter of degree — every organization is decentralized to some extent and centralized to some extent; the difference lies in how much authority is retained at the top versus dispersed downward.

Benefits (Advantages) of Centralization	
Facilitates Personal Leadership	Top management can lead the organization according to its own vision and personality, ensuring uniformity of action.
Provides Integration	Since authority rests at one point, coordination and integration of organizational activities becomes easier.
Handles Emergencies Effectively	In a crisis, quick, unified decision-making by top management prevents confusion.
Facilitates Growth	At the initial/small stage of an organization, centralization allows the founder/owner to control operations closely and grow the business systematically.
Reduces Costs	Concentration of facilities, equipment, and specialized staff at one place can lead to economies of scale.
Ensures Uniformity of Action	Policies and decisions applied uniformly across the organization, avoiding inconsistency.

Limitations (Disadvantages) of Centralization	
Reduces Initiative of Lower-Level Managers	Since decision-making rests at the top, subordinates get few opportunities to exercise judgment, weakening initiative.
Reduces Overall Organizational Effectiveness	**Top executives, being overloaded with decisions, may not be able to devote adequate attention/time to every issue.**
Development of Personnel Delayed	Lack of decision-making opportunities at lower levels hampers the growth and training of future managers.
Unsuitable for Large Organizations	As an organization grows in size and complexity, complete centralization becomes impractical since top management cannot handle all decisions.
Delay in Decision-Making	Since all matters need to be referred upward, response time increases, which may be unsuitable in a dynamic environment.

Benefits (Advantages) of Decentralization	
Reduces Burden on Top Executives	Top management is relieved of routine decision-making and can focus on policy formulation and strategic matters.
Facilitates Diversification	Decentralization makes it easier to diversify product lines, activities, and markets since divisional heads can take independent decisions.
Provides Opportunity for Growth and Development of Personnel	Lower-level managers get opportunities to make decisions, which helps in their training and grooming for higher responsibilities.
Facilitates Adaptation to Fast-Changing Environment	Decisions can be taken quickly at the point where the problem arises, improving responsiveness.
Higher Motivation	Greater authority and responsibility at lower levels increases job satisfaction and motivation among managers.
Better Control	Performance of each decentralized unit can be measured separately, improving accountability and control (e.g., through profit centers).

Limitations (Disadvantages) of Decentralization	
Difficulty in Coordination	With decision-making dispersed across units, ensuring uniformity and coordination of overall organizational objectives becomes harder.
Increases Cost	Requires more qualified and capable managerial personnel at various levels, along with additional administrative and control mechanisms, increasing cost.
Not Suitable in Emergencies	During a crisis requiring quick and unified action, a decentralized structure may lead to conflicting decisions.
Requires Qualified Personnel	Success of decentralization depends heavily on the availability of competent managers at lower levels; lack of such talent can be a serious limitation.
Duplication of Functions	Different decentralized units may duplicate certain functions/resources (e.g., each division having its own HR or finance staff), leading to inefficiency.

❖ Staffing

Concept of Staffing:

After planning and organizing the next function of management is 'Staffing' .It is important to have a good organization structure, but it is even more important to fill the jobs with the right people. Filling and keeping the position provided for by the organization structure with right people at the right place is the staffing phase of the management function. All the managers have a responsibility for staffing. The staffing function deals with the human elements of management. The staffing function has assumed great importance these days because of rapid advancement of technology, increasing size of organizations and complex behavior of human beings. According to Koontz and O'Donnell, **"Staffing involves manning the organization structure through proper and effective selection appraisal and development of personal to fill the roles designed into the structure."**

Each position of the organization makes certain specific contributions to achieve organizational objectives. Hence the person occupying the position should have sufficient ability to meet is requirements. Staffing basically involves matching positions and individuals.

Staffing is the process of acquiring, employing, developing, remunerating, and appraising people so that right people are available and are put on right jobs in the organization. Within each of these aspects of staffing, there are various activities. For example, acquiring people involves human resource planning, recruitment, and selection. Thus, staffing covers wide-ranging activities relevant for keeping organizational positions filled.

- **Nature of staffing is as follows:**

1. Staffing function is related to employment of personnel of all types - managerial as well as operative in the organization.

2. Staffing includes a variety of activities through which the organization tries to ensure that various positions remain filled by the most suitable personnel.

3. Staffing function is performed by every manager in the organization like other managerial functions: planning, organizing, directing, and controlling, though they receive considerable staff assistance in performing staffing function.

- **Responsibility for Staffing**

The last point of staffing features, as discussed above, needs further elaboration because a confusion arises whether staffing is a function of all managers, or it is to be performed by specialized department known as Human Resource (HR) department This confusion gets heightened because HR department is placed at par with other functional departments like production, marketing, finance, etc. in organizations. In order to sort out this confusion, let us have a brief discussion of human resource management.

- **Human Resource Management**

Human resource management involves acquiring right personnel and developing and retaining them to achieve competitive advantage. Staffing also covers these functions. Thus, staffing is equated with human resource management. However, there is a basic difference between the two. Staffing functions is performed by every manager Human resource management is a staff function having functional authority (discussed in Chapter 9) and performs the various activities effectively and taking advantages of specialization, these activities are grouped together in HR related to staffing In order to provide human resource related services throughout the organization department. HR department performs the following activities:

1. **Human Resource Planning**. Human resource planning involves assessing human resource requirement, present human resource available, and additional human resource to be acquired through different sources.

2. **Job Analysis**. Job analysis is the process of analysing responsibilities of each specific job. Based on this analysis, job description and job specification are prepared. Job description shows tasks, duties, and conditions of job performance. Job specification shows the various characteristics of a job performer.
3. **Recruitment and Selection**. Recruitment involves identifying the sources of recruitment and attracting the candidates to offer themselves for employment. Selection involves choosing those candidates who are most suited to the jobs.

4. **Training and Development.** Training and development involve developing skills in employees to perform jobs in the most desirable way

5. **Appraisal**. Appraisal involves evaluating job performance of employees and their jobrelated skills and behaviors.

6. **Compensation.** Compensation involves determining base salary/wage, incentives, and perquisites for different jobs.

7.Industrial Relations. It involves designing industrial relations system, handling industrial disputes, handling employee grievances, and prescribing methods for taking disciplinary actions.

❖ Importance of Staffing

Human resources of an organization are considered the most vital assets because people make other resources moving to perform relevant organizational functions: production, marketing. finance, etc. In the present world, human resources are being used as a means for developing competitive advantage. In this context. Sumantra Ghoshal has observed as follows: "A growing number of managers in India and abroad have begun to recognize that fundamental basis of competition has begun to change. The scarce resource, and primary source of competitive advantage, is no longer physical or financial capital, but human capital". Looking at the role of human resources in organizational effectiveness and increasing competition in human resource market, more and more companies are strengthening their staffing function. Thus, the importance of staffing can be gauged in the following context:

1. Filling Organizational Positions. A basic problem being faced by organizations throughout the world, including India, is the acute competition for good quality human resources Brian Friedman, consultant on human resources with Arthur Anderson, has called the situation as global talent war.
2. With increasing competition for human resources, the which there is abundant supply of unskilled labour but acute shortage of good quality managerial and technical personnel. In such a situation, there is need for systemat cost of acquiring them has increased manifold. We find a paradox in Indian

situation staffing so that the organization can fill its various positions with personnel of quality.

- **Developing Competencies.** It is not sufficient that various organizational positions are filled but there should be development of competencies among personnel because of changing job profile situation, the rate of skill obsolescence is very high. Therefore, there is a need nature of environment in which nature of job profiles keeps on changing. In this changing for developing competencies among personnel on continuous basis. For making employees competent, newer training and development techniques are being evolved.

- **Retaining Personnel.** Apart from acquiring and developing personnel, retaining them in the organization is equally important. Employee turnover, particularly at the managena level. is a big problem. Though this problem is being experienced by all types of organizations to some degree, knowledge-based organizations those engaged in information technology, consulting, investment banking and so on - are more prone to such a problem. For example, Guru Bakshi. Vice President (HR) of Metamor Global Solutions Limited engaged in software development, has observed that "the IT industry has one of the highest employee turnovers, with employees constantly looking for more money and opportunities abroad". 3 In order to retain their employees, organizations are adopting many methods having long-term implications besides persuading the employees to remain with them.

- **Optimum Use of Human Resources**. In filling organizational positions through staffing an attempt is made that there is match between job and employee performing the job This feature covers all jobs and all employees. Because of this match, there is optimum use of human resources.

- **Efficient Use of Other Resources.** Various organizational departments/divisions are allocated physical and financial resources, besides human resources. When there is match between a position and the position holder, physical and financial resources are used efficiently as the position holder knows well how these resources may be utilized in the most efficient way.

- **Employee Satisfaction.** Staffing leads to employee satisfaction in several ways: feeling of an employee that he is doing a job which matches him, development of the employee on continuous basis, availability of promotion avenues, incentives for better work performance, etc. This satisfaction leads to heightened employee morale and his productivity goes up.

- **Improved Organizational Performance**. Proper staffing leads to improved organizational performance in the following ways: (1) matching jobs and job performers leads to better utilization of organizational resources resulting in improved performance, (tt) satisfied human resources; achieve better results; and (iii) retaining human resources leads to decreased cost of recruitment, selection, and development of employees. The above three features are because of staffing.

➢ **Difference between recruitment and selection**

Here's the difference between Recruitment and Selection (as commonly covered in management textbooks like L.M. Prasad's):
Recruitment is about *generating* candidates, while Selection is about *choosing* the right one among them.

Basis	**Recruitment**	**Selection**
Meaning	Process of searching for and attracting a pool of potential candidates for a job	Process of choosing the most suitable candidate(s) from those recruited
Nature	Positive process — aims to increase the number of applicants	Negative process — involves rejecting unsuitable candidates to narrow down the pool
Objective	To create a large pool of applicants	To select the best-fit candidate from that pool
Sequence	Comes first	Follows recruitment
Outcome	Results in a list of applications/applicants	Results in a job offer/appointment to a specific candidate
Approach	No contract or obligation created	Ends with a contractual relationship (employment)
Techniques used	Job postings, advertisements, campus drives, employee referrals, employment agencies	Application forms, tests, interviews, background checks, medical examination
Cost/Time	Generally, less time-consuming and less	More detailed, time-consuming, and
Basis	Recruitment	Selection
	complex	involves multiple stages
Who is involved	Usually handled by HR department alone	Involves HR along with the concerned department/line managers

- **Sources of recruitment are broadly classified into two categories: Internal and External.**

Recruitment means the process of **searching for and attracting suitable candidates** for vacant positions in an organization. The sources of recruitment are broadly classified into **Internal Sources** and **External Sources**.

A. Internal Sources of Recruitment

Internal sources mean **recruiting employees from within the existing workforce of the organization**. Instead of searching for new people outside, the organization fills vacancies by using its existing employees or former employees.

1. Transfers

A transfer means moving an employee from one department, branch, job, or location to another without changing the employee's basic level or status.

Example:
A sales executive working in the Mumbai branch may be transferred to the Pune branch.

Purpose: Transfers are generally made to balance manpower, meet organizational requirements, or give employees experience in different areas.

2. Promotions

Promotion means moving an employee to a higher position with greater responsibility, authority, status, and usually higher salary.

Example:
An Assistant Manager may be promoted to Manager based on performance and experience.

Purpose: Promotion recognizes an employee's contribution and encourages employees to improve their performance.

3. Job Posting / Internal Advertisement

Under this method, the organization informs its existing employees about vacant positions through notice boards, emails, employee portals, or internal communication systems.

Interested employees can apply for the position if they meet the required qualifications.

Example:
A company announces an internal vacancy for an HR Executive through its employee portal, and eligible employees apply for it.

Benefit: It gives employees an opportunity to develop their careers within the organization.

4. **Employee Referrals**
Employee referral means existing employees recommend suitable people from their personal or professional network for a vacant position.

The referred candidate may be a friend, former colleague, classmate, or professional contact.

Example:
An employee recommends a qualified friend for a vacant accountant position.

Benefit: Employees often understand the organization and can recommend candidates who may fit the job requirements and work culture.

5. **Retired / Retrenched Employees**
Organizations may sometimes re-employ former employees who have retired or were retrenched earlier, particularly when their skills and experience are still required.

Example:
A company may reappoint a retired experienced employee as a consultant or trainer.

Benefit: Such employees already understand the organization's policies, procedures, and working environment, so less training may be required.

- **Merits of Internal Sources**

1. Improves employee morale – Employees feel valued when the organization provides career opportunities.
2. Saves recruitment cost – The organization spends less on advertisements and external agencies.
3. Saves time – Existing employees are already familiar with the organization.
4. Motivates employees – Opportunities for promotion encourage better performance.
5. Reduces training requirements – Internal employees already know organizational rules and procedures.
6. Creates career growth opportunities – Employees can develop their careers within the same organization.

- **Limitations of Internal Sources**

1. Limited choice of candidates – The organization can select only from its existing workforce.
2. Lack of fresh ideas – Continuous internal recruitment may reduce the introduction of new perspectives.
3. Inbreeding – Overdependence on existing employees may result in similar thinking and working methods.
4. Employee dissatisfaction – Employees who are not selected may feel disappointed.
5. Creates another vacancy – When an employee is promoted or transferred, their previous position may become vacant.

B. External Sources of Recruitment

External sources mean recruiting candidates from outside the organization. When suitable candidates are not available internally, organizations search for people from the external labour market.

1. Direct Recruitment
In direct recruitment, organizations invite candidates directly to apply for jobs, often by displaying notices at the factory, office, or workplace.

This method is commonly used for workers, technicians, helpers, and other operational-level positions.

Example:
A manufacturing company puts a notice outside its factory stating that workers are required for production work.

Benefit: It is simple and economical, especially for recruiting large numbers of workers.

2. Employment Exchanges
Employment exchanges are government-supported employment offices that maintain information about job seekers and available employment opportunities.

Organizations can approach employment exchanges when they require suitable workers.

Example:
A company requiring clerical or technical workers may register its vacancy with an employment exchange.

Benefit: It helps organizations reach a large number of registered job seekers.

3. Employment / Placement Agencies
Private employment or placement agencies help organizations find suitable candidates for vacant positions.

The agency collects information about candidates, screens them, and may recommend suitable candidates to employers.

Example:
A company looking for an HR Manager may approach a recruitment agency to find experienced candidates.

Benefit: It saves the organization's time and provides access to a wider talent pool.

4. Advertisements
Organizations advertise vacancies through newspapers, magazines, websites, job portals, social media, and company websites.

The advertisement normally contains information about the job title, qualifications, experience, skills, salary, and application procedure.

Example:
A company posts an HR Executive vacancy on LinkedIn or Naukri.com.

Benefit: Advertisements can reach a large number of candidates across different locations.

5. Campus Recruitment
Campus recruitment means recruiting students directly from colleges, universities, management institutes, and other educational institutions.

Companies visit campuses, conduct aptitude tests, interviews, group discussions, or presentations, and select suitable students.

Example:
A company visits a BBA college to recruit fresh graduates for management trainee positions.

Benefit: It is an important source for recruiting fresh talent and young graduates.

6. Word of Mouth
Word of mouth means spreading information about job vacancies informally through employees, friends, relatives, professional contacts, or other people.

There may not be a formal advertisement for the vacancy.

Example:
An employee tells a qualified friend that their company is looking for a marketing executive.

Benefit: It is inexpensive and can quickly reach potential candidates.

7. Labour Contractors
Labour contractors are intermediaries who provide workers to organizations according to their requirements.

This method is commonly used for unskilled and semi-skilled workers, particularly in construction, manufacturing, agriculture, and other labour-intensive industries.

Example:
A construction company may hire workers through a labour contractor for a particular project.

Benefit: The organization can obtain the required number of workers quickly without conducting the complete recruitment process itself.

8**. Unsolicited Applications / Walk-ins**
Unsolicited applications are applications submitted by candidates on their own initiative even when the organization has not specifically advertised a vacancy.

A candidate may submit a resume through the company's website, email, or by personally visiting the organization.

Example:
A BBA graduate visits a company and submits her resume for future employment opportunities even though no vacancy has been advertised.

Benefit: Organizations can maintain a database of potential candidates for future vacancies.

9. Recommendations
Recommendations involve suggestions or references given by existing employees, trade unions, professional contacts, business associates, or other people regarding suitable outside candidates.

The person making the recommendation believes that the candidate may be suitable for the position.

Example:
A senior employee recommends an experienced candidate from another company for a vacant managerial position.

Important: Recommendation may help identify candidates, but the final selection should be based on qualification, skills, experience, and suitability for the job.

- <u>Merits of External Sources</u>

1. Wider choice of candidates – The organization can select candidates from a large talent pool.
2. Fresh talent and ideas – New employees can bring different experiences and innovative ideas.
3. Access to highly qualified candidates – Organizations can search for specialized skills not available internally.
4. Greater scope for selection – Employers can compare candidates from different backgrounds.
5. Helps organizational growth – New employees can introduce new approaches, skills, and knowledge.

- <u>Limitations of External Sources</u>

1. Costly process – Advertising, recruitment agencies, campus visits, and selection procedures can be expensive.
2. Time-consuming – Searching, screening, interviewing, and selecting external candidates takes more time.
3. Longer induction period – New employees need time to understand organizational policies and culture.
4. Risk of wrong selection – The organization may not know the candidate's actual performance beforehand.
5. Internal dissatisfaction – Existing employees may feel demotivated if outsiders are selected for positions they expected to receive through promotion.
6. Adjustment problems – New employees may initially face difficulty adjusting to the organization's work culture.