



PRINCIPLES OF MANAGEMENT UNIT -3 “ORGANIZING”

By

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AP/MECH

Topics

- Nature and purpose
- Formal and informal organization
- Organization chart
- Organization structure -Types
- **Line and staff authority**
- **Departmentalization**
- **Delegation of authority**
- **Centralization and Decentralization**
- Job Design
- Human Resource Management – HR Planning, Recruitment, **Selection, Training and Development, Performance Management** , Career planning and management.

Nature and purpose



Organizing

- Arranging and structuring work to accomplish the organization's goals.
- Arranging the activities of the enterprise in such a way that they systematically contribute to the enterprise's goals.

Definition

- "Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationship among them."

- Theo Haiman

- ❖ "Organization is the process of identifying and grouping of the works to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most efficiently".

- Louis A. Allen

Nature of Organizing

- Common Objectives/Goals
- Division of Work/ Labor
- Group
- Coordination
- Cooperative Efforts
- Communication
- Central Authority
- Rules & Regulations

Purposes of Organizing

- Divides work to be done into specific jobs and departments.
- Assigns tasks and responsibilities associated with individual jobs.
- Coordinates diverse organizational tasks.
- Clusters jobs into units.
- Establishes relationships among individuals, groups, and departments.
- Establishes formal lines of authority.
- Allocates and deploys organizational resources.

Formal and informal organization



Formal organisation

- The formal organisation refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management.
- This type of organization is built by the management to realise objectives of an enterprise and is bound by rules, systems and procedures.
- Everybody is assigned a certain responsibility for the performance of the given task and given the required amount of authority for

Informal organisation

- Informal organisation, which does not appear on the organisation chart, supplements the formal organisation in achieving organisational goals effectively and efficiently.
- The working of informal groups and leaders is not as simple as it may appear to be.
- Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organisation and to use them for achieving organisational objectives.

The Informal Organisation

- An informal organisation is the set of evolving relationships and patterns of human interaction within an organisation which are not officially presented.
- Alongside the formal organisation, an informal organisation structure exists which consists of informal relationships created not by officially designated managers but by organisational members at every level.
- Since managers cannot avoid these informal relationships, they must be trained to cope with it.

Features of Informal Organisation

- Its members are joined together to satisfy their personal needs (needs for affiliation, friendship etc.)
- It is continuously changing:
- The informal organisation is dynamic.
- It involves members from various organisational levels.
- It is affected by relationship outside the firm.
- It has a pecking order: certain people are assigned greater importance than others by the informal group.

Merits

- Assists in accomplishing the work faster.
- Helps to remove weakness in the formal structure.
- Lengthens the effective span of control.
- Compensation for violations of formal organisational principles.
- Provides an additional channel of communication.
- Provides emotional support for employees.
- Encourages better management

Demerits

- May work against the purpose of formal organisation.
- Reduces the degree of predictability and control.
- Reduces the number of practical alternatives.
- Increases the time required to complete activities.

Formal Vs Informal

- Official
- Formal Channels
- Threat of Firing
- Position
- Profitability
- Delegated by Management
- Authority & Responsibility
- All individual in work Groups
- Unofficial
- Informal / Grapevine
- Physical / Social sanctions
- Person
- Member Satisfaction
- Given by group
- Power & Politics
- Only those acceptable

Formal Organisation	Informal Organisation
1. Formal organisation is established with the explicit aim of achieving well-defined goals.	1. Informal organisation springs on its own. Its goals are ill defined and n tangible.
2. Formal organisation is bound together by authority relationships among members. A hierarchical structure is created, constituting top management, middle management and supervisory management.	2. Informal organisation is characterised by a generalised sort of power relationships. Power in informal organisation has bases other than rational legal right.
3. Formal organisation recognises certain tasks and activities which are to be carried out to achieve its goals.	3. Informal organisation does not have any well-defined tasks.
4. The roles and relationships of people in formal organisation are impersonally defined	4. In informal organisation the relationships among people are interpersonal.
5. In formal organisation, much emphasis is placed on efficiency, discipline, conformity, consistency and control.	5. Informal organisation is characterised by relative freedom, spontaneity, homeliness and warmth.
6. In formal organisation, the social and psychological needs and interests of members of the organisation get little attention.	6. In informal organisation the socio-psychological needs, interests and aspirations of members get priority.
7. The communication system in formal organisation follows certain pre-determined patterns and paths.	7. In informal organisation, the communication pattern is haphazard, intricate and natural.
8. Formal organisation is relatively slow to respond and adapt to changing situations and realities.	8. Informal organisation is dynamic and very vigilant. It is sensitive to its surroundings.

Organization Chart



Organization Chart

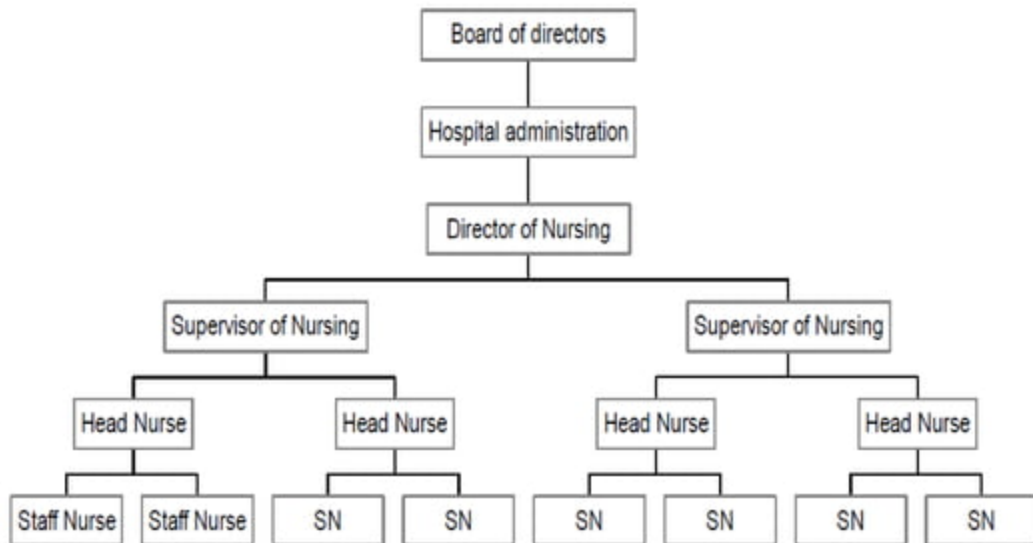
- The usual way of depicting the apparent structure of the formal organization is by means of an organization chart.
- A chart that shows the structure of the organization including the title of each manager's position and, by means of connecting lines, who is accountable to whom and who has authority for each area.
- It shows the
 - Flow of authority
 - Responsibility
 - Communication among departments at different levels of hierarchy

Forms of Organization Charts

- Vertical Organization Chart



Vertical Organization Chart

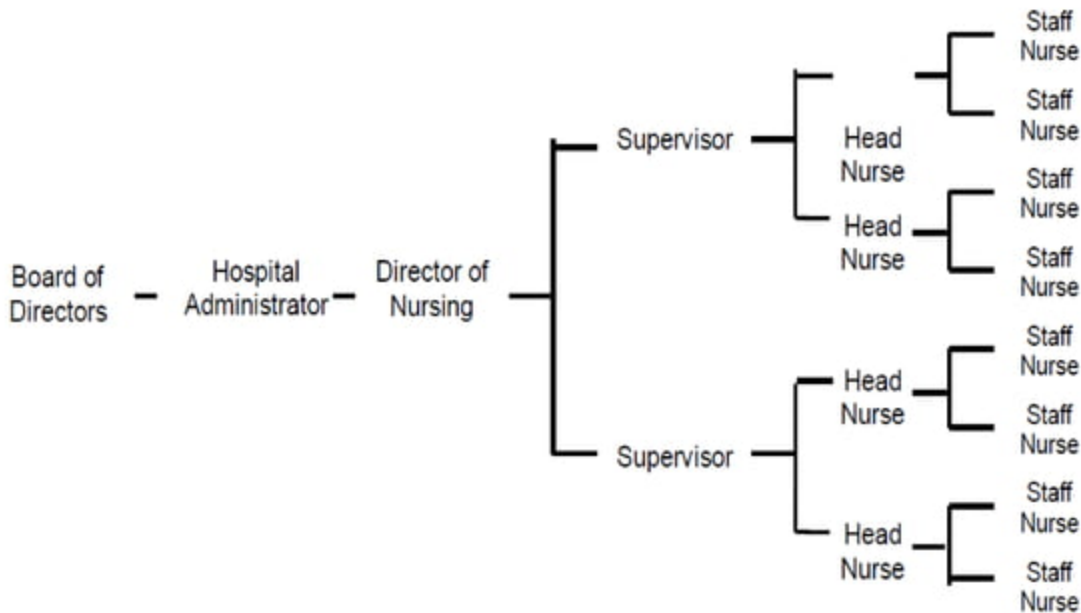


Forms of Organization Charts

- Horizontal Organization Chart



Horizontal Organization Chart

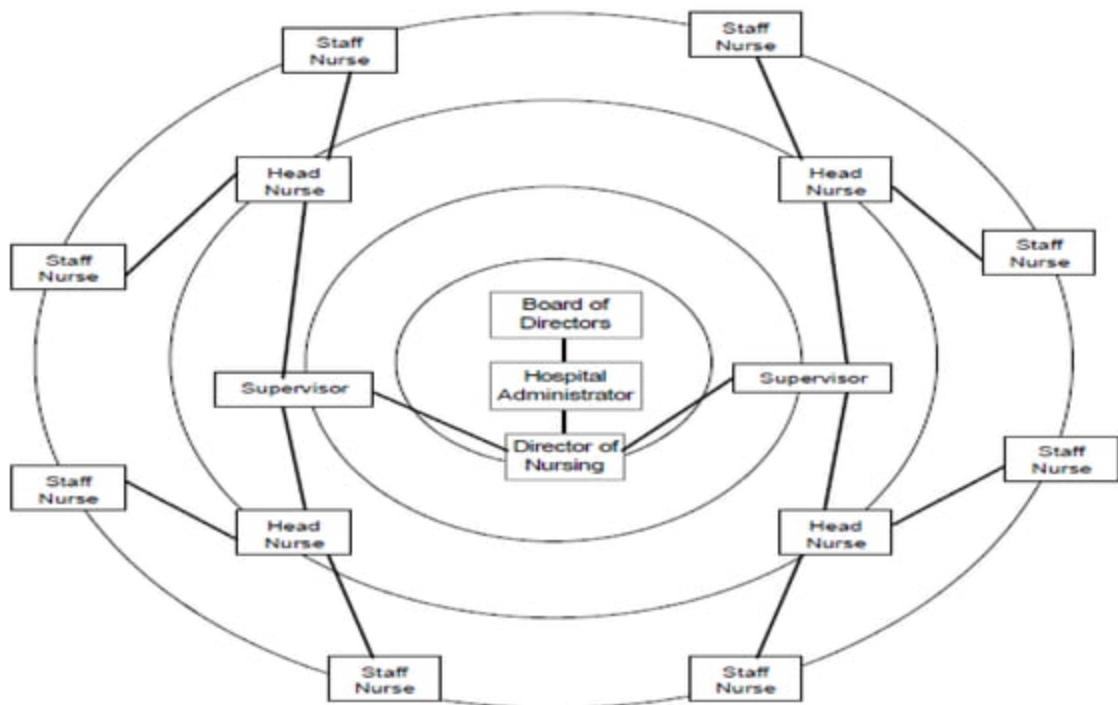


Forms of Organization Charts

□ Circular Organization Chart



Circular Organization Chart



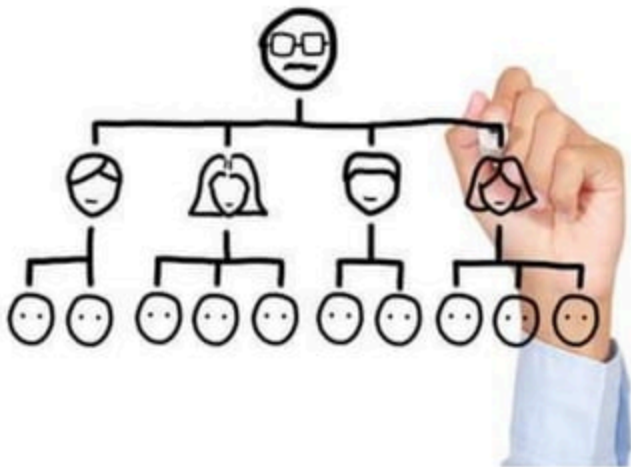
ADVANTAGES OF AN ORGANIZATIONAL CHART

1. It provides a quick visual illustration of the organizational structure.
2. It provides help in organizational planning.
3. It shows lines of formal authority, responsibility and accountability.
4. It clarifies who supervises whom and to whom one is responsible.
5. It emphasizes the important aspect of each position.
6. It facilitates management development and training.
7. It is used to evaluate strengths and weakness of current structure.
8. It provides starting points for planning organizational changes.
9. It describes channels of communication.

DISADVANTAGES

1. Charts become outdated quickly.
2. Does not show informal relationship.
3. Does not show duties and responsibilities.
4. Poorly prepared charts might create misleading effects.

Designing Organizational Structure



Organizational structure

- Organizing; defined as arranging and structuring work to accomplish organizational goals.
- It's an important process during which managers design an organization's structure.
- Organizational structure is the formal arrangement of jobs within an organization. This structure, which can be shown visually in an organizational chart

Organizational design

- a process that involves decisions about six key elements:
 - work specialization,
 - departmentalization,
 - chain of command,
 - span of control,
 - centralization and decentralization, and
 - formalization

Work Specialization

- Work specialization, which is dividing work activities into separate job tasks. Individual employees “specialize” in doing part of an activity rather than the entire activity in order to increase work output.
- It's also known as division of labor.
- Work specialization makes efficient use of the diversity of skills that workers have.

Departmentalization

- After deciding what job tasks will be done by whom, common work activities need to be grouped back together so work gets done in a coordinated and integrated way. How jobs are grouped together is called departmentalization.

Chain of Command

- The chain of command is the line of authority extending from upper organizational levels to lower levels, which clarifies who reports to whom.
- Managers need to consider it when organizing work because it helps employees with questions such as
 - “Who do I report to?” or
 - “Who do I go to if I have a problem?”

Chain of Command

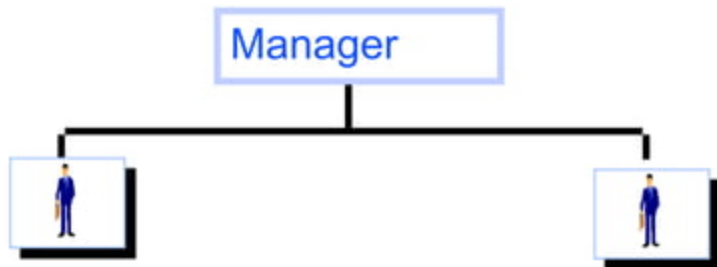
- To understand the chain of command, you have to understand three other important concepts:
- **Authority** :The rights inherent in a managerial position to tell people what to do and to expect them to do it.
- **Responsibility** :The obligation or expectation to perform any assigned duties
- **Unity Of Command** :The management principle that each person should report to only one

Span of control

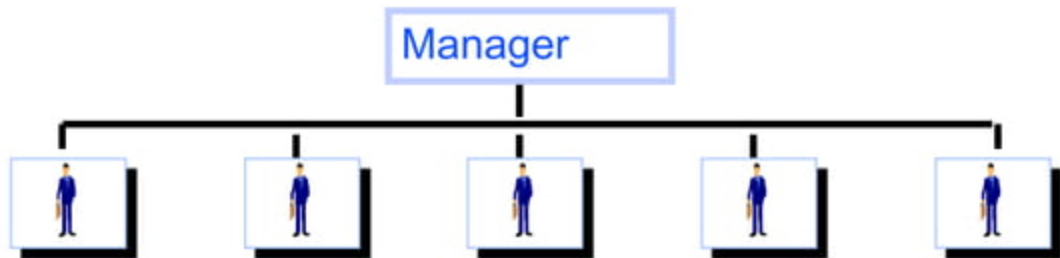
- The number of employees a manager can efficiently and effectively manage.

Span of Control

Narrow Span of Control



Wide Span of Control



Narrow Span of Control

Advantage

1. Close supervision
2. Close control
3. Rapid com between subordinates and superiors

Disadvantages

1. High costs
2. Excessive distance between the lowest and top levels

Wide Span of Control

Advantage

1. Superiors are forced to delegate
2. Clear policies must be made
3. Subordinates must be carefully selected

Disadvantages

1. Burdening of managers
2. Danger of superior's loss of control

Centralization and Decentralization

- Centralization
 - ▣ The degree to which decision making is concentrated at upper levels of the organization.
- Decentralization
 - ▣ The degree to which lower-level employees provide input or actually make decisions.
 - ▣ **employee empowerment**, gives employees more authority (power) to make decisions.

Formalization

- How standardized an organization's jobs are and the extent to which employee behaviour is guided by rules and procedures.

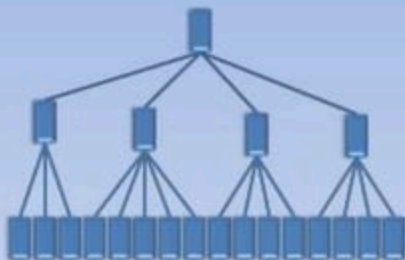
Organization structure



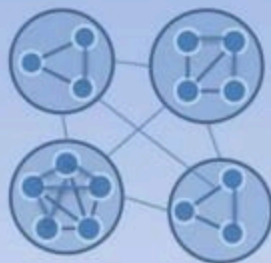
Mechanistic and Organic Structures

- **Mechanistic Organization /Bureaucracy**
 - ▣ An organizational design that's rigid and tightly controlled.
- **Organic Organization**
 - ▣ An organizational design that's highly adaptive and flexible

Mechanistic vs Organic Models



- ✓ High specialization
- ✓ Rigid departmentalization
- ✓ Clear chain of command
- ✓ Narrow spans of control
- ✓ Centralization
- ✓ High formalization



- ✓ Cross-functional teams
- ✓ Cross-hierarchical teams
- ✓ Free flow of information
- ✓ Wide spans of control
- ✓ Decentralization
- ✓ Low formalization

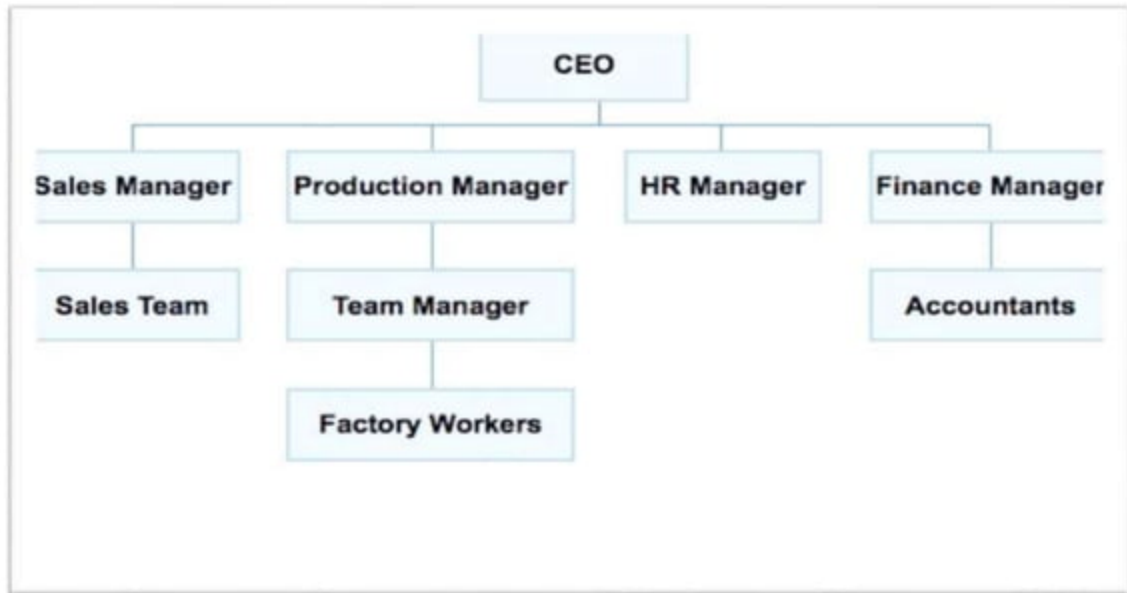
Traditional Organizational Designs

- When designing a structure, managers may choose one of the traditional organizational designs.
- These structures tend to be more mechanistic in nature

Simple Structure

- Most companies start as entrepreneurial ventures using a simple structure, which is an organizational design with
 - ▣ low departmentalization,
 - ▣ wide spans of control,
 - ▣ authority centralized in a single person, and
 - ▣ little formalization

Simple Structure



Functional & Divisional Structure

- As employees are added, however, most don't remain as simple structures. The structure tends to become more specialized and formalized.
- Rules and regulations are introduced, work becomes specialized, departments are created, levels of management are added, and the organization becomes increasingly bureaucratic.
- At this point, managers might choose a **functional structure or a divisional**

Functional & Divisional Structure

- **Functional Structure**

- A functional structure is an organizational design that groups similar or related occupational specialties together.

- **Divisional Structure**

- The divisional structure is an organizational structure made up of separate business units or divisions

Functional Structure



Divisional Structure



Contemporary Organizational Designs

- Team Structure
- Matrix-Project Structure
- Boundaryless Structure
- Learning Structure

Team Structure

- A structure in which the entire organization is made up of work groups or teams.

- Companies such as Amazon, Boeing, Hewlett-Packard, Louis Vuitton, Motorola, and Xerox, for instance, extensively use employee teams to improve productivity.

Matrix-Project Structure

- Matrix is a structure that assigns specialists from different functional areas to work on projects who then return to their areas when the project is completed.
- Project is a structure in which employees continuously work on projects.
- As one project is completed, employees move on to the next project.

Matrix-Project Structure

- One unique aspect of this design is that it creates a dual chain of command because employees in a matrix organization have two managers: their functional area manager and their product or project manager, who share authority.

Matrix-Project Structure



Boundaryless Structure

- A structure that is not defined by or limited to artificial horizontal, vertical, or external boundaries;
- What do we mean by boundaries? There are two types:
 - (1) internal—the horizontal ones imposed by work specialization and departmentalization and the vertical ones that separate employees into organizational levels and hierarchies; and
 - (2) external—the boundaries that separate the organization from its customers, suppliers, and other stakeholders
- includes virtual and network types of

A virtual organization

- It typically consists of a small core of full-time employees and outside specialists temporarily hired as needed to work on project.

Network Organization

- An organization that uses its own employees to do some work activities and networks of outside suppliers to provide other needed product components or work processes.

Learning Structure

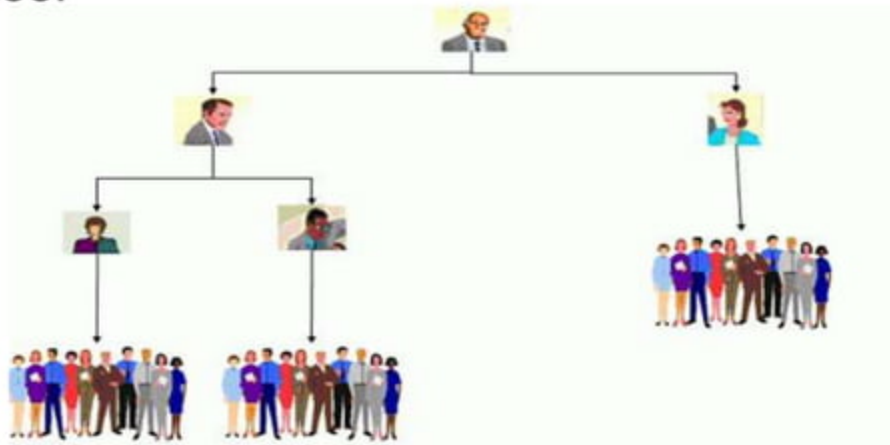
- A structure in which employees continually acquire and share new knowledge and apply that knowledge.
- an organization that has developed the capacity to continuously learn, adapt, and change.
- British retailer Tesco

Why do we need an Organizational Structure ?

- All Organizations have a management structure that determines the relationships b/w functions and positions and subdivides and delegates roles, responsibilities and authority to carry out defined tasks.
- The way in which an organisation's activities are divided, organised and coordinated.
- It clarifies the formal relationships of individuals in the various positions within the

Organization structure

- It is a framework within which an Organization arranges it's lines of authorities and communications and allocates rights and duties.



Importance of OS

- It enables members to know what their responsibilities
- It frees the manager and the individual workers to concentrate on their respective roles and responsibilities
- It coordinates all organization activities so there is minimal duplication of effort or conflict.
- Avoids overlapping of function because it pinpoints responsibilities.
- Shows to whom and for whom they are responsible

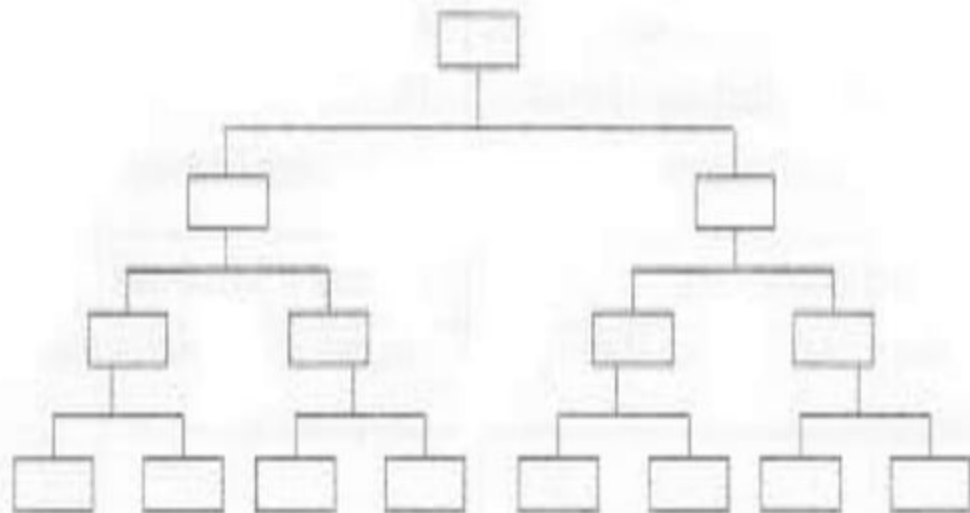
TYPES OF ORGANIZATIONAL STRUCTURE

1. Tall or Centralized Organizational Structure
2. Flat or Decentralized Organizational Structure

Tall Organizational Structure

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

Tall Organizational Structure



Tall Organisation.

Tall Organizational Structure

ADVANTAGES

1. The quality of performance will improve due to close supervision.
2. Discipline will improve.
3. Superior - Subordinate relations will improve.
4. Control and Supervision will become easy and convenient.
5. The manager gets more time to plan and organize the future activities.
6. The efforts of subordinates can be easily coordinated.
7. Tall Organization encourages development of staff.
8. There is mutual trust between superior and subordinates

DISADVANTAGE

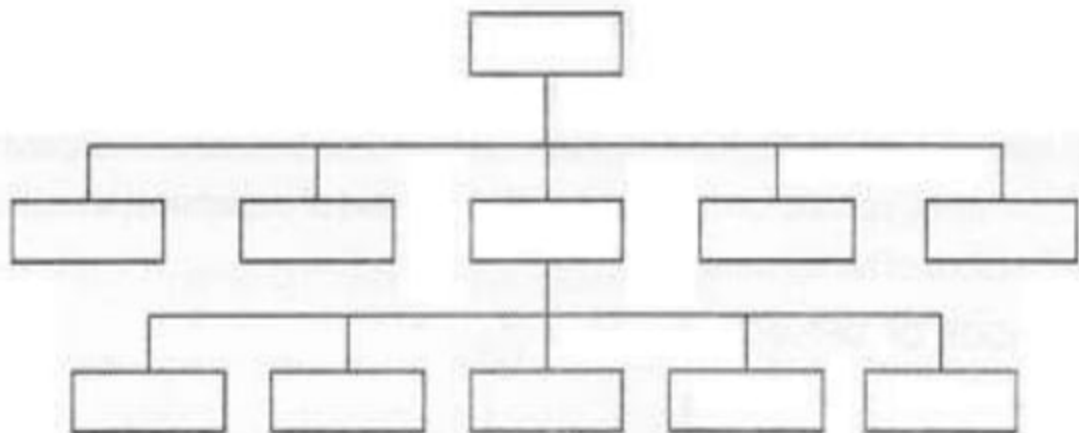
S

1. Tall Organization creates many levels of management.
2. There are many delays and distortion in communication.
3. Decisions and actions are delayed.
4. It is very costly because there are many managers. The managers are paid high salaries.
5. It is difficult to coordinate the activities of different levels.
6. There is strict supervision. So the subordinates do not have any freedom.
7. Tall Organization is not suitable for routine and standardized jobs.
8. Here, managers may become

FLAT Organizational Structure

- Flat structures have fewer management levels, with each level controlling a broad area or group.
- Flat organizations focus on empowering employees rather than adhering to the chain of command.
- By encouraging autonomy and self-direction, flat structures attempt to tap into employees' creative talents and to solve problems by collaboration.

FLAT Organizational Structure



Flat Organisation.

FLAT Organizational Structure

ADVANTAGES

1. Flat Organization is less costly because it has only few managers.
2. It creates fewer levels of management.
3. Quick decisions and actions can be taken because it has only a few levels of management.
4. Fast and clear communication is possible among these few levels of management.
5. Subordinates are free from close and strict supervision and control.
6. It is more suitable for routine and standardized activities.
7. Superiors may not be too dominating because of large numbers of subordinates.

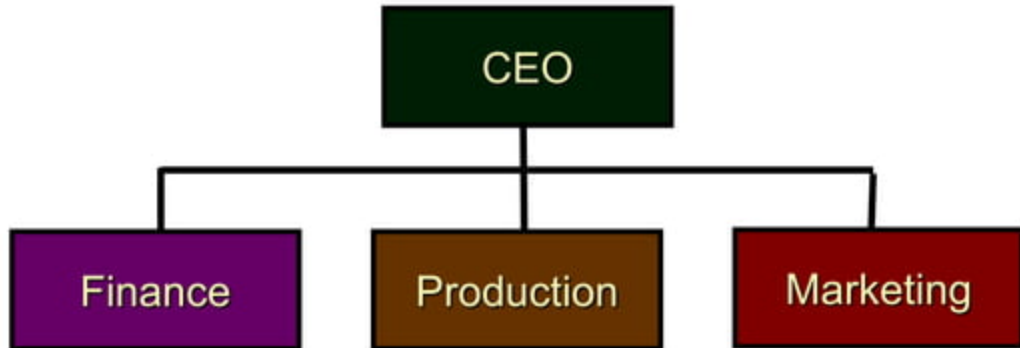
DISADVANTAGE

S

1. There are chances of loose control because there are many subordinates under one manager.
2. The discipline in the organization may be bad due to loose control.
3. The relations between the superiors and subordinates may be bad. Close and informal relations may not be possible.
4. There may be problems of team work because there are many subordinates under one manager.
5. Flat organization structure may create problems of coordination between various subordinates.
6. Efficient and experienced superiors are required to manage a large number of subordinates.
7. It may not be suitable for complex activities.

Functional Organizational Structure

Organizes employees around specific knowledge or other resources (e.g., marketing, production)

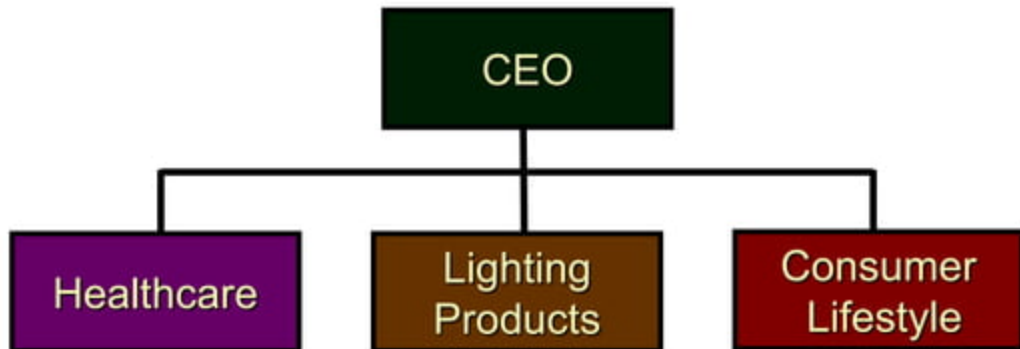


Evaluating Functional Structures

- Benefits
 - ▣ Economy of scale
 - ▣ Supports professional identity and career paths
 - ▣ Easier supervision
- Limitations
 - ▣ More emphasis on subunit than organizational goals
 - ▣ Higher dysfunctional conflict
 - ▣ Poorer coordination -- requires more controls

Divisional Structure

Organizes employees around outputs, clients, or geographic areas



Divisional Structure

- Different forms of divisional structure
 - Geographic structure
 - Product structure
 - Client structure
- Best form depends on environmental diversity or uncertainty
- Movement away from geographic form
 - Less need for local representation
 - Reduced geographic variation
 - More global clients

Evaluating Divisional Structures

□ Benefits

- ▣ Building block structure -- accommodates growth
- ▣ Focuses on markets/products/clients

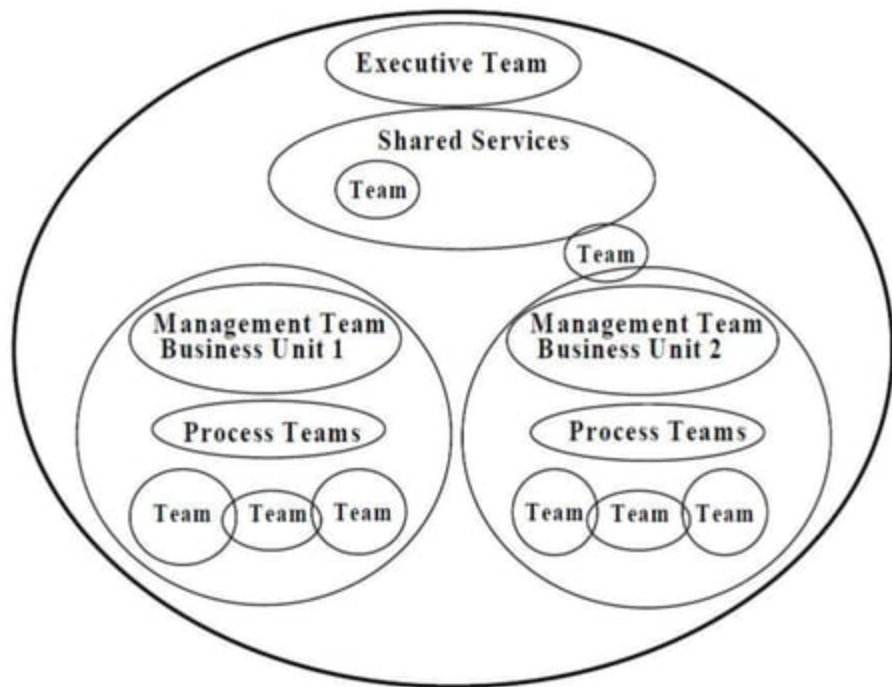
□ Limitations

- ▣ Duplication, inefficient use of resources
- ▣ Specializations are dispersed--silos of knowledge
- ▣ Politics/conflict when two forms of equal value

Team-Based Structure

- Self-directed work teams
- Teams organized around work processes
- Typically organic structure
 - ▣ Wide span of control – many employees work without close supervision
 - ▣ Decentralized with moderate/little formalization
- Usually found within divisionalized structure

Team-Based Organization



Evaluating Team-Based Structures

□ Benefits

- Responsive, flexible
- Lower admin costs
- Quicker, more informed decisions

□ Limitations

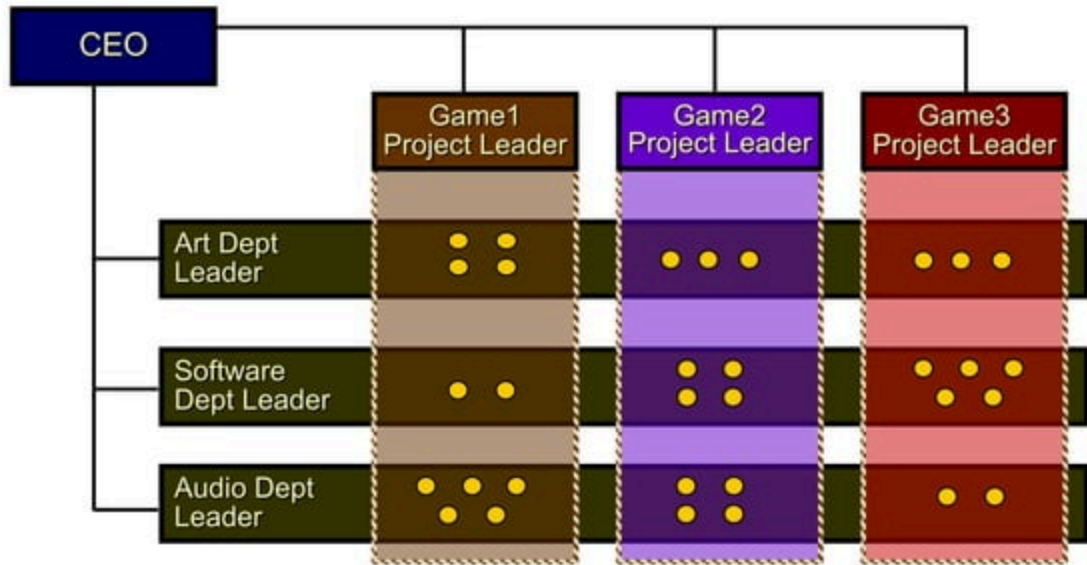
- Interpersonal training costs
- Slower during team development
- Role ambiguity increases stress
- Problems with supervisor role changes
- Duplication of resources

Bioware's Matrix Structure

Ray Muzyka (left) and Greg Zeschuk (right) adopted a matrix organizational structure for their electronic games company, Bioware, because it balances the need for teamwork and information sharing.

Matrix Structure (Project-based)

Employees () are temporarily assigned to a specific project team and have a permanent functional unit



Evaluating Matrix Structures

□ Benefits

- Uses resources and expertise effectively
- Improves communication, flexibility, innovation
- Focuses specialists on clients and products
- Supports knowledge sharing within specialty
- Solution when two divisions have equal importance

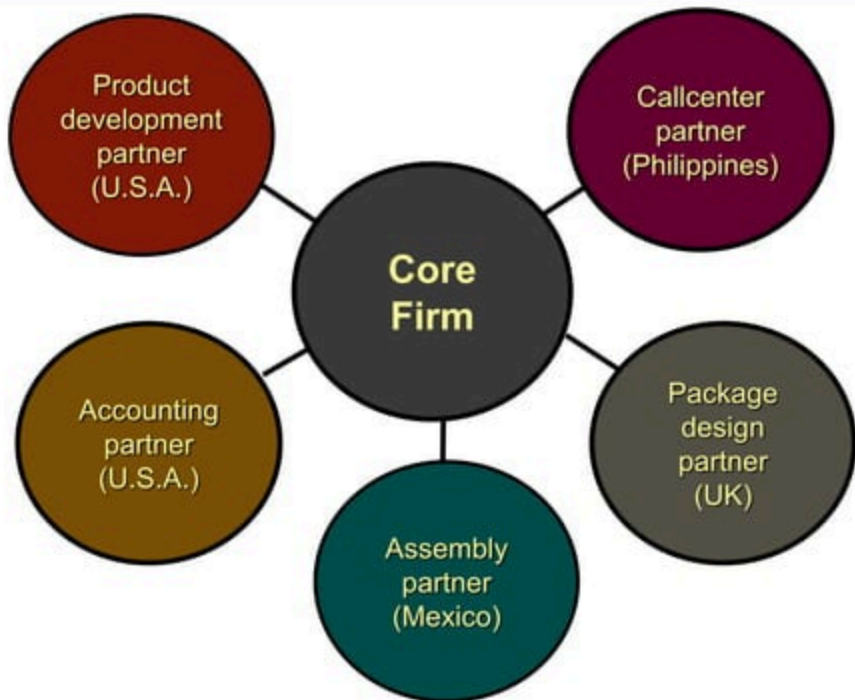
□ Limitations

- Increases goal conflict and ambiguity
- Two bosses dilutes accountability
- More conflict, organizational politics, and stress

Network Organizational Structure

Alliance of firms creating a product or service

Supporting firms beehived around a "hub" or "core" firm



Evaluating Network Structures

- Benefits
 - ▣ Highly flexible
 - ▣ Potentially better use of skills and technology
 - ▣ Not saddled with same resources for all products
- Limitations
 - ▣ Exposed to market forces
 - ▣ Less control over subcontractors than in-house

A horizontal bar at the top of the slide, divided into a yellow section on the left and a teal section on the right. The text 'Line and staff authority' is centered in the teal section.

Line and staff authority

Line and staff authority

Authority

- Authority is the right to make decisions, to direct the work of others, and to give orders and expect the orders to be obeyed.
- The authority are of two types
 - ▣ Line authority
 - ▣ Staff authority

Line Authority

Line authority entitles a manager to direct the work of an employee. It is the *employer-employee* authority relationship that extends from top to bottom.

A line manager directs the work of employees and makes certain decisions **without consulting anyone**.

Sometimes the term *line* is used to differentiate line managers from staff managers.

Line emphasizes managers whose organizational function contributes directly to the achievement of organizational objectives.

Line Authority

- Line authority work as
 - ▣ Chain of command (higher position to lower position)
 - ▣ Channel of communication (someone to report and others to report him)
 - ▣ Carrier of responsibility (who is accountable for what and for the performance of the activity)

Staff Authority

Staff managers have staff authority. A manager's function is classified as line or staff based on the organization's objectives.

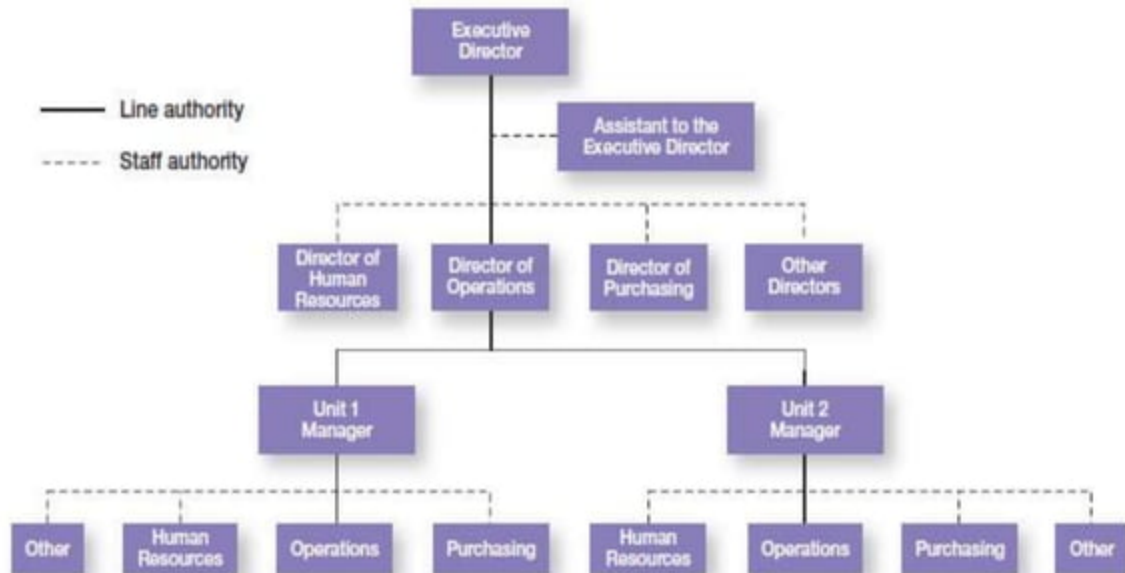
As organizations get larger and more complex, line managers find that they do not have the time, expertise, or resources to get their jobs done effectively.

They create staff authority functions to **support, assist, advice**, and generally reduce some of the informational burdens they have.

Staff Authority

- Staff authority is of following forms
 - ▣ Advisory staff authority
 - ▣ Compulsory staff consultation
 - ▣ Concurring authority (raw material check by QC Dept)

Line and staff authority



Line and staff authority

- Line departments performs the primary business tasks.
 - Sales
 - Production
- Staff department supports the Line departments.
 - HR
 - Accounting
 - Research

Departmentalization



Departmentalization

- After deciding what job tasks will be done by whom, common work activities need to be grouped back together so work gets done in a coordinated and integrated way. How jobs are grouped together is called departmentalization.

Departmentalization by Type

- **Functional**

- Grouping jobs by functions performed

- **Product**

- Grouping jobs by product line

- **Geographical**

- Grouping jobs on the basis of territory or geography

- **Process**

- Grouping jobs on the basis of product or customer flow

- **Customer**

- Grouping jobs by type of customer and needs

Types

FUNCTIONAL DEPARTMENTALIZATION—Groups Jobs According to Function



- + Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations
- + Coordination within functional area
- + In-depth specialization
- Poor communication across functional areas
- Limited view of organizational goals

GEOGRAPHICAL DEPARTMENTALIZATION—Groups Jobs According to Geographic Region

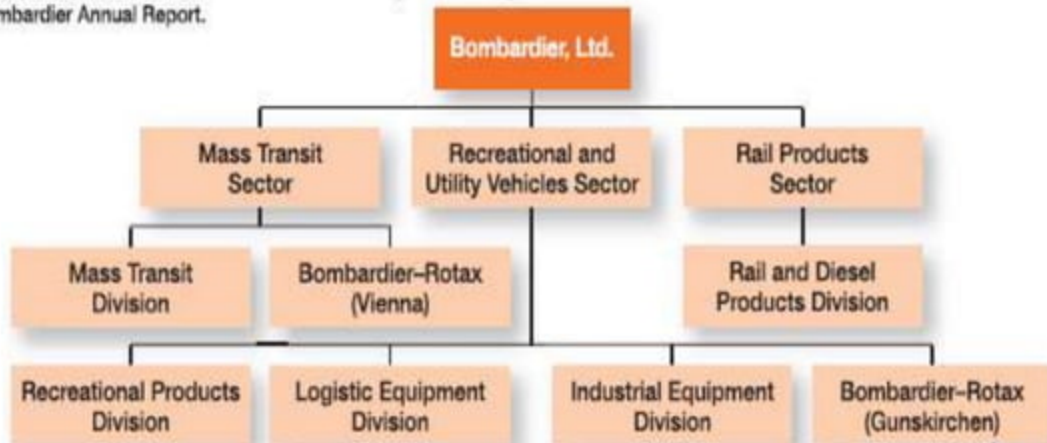


- + More effective and efficient handling of specific regional issues that arise
- + Serve needs of unique geographic markets better
- Duplication of functions
- Can feel isolated from other organizational areas

Types...

PRODUCT DEPARTMENTALIZATION – Groups Jobs by Product Line

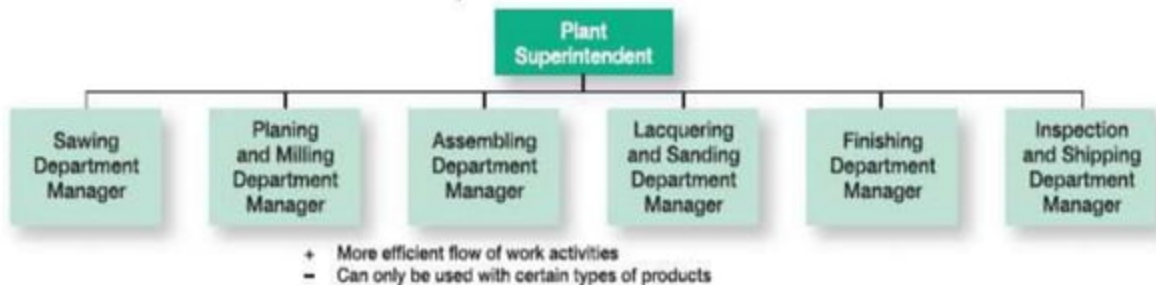
Source: Bombardier Annual Report.



- + Allows specialization in particular products and services
- + Managers can become experts in their industry
- + Closer to customers
- Duplication of functions
- Limited view of organizational goals

Types..

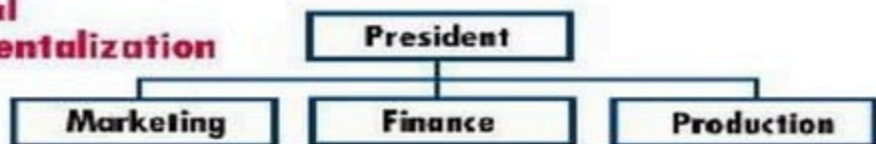
PROCESS DEPARTMENTALIZATION—Groups Jobs on the Basis of Product or Customer Flow



CUSTOMER DEPARTMENTALIZATION—Groups Jobs on the Basis of Specific and Unique Customers Who Have Common Needs



Functional Departmentalization



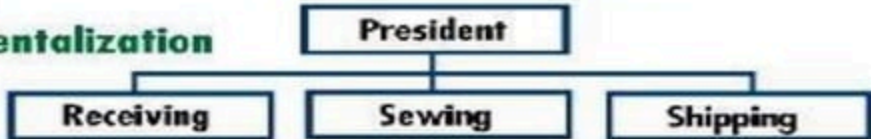
Product Departmentalization



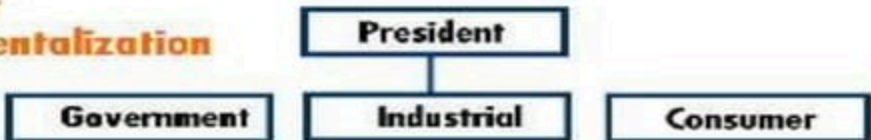
Geographical Departmentalization



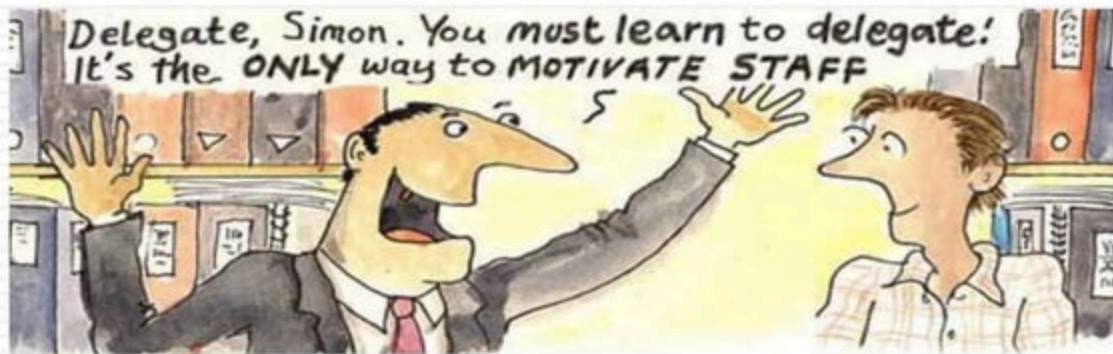
Process Departmentalization



Customer Departmentalization



Delegation of authority



Delegation of authority

Delegation- “the act of empowering to act for another”.



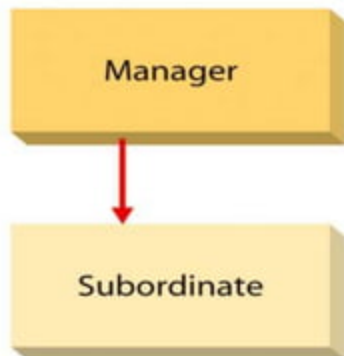
Meaning

Assigning some part of **manager's work** to subordinates with some authority.

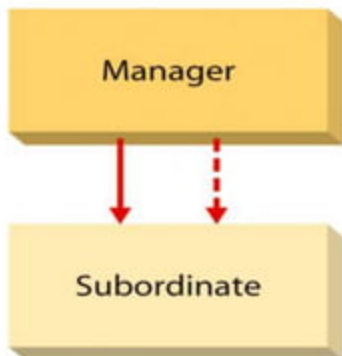
- Reason for delegation: to enable manager to get more work done

Steps in delegation process

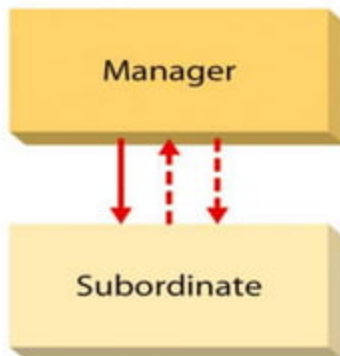
Step 1
Assigning responsibility



Step 2
Granting authority



Step 3
Creating accountability



Guidelines for effective Delegation

- Provide incentives for accepting responsibility
- Train subordinates
- Having mutual trust and confidence
- Make clear with nature and scope of task
- Provide necessary facilities or resources and information to perform the task

Advantages of Delegation

- Relieves manager of his **heavy workload**.
- Leads to **better decisions**.
- **Speeds up** decision making.
- Helps to **train subordinate** and **build morale**.
- Helps create a **formal organization structure**.

Barriers of Delegation

- Fear of **loss of power**.
- The “**I Can Do it Better Myself**” fallacy.
- **Lack of Confidence** in subordinates.
- Fear of **being exposed**.
- Difficulty in **Briefing**.

Centralization and Decentralization



Centralization

Formal decision making authority is held by a few people, usually at the top

Decision making authority is dispersed throughout the organization

Decentralization

Centralization

- Centralization is the degree to which decision making takes place at upper levels of the organization.
- If top managers make key decisions with little input from below, then the organization is more centralized.

De Centralization

- The more that lower-level employees provide input or actually make decisions, the more decentralization.

Centralization or Decentralization

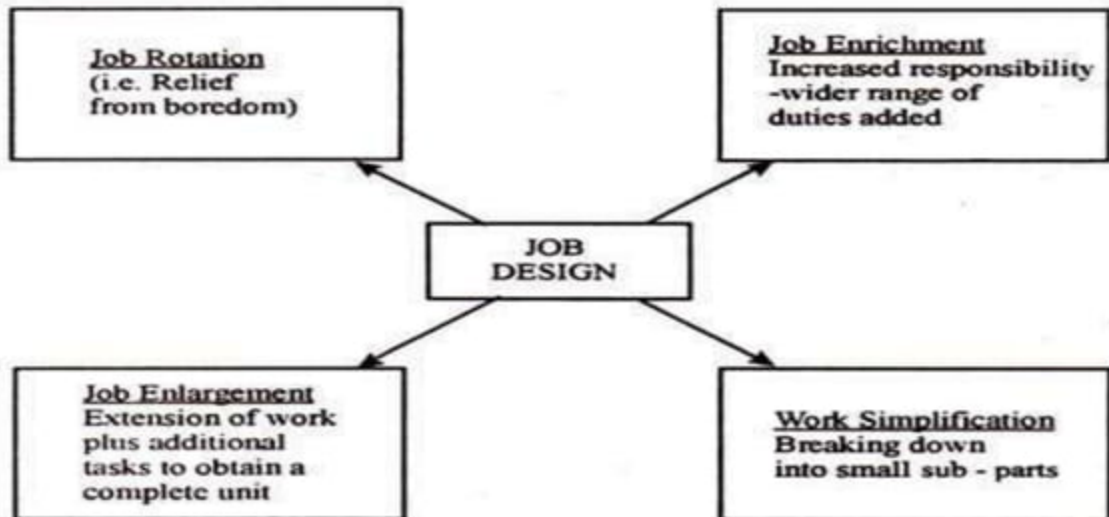
- Environment is **stable**.
- Lower-level managers are not as **capable or experienced**.
- Lower-level managers **do not want a say in decisions**.
- Decisions are **relatively minor**.
- Organization is **facing a crisis** or the risk of **company failure**.
- Company is **large**.
- Environment is **complex, uncertain**.
- Lower-level managers are **capable and experienced** at **making decisions**.
- Lower-level managers **want a voice in decisions**.
- Decisions are **significant**.
- **Corporate culture is open** to allowing managers a say in what happens.
- Company is

Job Design



Job Design

- It is the process of assigning the tasks to a job, including interdependency of the tasks.



Job Design Techniques

- **Work Simplification:** “A job is broken down in to small sub parts and each part, is assigned to one individual” is called work simplification
- **Job Rotation:** Job Rotation is a movement of employee from job to job. In job rotation employee perform different jobs, but, more or less, jobs of the same nature.

Job Design Techniques

- **Job Enlargement:** The combining of various operations at a similar level in to one job to provide more variety for workers and thus increase their motivation and satisfaction represents an increase in job scope
- **Job Enrichment:** The combining of several activities from a vertical cross section of the organization in to one job to provide the worker with more autonomy and responsibility; represent an increase in job depth.

Benefits of Job Design

- **Employee Input:** A good job design enables a good job feedback. Employees have the option to vary tasks as per their personal and social needs, habits and circumstances in the workplace.
- **Employee Training:** Training is an integral part of job design. Contrary to the philosophy of “leave them alone’ job design lays due emphasis on training people so that are well aware of what their job demands and how it is to be done.

Benefits of Job Design

- **Work / Rest Schedules:** Job design offers good work and rest schedule by clearly defining the number of hours an individual has to spend in his/her job.
- **Adjustments:** A good job designs allows for adjustments for physically demanding jobs by minimising the energy spent doing the job and by aligning the manpower requirements for the same.

Human Resource Management

HR Planning, Recruitment, selection, Training and Development, Performance Management , Career planning and management.



Human Resource Management

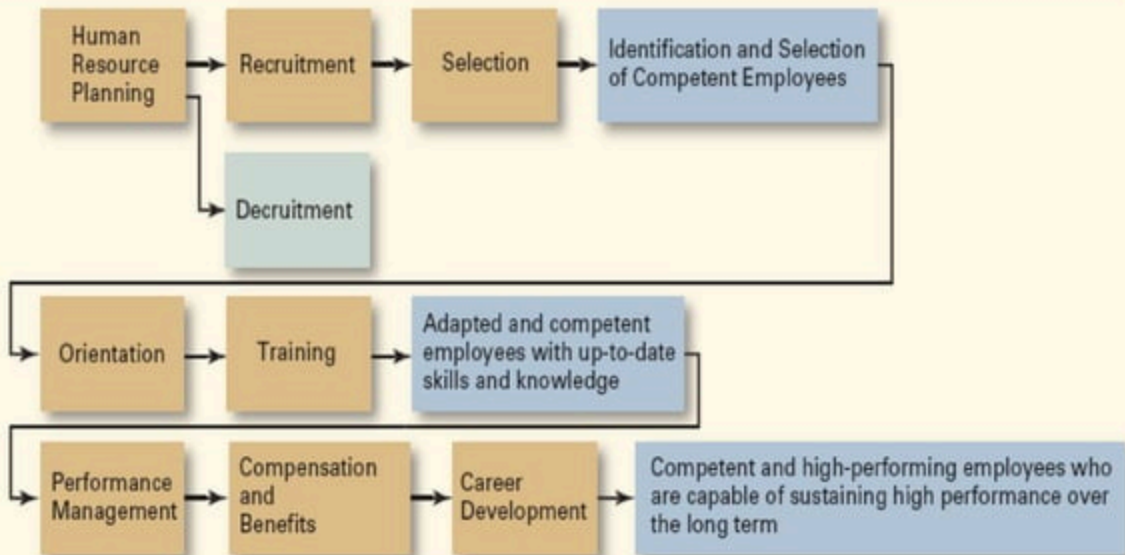
- It is a process of Planning, Organizing, Directing and Controlling of procurement (recruitment & selection), development (training), compensation, appraisal, maintenance, and separation of employees or personnel of the organization in order to achieve personal, organizational and social goals effectively and efficiently
- The set of organizational activities directed at attracting, developing and maintaining an effective workforce to achieve organizational

Why HRM is important?

- As a significant source of competitive advantage
 - ▣ People-oriented HR creates superior shareholder value
- As an important strategic tool
 - ▣ Achieve competitive success through people by treating employees as partners
- To improve organizational performance
 - ▣ High performance work practices lead to both

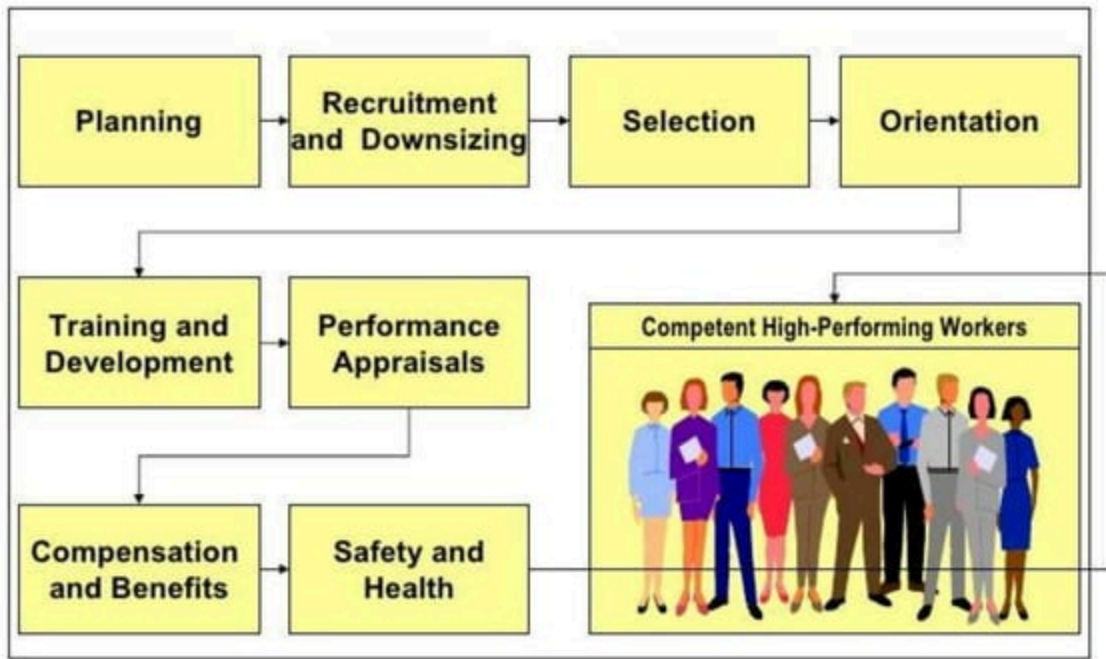
HRM Process

Environment



Environment

Human Resource Management Process



HR Planning

- The process by which managers ensure that they have the right number and kinds of people in the right places, and at the right times, who are capable of effectively and efficiently performing their



- Helps avoid sudden talent shortages and surpluses.

Steps

- Assessing the current Human Resources
 - Human Resource Inventory
 - Job Analysis
 - an assessment that defines a job and the behaviors necessary to perform it.
 - Job Description
 - Job specification



□ Job Description

- A written statement of what the job holder does, how it is done, and why it is done



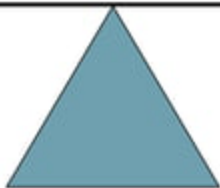
□ Job Specification

- A written statement of the minimum qualifications that a person must possess to perform a given job successfully.

Meeting Future HR needs

Supply of Employees

Demand for Employees



Recruitment & Decruitment

- Recruitment
 - ▣ The process of locating, identifying, and attracting capable applicants to an organization
- Decruitment
 - ▣ The process of reducing a surplus of employees in the workforce of an organization
- E-recruiting
 - ▣ Recruitment of employees through the Internet
 - Organizational web sites
 - Online recruiters



Sources

Source	Advantages	Disadvantages
Internet	Reaches large numbers of people; can get immediate feedback	Generates many unqualified candidates
Employee referrals	Knowledge about the organization provided by current employee; can generate strong candidates because a good referral reflects on the recommender	May not increase the diversity and mix of employees
Company Web site	Wide distribution; can be targeted to specific groups	Generates many unqualified candidates
College recruiting	Large centralized body of candidates	Limited to entry-level positions
Professional recruiting organizations	Good knowledge of industry challenges and requirements	Little commitment to specific organization

Decruitment options

Option	Description
Firing	Permanent involuntary termination
Layoffs	Temporary involuntary termination; may last only a few days or extend to years
Attrition	Not filling openings created by voluntary resignations or normal retirements
Transfers	Moving employees either laterally or downward; usually does not reduce costs but can reduce intraorganizational supply-demand imbalances
Reduced workweeks	Having employees work fewer hours per week, share jobs, or perform their jobs on a part-time basis
Early retirements	Providing incentives to older and more senior employees for retiring before their normal retirement date
Job sharing	Having employees share one full-time position

Selection

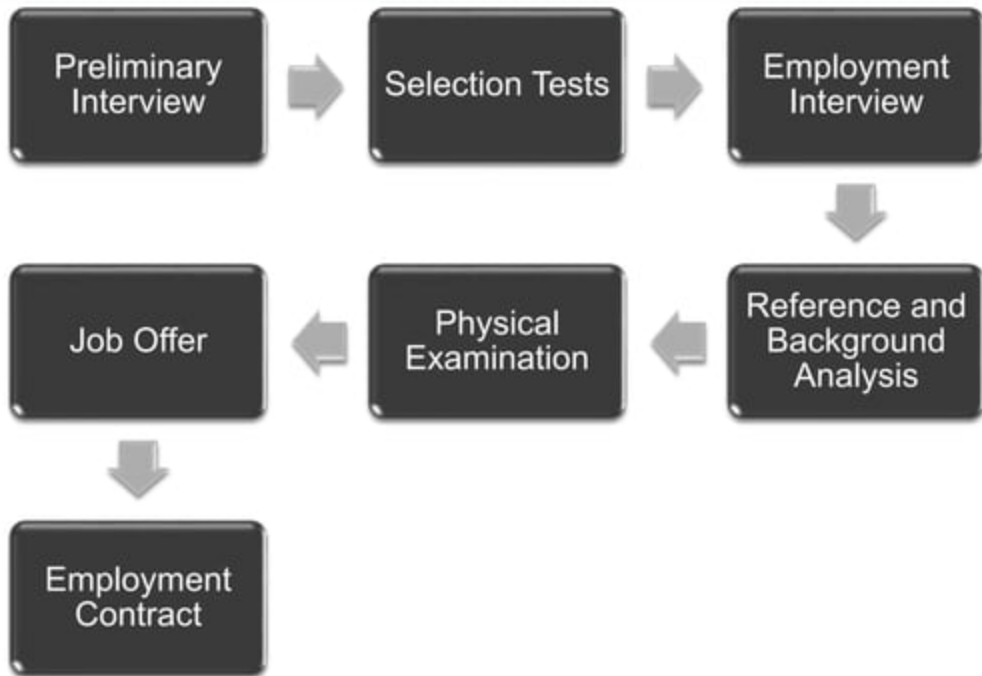
- Selection Process

- ▣ The process of screening job applicants to ensure that the most appropriate candidates are hired.

- Selection

- ▣ An exercise in predicting which applicants, if hired, will be (or will not be) successful in performing well on the criteria the organization uses to evaluate performance.

Selection Process



Selection Tools

- Application Forms
 - Almost universally used
 - Most useful for gathering information
 - Can predict job performance but not easy to create one that does
- Written Tests
 - Must be job related
 - Include intelligence, aptitude, ability, personality, and interest tests
 - Are popular (e.g., personality tests; aptitude tests)
Relatively good predictor for supervisory position

Selection Tools

- Performance-Simulation Tests
 - ▣ Use actual job behaviors
 - ▣ Work sampling—test applicants on tasks associated with that job; appropriate for routine or standardized work
 - ▣ Assessment center—simulate jobs; appropriate for evaluating managerial potential
- Interviews
 - ▣ Almost universally used
 - ▣ Must know what can and cannot be asked
 - ▣ Can be useful for managerial positions

Selection Tools

- Background Investigations
 - ▣ Used for verifying application data—valuable source of information
 - ▣ Used for verifying reference checks—not a valuable source of information
- Physical Examinations
 - ▣ Are for jobs that have certain physical requirements
 - ▣ Mostly used for insurance purpose

Orientation

- A person starting a new job needs introduction to his or her job and the organization. This introduction is called orientation.
- **Work unit orientation** familiarizes the employee with the goals of the work unit, clarifies how his or her job contributes to the unit's goals, and includes an introduction to his or her new coworkers.
- **Organization orientation** informs the new employee about the company's goals, history, philosophy, procedures and rules

Employee Training

- Employee training is an important HRM activity.
- As job demands change, employee skills have to change.



TYPES OF TRAINING

- General
 - Communication skills, computer systems application and programming, customer service, and technological skills and knowledge.
- Specific
 - Basic life/work skills, creativity, customer education, diversity/cultural awareness, remedial writing, managing change, leadership, product knowledge, public speaking/presentation skills, safety, ethics, sexual harassment, team building, wellness, and others

TRAINING METHODS

- **On-the-job** —Employees learn how to do tasks simply by performing them, usually after an initial introduction to the task.
- **Job rotation**—Employees work at different jobs in a particular area, getting exposure to a variety of tasks.
- **Mentoring and coaching**—Employees work with an experienced worker who provides information, support, and encouragement; also called apprenticeships in certain industries.

TRAINING METHODS

- **Experiential exercises**—Employees participate in role playing, simulations, or other face-to-face types of training.
- **Workbooks/manuals**—Employees refer to training workbooks and manuals for information.
- **Classroom lectures**—Employees attend lectures designed to convey specific information

Technology-Based Training Methods

- **CD-ROM/DVD/videotapes/audiotapes/podcasts**—Employees listen to or watch selected media that convey information or demonstrate certain techniques.
- **Videoconferencing/teleconferencing/satellite TV**—Employees listen to or participate as information is conveyed or techniques demonstrated.
- **E-learning**—Internet-based learning where employees participate in multimedia simulations or other interactive modules.

Employee Performance Management

- **Performance management system** -- establishes performance standards that are used to evaluate employee performance.



Appraisal Methods

Methods of Appraisal

TRADITIONAL

- Graphic rating scale
- Ranking method
- Paired comparison method
- Forced distribution method
- Checklist method
- Essay or free form appraisal
- Group appraisal
- Confidential reports

MODERN

- ▶ Behaviorally anchored rating scales
- ▶ Assessment center
- ▶ Human resource accounting
- ▶ Management by objectives
- ▶ Psychological appraisals

PERFORMANCE APPRAISAL

- Performance appraisal is the step where the management finds out how effective it has been at hiring and placing employees .



- A “Performance appraisal” is a process of evaluating an employee’s performance of a job in terms of its requirements.

PERFORMANCE APPRAISAL METHODS

- **Written Essay Evaluator** writes a description of employee's strengths and weaknesses, past performance, and potential; provides suggestions for improvement.
- **Critical Incident Evaluator** focuses on critical behaviors that separate effective and ineffective performance.

PERFORMANCE APPRAISAL METHODS

- **Graphic Rating Scale** Popular method that lists a set of performance factors and an incremental scale; evaluator goes down the list and rates employee on each factor.
- **BARS (Behaviorally Anchored Rating Scale)** Popular approach that combines elements from critical incident and graphic rating scale; evaluator uses a rating scale, but items are examples of actual job behaviors.

PERFORMANCE APPRAISAL METHODS

- **Multiperson Comparison** Employees are rated in comparison to others in work group
- **MBO** Employees are evaluated on how well they accomplish specific goals
- **360-Degree Appraisal** Utilizes feedback from supervisors, employees, and coworkers

Assessment Centres

- The term '**Assessment Centre**' can be defined as:
- *'A method for assessing aptitude and performance; applied to a group of participants by trained assessors using various aptitude diagnostic processes in order to obtain information about app or development potential.'*



Assessment Centres

- An assessment centre typically involves the use of methods like social/informal events, tests and exercises, assignments being given to a group of employees to assess their competencies to take higher responsibilities in the future.
- Generally, employees are given an assignment similar to the job they would be expected to perform if promoted.
- The trained evaluators observe and evaluate employees as they perform the assigned jobs and are evaluated on job related characteristics.

Compensation and Benefits

Base		EPF		Bonus	
HRA		Gratuity		LTA	
		Variable		Conveyance	
				Medical	

Compensation and Benefits

- Skill-based pay A pay system that rewards employees for the job skills they can demonstrate.

- Variable pay A pay system in which an individual's compensation is contingent on performance

What determines Pay



Career Planning & Development

- **Career** is an occupation or a profession, that one undertakes for a long period of his life time & derives monetary benefit from it.
- **Career planning** - Ongoing process whereby an individual sets career goals and identifies the means to achieve them.
- **Career development** - Formal approach used by the organization to help people acquire the skills and experiences needed to perform current and future jobs.

Career Planning Process

There are five steps to active career planning:

- Self Assessment
- Exploration and Research
- Decision Making
- Taking Action
- Evaluation



OBJECTIVES OF CAREER DEVELOPMENT

- To attract and retain persons in an organization
- To utilize human resources optimally
- To improve morale and motivation level of employees
- To reduce employee turnover
- To practice a balanced 'promotion from within' policy
- To make employees adaptable to changes To maintain harmonious industrial relation

DIFFERENT STAGES OF CAREER DEVELOPMENT

- Exploratory stage
- Establishment stag
- Maintenance stage
- Stage of decline



Stage 1

□ EXPLORATORY STAGE

- Ensure the availability of accurate information about the various occupations existing in the organization to the new employee. Create opportunities to enable new employees to get information with the organizational careers through job rotation, internship, visit different units, seminars, etc. Sponsor educational and training programmes for ensuring supply of potential talent in future.

Stage 2

□ ESTABLISHMENT STAGE

- Identification of the best possible talent for the organization
Communicating the correct and positive of the organization to the employee
Maximum learning and favourable attitudes of the employees towards the organization
Assigning challenging jobs to employees to enable them test their abilities and skills/
Designing of development plan
,identification of development needs, deciding career steps, etc

Stage 3

□ MAINTANANCE STAGE

- ▣ Strategies motivate employees, so that they can be productivity utilized even without promotion
- Adequate opportunities for transition from specialist cadres to generalist position at higher levels of the organization
- Help employees to adjust to their changing role s their career shifts from active position to advisory position
- Help employees to prepare for retirement

Stage 4

□ DECLINE STAGE

- ▣ Manage retirement without destroying the employee's sense of self-worth Invent new creative part-time roles for which can use their knowledge, experience and wisdom

Sharing is Caring

Comments get us

NOTICED

Thank you