SYLLABUS : **-- UNIT - 2**

Planning: Meaning- Need & Importance, types, Process of Planning, Barriers to Effective Planning, levels advantages & limitations. **Forecasting**- Need & Techniques Decision making- Types - Process of rational decision making & techniques of decision making. **Organizing** - Elements of organizing & processes: Types of organizations. **Staffing:** Fundamentals of staffing, Recruitment and selection, Training and development.

MANAGEMENT PLANNING

Planning means looking ahead and chalking out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. Planning is a detailed programme regarding future courses of action.

It is rightly said "**Well plan is half done**". Therefore planning takes into consideration available & prospective human and physical resources of the organization so as to get effective co-ordination, contribution & perfect adjustment. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

According to Urwick, "Planning is a mental predisposition to do things in orderly way, to think before acting and to act in the light of facts rather than guesses". Planning is deciding best alternative among others to perform different managerial functions in order to achieve predetermined goals.

According to Koontz & O'Donell, "Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur".

Steps in Planning Function

Planning function of management involves following steps:-

1. Establishment of objectives

- Planning requires a systematic approach.
- Planning starts with the setting of goals and objectives to be achieved.
- Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
- Moreover objectives focus the attention of managers on the end results to be achieved.
- As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
- As far as possible, objectives should be stated in quantitative terms. For example, Number of men working, wages given, units produced, etc. But such an objective cannot

be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.
- Such goals should be specified in qualitative terms.
- Hence objectives should be practical, acceptable, workable and achievable.

2. Establishment of Planning Premises

- Planning premises are the assumptions about the lively shape of events in future.
- They serve as a basis of planning.
- Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
- It is to find out what obstacles are there in the way of business during the course of operations.
- Establishment of planning premises is concerned to take such steps that avoids these obstacles to a great extent.
- Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.
- Internal premises are controllable whereas external are non- controllable.

3. Choice of alternative course of action

- When forecast are available and premises are established, a number of alternative course of actions have to be considered.
- For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
- The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.
- After objective and scientific evaluation, the best alternative is chosen.
- The planners should take help of various quantitative techniques to judge the stability of an alternative.

4. Formulation of derivative plans

- Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.
- Secondary plans will flow from the basic plan. These are meant to support and expediate the achievement of basic plans.
- These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
- Derivative plans indicate time schedule and sequence of accomplishing various tasks.

5. Securing Co-operation

1.
    1. After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.
    2. The purposes behind taking them into confidence are:

- Subordinates may feel motivated since they are involved in decision making process.
- The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.
- Also the employees will be more interested in the execution of these plans.

6. Follow up/Appraisal of plans

- After choosing a particular course of action, it is put into action.
- After the selected plan is implemented, it is important to appraise its effectiveness.
- This is done on the basis of feedback or information received from departments or persons concerned.
- This enables the management to correct deviations or modify the plan.
- This step establishes a link between planning and controlling function.
- The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

Figure 2.2 Process of planning

FURTHER READING :- https://www.brainkart.com/article/Process-or-Steps-Involved-in-Planning_37664/

BENEFITS OF PLANNING:

Planning is one of the crucial functions of management. It is basic to all other functions of management. There will not be proper organization and direction without proper planning. It states the goals and means of achieving them.

1. **Attention on Objectives:**

Planning helps in clearly laying down objectives of the organization. The whole attention of management is given towards the achievement of those objectives. There can be priorities in objectives, important objectives to be taken up first and others to be followed after them.

2. **Minimizing Uncertainties:**

Planning is always done for the future. Nobody can predict accurately what is going to happen. Business environments are always changing. Planning is an effort to foresee the future and plan the things in a best possible way. Planning certainly minimizes future uncertainties by basing its decisions on past experiences and present situations.

3. **Better Utilization of Resources:**

Another advantage of planning is the better utilization of resources of the business. All the resources are first identified and then operations are planned. All resources are put to best possible uses.

4. **Economy in Operations:**

The objectives are determined first and then best possible course of action is selected for achieving these objectives. The operations selected being better among possible alternatives, there is an economy in operations. The method of trial and error is avoided and resources are not wasted in making choices. The economy is possible in all departments whether production, sales, purchases, finances, etc.

5. **Better Co-ordination:**

The objectives of the organization being common, all efforts are made to achieve these objectives by a concerted effort of all. The duplication in efforts is avoided. Planning will lead to better co-ordination in the organization which will ultimately lead to better results.

6. **Encourages Innovations and Creativity:**

A better planning system should encourage managers to devise new ways of doing the things. It helps innovative and creative thinking among managers because they will think of many new things while planning. It is a process which will provide awareness for individual participation and will encourage an atmosphere of frankness which will help in achieving better results.

7. **Management by Exception Possible:**

Management by exception means that management should not be involved in each and every activity. If the things are going well then there should be nothing to worry and management should intervene only when things are not going as per planning. Planning fixes objectives of the organization and all efforts should be made to achieve these objectives. Management should interfere only when things are not going well. By the introduction of management by exception, managers are given more time for planning the activities rather than wasting their time in directing day-to-day work.

8. **Facilitates Control:**

Planning and control are inseparable. Planning helps in setting objectives and laying down performance standards. This will enable the management to cheek performance of subordinates. The deviations in performance can be rectified at the earliest by taking remedial measures.

9. **Facilitates Delegation:**

Under planning process, delegation of powers is facilitated. The goals of different persons are fixed. They will be requiring requisite authority for getting the things clone. Delegation of authority is facilitated through planning process.

LIMITATIONS OF PLANNING:

Despite of many advantages of planning, there may be some obstacles and limitations in this process. Planning is not a panacea for all the ills of the business. Planning will only help in minimizing uncertainties to a certain extent.

(a) Fundamental limitation i.e. the limitation of forecasting:

Under this category of the limitations of planning, only one limitation of planning is placed viz., the limitation of forecasting. This limitation of forecasting is considered as the fundamental (or basic) limitation; in as much as, no amount of planning is possible without involving some minimum element of forecasting; and till-do-date no hard and fast system of forecasting future events and conditions is able to develop.

As a result, the fate of planning depends on the accuracy of forecasting; which is still a matter of guess-work howsoever rational or scientific. In fact, some of the best laid down plans might collapse in the face of unprecedented changes taking place in future conditions only to the ill-luck of management.

This fundamental limitation of planning (based on forecasting) assumes paramount significance; in cases where the socio-economic environment is changing quite fast. Under such circumstances planning become a mere formality; just providing a psychological satisfaction to management of having done planning.

It is, in fact, this limitation of planning which, among other factors, might have induced scholars to come forward and recommends a situational (or contingency) approach to managing – ruling out any need for advance planning.

(b) Other limitations:

Some of the other important limitations of planning might be as follows:

(i) Egoistic planning:

Many-a-times, there is observed a tendency on the part of the so-called big bosses of an enterprise, to undertake planning of a type which would just add to their prestige or status in the organisation without, in any substantial manner, contributing to the enterprise's goals.

Such egoistic planning, this way, becomes a great limitation of planning, as despite the expenditure of all efforts and resources incurred during the formulation process; such planning only raises false hopes of realization but producing no significant results.

(ii) Organisational inflexibilities:

In many enterprises, the rigid (or tight) rules, policies or procedures of the organisation might come in the way of the successful implementation of some progressive piece of plan. To ensure the success of a good number of plans, it is necessary that the management must frequently review its internal functioning process and modify the same in view of the current planning requirements. Many-a-times, a re-orientation of organisational functioning is not possible, due to technical, financial or certain other problems. Under such conditions of rigidity, planning is only a half-hearted success.

(iii) Wastage of resources:

Planning involves an expenditure of time, money, efforts and resources of the enterprise; during the stages of plan implementation and its execution. It is, in fact, a time-consuming, a money- consuming and a mind-consuming process.

One would not mind the expenditure of the above resources; if the plan is a success. However, whenever there is a plan-failure or only a limited success is generated by a plan; expenditure of precious organisational resources really pinches as it amounts to a sheer wastage.

(iv) Imparting a false sense of satisfaction:

Plans, quite often, impart a false sense of satisfaction to managers, subordinates and operators of an enterprise; who might think that the planned objectives and the planned courses of action are, perhaps, the 'best'. They are reluctant to think in better terms. Many-a-times, people in the organisation behave like a fog in the well-unable to see beyond the horizons of planning. In fact, they never try to rise above the plans.

(v) External constraints:

Some of the external constraints like governmental regulations in certain business matters or the upper hand of labour unions over management on issues concerning workers and their economic interests might become a severe limitation of planning. Management, under the pressure of such constraints, might not be able to think freely and undertake 'best conceived of planning for the enterprise.

(**vi) Unreliable and inadequate background information:**

Plans are as sound and fruitful as the data on which there are based. Sometimes, the data collected for the plan might not be very reliable. At some other times, background data for planning might be too inadequate to provide a complete base for plan formulation.

These limitations of data might be due to financial problems or the pressure of time or certain other causes; but there is no doubt that this unreliability or inadequacy of data is a great hindrance, in the way of successful planning.

(vii) Unsuitability in emergency situations:

Planning is a useful management efficiency device; but only in the normal course of functioning of the enterprise. Planning is not suitable in emergency situations as occasioned by war, civil disturbances or other unusual economic or social disorders; where 'spot' decisions are necessitated to take care of the environmental factors. Planning, as is too common to understand, takes its own time in setting objectives and selecting best alternatives; which renders itself wholly unsuitable for adoption in extra-ordinary business situations.

Nature and Components of Management Planning

The following are the essential characteristics of planning which describe the nature of planning:

1. Planning is primary function of management:

The functions of management are broadly classified as planning, organisation, direction and control. It is thus the first function of management at all levels. Since planning is involved at all managerial functions, it is rightly called as an essence of management.

2. Planning focuses on objectives:

Planning is a process to determine the objectives or goals of an enterprise. It lays down the means to achieve these objectives. The purpose of every plan is to contribute in the achievement of objectives of an enterprise.

3. Planning is a function of all managers:

Every manager must plan. A manager at a higher level has to devote more time to planning as compared to persons at the lower level. So the President or Managing director in a company devotes more time to planning than the supervisor.

4. Planning as an intellectual process:

Planning is a mental work basically concerned with thinking before doing. It is an intellectual process and involves creative thinking and imagination. Wherever planning is done, all activities are orderly undertaken as per plans rather than on the basis of guess work. Planning lays down a course of action to be followed on the basis of facts and considered estimates, keeping in view the objectives, goals and purpose of an enterprise.

5. Planning as a continuous process:

Planning is a continuous and permanent process and has no end. A manager makes new plans and also modifies the old plans in the light of information received from the persons who are concerned with the execution of plans. It is a never ending process.

6. Planning is dynamic (flexible):

Planning is a dynamic function in the sense that the changes and modifications are continuously done in the planned course of action on account of changes in business environment.

As factors affecting the business are not within the control of management, necessary changes are made as and when they take place. If modifications cannot be included in plans it is said to be bad planning.

7. Planning secures efficiency, economy and accuracy:

A pre- requisite of planning is that it should lead to the attainment of objectives at the least cost. It should also help in the optimum utilisation of available human and physical resources by securing efficiency, economy and accuracy in the business enterprises. Planning is also economical because it brings down the cost to the minimum.

8. Planning involves forecasting:

Planning largely depends upon accurate business forecasting. The scientific techniques of forecasting help in projecting the present trends into future. ‘It is a kind of future picture wherein proximate events are outlined with some distinctness while remote events appear progressively less distinct.”

9. Planning and linking factors:

A plan should be formulated in the light of limiting factors which may be any one of five M's viz., men, money, machines, materials and management.

10. Planning is realistic:

A plan always outlines the results to be attained and as such it is realistic in nature.

COMPONENTS OF PLANNING

The entire process of planning consists of many aspects. These basically include missions, objectives, policies, procedures, programmes, budgets and strategies.

Mission

This is one of the first components of planning. The mission of an organization basically dictates its fundamental purposes. It describes what exactly it wants to achieve. The mission may be either written or implicit from the organization's functioning.

A mission statement describes who the products and customers of a business are. It shows the direction in which the business intends to move and what it aims to achieve.

Even the basic values and beliefs of the organization are a part of this. One can also understand its attitude towards its employees from the mission statement.

Many stakeholders of a business use its mission statement. Managers use it to evaluate their success and set goals. On the other hand, employees use it to foster a sense of unity and purpose. Even customers and investors use it to understand how the business intends to work in the future.

Objectives

Objectives represent the end results which an organization aims to reach. We can also refer to it as goals or targets. Not just planning but all factions of business management begin with the setting of objectives.

In terms of the types of objectives, they may be either individualistic or collective. They can even be long-term and short-term depending on their duration. They can also be general or specific in terms of their scope.

Managers of a business should lay down their objectives clearly and precisely. They must consider their mission and values before setting their goals. Furthermore, they must ensure that their objects for each activity are in consonance with each other.

Policies

Policies are basically statements of understanding or course of action. They guide the decision-making process for all activities of the organization. Consequently, they impose limits on the scope of decisions.

For example, a company might have a policy of always paying a minimum dividend of 5% of profits. So, when it decides to pay a dividend, the amount cannot be below 5%.

Just like the mission statement, even policies of an organization may be expressly written or implied. Managers make policies for all activities of a business, including sales, production, human resource, etc.

Policies should never be too rigid because that excessively limits functioning. Policy-makers must also ensure they explain policies to employees clearly. This will prevent any ambiguities that may arise. Policies must also change with time to suit new challenges and circumstances.

Procedures

Procedures are some of the most important components of planning. They describe the exact manner in which something has to be done. They basically guide actions for activities that managers and employees perform.

Procedures also include step-by-step methods. Even rules regulating actions come within the ambit of procedures. The planning process must ensure that procedures are always practical. They should not be rigid and difficult to implement.

Budget

Budgets are plans that express expected results in numerical terms. Whenever an organization expects to do something, it can make a budget to decide on its target. Most activities, targets, and decisions require budgeting. For example, an income budget shows expected financial results and profits.

Programme

A programme is nothing but the outline of a broad objective. It contains a series of methods, procedures, and policies that the organization needs to implement. In other words, it includes many other components of planning.

For example, a business may have a diversification programme. Consequently, it will make budgets and policies accordingly for this purpose. Planners and managers can implement programmes like these at various levels.

Strategies

A strategy in simple words refers to minute plans of action that aim to achieve specific requirements. Proper implementation of strategies leads to the achievement of the requisite goals. The nature of an organization’s values and missions will determine how it will strategize.

TYPES OF PLAN

For any organization to function distinctively, there must be a plan which is to be devised before-hand. Planning is very important to a business. The top managers must plan their goals both short and long terms with their competent employees and their team of experts to analyze the pros and cons of the plan, the investment required in the plan, the return expected and so forth.

In this discussion, we will know about this managerial function of 'Planning' in detail. This is one of the important topics in the study of Business, hence the students must not exclude it.

Types of Planning

In an organization, various, different kinds of planning are included which serves a variety of purposes. As Planning is the most important fundamental, it is not to be compromised with a single plan applied universally in the whole organization. With each department specific need, workforce constituents, the different plans are devised. Predominantly, for the goal of the business, planning is done by the top-level managers, while short-term plans are done by the team leaders too in different departments.

Good Companies give priority to the planning process, as adequate management and competent leadership will follow only after effective planning is done. Companies are required to keep a track on the planning process, to be in sync with the predetermined process.

To Plan Better Companies, You Need to Take Care of The Following Things

1. **Devise a Plan –** Important goals needed to achieve, strength of the organization all are required to be forecasted before-hand. Devising a proven plan helps to visualize the goals with much before and thus take action in regard to that.
2. **Define Success –** Managers need to foresee where their business stands in the near future. They need to clearly define the milestones that they want to take step on and the same is required to be communicated to the employees.
3. **Put in Action –** After much planning, the final process that will actually will help in achieving the goals is to put the plan in action. With the required workforce, the company should start working in the attempt to achieve their set target.

Talking About the Types of Planning, we have

1. Operational Planning
2. Strategic Planning
3. Tactical Planning
4. Contingency Planning

Explain the Types of Planning

In the section discussed above, we have already mentioned the types of Planning. Here, we attempt to discuss in depth about the four types of Planning.

1. **Operational Planning**

Answering the question of "How things need to happen? What are the guidelines to accomplish the set mission?" describes an operational plan. This plan simply means the daily activities which are focused in achieving the goal. Operational Plans are generally the single used plans or the on going plan.

They can also be planned for one-time events or for a specific need. These plans include specific rules and regulations and procedures to stand by it. They provide an adequate guideline for the step to step processing of the work.

2. **Strategic Planning**

The reason for planning is chalked out in the strategic plan. Strategic plans are generally long-term thinking processes executed by the top-level managers. It is a big picture to cast a vision and requires mission processing.

It requires a high-level analysis of the entire business. Being the foundational basis of the organization, strategic planning dictates long term goals which normally tenures for two to ten years span.

3. **Tactical Planning**

Tactical Plan is the backbone of Strategic Plan. Generally speaking, they are focused, specific and short-term plans. They are the plans that initiate the actual work. Tactical plans form the outline of a strategic plan that eventually structures the organizational plan. Often the tenure of this plan is quite short and mostly lasts to one year. The strategic plans that get chunked into actionable plans are called Tactical Planning.

4. **Contingency Planning**

Contingencies might occur in business. To tackle the contingencies, the contingency planning is drafted. Thyer ae also named as 'Special Planning' by the business experts. In a situation of change, contingency planning proves to be helpful.

Though managers acknowledge the changes before-hand yet contingency plans help to tackle the unseen changes. With the complicated business world, the contingency plan becomes more of a use.

Types of Policies in Management

Different Policies are used in an organization, that is responsible for each purpose. Following are the types of policies that are being widely used in the business world. –

1. **Organizational Policies** – The policies decide the goal of an organization. They are the overall general policy that is administered in an organization.

2. **Functional Policies –** The policy is prepared for different functions, like production, marketing, finance and personnel. The functional policies are decided keeping in view of the organizational policies already structured.
3. **Originated Policies –** This is also known as the internal policy that prepares policies for subordinates. This policy is being drafted by their managers.
4. **Specific Policies –** These policies are formulated in regard to some specific issues.

BARRIERS TO EFFECTIVE PLANNING

(i) Poor communication

It is one of the major barriers of planning. If it is not properly communicated the process of planning gets complicated. Poor communication may be caused by undeveloped skills, rivalries, misunderstandings of the planning process or excessive complexity in the plan.

(ii) Resistance to planning

People get resistant to a particular plan if they don't like the idea. Resistance to planning for change within organisations can take the form of low morale and dissatisfaction among employees.

(iii) Insufficient resource

Plans may be unsuccessful because of insufficient resources available in the organisation.

(iv) Uncertainties or unflexibilities

Internal as well as external unflexibilities or uncertainties may be one of the major barriers to effective planning. No matter, how tough a planning process is, the future always holds surprises and there are many things unknown and unexpected to us. An extremely good and well laid plan for a company expansion or a new product line may be flopped by an unexpected economic crash.

(v) Rigid towards past experiences

It is human tendency to base his thoughts, expectations and activities on the past experiences. In planning process it becomes liability and hampers his innovativeness and creative thinking.

Inertia fear of change has made many good plans unsuccessful in large organisations. Inertia is created by combination of archaic infrastructure, calcified modes of thinking, oversize bureaucracy and fear of change.

(vi) Lack of resources

The lack of resources in terms of time and money may lead to the barrier to planning. A plan-cannot be executed successfully unless proper time and money is provided. If the plan itself has so many limitations or drawbacks, then it itself acts as a barrier in making the plan unsuccessful.

(vii) Failure of People

Apart from the above factors, sometimes people involved in planning process fail to formulate correct plans. There can be many reasons for that like lack of top management support, lack of delegation of authority, lack of adequate control of techniques.

FEATURES OF A GOOD PLANNING

1. Planning should be linked to long term process.

2. Planning involves selection of suitable course of , action.

3. Planning is undertaken at all levels of organization.

4. It is flexible as commitment is based on future conditions.

5. It should be pervasive and continuous.

FORECASTING : Roles, Steps and Techniques | Management Function

Meaning of Forecasting:

In preparing plans for the future, the management authority has to make some predictions about what is likely to happen in the future.

It shows that the managers know something of future happenings even before things actually happen.

Forecasting provides them this knowledge. Forecasting is the process of estimating the relevant events of future, based on the analysis of their past and present behaviour.

The future cannot be probed unless one knows how the events have occurred in the past and how they are occurring presently. The past and present analysis of events provides the base helpful for collecting information about their future occurrence.

Thus, forecasting may be defined as the process of assessing the future normally using calculations and projections that take account of the past performance, current trends, and anticipated changes in the foreseeable period ahead.

Whenever the managers plan business operations and organisational set-up for the years ahead, they have to take into account the past, the present and the prevailing economic, political and social conditions. Forecasting provides a logical basis for determining in advance the nature of future business operations and the basis for managerial decisions about the material, personnel and other requirements.

It is, thus, the basis of planning, when a business enterprise makes an attempt to look into the future in a systematic and concentrated way, it may discover certain aspects of its operations requiring special attention. However, it must be recognised that the process of forecasting involves an element of guesswork and the managers cannot stay satisfied and relaxed after having prepared a forecast.

The forecast will have to be constantly monitored and revised—particularly when it relates to a long- term period. The managers should try to reduce the element of guesswork in preparing forecasts by collecting the relevant data using the scientific techniques of analysis and inference.

On the basis of the definition, the following features of forecasting can be identified:

1. Forecasting relates to future events.

2. Forecasting is needed for planning process because it devises the future course of action.

3. It defines the probability of happening of future events. Therefore, the happening of future events can be precise only to a certain extent.

4. Forecasting is made by analysing the past and present factors which are relevant for the functioning of an organisation.

5. The analysis of various factors may require the use of statistical and mathematical tools and techniques.

Role of Forecasting:

Since planning involves the future, no usable plan can be made unless the manager is able to take all possible future events into account. This explains why forecasting is a critical element in the planning process. In fact, every decision in the organisation is based on some sort of forecasting.

It helps the managers in the following ways:

1. Basis of Planning:

Forecasting is the key to planning. It generates the planning process. Planning decides the future course of action which is expected to take place in certain circumstances and conditions. Unless the managers know these conditions, they cannot go for effective planning.

Forecasting provides the knowledge of planning premises within which the managers can analyse their strengths and weaknesses and can take appropriate actions in advance before actually they are put out of market. Forecasting provides the knowledge about the nature of future conditions.

2. Promotion of Organization:

The objectives of an organisation are achieved through the performance of certain activities. What activities should be performed depends on the expected outcome of these activities. Since expected outcome depends on future events and the way of performing various activities, forecasting of future events is of direct relevance in achieving an objective.

3. Facilitating Co-ordination and Control:

Forecasting indirectly provides the way for effective co-ordination and control. Forecasting requires information about various factors. Information is collected from various internal and external sources. Almost all units of the organisation are involved in this process.

It provides interactive opportunities for better unity and co-ordination in the planning process. Similarly, forecasting can provide relevant information for exercising control. The managers can know their weaknesses in the forecasting process and they can take suitable action to overcome these.

4. Success in Organisation:

All business enterprises are characterised by risk and have to work within the ups and downs of the industry. The risk depends on the future happenings and forecasting provides help to overcome the problem of uncertainties.

Though forecasting cannot check the future happenings, it provides clues about those and indicates when the alternative actions should be taken. Managers can save their business and face the unfortunate happenings if they know in advance what is going to happen.

Fig. 3.6: The Forecasting Process.

STEPS IN FORECASTING:

The process of forecasting generally involves the following steps:

1. Developing the Basis:

The future estimates of various business operations will have to be based on the results obtainable through systematic investigation of the economy, products and industry.

2. Estimation of Future Operations:

On the basis of the data collected through systematic investigation into the economy and industry situation, the manager has to prepare quantitative estimates of the future scale of business operations. Here the managers will have to take into account the planning premises.

3. Regulation of Forecasts:

It has already been indicated that the managers cannot take it easy after they have formulated a business forecast. They have to constantly compare the actual operations with the forecasts prepared in order to find out the reasons for any deviations from forecasts. This helps in making more realistic forecasts for future.

4. Review of the Forecasting Process:

Having determined the deviations of the actual performances from the positions forecast by the managers, it will be necessary to examine the procedures adopted for the purpose so that improvements can be made in the method of forecasting.

TECHNIQUES OF FORECASTING:

There are various methods of forecasting. However, no method can be suggested as universally applicable. In fact, most of the forecasts are done by combining various methods.

A brief discussion of the major forecasting methods is given below:

1. Historical Analogy Method:

Under this method, forecast in regard to a particular situation is based on some analogous conditions elsewhere in the past. The economic situation of a country can be predicted by making comparison with the advanced countries at a particular stage through which the country is presently passing.

Similarly, it has been observed that if anything is invented in some part of the world, this is adopted in other countries after a gap of a certain time. Thus, based on analogy, a general forecast can be made about the nature of events in the economic system of the country. It is often suggested that social analogies have helped in indicating the trends of changes in the norms of business behaviour in terms of life.

Likewise, changes in the norms of business behaviour in terms of attitude of the workers against inequality, find similarities in various countries at various stages of the history of industrial growth. Thus, this method gives a broad indication about the future events of general nature.

2. Survey Method:

Surveys can be conducted to gather information on the intentions of the concerned people. For example, information may be collected through surveys about the probable expenditure of consumers on various items. Both quantitative and qualitative information may be collected by this method.

On the basis of such surveys, demand for various products can be projected. Survey method is suitable for forecasting demand—both of existing and new products. To limit the cost and time, the survey may be restricted to a sample from the prospective consumers.

3. Opinion Poll:

Opinion poll is conducted to assess the opinion of the experienced persons and experts in the particular field whose views carry a lot of weight. For example, opinion polls are very popular to predict the outcome of elections in many countries including India. Similarly, an opinion poll of the sales representatives, wholesalers or marketing experts may be helpful in formulating demand projections.

If opinion polls give widely divergent views, the experts may be called for discussion and explanation of why they are holding a particular view. They may be asked to comment on the

views of the others, to revise their views in the context of the opposite views, and consensus may emerge. Then, it becomes the estimate of future events.

4. Business Barometers:

A barometer is used to measure the atmospheric pressure. In the same way, index numbers are used to measure the state of an economy between two or more periods. These index numbers are the device to study the trends, seasonal fluctuations, cyclical movements, and irregular fluctuations.

These index numbers, when used in combination with one another, provide indications as to the direction in which the economy is proceeding. Thus, with the business activity index numbers, it becomes easy to forecast the future course of action.

However, it should be kept in mind that business barometers have their own limitations and they are not sure road to success. All types of business do not follow the general trend but different index numbers have to be prepared for different activities, etc.

5. Time Series Analysis:

Time series analysis involves decomposition of historical series into its various components, viz. trend, seasonal variances, cyclical variations, and random variances. When the various components of a time series are separated, the variation of a particular situation, the subject under study, can be known over the period of time and projection can be made about the future.

A trend can be known over the period of time which may be true for the future also. However, time series analysis should be used as a basis for forecasting when data are available for a long period of time and tendencies disclosed by the trend and seasonal factors are fairly clear and stable.

6. Regression Analysis:

Regression analysis is meant to disclose the relative movements of two or more inter-related series. It is used to estimate the changes in one variable as a result of specified changes in other variable or variables. In economic and business situations, a number of factors affect a business activity simultaneously.

Regression analysis helps in isolating the effects of such factors to a great extent. For example, if we know that there is a positive relationship between advertising expenditure and volume of sales or between sales and profit, it is possible to have estimate of the sales on the basis of advertising, or of the profit on the basis of projected sales, provided other things remain the same.

7. Input-Output Analysis:

According to this method, a forecast of output is based on given input if relationship between input and output is known. Similarly, input requirement can be forecast on the basis of final

output with a given input-output relationship. The basis of this technique is that the various sectors of economy are interrelated and such inter-relationships are well-established.

For example, coal requirement of the country can be predicted on the basis of its usage rate in various sectors like industry, transport, household, etc. and how the various sectors behave in future. This technique yields sector-wise forecasts and is extensively used in forecasting business events as the data required for its application are easily obtained.

What is Decision Making?

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager

Decisions play important roles as they determine both organizational and managerial activities.

A decision can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.

Decisions are made at every level of management to ensure organizational or business goals are achieved. Further, the decisions make up one of core functional values that every organization adopts and implements to ensure optimum growth and drivability in terms of services and or products offered.

As such, decision making process can be further exemplified in the backdrop of the following definitions.

Definition of Decision Making

According to the Oxford Advanced Learner's Dictionary the term decision making means - the process of deciding about something important, especially in a group of people or in an organization.

Trewatha & Newport defines decision making process as follows:, "**Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem**".

As evidenced by the foregone definitions, **decision making process is a consultative affair** done by a comity of professionals to drive better functioning of any organization. Thereby, it is a continuous and dynamic activity that pervades all other activities pertaining to the organization.

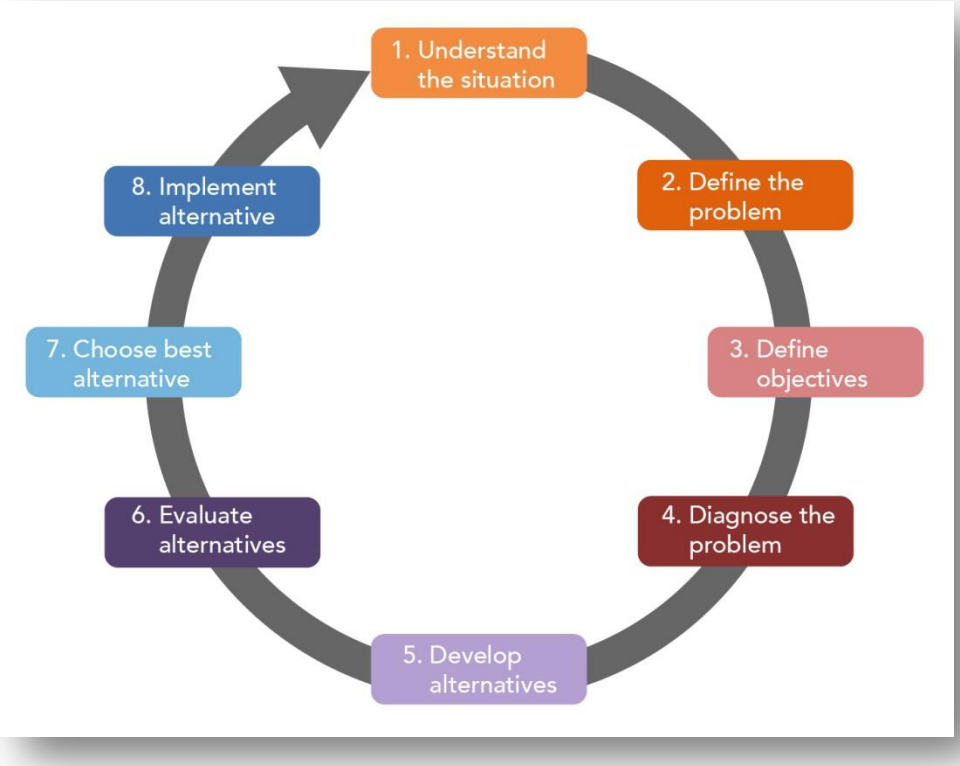
Since it is an ongoing activity, decision making process plays vital importance in the functioning of an organization. Since intellectual minds are involved in the process of decision making, it requires solid scientific knowledge coupled with skills and experience in addition to mental maturity.

Further, **decision making process can be regarded as check and balance system** that keeps the organisation growing both in vertical and linear directions. It means that decision making process seeks a goal. The goals are pre-set business objectives, company missions and its vision. To achieve these goals, company may face lot of obstacles in administrative, operational, marketing wings and operational domains. Such problems are sorted out through comprehensive decision making process. No decision comes as end in itself, since it may evolve new problems to solve. When one problem is solved another arises and so on, such that decision making process, as said earlier, is a continuous and dynamic.

A lot of time is consumed while decisions are taken. In a management setting, decision cannot be taken abruptly. It should follow the steps such as

1. Defining the problem
2. Gathering information and collecting data
3. Developing and weighing the options
4. Choosing best possible option
5. Plan and execute
6. Take follow up action

Since decision making process follows the above sequential steps, a lot of time is spent in this process. This is the case with every decision taken to solve management and administrative problems in a business setting. Though the whole process is time consuming, the result of such process in a professional organization is magnanimous.* Big or Great



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DECISION MAKING – FURTHER READING : -

https://bbamantra.com/decision-making-process/

ORGANIZING : Principles, Nature, Significance, Limitations.

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern. According to Chester Barnard, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

A manager performs organizing function with the help of following steps:

1. **Identification of activities:** All the activities which have to be performed in a concern have to be identified first. For example, preparation of accounts, making sales, record keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.
2. **Departmentally organizing the activities:** In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentation.
3. **Classifying the authority:** Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen. The clarification of authority help in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern's working.
4. **Co-ordination between authority and responsibility:** Relationships are established among various groups to enable smooth interaction toward the achievment of the organizational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organizational structure is drawn and all the employees are made aware of it.

PRINCIPLES OF ORGANIZING

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organize in an effective manner, the following principles of organization can be used by a manager.

(i) Principle of Specialization

According to the principle, the whole work of a concern should be divided into the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.

(ii) Principle of Functional Definition

According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority-responsibility relationships helps in achieving co-ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments should be clearly defined to every person attached to that department. Clarification in the authority-responsibility relationship helps in efficient organization.

(iii) Principles of Span of Control/Supervision

According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either from a wide or narrow span. There are two types of span of control:

(a) Wide span of control: It is one in which a manager can supervise and control effectively a large group of persons at one time. The features of this span are:-

1. Less overhead cost of supervision
2. Prompt response from the employees
3. Better communication
4. Better supervision
5. Better co-ordination
6. Suitable for repetitive jobs

According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

(b) Narrow span of control: According to this span, the work and authority is divided into many subordinates and a manager doesn't supervises and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time. The features are:

Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.

- Co-ordination is difficult to be achieved.
- Communication gaps can come.
- Messages can be distorted.
- Specialization work can be achieved.

NATURE OF ORGANIZING:

- **Organization is a group of Individuals:** Organization can consider as a group of individuals who comes together and make co-operative relationship with each-other and contributing their efforts with a view to attain preset goals. Infect, in the absence of group of individuals there is no existence of organization. Thus it is clear that organization is a group of individuals.
- **Organization is a process:** The feature of organization can put to be as a process, because a large number of events are done under organizing process towards the attainment of predetermined goals, such as determination of various activities, grouping of activities, allocation of work among-st the employees and delegation of authority as well. Hence, organization is a process.
- **Organization is a 'Means' not an 'End':** Organization is a means to reach out the goals of an enterprise. In fact organization provides such platforms to enterprise where all the activities are clearly predefined, as a result of this enterprise easily obtain its goals. Thus it is proved that organization is a 'Means' not an 'End'.
- **Organization is an important Function of Management:** It is an essential feature of organisation. Organization refers to an important function of management because all other functions of management like staffing, directing, controlling etc will become ineffective in the absence of this function.
- **Organization is related to its Objectives:** Organization is directly concerned with the objectives of enterprise. In the absence of objectives there is no life of organization. If there is an organization then the objectives must be attached with it. Hence, Organization is related with its goals.
- **Communication is the life of organization:** It is also an important feature of organization. Communication can be treated as a life of organization, because in the lack of proper network of communication there is no existence of organization. Infect the foundation of an organization properly depends on communication. On the whole it is clear that organization is the system of communication.

Significance

1. **Benefits in specialisation:**

In organising every individual is assigned a part of total work and not the whole task.

Due to this division of work into smaller units and assignment of units according to the qualification leads to specialisation. The specialisation automatically comes when an individual is performing one job repeatedly.

2. **Role Clarity:**

In the organising function the employees are assigned different jobs and the managers clearly define the jobs. The jobs are defined on the written document called job description which clearly spells out what exactly has to be done in every job.

This description of job brings clarity in the minds of employees.

3. **Clarity in working relationship:**

In the organising function it is clearly defined that what all and how much power and authority is enjoyed by different individuals or managers. Each manager knows very clearly to whom he can give order and from whom he has to receive the order. The superior-subordinate relation is clearly defined in organising.

4. **Optimum utilization of resources:**

In the organising function there are very few chances of duplication of work or over-lapping of work because the jobs are assigned to different individuals by clearly defining the job in job description document. So, there are no chances that the same work is performed by two or more individuals.

5. **Co-ordination and effective administration:**

In the organising function, the similar and related jobs are grouped under one department which leads to unification of efforts and harmony in work. The organising function establishes relation between different departments keeping in mind the co-ordination among different departments. By bringing clarity in working relationship administrative efficiency improver.

6. **Adoption to change:**

Whenever the changes take place in the business environment then with the help of organising function these changes can be adopted systematically because organising function creates different departments and group related activities under each department.

With this, changes can be adopted only in that area which may be affected by these changes and changes can be easily communicated to whole organisation through departments. Organisational structures can be suitably modified according to changes.

7. **Expansion and Growth:**

With optimum utilization of resources and proper division of work and departmentation, companies can easily meet the challenges and can expand their activities in a planned manner.

8. **Development of personnel:**

Delegation of authority is an important part of organising. By delegating the routine the managers can concentrate to develop new methods and ways of performing job. It gives them time to innovate new technologies and areas for growth of the companies. Delegation not only reduces the work load of managers but it also helps them to use and realise their full potential for more creative work.

Limitations of Organizing

(1) Difficulty in Interdepartmental Coordination:

All departmental heads may work as per their own wish. No doubt this facilitates coordination within the department but it makes interdepartmental coordination difficult.

(2) Hurdle in Complete Development:

This system is a hurdle in the way of the complete development of the employees. Each employee specialises only in a small part of the whole job.

(3) Conflict of Interest:

Every departmental head wants to become a functional empire. To satisfy their ego every one demands maximum resources for their department. This situation leads to conflicts among the various departmental heads.

(4) Ignorance of Organisational Objectives:

Each departmental head works according to his sweet will. They always give more importance to their departmental objectives. Hence, overall organisational objectives suffer. For example, to establish its image, the production department may produce quality product ignoring the fact that market trend favors accepting medium quality product.

Organisation Structure: Formal and informal

When the managers are carrying on organising process then as a result of organising process an organisational structure is created to achieve systematic working and efficient utilization of resources. This type of structure is known as formal organisational structure.

Formal organisational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior-

subordinate relationship and the designation of every individual in the organisation. This structure is created intentionally by the managers for achievement of organisational goal.

Features of Formal organisation:

(1) The formal organisational structure is created intentionally by the process of organising.

(2) The purpose of formal organisation structure is achievement of organisational goal.

(3) In formal organisational structure each individual is assigned a specific job.

(4) In formal organisation every individual is assigned a fixed authority or decision-making power.

(5) Formal organisational structure results in creation of superior-subordinate relations.

(6) Formal organisational structure creates a scalar chain of communication in the organisation.

Advantages of Formal Organisation:

1. **Systematic Working:**

Formal organisation structure results in systematic and smooth functioning of an organisation.

2. **Achievement of Organisational Objectives:**

Formal organisational structure is established to achieve organisational objectives.

3. **No Overlapping of Work:**

In formal organisation structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.

4. **Co-ordination:**

Formal organisational structure results in coordinating the activities of various departments.

5. **Creation of Chain of Command:**

Formal organisational structure clearly defines superior subordinate relationship, i.e., who reports to whom.

6. **More Emphasis on Work:**

Formal organisational structure lays more emphasis on work than interpersonal relations.

Disadvantages of Formal Organisation:

1. **Delay in Action:**

While following scalar chain and chain of command actions get delayed in formal structure.

2. **Ignores Social Needs of Employees:**

Formal organisational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.

3. **Emphasis on Work Only:**

Formal organisational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

Informal Organisation:

In the formal organisational structure individuals are assigned various job positions. While working at those job positions, the individuals interact with each other and develop some social and friendly groups in the organisation. This network of social and friendly groups forms another structure in the organisation which is called informal organisational structure.

The informal organisational structure gets created automatically and the main purpose of such structure is getting psychological satisfaction. The existence of informal structure depends upon the formal structure because people working at different job positions interact with each other to form informal structure and the job positions are created in formal structure. So, if there is no formal structure, there will be no job position, there will be no people working at job positions and there will be no informal structure.

Features of informal organisation:

(1) Informal organisational structure gets created automatically without any intended efforts of managers.

(2) Informal organisational structure is formed by the employees to get psychological satisfaction.

(3) Informal organisational structure does not follow any fixed path of flow of authority or communication.

(4) Source of information cannot be known under informal structure as any person can communicate with anyone in the organisation.

(5) The existence of informal organisational structure depends on the formal organisation structure.

Advantages of Informal Organisation:

1. **Fast Communication:**

Informal structure does not follow scalar chain so there can be faster spread of communication.

2. **Fulfills Social Needs:**

Informal communication gives due importance to psychological and social need of employees which motivate the employees.

3. **Correct Feedback:**

Through informal structure the top level managers can know the real feedback of employees on various policies and plans.

Strategic Use of Informal Organisation. Informal organisation can be used to get benefits in the formal organisation in the following way:

1. The knowledge of informal group can be used to gather support of employees and improve their performance.
2. Through grapevine important information can be transmitted quickly.
3. By cooperating with the informal groups the managers can skillfully take the advantage of both formal and informal organisations.

Disadvantages of Informal organisation:

1. **Spread Rumours:**

According to a survey 70% of information spread through informal organisational structure are rumors which may mislead the employees.

2. **No Systematic Working:**

Informal structure does not form a structure for smooth working of an organisation.

3. **May Bring Negative Results:**

If informal organisation opposes the policies and changes of management, then it becomes very difficult to implement them in organisation.

4. **More Emphasis to Individual Interest:**

Informal structure gives more importance to satisfaction of individual interest as compared to organisational interest.

Pattern of Organizational Design

Organizational patterns are inspired in large part by the principles of the software pattern community, that in turn takes it cues from Christopher Alexander's work on patterns of the built world. Organizational patterns also have roots in Kroeber's classic anthropological texts on the patterns that underlie culture and society. They in turn have provided inspiration for the Agile software development movement, and for the creation of parts of Scrum and of Extreme Programming in particular.

Principles of discovery and use

Like other patterns, organizational patterns aren't created or invented: they are discovered (or "mined") from empirical observation. The early work on organizational patterns at Bell Laboratories focused on extracting patterns from social network analysis. That research used empirical role-playing techniques to gather information about the structure of relationships in the subject organization. These structures were analyzed for recurring patterns across organization and their contribution to achieving organizational goals. The recurring successful structures were written up in pattern form to describe their tradeoffs and detailed design decisions (forces), the context in which they apply, along with a generic description of the solution.

Patterns provide an incremental path to organizational improvement. The pattern style of building something (in this case, an organization) is:

- Find the weakest part of your organization
- Find a pattern that is likely to strengthen it
- Apply the pattern
- Measure the improvement or degradation
- If the pattern improved things, go to step 1 and find the next improvement; otherwise, undo the pattern and try an alternative.

As with Alexander-style patterns of software architecture, organizational patterns can be organized into pattern languages: collections of patterns that build on each other.

A pattern language can suggest the patterns to be applied for a known set of working patterns that are present.

Organizational designs fall into two categories, traditional and contemporary. Traditional designs include simple structure, functional structure, and divisional structure. Contemporary designs would include team structure, matrix structure, project structure, boundaryless organization, and the learning organization. I am going to define and discuss each design in order to give an understanding of the organizational design concept.

I. Traditional Designs

1. Simple Structure

A simple structure is defined as a design with low departmentalization, wide spans of control, centralized authority, and little formalization. This type of design is very common in small start up businesses. For example in a business with few employees the owner tends to be the manager and controls all of the functions of the business. Often employees work in all parts of the business and don't just focus on one job creating little if any departmentalization. In this type of design there are usually no standardized policies and procedures. When the company begins to expand then the structure tends to become more complex and grows out of the simple structure.

2. Functional Structure

A functional structure is defined as a design that groups similar or related occupational specialties together. It is the functional approach to departmentalization applied to the entire organization.

3. Divisional Structure

A divisional structure is made up of separate, semi-autonomous units or divisions. Within one corporation there may be many different divisions and each division has its own goals to accomplish. A manager oversees their division and is completely responsible for the success or failure of the division. This gets managers to focus more on results knowing that they will be held accountable for them.

II. Contemporary Designs

1. Team Structure

A team structure is a design in which an organization is made up of teams, and each team works towards a common goal. Since the organization is made up of groups to perform the functions of the company, teams must perform well because they are held accountable for their performance. In a team structured organization there is no hierarchy or chain of command. Therefore, teams can work the way they want to, and figure out the most effective and efficient way to perform their tasks. Teams are given the power to be as innovative as they want. Some teams may have a group leader who is in charge of the group.

2. Matrix Structure

A matrix structure is one that assigns specialists from different functional departments to work on one or more projects. In an organization there may be different projects going on at once. Each specific project is assigned a project manager and he has the duty of allocating all the resources needed to accomplish the project. In a matrix structure those resources include the different functions of the company such as operations, accounting, sales, marketing, engineering, and human resources. Basically the project manager has to gather specialists from each function in order to work on a project, and complete it successfully. In this structure there are two managers, the project manager and the department or functional manager.

3. Project Structure

A project structure is an organizational structure in which employees continuously work on projects. This is like the matrix structure; however when the project ends the employees don't go back their departments. They continuously work on projects in a team like structure. Each team has the necessary employees to successfully complete the project. Each employee brings his or her specialized skill to the team. Once the project is finished then the team moves on to the next project.

4. Autonomous Internal Units

Some large organizations have adopted this type of structure. That is, the organization is comprised of many independent decentralized business units, each with its own products, clients, competitors, and profit goals. There is no centralized control or resource allocation.

5. Boudaryless Organization

A boundaryless organization is one in which its design is not defined by, or limited to, the horizontal, vertical, or external boundaries imposed by a predefined structure. In other words it is an unstructured design. This structure is much more flexible because there is no boundaries to deal with such as chain of command, departmentalization, and organizational hierarchy. Instead of having departments, companies have used the team approach. In order to eliminate boundaries managers may use virtual, modular, or network organizational structures. In a virtual organization work is outsourced when necessary. There are a small number of permanent employees, however specialists are hired when a situation arises. Examples of this would be subcontractors or freelancers. A modular organization is one in which manufacturing is the business. This type of organization has work done outside of the company from different suppliers. Each supplier produces a specific piece of the final product. When all the pieces are done, the organization then assembles the final product. A network organization is one in which companies outsource their major business functions in order to focus more on what they are in business to do.

6. Learning Organization

A learning organization is defined as an organization that has developed the capacity to continuously learn, adapt, and change. In order to have a learning organization a company must have very knowledgeable employees who are able to share their knowledge with others and be able to apply it in a work environment. The learning organization must also have a strong organizational culture where all employees have a common goal and are willing to work together through sharing knowledge and information. A learning organization must have a team design and great leadership. Learning organizations that are innovative and knowledgeable create leverage over competitors.

FURTHER READING : Types of Organization

https://legalpaathshala.com/types-of-organization/

Features Of Organizing

The features of organizing are stated as here under:

1. Division of work – The total work should be divided into many parts for effective performance of the work. Each part of work is to be performed by one person or a group of persons. In this way, the division of work results in the creation of specialized persons.

2. Achieving organizational objective – There is a need of coordination among the employees in the organization. The division of work is done keeping in view the overall objectives of the organization. The organizing process is framed in such a way so as to achieve organizational objectives smoothly.

3. Authority-responsibility structure – The position of each of the executives is defined with regard to the extent of authority and responsibility vested in him to discharge his duties. Organizing arranges for the delegation of authority and responsibility. It tries to bring harmony, authority, and responsibility.

4. Grouping of activities – Activities are needed to be grouped on certain well-defined basis such as function, product, customer, process, territory, etc. This grouping process is called departmentation. It helps in achieving the benefits of specialization and administrative control.

5. Scalar (step-by-step) principle – Authority is delegated from the upper level to the lower level and the responsibility flows from the lower level to the upper level of organizational hierarchy. Provision is to be made for the accountability of the assigned duties. Each employee of an organization must know where his accountability lies.

6. Installing sound communication system – The success of management depends upon effective system of communication. It helps the management by providing information about the duties, responsibilities, authority, positions, and jobs. Coordination can be maintained among various related departments by making exchange of information on a regular basis.

7. Flexibility – The organizing process should be flexible so that any change can be incorporated as and when required. It ensures the ability to adapt and adjust the activities in response to the change taking place in the external environment. The programs, policies, and strategies can be changed as and when required if the provision for flexibility is made in the organizing process.

8. Coordination – Coordination ensures the unity of action in the realization of a common objective. It is an arrangement of group effort to achieve organizational goals. Coordination of different personnel and departments are needed for ensuring higher efficiency and effectiveness.

Elements Of Organising

The basic elements of organising are as follows:

Element # 1. Division of Work:

It means dividing the work into specific tasks with deadlines to their completion. Once the work is divided, the tasks are distributed to different functional areas of the organisation as production, marketing, finance and personnel.

Element # 2. Grouping of Activities:

The tasks are grouped into different departments on the basis of similarity of their features. This is called departmentation.

The common forms of departmentation are as follows:

i. Functional Departmentation (Grouping Activities by Functions Performed):

Activities can be grouped according to functions (work being done) to pursue economies of scale by placing employees with shared skills and knowledge into departments, for example, human resources, IT, accounting, manufacturing, logistics, and engineering. Functional departmentalization can be used in all types of organisations.

ii. Product Departmentation (Grouping Activities by Product Line):

Tasks are grouped according to a specific product or service. All activities related to the product or the service are placed under one manager. Each major product area in the company is under the authority of a senior manager who is specialist in, and is responsible for everything related to the product line. For a shoe company, the structure could be based on product lines like women's footwear, children's footwear and men's footwear.

iii. Customer Departmentation (Grouping Activities on the Basis of Common Customers or Types of Customers):

Jobs are grouped according to the type of customers served by the organisation assuming that customers in each department have a common set of problems and needs that can best be met by specialists. For example, the sales activities in the organisation can be broken down into three departments that serve retail, wholesale and government accounts.

iv. Geographic Departmentation (Grouping Activities on the Basis of Territory):

If the customers are geographically dispersed, jobs can be grouped on the basis of geographical locations. For example, the organisation structure of a company can reflect its operations in two broad geographic areas – the national sector and the international sector. The national sector could further be divided into north zone, south zone, east zone and west zone.

v. Process Departmentation (Grouping Activities on the Basis of Product or Service or Customer Flow):

Process departmentalisation allows homogenous activities to be categorised in one department because each process requires different skills. For example, the applicants might need to go through several departments namely validation, licensing and treasury, before receiving the driver's license. Each department looks after specific sequence of the process which increases the speed and efficiency of that process.

Element # 3. Distribution of Authority:

Once the departments are created, members are given authority to perform the tasks assigned. Authority specifies the discretion of employee over his work. In a formally designed organisation structure, employees' behaviour is bound by rules, regulations and policies but in a comparatively less formal organisation structure, they have a great deal of freedom in deciding how they perform their work. "Authority is the legitimate power of the supervisor to direct subordinates to take action within the scope of the supervisor's positions."

Element # 4. Coordination:

When people perform tasks assigned to them at different levels in different departments, it has to be ensured that the tasks are related to each other and aim at unified goals. This requires coordination amongst the tasks of all the organisational members. Coordination is the act of organising, making different people or things work together for a goal or effort to fulfil desired goals in the organisations. It is a managerial function that aims to adjust and interlink activities of the business.

FURTHER READING :
https://www.economicsdiscussion.net/management/organizing/what-is-organizing-in-management/32438

STAFFING : Functions, Nature, Importance, Steps, Benefits, Fundamentals of staffing.

The managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal and development of the personnel's to fill the roles assigned to the employers/workforce.

Functions of Staffing

- The first and foremost function of staffing is to obtain qualified personnel for different jobs position in the organization.
- In staffing, the right person is recruited for the right jobs, therefore it leads to maximum productivity and higher performance.
- It helps in promoting the optimum utilization of human resource through various aspects.
- Job satisfaction and morale of the workers increases through the recruitment of the right person.
- Staffing helps to ensure better utilization of human resources.
- It ensures the continuity and growth of the organization, through development managers.

According to Theo Haimann, "Staffing pertains to recruitment, selection, development and compensation of subordinates."

1. **Staffing is an important managerial function:** Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.
2. **Staffing is a pervasive activity:** As staffing function is carried out by all mangers and in all types of concerns where business activities are carried out.
3. **Staffing is a continuous activity:** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.
4. **The basis of staffing function is efficient management of personnel's:** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.
5. **Staffing helps in placing right men at the right job:** It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.

6. **Staffing is performed by all managers: D**epending upon the nature of business, size of the company, qualifications and skills of managers, etc. In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

NATURE OF STAFFING

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

The nature of staffing function is discussed below:

(i) People Centred

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

(ii) Responsibility of Every Manager

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

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

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

(iii) Human Skills

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

(iv) Continuous Function

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

IMPORTANCE OF STAFFING

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

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

1. **Efficient Performance of Other Functions**

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

2. **Effective Use of Technology and Other Resources**

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

3. **Optimum Utilization of Human Resources**

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

4. **Development of Human Capital**

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

5. **Motivation of Human Resources**

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

6. Building Higher Morale

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

Steps involved in Staffing Process

1. Manpower Planning
2. Recruitment
3. Selection
4. Placement
5. Training
6. Development
7. Promotion
8. Transfer
9. Appraisal
10. Determination of Remuneration

Now, the process of Staffing can be explained in the following ways as follows:

1. Manpower Planning

Manpower planning can be regarded as the quantitative and qualitative measurement of labour force required in an enterprise. Therefore, in an overall sense, the planning process involves the synergy in creating and evaluating the manpower inventory and as well as in developing the required talents among the employees selected for promotion advancement

2. Recruitment

Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs in the organization. It stands for finding the source from where potential employees will be selected.

3. Selection

Selection is a process of eliminating those who appear unpromising. The purpose of this selection process is to determine whether a candidate is suitable for employment in the organization or not. Therefore, the main aim of the process of selection is selecting the right candidates to fill various positions in the organization. A well-planned selection procedure is of utmost importance.

4. Placement

Placement means putting the person on the job for which he is selected. It includes introducing the employee to his job.

5. Training

After selection of an employee, the important part of the programmed is to provide training to the new employee. With the various technological changes, the need for training employees is being increased to keep the employees in touch with the various new developments.

6. Development

A sound staffing policy provides for the introduction of a system of planned promotion in every organization. If employees are not at all having suitable opportunities for their development and promotion, they get frustrated which affect their work.

7. Promotions

The process of promotion implies the up-gradation of an employee to a higher post involving increasing rank, prestige and responsibilities. Generally, the promotion is linked to increment in wages and incentives but it is not essential that it always relates to that part of an organization.

8. Transfer

Transfer means the movement of an employee from one job to another without increment in pay, status or responsibilities. Therefore this process of staffing needs to evaluated on a timely basis.

9. Appraisal

Appraisal of employees as to how efficiently the subordinate is performing a job and also to know his aptitudes and other qualities necessary for performing the job assigned to him.

10. Determination of Remuneration

This is the last process which is very crucial as it involves in determining remuneration which is one of the most difficult functions of the personnel department because there are no definite or exact means to determine correct wages.

Benefits of Staffing Process

The benefits of an effective staffing function are as follows:

- Staffing process helps in getting right people for the right job at right time. The function of staffing helps the management to decide the number of employees needed for the organization and with what qualifications and experience.
- Staffing process helps to improved organizational productivity. Therefore, through proper selection of employees in the organization, it can increase the quality of the employees, and through proper training, the performance level of the employees can also be improved.
- It helps in providing job satisfaction to the employees and thus keeps their morale high. With proper training and development programmer, the employees get motivation and their efficiency improves and they feel assured of their career advancements.
- It maintains harmony in the organization. Therefore with an overall performance of proper staffing in an organization, the individuals are not only recruited and selected and but as a result, their performance is regularly appraised and promotions made on merit which fosters harmony and peace in the organization for the accomplishment of overall objectives of an organization.

Limitations of Staffing

- Staffing from Internal source discourages capable persons from outside, joining the concern.
- It is possible that the requisite number of persons possessing the qualifications for the vacant posts may not be available in the organization.
- For posts requiring innovation and original thinking, internal method of recruitment cannot be followed.
- If only seniority is the criterion for promotion, inefficient people may also be promoted to senior posts. This will ultimately ruin the prospects of the firm.

Selection: Process of Selection, Stages

Finding the interested candidates who have submitted their profiles for a particular job is the process of recruitment, and choosing the best and most suitable candidates among them is the process of selection. It results in elimination of unsuitable candidates. It follows scientific techniques for the appropriate choice of a person for the job.

The recruitment process has a wide coverage as it collects the applications of interested candidates, whereas the selection process narrows down the scope and becomes specific when it selects the suitable candidates.

Stone defines, ‘Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job’.

Steps Involved in Selection Procedure:

A scientific and logical selection procedure leads to scientific selection of candidates. The criterion finalized for selecting a candidate for a particular job varies from company to company.

Therefore, the selection procedure followed by different organizations, many times, becomes lengthy as it is a question of getting the most suitable candidates for which various tests are to be done and interviews to be taken. The procedure for selection should be systematic so that it does not leave any scope for confusions and doubts about the choice of the selected candidate (Figure 5.6).

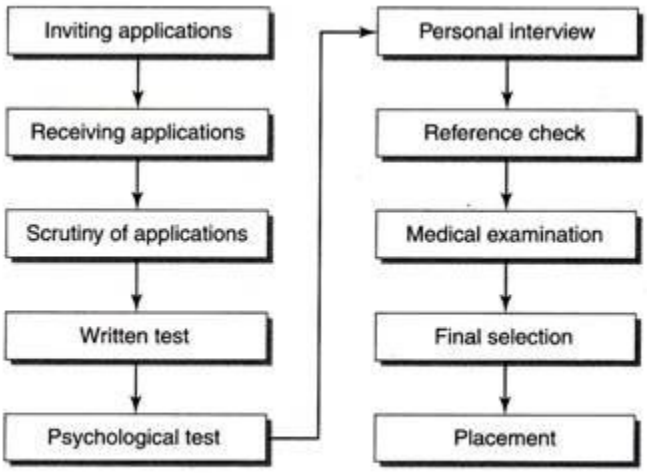


Fig. 5.6 Steps Involved in Selection Procedure

Brief details of the various steps in selection procedure are given as follows:

1. Inviting applications:

The prospective candidates from within the organization or outside the organization are called for applying for the post. Detailed job description and job specification are provided in the advertisement for the job. It attracts a large number of candidates from various areas.

2. Receiving applications:

Detailed applications are collected from the candidates which provide the necessary information about personal and professional details of a person. These applications facilitate analysis and comparison of the candidates.

3. Scrutiny of applications:

As the limit of the period within which the company is supposed to receive applications ends, the applications are sorted out. Incomplete applications get rejected; applicants with un-matching job specifications are also rejected.

4. Written tests:

As the final list of candidates becomes ready after the scrutiny of applications, the written test is conducted. This test is conducted for understanding the technical knowledge, attitude and interest of the candidates. This process is useful when the number of applicants is large.

Many times, a second chance is given to candidates to prove themselves by conducting another written test.

5. Psychological tests:

These tests are conducted individually and they help for finding out the individual quality and skill of a person. The types of psychological tests are aptitude test, intelligence test, synthetic test and personality test

6. Personal interview:

Candidates proving themselves successful through tests are interviewed personally. The interviewers may be individual or a panel. It generally involves officers from the top management.

The candidates are asked several questions about their experience on another job, their family background, their interests, etc. They are supposed to describe their expectations from the said job. Their strengths and weaknesses are identified and noted by the interviewers which help them to take the final decision of selection.

7. Reference check:

Generally, at least two references are asked for by the company from the candidate. Reference check is a type of crosscheck for the information provided by the candidate through their application form and during the interviews.

8. Medical examination:

Physical strength and fitness of a candidate is must before they takes up the job. In-spite of good performance in tests and interviews, candidates can be rejected on the basis of their ill health.

9. Final selection:

At this step, the candidate is given the appointment letter to join the organization on a particular date. The appointment letter specifies the post, title, salary and terms of employment. Generally, initial appointment is on probation and after specific time period it becomes permanent.

10. Placement:

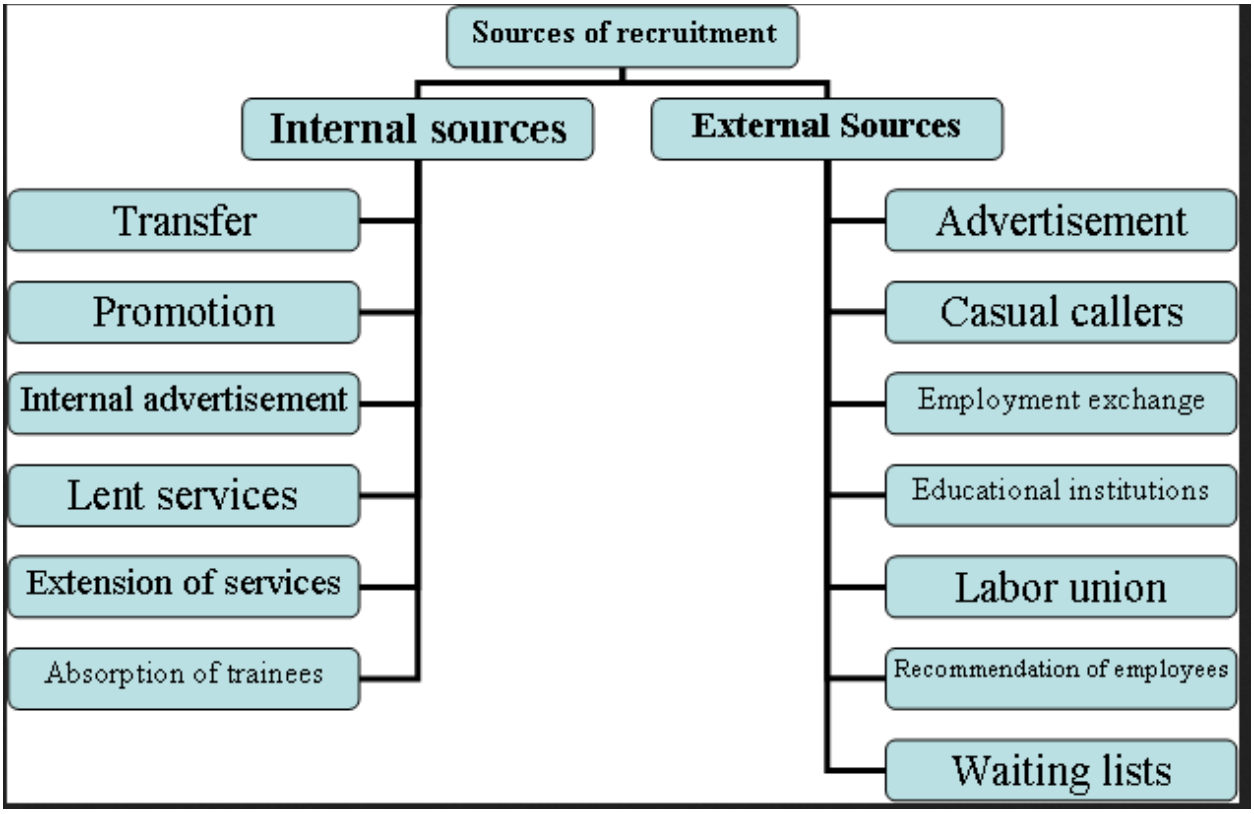
This is a final step. A suitable job is allocated to the appointed candidate so that they can get the whole idea about the nature of the job. They can get adjusted to the job and perform well in future with all capacities and strengths.

Recruitment

Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organization. It is the process of bringing together those who are offering jobs and those who are seeking jobs. Recruitment is a positive process where a pool of prospective employees is created and management select the right person for the right job from this pool. It provides a base for the selection process.

Sources of Recruitment

1. Internal sources of recruitment which means recruitment from within the organization.
2. External sources of recruitment means recruitment from outside the organization.



Internal sources of recruitment which means recruitment from within the organization

(i) Transfer: it means shifting of employees from one job to another. There is no drastic change in the pay or status of the employees it generally remains the same.

(ii) Promotion: it means shifting the employee to higher position with the change in the pay or status.

(iii) Internal advertisement: it means appointing the employees from within the organization through advertisement.

(iv) Lent services: it means employing the person for newly started plant in the organization.

(v) Extension of services: it is extending the service of employees by recruiting them again.

(vi) Absorption of trainees: those who come in the organization for training employing them.

External sources of recruitment mean recruitment from outside the organization:

(i) Advertisement: it is a way to attract number of employees by giving advertisement in the newspaper.

(ii) Casual callers: the good organizations have a list of casual callers also who apply them and the organization instead of giving new advertisement give a call to these casual callers.

(iii) Employment exchange: it is a good source of recruitment where the candidates are called with the help of employment exchange.

(iv) Educational institutions: here the company's go to the educational institutions from where they select the suitable employees for the job.

(v) Labor union: the organization may select the candidate from the labor union of the company to satisfy the labors also.

(vi) Recommendation of employees: sometimes the employees working in the organization also suggest the name of suitable candidate for the appointment.

(vii) Waiting lists: generally the organization s prepares the waiting lists of the employees. Sometimes the selected candidates failed to join in that case the waiting list employees are called.

Thus the above said are the main sources of recruitment of the employees within the organization and outside the organization which are used by the organization to employ the employees.

Process of Recruitment

(i) Firstly it identify the different sources of employee supply

(ii) To check their validity

(iii) Selecting the most suitable source

(iv) Inviting the applications from the prospective candidate for the vacancy.