

MODULE 2

ORGANIZING AND STAFFING

OBJECTIVES

- To introduce meaning and characteristics of Organization
- To understand the nature and purpose of organization
- To understand departmentation and to know the process of staffing
- To understand the meaning and nature of direction, leadership styles, motivation theories.
- Discuss the meaning and importance of communication.
- Understand the types and forms of communication.
- Understand the meaning, importance and techniques of coordination.
- Present the meaning of controlling.
- Discuss the essentials of sound control system.
- Present methods of establishing control.

INTRODUCTION

An organization can be defined as a social unit or human grouping deliberately structured for the purpose of attaining specific goals. An organization can also be defined as the process of identifying and grouping of the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in the accomplishment of their objectives.

NATURE AND PURPOSE OF ORGANIZATION

The nature of organization is as follows

- An organization basically consists of group of people who form the dynamic human element of the organization.
- Organization helps in identifying the various tasks to be performed which are assigned to the individuals to perform to achieve the common objectives or common purpose of the organization.

- It ensures to achieve coordination amongst the people working in various departments of the organization And ensures integrated efforts to achieve organizational objectives or goals.
- It delegates authority to the managers with commensurate responsibility and accountability for the discharge of their duties and also amongst different hierarchical levels in an organization.
- It also aides in achieving financial, physical material and human resources.
- Organizations are part of the larger environment and hence they are influenced by the external environment.
- Organization helps in the realization of the plans made by the managers

The purpose of any organization is to achieve goals for which it is formed which aims at achieving common objectives through its group member efforts. The organizations exist for different purpose and the efforts for organizational members are directed for the achievement of this purpose. For example: For business organization the purpose is to develop people and their skills for contributing towards the growth of the enterprise through profits For nonprofit organization the purpose the objective would be to serve the members of the committee in a productive manner.

PRINCIPLES OF ORGANIZATION

The principles of organization are as follows

- **Objectives:** The objectives of the enterprise influence the organization structure and hence the objectives of the enterprise should first be clearly defined. Then every part of the organization should be geared to the achievement of these objectives.
- **Specialization:** Effective organization must promote specialization. The activities of the enterprise should be divided according to functions and assigned to persons according to their specialization.
- **Span of control:** As there is a limit to the number of persons that can be supervised effectively by one boss, the span of control should be as far as possible, the minimum. That means, an executive should be asked to supervise a reasonable number of subordinates only.

- **Exception:** As the executives at the higher levels have limited time, only exceptionally complex problems should be referred and routine matters should be dealt with by the subordinates at lower levels. This will enable the executives at higher levels to devote time to more important and crucial issues.
- **Scalar Principle:** This Principle is sometimes known as the “chain of command”. The line of authority from the chief executive at the top to the first-line supervisor at the bottom must be clearly defined.
- **Unity of command:** Each subordinate should have only one superior whose command he has to obey. Multiple-subordination must be avoided for it causes Uneasiness, disorder, indiscipline and undermining of authority.
- **Delegation:** Proper authority should be delegated at the lower levels of manager of the organization also. The authority delegated should be equal to responsibility That is each manager should have enough authority to accomplish the task assigned to him. Inadequate delegation often results into multiplication of staff and service activity..
- **Responsibility:** The superior should be held responsible for the acts of his subordinates. No superior should be allowed to avoid responsibility by delegating authority to his subordinates
- **Authority:** The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. Further, the authority should be equal to responsibility.
- **Efficiency:** The organization structure should enable the enterprise to function efficiently and accomplish its objectives with the lowest possible cost.
- **Simplicity:** The Organization structure should be as simple as possible and the organization levels should as far as possible, be minimum. A large number of levels of organization means difficulty of effective communication and coordination. Too many committees and excessive procedures Also unduly complicate the structure.
- **Flexibility:** The organization should be adaptable to changing circumstances and permit correction of demonstrated deficiencies in the existing structure without dislocation and disruption of the basic design.
- **Balance:** There should be a reasonable balance in the size of various departments, between centralization and decentralization, between the principle of span of control and

the short chain of command, and among all types of factors such as human, technical and financial.

- **Unity of direction:** There should be one objective and one plan for a group of activities having the same objective. Unity of direction facilitates unification and coordination of activities at various levels.
- **Personal Ability:** As people constitute an organization, there is need for proper selection, placement and training of staff. Further the organization structure must ensure optimum use of human resources and encourage management development programmes
- **Acceptability:** The structure of the organization should be acceptable to the people who constitute it. Two things generally happen if people oppose the structure: it is modified gradually by the people, or it is used ineffectively.

TYPES OF ORGANIZATION

The types of organization are

- **Business organization:** are those organizations which are formed with the purpose of earning profits the sole purpose being to earn surplus in the form of profits without which they cannot survive and grow Example: Firms engaged in manufacturing, trading, services etc
- **Non -profit service organizations:** are those organizations who do not have the motive of making profits but to serve the people of the a specific community or a segment of a society. Example: Rotary club, Lions club, Orphanages, Charitable hospitals etc.
- **Formal organizations :**are officially formed with definite structure which describes authority and responsibility, relationship and behavior of organizational members
- **Informal organization:** do not have any official recognition and they are formed due to the social interaction needs of the people resulting in different types of social networks. Found in all formal organizations where people come together and form social groups for various reasons like common interests, friendship or affiliation, satisfaction of emotional needs .

DEPARTMENTALIZATION

The horizontal differentiation of tasks or activities into discrete segments is called departmentalization. Departmentalization is one important step of building an organization. There are several bases for departmentalization, each of which is suitable for particular corporate sizes, strategies and purposes. Following is a brief description of these bases.

- **Functions:** the most widely used base for departmentalization is function. Each major function of the enterprise is grouped into a department. Example: finance and marketing departments in a manufacturing company
- **Products:** Eminently suited for large organization manufacturing a variety of products. For each major product a separate semi autonomous department is created and is put under the charge of a manager who may also be responsible for producing profit of a given magnitude. For each department, all the needed manufacturing, engineering, marketing, manpower and other facilities are assembled. Product departmentalization is the logical pattern to be followed when each product requires raw materials, manufacturing technology and marketing methods that are markedly different from others from those used by other products in the organization.
- **Customers:** An enterprise may be divided into number of departments on the basis of the customers that it services.

COMMITTEES

A committee is a group of people who have been formally assigned some task or some problem for their decision and implementation

Classification of committees: be broadly classified into advisory committees and executive committees.

- **Advisory committees:** Committees are vested with staff authority. Only have a recommendation role and cannot enforce implementation of their advice or recommendation. Examples of advisory committees formed in business enterprises: works committees, sales committees, finance committees etc.
- **Executive committees:** Vested with the line of authority. Not only take decisions but also enforce decisions and thus perform a double role of taking a decision and ordering

its execution. Example: Board of directors is an example of an executive committee. Are also classified as standing committees or ad-hoc task forces.

AUTHORITY AND RESPONSIBILITY

- **Authority** : Is the institutionalized right of a superior to command and compel his subordinates to perform a certain act. Rests in the chair or position. If position changes the authority of the individual also changes.
- **Responsibility**: Responsibility is the obligation the subordinate to obey these commands. Whenever a superior assigns a task to him, it is the responsibility of the subordinate to perform it.

MBO & MBE

- **MBO (MANAGEMENT BY OBJECTIVES)**: It is a process whereby subordinate and superiors of an organization jointly define common goals, define each individual major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing contribution of each of its members
- **MBE (MANAGEMENT BY EXCEPTION)**: Management by Exception is a management style wherein managers intervene only when their employees fail to meet their performance standards. If the employees are performing as expected, the manager will take no action. It is an organizational system where in which managers delegate as much responsibility as possible to those who below them stepping in only when it is absolutely essential. MBE policy focuses on those issues or events in which there is a deviation from the established standard. Management spends its valuable time on important strategic issues. Attention is given only when there is a deviation.

NATURE AND IMPORTANCE OF STAFFING

The process of recruiting, retaining, developing and nurturing the workforce is called staffing

- It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
- Ensures greater production by putting the right man in the right job.
- It helps to avoid a sudden disruption of an enterprises production run by indicating shortages of personal if any in advance.

- Helps to prevent underutilization of personnel through over manning and the resultant high labour cost and low profit margins.
- Provides information to management for the internal succession of managerial personnel in the event of unanticipated turnover.

PROCESS OF SELECTION

Steps in the selection procedure is as follows

- **Application bank:** Filling the application blank by the candidate is the first step in which the applicant gives relevant personal data such as qualification, experience, firms in which he has worked.
- **Initial interview:** Selected personnel based on the particulars furnished in the application blank are called for the initial interview by the company Which is the most important means of evaluating the poise or appearance of the candidate.
- **Employment tests:** Are used for the further assessment of the candidate of his nature and abilities certain tests are conducted by the company. These are:
 - a. **Aptitude test:** is used in finding out whether a candidate is suitable for clerical or a mechanical job which helps in assessing before training as how well the candidate will perform the job.
 - b. **Interest test:** is used to find out the type of work in which the candidate has an interest.
 - c. **Intelligent test:** used to find out the candidates intelligence and candidates mental alertness, reasoning ability, poor of understanding are judged.
 - d. **Trade or performance achievement test:** this test is used to measure the candidate's level of knowledge and skill in the particular trade or occupation in which all he will be appointed, in case he is finally selected. in this test the candidate is asked to do a simple operation of the proposed job.
 - e. **Personality test:** is used to measure those characteristics of a candidate which constitute his personality.
 - f. **Checking references:** used to know about the important personal details about the candidate, his character, past history his background verified from the people mentioned in the application after selection and found satisfactory at the interview.

- **Physical or medical examination:** is another step in selection procedure. The objectives of this examination are to check the physical fitness of the applicant for the job applied for and to protect the company against the unwarranted claims for compensation under certain legislative enactments.
- **Final interview:** This interview is conducted for those who are ultimately selected for employment and the selected candidates are given an idea about their future projects within the organization.

PROCESS OF RECRUITMENT

It is defined as the process of identifying the sources for prospective candidates and to stimulate them to apply for the jobs. About more commonly used external sources of recruitment are:

- **Re-employing former employees:** laid off employees or employees left due to personal reasons may be reemployed who may require less training compared to the strangers of the enterprise. **Friends and relatives of the present employees:** personnel with a record of good relationships may be encouraged to recommend their friends and relatives for Appointment in the concern where they are employed.
- **Applicants at the gate:** suitable unemployed employees who call at the gates of the factories or companies are called are interviewed by the factory or company personnel and those who are found suitable for the existing vacancies are selected.
- **College and technical institutes:** many big companies remain in touch with the colleges and technical institutions to recruit young and talented personnel.
- **Employment exchanges:** employment exchange set up by the government for bringing together those men who are in search of the employment and these who are in search of employment and those who are looking for men. Employment exchanges are considered a useful source for the recruitment of clerks, accountants, typists.
- **Advertising the vacancy:** can be done by advertising the vacancy in leading news papers which may be used when the company requires services of persons possessing certain special skills or when there is acute shortage of labour force.
- **Labour unions:** persons are sometimes recommended for appointment by their labour unions.

DIRECTING & CONTROLLING

INTRODUCTION

Direction is a vital managerial function, performed by every manager. Whenever decision is taken, it must be converted into action by proper implementation. Otherwise, it is of no use. Effective implementation of a decision is made possible by directions. Planning, organizing and staffing are concerned only with the preparation for work performance and it is the direction which stimulates the organization.

MEANING AND NATURE OF DIRECTING

Means issuance of orders and leading and motivating subordinates as they go about executing orders. Consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned. Is a vital in managerial function. Is used to stimulate action by giving direction to his subordinates through orders and also supervise their work to ensure that the plans and policies achieve the desired actions and results. To conclude direction is the process of utilizing the techniques in issuing instructions and making certain that operations are carried out on as originally planned. The nature of Directing is as follows

- **Harmony of objectives:** The goals of its members must be in complete harmony with the goals of an organization. The manager must direct the subordinates in such a way that they that they perceive their goals to be in harmony with enterprise objectives. For Example the company's profits may be associated with the employee's gains by giving additional bonus or promotion.
- **Unity of Command:** The subordinates must receive orders and instructions from one supervisor only the violation of which may lead to conflicting orders, divided loyalties and decreased personal responsibility for results.
- **Direct supervision** Every supervisor must Maintain face-to-face contact with his subordinates which boosts the morale of the employees, increases their loyalty and provides them with feedback on how well they are doing.
- **Efficient Communication:** Communication is An instrument of direction through which the supervisor gives orders, allocates jobs. explains duties and ensures performance. Is a two way process which enables the superior to know how his subordinates feel about the

company and how the company feels on a number of issues concerning them. In communication comprehension is more important than the content.

- **Follow-through:** Is an act of following through the whole performance of his subordinates to keep check on their activities, help them in their cat and point out deficiencies if any and revise their direction if required.

LEADERSHIP STYLES

Three leadership styles widely used:

- I. Traits approach:** Trait is basically a character and deals with personal abilities and assumed to be God's gift and abilities Are identified as mental and physical energy, emotional stability, knowledge of human relations, empathy, objectivity, personal motivation, communication skills, teaching ability, social skills, technical competence, friendliness and affection, integrity and faith, intelligence etc. Trait theories argue that leaders share a number of common personality traits and characteristics, and that leadership emerges from these traits. Early trait theories promoted the idea that leadership is an innate, instinctive quality that you either have or don't have. Now we have moved on from this approach, and we're learning more about what we can do as individuals to develop leadership qualities within ourselves and others. traits are external behaviors that emerge from things going on within the leader's mind and it's these internal beliefs and processes that are important for effective leadership.
- II. Behavioral approach:** What does a good leader do? Behavioral theories focus on how leaders behave. Do they dictate what needs to be done and expect cooperation? Or do they involve the team in decisions to encourage acceptance and support. In the 1930s, Kurt Lewin developed a leadership framework based on a leader's decision-making behavior. Lewin argued that there are three types of leaders:
 - Autocratic leaders make decisions without consulting their teams. This is considered appropriate when decisions genuinely need to be taken quickly, when there's no need for input, and when team agreement isn't necessary for a successful outcome.
 - Democratic leaders allow the team to provide input before making a decision, although the degree of input can vary from leader to leader. This type of style is

important when team agreement matters, but it can be quite difficult to manage when there are lots of different perspectives and ideas.

- Laissez-faire leaders don't interfere; they allow people within the team to make many of the decisions. This works well when the team is highly capable and motivated, and when it doesn't need close monitoring or supervision. However, this style can arise because the leader is lazy or distracted, and, here, this approach can fail.

III. Contingency approach: situation influencing good leadership The realization that there isn't one correct type of leader led to theories that the best leadership style is contingent on, or depends on, the situation. These theories try to predict which leadership style is best in which circumstance. When a decision is needed fast, which style is preferred? When the leader needs the full support of the team, is there a better way to lead? Should a leader be more people oriented or task oriented? These are all examples of questions that contingency leadership theories try to address.

MOTIVATION THEORIES

There are five of them namely

- I. Maslow's need hierarchy theory:** An unsatisfied need is the basis for the motivation process and the starting point and begins the chain of events leading to behavior. Begins with the person's unsatisfied need at the lowest level-identification of the need develops in the form of a goal which leads to the fulfillment of the need to achieve the goal.
- II. Herzberg's Two-factor theory:** Original study based on the research by Fredrick and Herzberg who interviewed 200 engineers and accountants and were asked about the good times and bad times they think about their jobs. Out of these interviews two factors emerged called the maintenance factors and motivators or satisfiers.
- III. McClelland's need for achievement theory:** According to McClelland there are three important needs (i)The need for affiliation (n Aff) (ii)the need for power(n Pow) (iii)the need for achievement(nAch) (i)Need for affiliation (n Aff): Reflects desire to interact socially with people Concerned about the quality of an important personal relationship (ii) The need for power (n Pow): Person having high need for power tries to exercise the power and authority Concerned with influencing others and winning arguments (iii) the need for achievement(n Ach): has three distinct characteristics (a)preference in setting moderately difficult but potentially achievable goals (b) doing most things himself rather

than getting them done by others and willing to take personal responsibility for his success or failure and does not want to hold responsible for it. (c) seeking situations where concrete feedback is possible.

IV. Victor Vroom's Expectancy theory: Works under conditions of free choice where an individual is motivated towards activity which he is most capable of rendering and which he believes has the highest probability of leading to his most preferred goal. The basic concepts of this theory are

- **First and second level outcomes:** Job related goals before an individual such as promotion, increase in salary, recognition, praise and so on are called second level outcomes. Each second level outcome can be associated with a value called valence for each individual. The valence can be positive, negative or zero Valence positive: individual wants to attain promotion Valence negative: does not want to attain promotion Valence zero: outcome towards which he is indifferent Second level outcomes can be achieved in different ways: (i) promotion by leaving the organization, by absenting himself to show dissatisfaction, by joining a pressure group, by attending a training programme, or developing intimacy with the boss, by bribing somebody, by improving performance or by bribing somebody and so on.
- **Instrumentality:** All first level outcomes have equal probability of leading the individual to the second level outcome The individual has subjective estimates of these probabilities ranging from -1 to +1 which are called instrumentalities. -1 indicates a belief that second level outcome is certain without the first level outcome 0 indicates a belief that second level outcome is impossible without first level outcome 1 indicates a belief that second level outcome is certain with first level outcome
- **Expectancy:** is the probability estimate which joins the individual's efforts to first level outcome. Expectancy values are always positive ranging from 0 to 1.
- **Motivation:** Motivation is the multiplicative function of the valence of each first-level outcome (V1) And the believed expectancy (E) that given effort will be followed by a particular first level outcome, That is $M=f(V1 * E)$

V. Adams equity theory: In this theory, Equity is defined as the ratio between The individual's job inputs (such as effort, skill, experience, education and seniority) to the

Job rewards (such as pay or promotion) it is believed that the individuals motivation, performance and satisfaction will depend on his on his or her subjective evaluation of his or her effort/reward ratio and the effort/reward ratio of others in similar situations

COMMUNICATION - MEANING AND IMPORTANCE

The process of communication is as old as man himself. It is hard to name human activity in which communication does not play an important role. This is truer in formal reorganizations in which people assemble to achieve their common objectives through their coordinated efforts. Individuals placed in various departments may perform different activities but they are functionally interrelated. The working and maintenance of these relationships is possible only through communication. In addition, communication establishes connections of the organization with external community. The purpose of communication is to effect change, to influence action towards the welfare of the enterprise. Communication is essential because, it integrates the managerial function. It is through information exchange that manager become aware of the needs of the customer, the availability of suppliers, the claims of stakeholders etc.

COORDINATION - MEANING AND IMPORTANCE

The basic function of coordination in an enterprise is the same as that of an orchestra conductor who directs the activities of the orchestra party in such a manner that it produces harmony in music. Likewise the coordinator of an enterprise also directs the activities of the group in such a manner that it brings harmonious and unified actions to achieve common purpose. Like the orchestra conductor, a manager also performs the function of securing and maintaining unity of direction throughout the organization. The management of a modern enterprise is based on the principles of division of labour and specialization. Jobs are broken down into single repetitive tasks and are entrusted to individuals either working in the same department or in different department of the enterprise. Mere application of specialization is not enough. With the jobs specialized and jobs divided among units, coordination becomes necessary. Coordination is the management of interdependence in work situations. It is an orderly synchronization of the interdependent efforts of individuals. An organization is a consciously coordinated system of cooperative human endeavor focused towards achievement of certain goals. Coordination is intended to channelize cooperative efforts and behaviour of people along organizationally determined lines and to contain the possibilities of conflict within tolerable limits. An

organization represents a pooling of diverse resources and facilities, adopted of diverse skills, techniques, processes and practices determination and achievement of diverse goals and initiation of diverse activities. Diversity demands unity. To manage diversity means to bring about unity or unification. Otherwise diversity is likely to lead to disintegration. The managerial function of coordinator, strives for desired degree of unity, without destroying diversity. Apart from differentiation of activities and authority, organization goals are differentiated into sub goals among various units and levels of organization. Organizational goals are also operationalised into strategies, policies, plans and programmes. There is a means- end chain in the organization. At every level goals are operationalised into means of achieving them. Means of higher level units become the goals of next lower unit. There is need for consistency and compatibility among the various elements in the means- ends chain. Sub-goals are to contribute to the overall goals. Means are to match ends. Short term goals are to mesh in with long-term goals. The coordination is important to achieve correlation between means and ends.

TECHNIQUES OF CO-ORDINATION

Managers can use a number of techniques to enlist coordination. Some of the techniques of coordination are discussed below:

- **Clearly Defined Objectives:** Each and every organization has its own objectives. These objectives would be clearly defined. Then the employees of all the organization should understand the objectives of the organization well. Unity of purpose is a must for achieving proper coordination.
- **Effective Chain of Command:** There is a line of authority in every enterprise which indicates as to who is accountable to whom. The line of authority and responsibility should be clearly defined to achieve coordination. Clear cut authority relationship help in reducing conflicts among different positions, particularly line and staff which is essential for sound coordination.
- **Precise and Comprehensive Programmes and Policies:** Laying down well defined programmes and policies is another measure for achieving effective coordination. This brings uniformity of actions because everybody understands the programmes and policies in the same sense. **Planning:** Planning ensures coordinated efforts. Under planning, target of each department dovetail with the targets of all other departments

- **Cooperation:** Cooperation is the result of better relations among employees of the organization. Cooperation can be brought about by keeping harmonious relations among the people in the organization by encouraging informal contacts to supplement formal communication and using committees for exchange of ideas and views at the top level.
- **Liaison of Officers/Departments:** A person who acts as a link between two persons is called a liaison officer. The external coordination is obtained through him. Many large organizations depend on this officer to maintain cordial relations with government and outsiders. In some cases, where there is a large volume of contact between two departments, a liaison department evolves to handle the transactions. This typically occurs between sales and production departments. For example, a packaging company that is processing a large order of containers might have a liaison department to make sure that the production department is meeting the clients specifications and that the delivery will take place on time.
- **Induction:** Inducting the new employee into the new social setting of his work is also a coordinating mechanism. This device familiarizes the new e rules and regulations, its dominant norms of behavior, values and beliefs and integrates his personnel goals with the organizational goals.
- **Incentives:** Incentives may be in the form of increments in the scale of pay, bonus, profit sharing etc. These schemes of incentives promote better team spirit which subsequently ensures better coordination. In particular, profit sharing promotes team spirit and better cooperation between superiors and subordinates, between employees and employers. Mutuality of interest reduces stride and ensures better coordination.
- **Workflow:** A workflow is the sequence of steps by which the organization acquires inputs and transforms them into outputs and exports these to the environment. It is largely shaped by technological, economic and social considerations and helps in coordination.

OUTCOMES

- Will learn meaning and characteristics of Organization
- Understands the nature and purpose of organization
- Understands departmentation and to know the process of staffing
- Will learn about the supervision, motivation, leadership and communication

- Explain the process of controlling by establishing of standard performance
- Measurement of actual performance and comparing with standard performance any deviation leads to corrective action
- Will achieve leadership qualities

QUESTION BANK

1. Explain the nature and purpose of organization.
2. State and explain the principles of organization.
3. Explain the various types of organization.
4. Explain departmentation and committees.
5. What is MBO and MBE?
6. Explain the nature and importance of staffing.
7. Explain various elements of importance of staffing.
8. Explain various sources of recruitment.
9. Differentiate between recruitment and selection.
10. Explain meaning and nature of directing.
11. Define motivation and explain motivation theory.
12. Explain the meaning and importance of coordination.
13. Explain various techniques of coordination.
14. Differentiate between coordination and cooperation.
15. State and explain the steps in controlling.
16. Explain the methods of establishing sound controlling.

VTU Question Paper Dec-2017

1. Briefly explain the Principles of organization.
2. What is recruitment? Explain the recruitment process.
3. Explain the different leadership Styles.
4. Explain the essentials of a sound control System.