

then through optimum use of resources, time, energy and money can be saved and problems in the activities of business can be avoided.

Organizing is the concept basically involved with a group of people. Where two or more people work together, the structure for the work accomplishment in an effective manner is called Organizing. Hence it is also known as arrangement. In an organization, authority and responsibility are delegated to group of people gathered to achieve a common objective and inter relationship is established among them. For this, the human body is an excellent example. The functions of the different parts of a human body is different but still all the parts of a human body is co-ordinated to one another.

4.1.4 Characteristics :

(1) Goal Oriented Activity : The Organizing is created for the sake of achieving the goal of any business unit. In the business unit, the main objective as well as departmental objectives or sub goals are also determined. In addition to that, there are also the individual goals of the employees. Hence Organization is a linear structure that co-ordinates with the goals of business, departmental goals and goals of employees. Hence it can be also referred as a goal oriented activity.

(2) Planning Based : Organization is made on the basis of planning and objectives determined by planning. Hence before organizing, it is necessary to have proper planning. The structure of any unit is based on its future implementation of plan. Hence it can be said that organization is based on proper planning.

(3) The Delegation of Authority and Responsibilities : The people working towards achievement of a common goal are allotted work as per their capabilities and their skills. At the same time, such a person is also informed about their Authority. Hence organizing is the structure to establish relationship of authority and responsibility among the people.

(4) Importance to Human Element : In Organizing, human beings are at the centre. The success of any organization is dependent on the people who are working in it. Hence for effective organizational structure, effective human relation establishment is necessary.

(5) Flexibility : When once the organization is formed there are chances for change in the same. Suitable changes can be made according to changing circumstances or situations. The changes or variations can be made when there are major changes in the business environment, technological advancement or new discoveries.

(6) Establishment of Inter Relationships : The organizing establishes inter relationship among work, positions or divisions. It gives clarifications about the relationships of one work with the other work and one division with the other divisions.

(7) Monitoring and Control : Monitoring control and co-ordination are the basic requirements of any organization. Whether the employee is performing his task as per the powers and responsibilities assigned to him or not ? For such matters provisions of monitoring and control are found in organizing.

(8) Group Activities : In an organization, many people work together for the accomplishment of a common goal. The organizing provides effective structure to them so that the group activity can be conducted properly.

(9) Controlled Administrative Structure : Organizing is a particular kind of controlled administrative structure. In any business unit, rules and controls are required in order to define relationships. The same is formed by organizing.

4.2 Steps for the Process of Organizing

The formation of organizing is a scientific process. According to Peter F. Drucker. “The lack of proper formation of organization can not sustain for longtime. Hence, the unit is slowly destroyed.” It is through ensuring proper steps of the formation of organizing that the functional relations are established in a proper manner which should be done properly.

(1) Clarification of Objectives : Before formation of organizational structure, it is necessary to have the clearly defined goals and its proper understanding. The main and the sub goals should be properly interpreted and on the basis of which organization is formed. Hence the establishment of proper goals and with proper clarity is the first step towards proper organizing.

(2) List of Functions : After having clearly defined goals, with the help of organizational structure, the list of work to be done is prepared. At the time of preparing such a list it is ensured that not a single task is left or is repeated, and a special care is taken for the same. Hence the list of functions should be prepared on the basis of its proper consideration and the final distribution should be done.

(3) Departmentation of Function : Once when the list of functions is prepared, the work area similar in nature are classified and similar functions are placed together, then the division of work is done accordingly. Work is divided as per purchase area, sales area, accounts area, etc. and then work division and specialization is planned. The division is planned according to nature of unit, geographical area, work area, etc. for example, the division of business unit selling products in entire country, zone wise division of selling as per south, east, west, north zones. In the same way, work based distribution as per advertising task, packing task, distribution task etc. in sales department is also considered at the time of division of work.

(4) To Determine Departmental Position and Abilities : Once when the work is departmentalized properly, the task to have proper persons to handle the responsibilities are created as per positions and abilities are planned accordingly. For example, sales officer for sales department. At the same time, the sub posts or categories as per the persons to be appointed.

(5) The Delegation of Power and Responsibilities : Divisional heads, sub divisional heads and skill based heads are finalized and then all the heads should be given power and responsibilities so that they can perform their work well. In addition to that, clarification should be done of each person's post. So that each person will get the idea of the responsibilities assigned. It is also necessary to have the proper proportion of power and responsibilities.

(6) Establishment of Inter Relationship : After the proper distribution of work, and delegation of power and responsibilities among different departmental personnel, the formation of inter relations should be made clear. With the help of departmentalization, the power and responsibilities are decentralized but the same can be centralized with the help of formation of inter relations.

(7) To Prepare Organizational Chart : In order to enable the people to have the perfect idea of each one's positions, a proper map should be prepared. Such a chart should be properly prepared and the same should be displayed on the notice board.

4.3 Structure of an Organization

Effective Management depends on ideal organization. The structure of organization indicates types of organizations. The nature, size and responsibilities of business unit and its classification decides the type of organization :

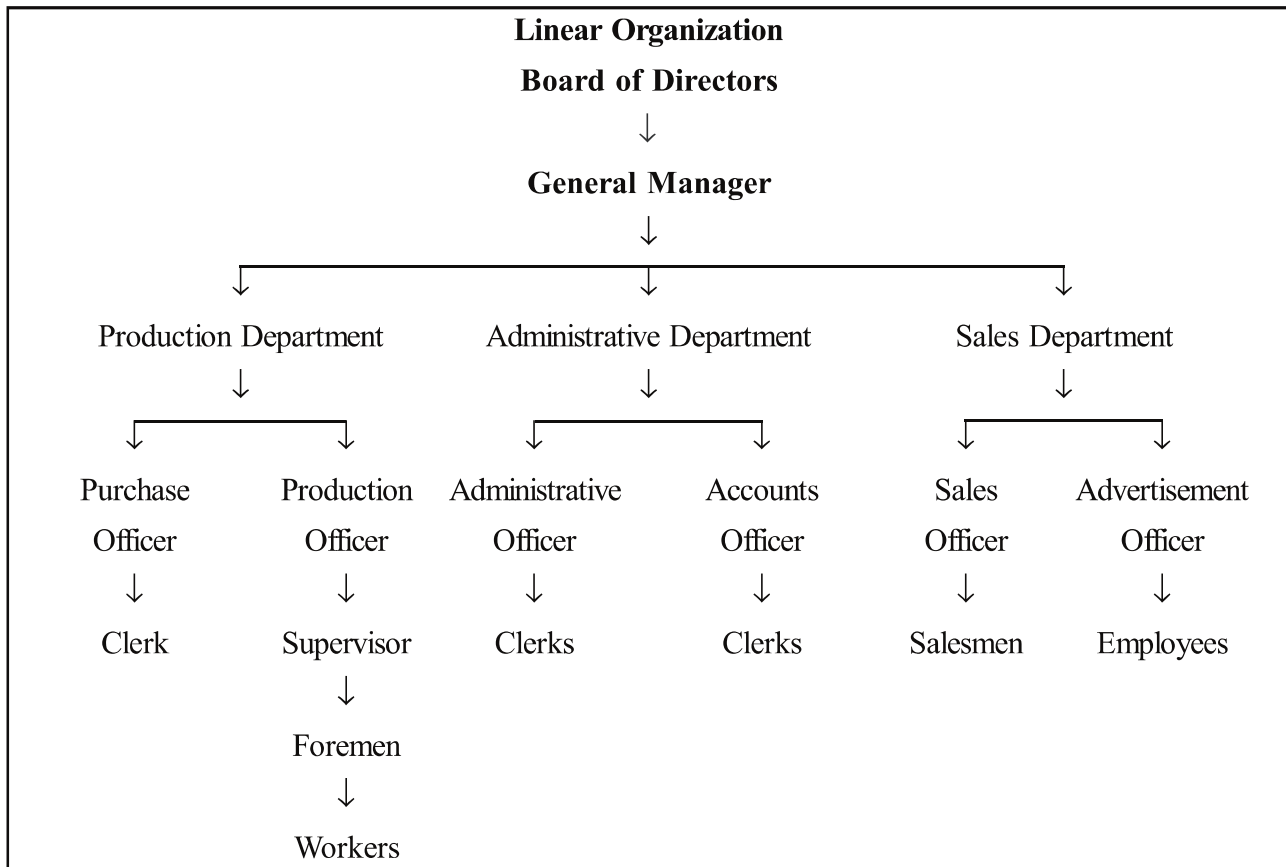
- | | |
|-------------------------|-----------------------------|
| (1) Linear Organization | (2) Functional Organization |
| (3) Formal Organization | (4) Informal Organization |
| (5) Matrix Organization | |

4.3.1 Linear Organization :

4.3.1.1 Meaning : Linear organization is the most simple and ancient type of organization. Since many years it has been used in army and so it is also known as Army organization. In this kind of

organization, the centralization of power is done on top level. The distribution of power and responsibilities is done in straight line from top to bottom level. As the distribution of power is in straight line from top to bottom level, it is called Linear organization. In this, each employee is answerable to his or her superior authority. In this type, higher degree of power can be seen on top level and lower amount of power is seen on the bottom level.

4.3.1.2 Formation : In this type of organization, entire business unit is classified in different department. As per each section or area, a separate departmental head is appointed. This departmental head is answerable to the superior head of his or her own area. The area head is given all the necessary power needed as per his or her department. In this type of organization, division is not done according to the work but according to departments. Hence it is also known as departmental organization. The Linear organization structure can be best seen with the help of the following diagram :



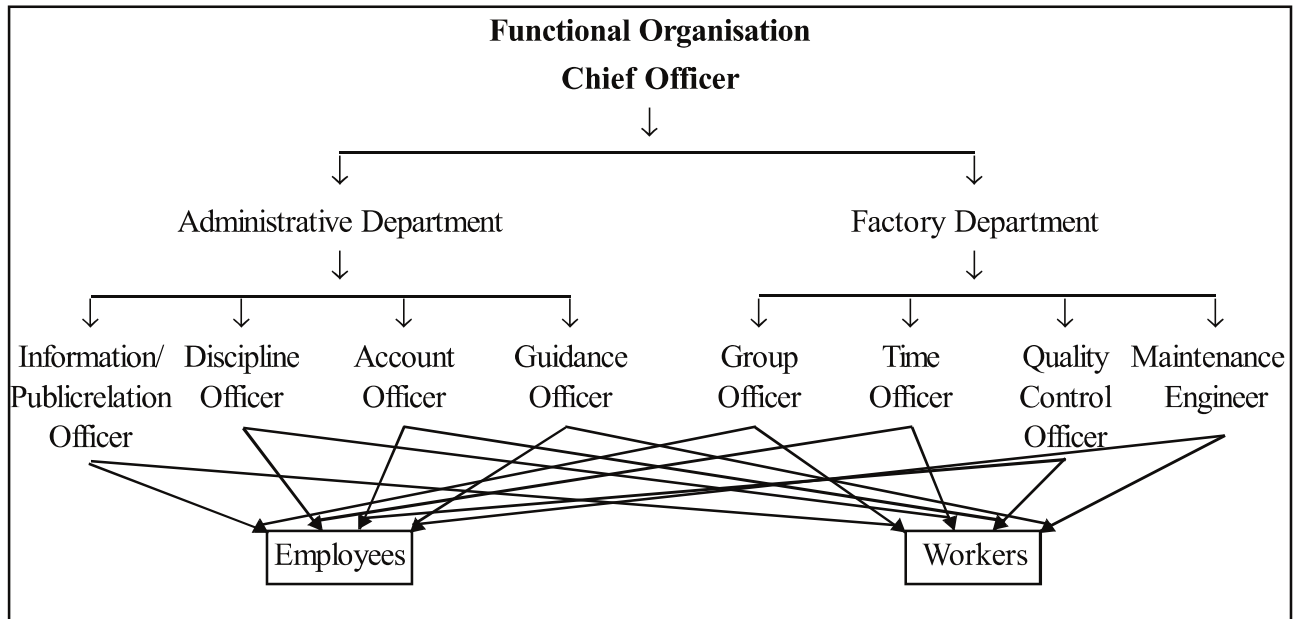
In Linear organization, the greatest power is seen with the Board of Directors. They take policy based decisions. The General Manager is assigned necessary powers from them. The General Manager is the main Administrative Head, whose work is to ensure that the lower employees follow the task and decisions taken by the board of director. The above given chart is divided into production department, administrative department and sales department, three parts. As per the important work in each department, Purchase, Production or Sales officers etc. are appointed. Such officers carry the entire responsibility of their own sections. Under such officers, supervisors, foreman and clerks, etc. work. Under the foreman, workers work. In this way, Linear organization ensures power from top to bottom and responsibilities flow on from bottom to top level.

Such kind of structure is more favourable where there is a small size of the organization and the work area is also limited and the problems of control and discipline are also limited.

4.3.2 Functional Organization :

4.3.2.1 Meaning : Linear organization gives more importance to department than work. This is the greatest limitation of this kind of structure. Keeping this limitation in mind, the work based organization came into existence. Linear organization has lack of specialized work as the stress is more on departments and less on functions. According to Linear organization structure, the administrators and officers in one unit have to perform many kind of tasks. It is obvious, all of them are not experts in all the work varieties. Hence a structure is formed in which, the experts with specialised knowledge are given special responsibilities in the particular unit, which is called functional organization. For example, personnel officer will look after the recruitment, transfer, promotions, etc. of that particular unit.

4.3.2.2 Formation : Functional organization gives special importance to work distribution and specialization. In this structure, the distribution of work is not done according to the departmental but according to the nature of work. For each kind of work different experts are appointed. Such experts are not only advisors, they are also administrative heads who are fully responsible to the task assigned to them. For example, the purchase officer is fully responsible for all type of purchase related work. The idea of this structure can be best obtained with the help of the following figure.



In work based organization, the supreme power rests with the Chief Executive Officer. As per the chart given above, the unit can be divided into two parts. Each unit has its own list of activities and work and in the same way is assigned to different officers. According to this, each officer can give orders to the employees under him to perform the task.

In this type of organization, it should be considered that not a single work remains unassigned and at the same time not a single work is assigned twice. Organizational units in which there is more variety to be seen in work, this kind of structure is more favourable.

4.3.3 Formal Organization :

4.3.3.1 Meaning : In order to achieve the predefined goals, the formal structure of relationship among persons and work is established which is known as Formal organization. Linear organization, Functional organization are the types of formal organization. In this type of organization, the necessary powers are given to enable the person to perform certain kind of responsibilities. In which, matters related to delegation of authority between superior officers are clarified.

4.3.3.2 Characteristics :

(1) **Formal Structure :** The Administrators form this Formal Structure very cautiously to achieve the desired goals.

(2) **Lacking Flexibility :** In this kind of structure, the place assigned to the employees are non changeable or non-alterable. Seldom can there be change, once the position is assigned.

(3) **Delegation of Power from Upper to Lower Level :** The delegation of power is done by superior officer and flows from upper level to lower level.

(4) **Large size :** The organization structure comprises of large size.

(5) **Particular relations :** Due to methodically planned formal structure, the relations among the employees are particularly formed.

(6) **Communication :** Communication is done only through a formal method. The informal communication has no place over here.

4.3.4 Informal Organization :

4.3.4.1 Meaning : Informal organization is the formation of internal relations formed on its own, in order to provide contribution to some result achievements, formed without any formal planning. The relations are developed among the people working inevitably together. Such relations develop and flourish on informal grounds. Such relations are not formally founded. Hence no formal or proper chart can be prepared for the same. It can be considered as a shadow of formal structure of organisation. It can be considered a subordinate structure to formal one.

4.3.4.2 Characteristics :

(1) **Informal Structure :** This type of structure is informal. It develops from inter relationships. This kind of structure is naturally formed when the employees working together work for a commonly defined goal.

(2) **Based on Human Relations :** This kind of structure is based on human relations. One similar kind of feelings, interests, values, hobbies, habits and beliefs play a role and the informal structure is formed. Due to this, the structure comes into existence.

(3) **Ever Changing :** The informal structure is ever changing. When an employee leaves one group and joins another work group, the new informal structure is created or changed, as per the change in work environment.

(4) **Universal :** This structure is universal. It is not only found in businesses. It is found everywhere, where there is presence of informal organization in all kind of human activities.

(5) **Informal Communication :** When the communication is done informally and is done through oral communication process, it is informal communication. Hence there are chances to have more opinions and less facts in it. This kind of communication is very fast.

(6) **Small size :** Most probably the size of this kind of organizational structure is very small because it is dependent on individual relationships. It is also formed as a result of the inter change of ideas. There can be more number of such groups but they are normally small in size.

(7) **Lack of control :** In this kind of communication circle, no control can be maintained as the person develops his or her circle with co-workers as per the needs.

(8) **Complement to Formal Structure :** This communication is developing from formal structure only. Hence it can be said to be complementing the formal structure.

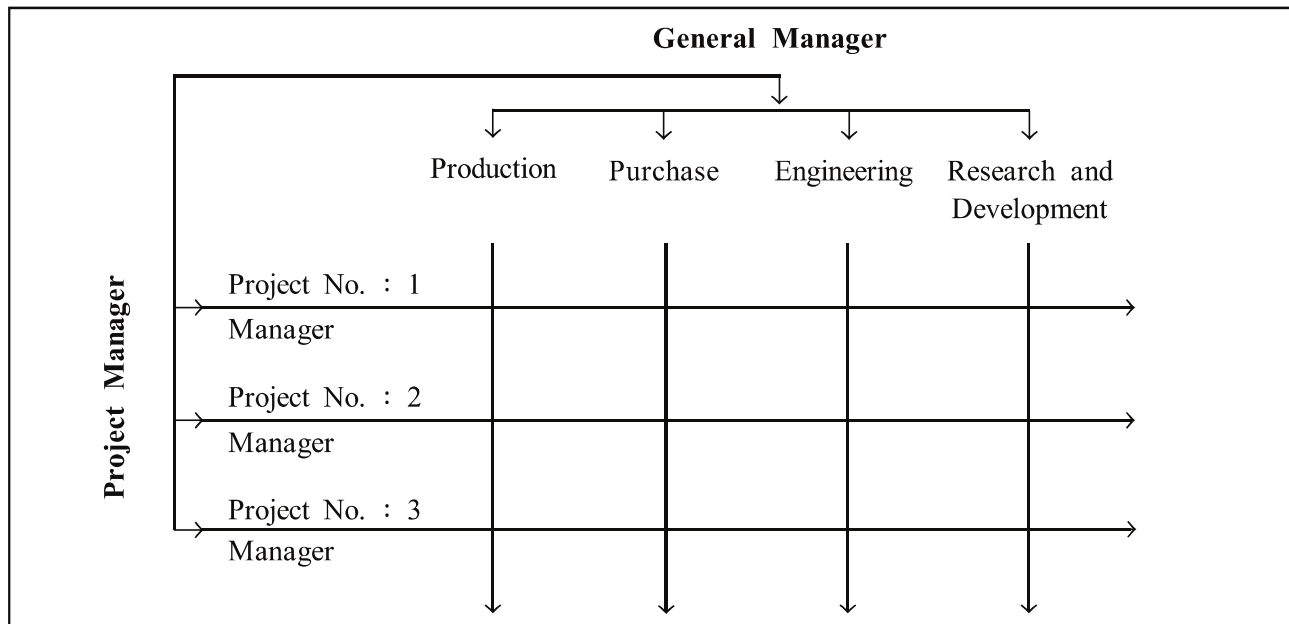
In the modern times, informal communication structure is used widely. This enables industrial talk and discipline and industrial disputes are lessened, hence this structure is more popular.

4.3.5 Matrix Organization :

4.3.5.1 Meaning : Matrix organization is a modern kind of organization, which has two different types of structures. One is the simple kind of structure, which forms the part of decision making and the second one is the technical problems solution based, which is called Project structure. The combination of both this results in Matrix organization. Hence matrix organization is a modern organization type which is involving work based and project based peculiarities. In this type of organization, the specialized work needs are given benefits. At the same time, project management benefits are also obtained. It is multi faced structure.

4.3.5.2 Design : In Matrix organization we find the combination of work based and project based organization. In this type of organization, each project manager is given different type of work responsibilities. As many Projects Managers are appointed as per the number of projects. The responsibility of the project manager is to successfully complete the project assigned to him. He is also responsible to complete it on time. The experts from different staff members are obtained from different work areas. Such kind of selected experts are divided into different groups. For example, computer expert, research expert, Manufacture and Creation special expert, technical expert, etc. These kind of experts are obtained from different work groups. Once when the work is done, they are sent to their respective work areas to which they belonged. The Matrix organization structure can be drawn in the following manner :

Maxtrix Organization



From the above diagram it is clear that in Matrix organization, the flow of authorities is double fold. For example, the General manager from upper level, passes on the the project heads to lower level in Linear manner. It is also mentioned here that all the project heads function independently. They obtain experts needed by them from different work groups or areas. This kind of structure is more needed where there is more need for short term work requirements.

4.4 Decentralization

When we study organizational structures, the following points emerge :

- (1) Some business units are such when authority centralised at top level only and most of the decisions are taken by top level.
- (2) In some business organizations the decision making is done by all the levels and the certain kind of decisions are taken as per the requirement of the work needed.

In the first type of organization, all the power rests on the upper level only and so it is called centralized structure but in the second type all the powers are distributed and all levels have specific powers and so are called Decentralization of Authority.

4.4.1 Concept : The thought of decentralization is very important from the view point of authority and responsibility. The administrators have to themselves decide whether to have centralized or decentralized power in the organization. Small sized organization can have centralized powers and the large sized organizations can have decentralized forms. This can bring success to the organization.

4.4.2 Meaning : The delegation of power from upper to lower level in orderly manner is known as decentralization of power.

4.4.3 Definition :

● According to **Henry Fayol**, “To assign powers to the superiors, to enable distribution of work, and to include in decision making process is called decentralization.”

In this way, the allotment of decision making authority to that sphere of people, who need to take decisions is called decentralization of power. It does not mean that all the powers are given by the upper level administrators to the lower level but most of the powers are given, is called decentralization of power.

4.4.4 Importance : The success of management depends on the proper distribution of authority and responsibilities. In centralization of power, the hierarchy, non-scientifically taken decisions, non-cooperation, lack of specialization and more work load, etc. can be seen. Hence the idea of decentralization is becoming popular. In the modern times, in the business units, decentralization of power is seen in majority of the cases.

(1) **Quick Decisions :** In the decentralization, the person who has to take the decision in that work or activity is involved completely and has the power to take the decision and hence the decisions are taken quickly and effectively.

(2) **Less Work Load on Top Level :** The top level is the level where most of the policy matter related decisions are taken. With the help of decentralization of power, the decision taking authority is given to middle or lower level hence the work load on upper level is reduced.

(3) **Increased in Motivation :** Due to decentralization, the employees have increased level of motivation as they have more faith and trust. They are given independence on middle or lower levels and when they see their decisions becoming successful, their confidence boosts. They also get the experience on how to take such kind of decisions in such kind of situations.

(4) **Increase in Management Abilities :** In decentralization, the middle and lower level employees take decisions as per their powers and they are given independence for the same, hence they become efficient leaders, they develop skills to work in a co-ordinated manner, they develop able administrative skills and they learn to administer control. Hence the employees take decisions in different circumstances and they increase their abilities. In this way the future Managers emerge.

(5) **Effective Control :** The managers of all the levels have enough power and so they can exercise control on the levels in which the employees commits mistakes, they can take disciplinary actions, which becomes easy for them and hence an effective control is maintained.

(6) Harmony is Created : Due to decentralization at, all the levels employees are included in the decision making process and they are also given due importance. All the levels of officers and employees, that is the decision makers and the followers, they discuss things and then take proper decisions. In this process, one group comes in contact with the other group. In this way an environment of harmony is created.

4.4.5 Limitations : The place where the organization is running on a very small scale and the business secrets are to be maintained with great vigilance, in this case, decentralization cannot be accepted. Sometimes, due to common policy not implemented or co-ordination not maintained properly, decentralization is not successful.

4.5 Delegation of Authority

4.5.1 Meaning : According to legal view, power means, authority to take legal action. But in business units, power is to give orders and also to see to it that the orders are followed.

When the size of the organization becomes large, the upper level administrators assign some work to their helpers. They have to see, whether the orders are followed or not. In order to enable such helpers to perform their task well, some powers are vested upon them. This is called delegation of power. In this way, in ordinary words it can be said that to delegate power is to enable the other person to have power for doing the task well.

4.5.2 Definition :

- According to **Louis Allen**, “Delegation of power is such kind of process in which the administrator gives a part of the powers to his helpers along with duties, and the helpers, with the help of others, for the purpose of work performance, accepts such powers consciously.” In the delegation of power the understanding of the responsibilities is the main thing. The helpers are given powers and they are responsible to get the work done but the final completion of the work and its responsibility rests with the upper level administrator only and he cannot free himself from that.

4.5.3 Importance : Delegation of power relieves upper level administration from more work. Hence they can focus upon policy matters. Due to which management is more efficient. Hence it can be said that power is the key to administration, but delegation of power is the key to organization.

(1) Work Efficient Management : Due to delegation of power, the officers working on higher level, have less burden of work and the routine work are hence distributed resulting in the focus on important areas. At the same time they can meet the objectives, due to which the business unit gets work efficient management.

(2) Development of Employees : Different employees working in the organization get an opportunity to work and take decisions due to decentralization of power. Due to which their confidence is improved. They can have a better decision making capacity and take logical decisions due to constant need of taking decisions.

(3) Motivation : Due to delegation of power, the employees have the chance to develop their abilities. Due to which they also gain psychological benefits. When the higher administrator delegates the power and enables decentralization to the helpers, such helpers not only get the work accomplished but at the same time gets boost to self-confidence due to such work accomplishment. Due to this, the right kind of motivation is obtained.

(4) Benefit of Specialization : In a single unit, it is possible that all the employees may not have abilities in all the fields and areas. It is obvious that such ability is not possessed by all but due to decentralization of power, different people are assigned different kind of work and hence the benefit of the specialized skills of such people is obtained in the matters of their abilities, skills and varieties of excellence.

(5) Co-ordination : Due to delegation the relationship of helper and upper officers are developed. The middle and lower level employees get the chance to take their decisions independently. In this way,

their opinions are respected and they are able to develop inter personal relations in the organization. This enables good co-ordination.

(6) **Scope for Expansion** : Due to delegation of power, the upper level officers are free to focus on new ideas for the expansion of the business. This enables long life to the organization and ease in doing business.

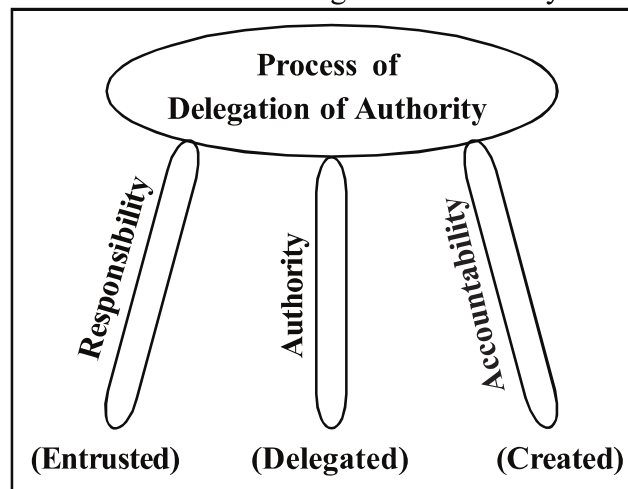
4.5.4 Elements of Delegation of Authority :

● According to **Louis Allen**, “Delegation of authority means assignment of responsibility and power to the subordinates by creating accountability for effective performance.”

According to him, the following elements are included in the delegation of authority :

- (1) Entrustment of Responsibility
- (2) Conferment of Authority
- (3) Creation of Accountability

In this way a tripod structure of the delegation of authority can be formed. All the three elements are equally important and independent still mutually connected. An effective organisational structure can be formed by balancing them.



4.5.4.1 Entrustment of Responsibility : Entrustment of responsibility is the duty assigned by the top level officer to the subordinates for a particular work. The responsibility is given to accomplish a particular task. It creates a relationship between superior and subordinate because the subordinate is expected to follow the orders given by the superior. Thus assignment of responsibility flows from top to bottom level.

4.5.4.2 Conferment of Authority : By giving power to a person, result can be obtained by work accomplishment. The administrators should provide enough power to the helpers or subordinates so that they can allot the work to the lower levels and get the work done. Hence delegation of authority is an important step towards allotment of power. This flows from upper to lower level. Normally, in this process, the power to give decisions and the power to give orders is given. This delegation of authority can be for various purposes. For example, Marketing Managers are given power to incur necessary expenditure in their work area, the appointment of employees, to take disciplinary actions against the employees, etc.

4.5.4.3 Creation of Accountability : The delegated authority holder has to provide proper explanation and follow reporting process to the top level management. This is known as accountability. He may surely be given powers to get the work done by others but finally the responsibility of getting the work done rests with the upper level administrators only. Hence the middle level authority holders should take care to ensure that the work is properly done by the lower level staff. The middle level authority holder cannot free himself from his responsibility of getting work done. This accountability flows from lower to upper level. This accountability cannot be passed on. For example, the Accounts Officer may give the work of writing accounts to his Accountant but when the Accounts are written, it is the Accounts Officer who has to check the accuracy of the work done and not the Accountant.

Introduction :

Meaning of Organizing : In general words... the structure formed in order to enable delegation of authority and responsibility towards the people actively engaged for a common goal is organizing.

Definition : As per Chester I. Bernard.... The activity conducted by two or more people and their co-operation is called Organization.

As Per Shri Louis Allen.....Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

Concept : Where two or more people work together, the structure for the work accomplishment in an effective manner is called Organizing. In which delegation of authority and responsibility is distributed to attain common goal.

Characteristics : (1) Goal oriented Activity (2) Planning based (3) The delegation of authority and responsibility (4) Importance to human element (5) Flexibility (6) Establishment of inter relationships (7) Monitoring and Control (8) Group activities (9) Controlled Administrative structure

Steps for the Process of Organising : (1) Clarification of objectives (2) List of functions (3) Departmentation of function (4) To determine departmental position and abilities (5) The delegation of power and responsibility (6) Establishment of inter relationship (7) To prepare organizational chart

Structure of an organization : (1) Linear organization (2) Functional organization (3) Formal organization (4) Informal organization (5) Matrix organization

Linear Organization

Meaning : The distribution of power and responsibilities is done in straight line from top to bottom levels. As the distribution of power is in straight line from upper to lower level, it is called Linear organization.

Formation : In this structure whole organisation is divided into various division/segment. Divisional officer is appointed for each segment. This divisional officer is responsible to higher officer for their functions. Divisional officer is assigned all powers for his segment. In this form, formation of organization is done according to division not as per function. So it is known as linear organization.

Functional Organisation :

Meaning : A structure is formed in which, the special knowledge based expert are given special responsibilities in the particular unit, which is called Functional organization.

Formation : Functional organization specially stresses work distribution and specialization. In this structure, the distribution of work is not done according to the units but according to the nature of work. For each kind of work different experts are appointed. Such experts are not only advisors, they are also administrative heads who are fully responsible to the task assigned to them. For example, the Purchase Officer is fully responsible for all type of Purchase related work.

Formal Organisation :

Meaning : In order to achieve the predefined goals, the formal structure of relations among persons and work is established which is known as Formal Organization.

Characteristics : (1) Formal Structure (2) Lacking flexibility (3) Delegation of power from upper to lower level (4) Large size (5) Particular relations (6) Communication.

Informal Organisation :

Meaning : Informal organization is that formation of internal relations automatically formed on its own, in order to provide contribution to some result achievements, formed without any conscious objective. The relations are inevitably developed among the people working together. Such relations are not formally formed. Hence no formal or proper chart can be prepared for the same. It can be considered as a shadow of formal structure of organization.

Characteristics : (1) Informal structure (2) Based on human relations: (3) Ever Changing (4) Universal (5) Informal communication (6) Small size (7) Lack of control (8) Complement to formal structure

Matrix organization :

Meaning : Matrix organization is a modern kind of organization, which has two different type of structures. One is the simple kind of structure, which is a part of decision making process and the other is a structure solving technical problems and is called Project structure. The combination results in Matrix organization.

Design : In Matrix organization we find a combination of function based and project based departmentalisation. In this type of organization, each project manager is given different type of work responsibilities. Project Managers are appointed as per the number of projects. The responsibility of the Project Manager is to successfully complete the project assigned to him one time. Thus, experts from different staff members are obtained from different function for project work and development. They are divided into different groups. For example, Computer experts and development research experts, Product design experts, technical experts etc.

Decentralisation :

Concept : The thought of decentralization is a very important from the view point of authority and responsibility. The administrators have to decide themselves to have centralized or decentralized power in the organization. The idea formed in advance, the benefits can be obtained. Small sized organization can have centralized powers and the large sized organizations can have decentralized forms.

Meaning : The delegation of power from top to bottom level in orderly manner is known as decentralization of power.

Definition : According to Henry Fayol, “To assign powers to the subordinates, to enable distribution of work, and to include them in decision making process is called decentralization”

Importance : (1) Quick decisions (2) Less work load on top level (3) Increase in motivation (4) Increase in managerial abilities (5) Effective control (6) Harmony is created.

Delegation of Authority :

Meaning : According to legal view, authority means to take legal action. But in business units, authority is to give orders and also to see to it that the orders are followed.

Definition : “According to Louis Allen, “Delegation of authority is such a process in which the manager gives his authority to his subordinates along with duties, and the subordinates with the help of others, for the purpose of work performance, accepts such authority consciously.”

Importance : (1) Efficient Management (2) Development of Employees (3) Motivation (4) Benefit of Specialization (5) Coordination (6) Scope for Expansion

Elements of Delegation :

Entrustment of responsibility :

Entrustment of Responsibility is the duty assigned by the top level officer to the subordinates for a specific work. The responsibility is given to accomplish a particular task-person in authority and the person or people who follow is pre-determined, as the followers have to follow all the orders of the authority. Hence the flow of responsibility is from upper to lower level.

Conferment of Authority : The administrators should provide enough power to the helpers or subordinates so that they can allot the work to the lower levels and get the work done. Hence delegation of authority is an important step towards allotment of power. This flows from upper to lower level.

Creation of Accountability : The delegated authority holder has to provide proper explanation and follow reporting process to the top level management. This is known as Accountability. This accountability cannot be passed on. This accountability flows from lower to upper level.

Exercise

1. Select the correct alternative and write answer to the following questions :

- (1) When more than one person is working towards the achievement of common goal, the structure so formed is called
(A) Planning (B) Organisation (C) Control (D) Directing
- (2) What is possible from the following due to departmentalization of work ?
(A) Specialisation (B) Planning (C) Co-ordination (D) Directing
- (3) Which organisation is called Army Organisation ?
(A) Matrix (B) Functional (C) Linear (D) Informal
- (4) In which type of organisation, work is given more importance than department ?
(A) Linear (B) Functional (C) Informal (D) Matrix

- (5) The Network framed naturally by human relations is called ?
 (A) Informal Organisation (B) Linear Organisation
 (C) Formal Organisation (D) Matrix Organisation
- (6) A person who is at bottom level and receives orders is called ?
 (A) Subordinate (B) Superior (C) Project Manager (D) Officer
- (7) Organisation framed with the mixture of project structure and general structure is called ?
 (A) Matrix Organisation (B) Linear Organisation
 (C) Functional Organisation (D) Informal Organisation
- (8) What is it called where authority is centrally delegated at higher management level ?
 (A) Decentralisation (B) Centralisation (C) Decapitalisation (D) Transmission
- (9) From the following, what should be implemented to prepare future managers ?
 (A) Decentralisation (B) Centralisation (C) Decapitalisation (D) Work Distribution
- (10) What can not be delegated from the following ?
 (A) Authority (B) Responsibility (C) Accountability (D) Work

2. Answer the following questions in one sentence each :

- (1) What is organization ?
- (2) What is called delegation of Authority ?
- (3) What is Informal Organisation ?
- (4) What is Matrix Organisation ?
- (5) What is Responsibility ?
- (6) What is accountability ?

3. Answer the following questions in short :

- (1) "Organising is Body and Planning is a Soul of Business Enterprise" - Explain.
- (2) "Distribution of Authority and Responsibility is a base of an Organisation" - Explain.
- (3) "Formal and Informal Organisations are Complementary to each other." - Explain.
- (4) What are the limitations of Matrix Organisation ?
- (5) When is Decentralisation Possible ?

4. Answer the following questions in brief :

- (1) Describe characteristics of Informal Organisation.
- (2) Explain Functional Organisation with its formation.
- (3) Write a note on Matrix Organisation.
- (4) Explain about Elements of delegation of authority.

5. Answer the following questions in detail :

- (1) Explain types of organisation.
- (2) Explain steps for the process of organisation.
- (3) Explain characteristics of organising.
- (4) Describe importance of decentralisation.
- (5) Explain importance of delegation of authority.

What will you learn in this chapter ?

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- 5.1 Staffing
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Introduction

After Industrial Revolution, Industries started production on a large scale. Initially there was no proper system for production. System of earning more profit at less cost began. As a result, exploitation of employees began. At the end of 19th century, dynamic management leaders realized that in production, sensitive staff is more important than inanimate machines. They also realized that machines do not work automatically but employees operate them. As a result they realized the need for a scientific system for employee's recruitment, selection, appointment, promotion, transfer and training.

5.1 Staffing

The function of staffing is also as important as other functions of management. It is a process of development of an individual. In the past, human element was not given due importance. Planning of business might have been done in the best possible manner and formation of organization also might have been proper but if the selection and training of the personnel is improper, then the organization cannot be successful. The success of an organization depends on the efficiency and attitude of its employees. Staffing is an activity of maintaining relations with the employees of the organisation.

5.1.1 Concept : In the ordinary sense, the term staffing is not merely recruitment but

also includes acquiring employees, training and maintaining them in the organization.

In a wider sense, it includes recruitment, selection, training, promotion, transfer and post retirement activities.

5.1.2 Characteristics :

(1) Important Function of Management : Staffing is also one of the important functions of management like planning, organizing, directing, co-ordinating and controlling.

(2) Perennial Process : Organization cannot exist without employees. As long as organizational activities exist, employees and staffing will also exist.

(3) Concerned with Human Relations : The main objective of staffing is to acquire the right employees and make the best use of them. Employees are the only living factors of production. They have feelings and self respect. As it is related with human element, humanitarian behaviour is expected towards them.

(4) **Staffing is a Dynamic Process** : Because of proper staffing all the activities of an organization become dynamic.

(5) **Related with Other Managerial Functions** : Other managerial functions like planning, organizing, directing, co-ordinating and controlling are closely related with staffing.

(6) **Wide Scope** : Staffing is not merely an activity for labour welfare but is also concerned with acquiring, training and maintaining personnel and it also works for their development.

(7) **Capital Expenditure [Investment]** : The expenditure incurred for recruitment, selection, training and development of the staff is not an expense but an investment.

5.1.3 Importance : Staffing occupies an important place in the process of management. As more industries have been developed, the importance of staffing has also increased. Any organization without staff is like a mere skeleton. The inanimate machines can increase production but employees can give even better results. In comparison to other factors of production, the future of a business enterprise depends much on its staff. Staffing is the only living factor of production.

Personnel cannot be considered as physical resources because they have feelings, self-respect, intelligence, understanding and different skills.

An expert has rightly said, “Mind your men, men will mind everything for you.”

Following points will clarify the importance of staffing :

(1) **Driving Force** : Contented and efficient staff is the driving force of an organization. Only an efficient staff can accomplish the objectives of business along with other factors of production.

(2) **Dynamic Activity** : Staffing infuses dynamism into business and performs all the activities of the business.

(3) **Important for Other Functions of Management** : Other managerial functions like co-ordinating, directing, controlling, planning, etc. cannot succeed without proper staffing.

(4) **Limbs of the Business Enterprise** : Planning occupies the place of the brain in the human body while staffing is like the limbs of an enterprise. Without them activities cannot be done in an organization.

(5) **Job Satisfaction among Staff** : Due to staffing, the complaints and problems of the employees can be understood and speedy solution is possible. Proper planning and distribution of work creates feeling of job satisfaction among the employees.

(6) **Harmony in Relations** : Staffing creates an environment of satisfaction among employees. It helps to establish cordial relationship between employers and employees.

(7) **Increases the prestige of the Organization** : A contented and efficient staff is an invaluable asset. It increases the prestige of the organization.

(8) **Continuous Process** : The very existence of business is not possible without its staff. As long as business activities continue, staff and staffing process will also continue.

5.2 Staffing as a Part of Human Resource Management

Human Resource Management is the process of planning for recruiting necessary staff and developing it for the achievement of enterprise objectives.

Most of the business enterprises, now a days, consider their staffing department as Human Resource Department (HRD). Generally staffing includes recruitment, selection and training. It also includes materialistic facilities, progressive wage system and employees' welfare while Human Resource Management includes growth and development of personnel. Formerly the meaning of staffing was confined to filling up of vacancies only, but, today it has become a part of Human Resource Management. In these days of global competition, the importance of human resource has increased. Considering other factors of production to be noteworthy, good results can be achieved by the recognition of the staff, its loyalty, efficiency, satisfaction and care.

The process of Human Resource Management can be divided into two parts :

(A) Concern with Man Power Planning :

- (i) To plan for required staff in the organization and increase the staff through new appointments.
- (ii) According to the time and situation necessary and selective reduction in staff.
- (iii) Appropriate placement of staff.
- (iv) To keep the staff constantly active and enhance their knowledge.

(B) Concern with Compensation and Development of Staff :

- (i) To provide work related training to the staff; whenever necessary.
- (ii) To provide a conducive environment to the staff and also opportunities to improve their proficiency.
- (iii) To give proper compensation and benefits to the staff.
- (iv) To recognize work related problems, find solutions for the same and implement them.

According to Human Resource Management, employees are not mere factors of production, but they are more than that. They are considered as the Human element. Management principles and functions are adopted to create stable staff. This reduces the rate of labour turnover. It increases the efficiency and job satisfaction of employees, by which, organizational objectives and employee objectives can be achieved.

5.3 Process of Staffing

According to an Industrialist, “Contented, experienced, creative and honest staff is an invaluable asset of business.” Right from the establishment of an organization, the function of recruitment of staff is important. Recruitment of staff should be done on the basis of suitable qualifications, skills, knowledge and sincerity, and not on the basis of any influence, corruption or nepotism. And for this a scientific method of recruitment should be adopted.

5.3.1 Recruitment : Recruitment is a continuous process. Recruitment is to be made when a new enterprise is established, when an existing unit is expanded or when an employee resigns, dies or retires.

5.3.2 Meaning : In the ordinary sense “Recruitment is the process of looking for probable employees and making them apply for the job.”

In a broader sense “Recruitment is the process of acquiring at the right time, in the right number, in the right place, persons with the right qualifications.”

5.3.3 Sources of Recruitment :

	(A) Internal Sources		(B) External Sources
(1)	Promotion	(1)	Through Advertisement
(2)	Transfer	(2)	Through employment exchange
(3)	Friends and relatives of employees	(3)	Through educational institutions
(4)	Recalling retrenched employees	(4)	Through trade unions
(5)	Promotion with transfer	(5)	Through contractors and jobbers
(6)	Waiting list	(6)	Recruitment at the gate
		(7)	Modern methods

(A) Internal Sources :

(1) Promotion : Whenever any post is vacant or any new position is created, promotion should be given by the management on the basis of work of the existing employee, his ability, honesty, skill, loyalty and qualifications. Promotion of employees will boost their morale and loyalty. Promotion also results in increased salaries, status, power and responsibility.

(2) Transfer : If there is any shortage of employees in any department, it can be rectified by transferring to it, the surplus employees of another department, keeping in mind their qualifications. In this way shortage of employees can be rectified.

(3) Friends and Relatives of Employees : Whenever a vacancy comes up in an organization, employees are asked to recommend their qualified friends and relatives to the post. Recruitment is made after receiving applications from them. This helps to boost the morale of the employees and they feel proud to be a part of the recruitment process.

(4) Recalling Retrenched Employees : Former employees who were retrenched because of some reasons or who have joined elsewhere voluntarily can also be recalled by the management on the basis of their experience, knowledge and efficiency.

(5) Promotion with Transfer : Under this system, existing employees can be transferred with promotion to another branch under the same management on the basis of their efficiency, experience and loyalty e.g. An employee can be transferred with promotion to his native place or any other place of his choice. This will boost the morale and enthusiasm of the employee.

(6) Waiting List : A waiting list is the list of candidates who had applied in the past but could not be absorbed. Such a list is useful for recruitment at a later date. This helps to avoid the advertisement and recruitment process all over again. As and when required, candidates can be recruited from this list as per their order of merit.

(B) External Sources :

(1) Through Advertisement : It is an effective alternative for recruitment. Applications are invited through advertisements in newspapers, business journals and periodicals for specific posts. Apart from this, candidates can also apply online after seeing the advertisement on internet, TV or websites. A large number of applications can be received from distant corners of the country. Right candidate can be selected by this method.

(2) Through Employment Exchange : Public and private employment exchanges prepare a list of prospective candidates who are unemployed and in search of jobs. Keeping in mind their details like name, address, qualifications, experience, skills, etc, the employment exchange provides a list of such qualified but unemployed candidates as and when asked for, by business enterprise. They then may select suitable candidates from this list.

(3) Through Educational Institutes : Many enterprises make recruitments by this method in modern times. Technological institutes contact, colleges and universities, conduct campus recruitment and provide specialized and knowledgeable personnel to business organizations. The required personnel can be recruited by obtaining names from the heads of the concerned institutions by campus interviews. Such placement camps are arranged every year at various institutes like Indian Institute of Management (IIM), Indian Institute of Technology (IIT), etc.

(4) Through Trade Unions : Trade unions make a list of employees of an organization. Sometimes when there is less work or due to any other reason, workers are retrenched. Due to increase in work load whenever the need arises for more employees, such retrenched workers can be recruited with the help of trade unions. This often happens in Textile Industries, Mining Industries, etc.

(5) Through Contractors : In this system a contract is made between the business enterprise and the contractor for the supply of workers. The contractor takes the responsibility of arranging workers (labourers). The contractor is in constant contact with various types of labourers. As and when required, he arranges for labourers at fair wages. This often happens with workers for Construction Industries, Mining Industries, Tea Plantation, etc. In this method there is the possibility of workers being exploited. Generally unskilled labourers are supplied by this method.

(6) Recruitment at the Gate : Workers can be recruited by business enterprises by placing a notice at the factory gate. This method is more suitable for daily wages.

(7) Modern Method : In modern times recruitment can be made by the use of internet. Various agencies register the biodata of prospective candidates on their websites. Whenever there is a vacancy, these agencies or the business units can use this facility to get the required candidates. For this all the procedures are done online; like application, exams (tests), results and appointments. In this method the candidate can take maximum benefit if he is well-versed with computer and internet. Generally this method is suitable for recruitment of skilled employees.

5.3.4 Selection : Selection means to select the proper candidate from the applications received. Selection is a part of the recruitment process. The selection process varies from organization to organization, on the basis of size, type of organization and kind of employees required. There are three levels of management in all large enterprises; top, middle and bottom level management. At different levels of management, different types of qualified employees are required. The selection procedure for non-managerial staff is short and simple. While the selection procedure for top managerial positions is of a special nature and well planned. It is necessary to select the right person for the right job as selection of an employee is a very important aspect. The selection of a suitable, expert, experienced and loyal employee is an invaluable asset for the enterprise.

5.3.4.1 The Process of Selection :

(1) Welcoming and Primary Meeting : At this stage the candidate is welcomed by the enterprise. The receptionist makes the primary investigation and if the candidate is found suitable/eligible he will be sent to the recruitment officer. The recruitment officer collects information about the knowledge, skill and the working capability of the candidate. The main objective at this stage is to prevent the improper/unsuitable candidate from applying in the initial stage. If the candidate is found suitable in the primary meeting, he will be asked to fill in the application form. This saves the time of the recruitment officer and the process also becomes simple.

(2) Receiving and Screening of Applications : The recruitment officer gets information about the educational qualifications, experience, knowledge and skill of the candidate. The candidate, along with application sends different documents of his qualifications like marksheets, experience certificates, etc. Filled in applications which are found incomplete or wrong are rejected, after screening.

(3) Taking Necessary Tests : Various types of tests are conducted for those candidates whose applications are accepted. Every enterprise conducts tests in its own way. Various tests are conducted to know their mental ability, skill, aptitude and efficiency, etc.

(i) IQ Test : IQ test is meant to assess the common sense, memory, smartness, power of decision making and thinking capacity, etc.

- (ii) **Aptitude Test** : This test is meant to know whether the candidate has interest for the specific work or not, for which he is selected.
- (iii) **Trade Test** : This test is meant to decide whether the candidate has the necessary skill to perform the expected job or not.
- (iv) **Psychological Test** : This test is meant to know about the nature, self-confidence, attitude and habits of the candidate.

(4) **Personal Interview** : Candidates who succeed in the above tests are called for personal interview. A committee is formed for the selection of candidates. In this way, assessment can be made without any bias. The interview committee consists of representatives of the management, the departmental head, the personnel manager and experts from various fields. Work related questions are asked. Proper care is taken so that there is no deviation from the topic. At this stage the terms and conditions of the job can be made clear.

(5) **Checking References** : The information given by the candidate in the application form should be checked by referring to his present and past employers to get an idea of the correct situation. To get the right opinion about an employee, the information collected should be free from any bias. The opinion of the references given by the candidates helps in taking right decision.

(6) **Preliminary Selection** : If the matters gathered from personal interview and the past references are positive then the selection committee will make a list of selected candidates. This list usually includes more number of candidates than required.

(7) **Physical (Medical) Examination** : After preliminary selection of the required candidates they are sent to a specified hospital or doctor for medical examination. The main objective of this examination is to know whether the candidate is suffering from any serious illness or any other physical problem. Rest of the employees are kept in waiting list. In future, whenever any candidate is required, selection can be done from this waiting list according to their order of merit.

(8) **Appointment Letter** : After making the final selection, appointment letter is given to the selected candidate. In this letter, information regarding nature of work, work place, designation, rights and responsibilities, remuneration and other financial and non-financial details are given.

(9) **Induction into the Organization and Allotment of Work** : In modern organizations, after giving the appointment letter and before the allotment of duties, employees are given information regarding the policies of the organization, organization environment, superiors, colleagues and subordinates. After this, duties are allotted to the candidate.

5.4 Training and Development

5.4.1 Training : However efficient the recruited personnel might be, without experience and expertise, proper functioning of the organization is impossible. Training is the process of imparting theoretical and practical knowledge with the objective of acquiring proficiency in work. Training is not temporary but a continuous process. To increase knowledge, ability and proficiency of employees, the organization arranges training programmes.

5.4.1.1 Concept : In general terms “Training means providing theoretical and practical knowledge with reference to the work of the employees.”

As stated by an expert, “Training means giving up-to-date information about the organization and also to increase efficiency, skill, aptitude, attitude and technical skill of the employees.”

In short “Training means imparting knowledge and education with the objective of gaining proficiency in the business.”

5.4.1.2 Importance :

(1) **Modern Information :** Training is necessary for apprising the employees about modern technological changes and research.

(2) **Safety :** Those workers who are handling machines are given information regarding operation of machinery so that accidents can be reduced. This nurtures aptitude for work in the employees and also leads to less fatigue and high morale.

(3) **Increase in Job Satisfaction :** Training improves understanding of the workers and when they are given the job for which they have been trained, it increases their enthusiasm which, in turn, increases their job satisfaction.

(4) **Reduction in Rate of Labour Turnover :** Training increases knowledge, skill and efficiency of the workers which, in turn, increases or improves their chances of promotion and income. Since it makes them more efficient, they do not think of changing their job which, in turn, decreases the rate of labour turnover.

(5) **Increase in Profit :** Training increases production and productivity thereby reducing cost of production and increasing profit.

(6) **Reduction in Expenses :** Training increases efficiency of the workers which increases production and decreases wastage of raw material. Supervision cost also reduces. Thus total expenditure is reduced.

(7) **Growth and Development of Employees :** Training results in the increase in skill, knowledge, ability and intelligence of the employees. This also results in personal growth and development of the employees.

(8) **Other Benefits :** Training improves quality of production. It enhances prestige of the organization and reduces stress. An environment of co-operation is created and loyalty, sincerity and enthusiasm of employees is increased.

A separate training department has to be maintained for training and special officers have to be appointed by big enterprises to provide training to new employees. Raw material may get wasted and stipend has to be paid to the trainees. Thus training is expensive but its benefits outweigh the expenses incurred. “Training is expensive but its absence is more expensive.” So the amount spent on training should not be considered an expense but an investment in business.

5.4.2 Development : Top level management and departmental heads have more of intellectual work than physical work. So, special training is given to them. The objective of this training is to increase their mental ability and their efficiency in taking policy decisions. Due to this they become experts in technical knowledge and make strategic plans and policies. This type of training is called officer development in present time. In this industrial world many upcoming changes are taking place. So to enhance the ability of top level management, the organization has to undertake development oriented programmes.

5.4.2.1 Concept : Development is the process of imparting theoretical and practical knowledge to top level management and departmental heads.

The term development refers to a program which helps to achieve the predecided objectives of the organization by improving the capabilities of heads (officers).

5.4.2.2 Importance :

(1) **Increase in Technical knowledge :** With changing business conditions, it is necessary for the officers of organization to have technical knowledge because their functions are related with technical aspects. Developmental programmes provide guidance (knowledge) to use technical knowledge, machines and methods, so that positive decisions can be taken for organizations.

(2) **Research and New Ideology :** It increases the efficiency of departmental heads to work at the administrative level by providing them knowledge about new researches and ideologies.