

DAYANANDA SAGAR COLLEGE OF ENGINEERING

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MODULE 2

ORGANIZING & STAFFING

COURSE CODE: 18HS5ICMEP

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CONTENTS:

ORGANIZING AND STAFFING: Nature and purpose of organization –Principles of organization – types of organization – Departmentation –Committees- Centralization vs. Decentralization of authority and responsibility – Span of control – MBO and MBE (Meaning Only) Nature and importance of staffing. (Case studies discussion).

MODULE 2: ORGANIZING & STAFFING:

2.1 NATURE OF ORGANIZATION:

There is no standard definition of the word “organisation” or “organising”. Different authors have defined the word differently.

1. **Amitai Etzioni:** “An organisation is a social unit or human grouping deliberately structured for the purpose of attaining specific goals”.
2. **Sehein:** “An organisation as the rational coordination of the activities of a number people for the achievement of some common explicit goal, through division of labour and function, and through a hierarchy of the authority and responsibility”.
3. **Allen:** “ 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 accomplishing their objectives”.

The term organisation is used in two different senses. In the first sense it is used to denote the process of organising and the second one is used to denote the result of that process called organisation structure. The process of organisation is defining and grouping the activities of the enterprise and establishing the authority relationship among them. In the second step is to prepare an organisation structure. There are two types of organisation – formal and informal.

In terms of all the above definitions, corporations, armies, schools, hospitals, prisons etc, all are organisations. But tribes, friendship groups and families are not organisation because they do not involve any significant amount of planning, coordination structuring.

TYPOLOGY OF ORGANISATIONS:

Blau and **Scott** classify organisations into four categories using the criterion of cui bono—who benefits:

1. Organisation which benefits their **Owners**. Ex: All business organisations fall in the category.
2. Organisation which benefits their **Members**. Ex: Unions, Cooperatives, Clubs.
3. Organisation which benefits their **Clients**. Ex: Insurance companies, private schools etc.
4. Organisation which benefits the **Whole society**. Ex: Governmental departments.

2.2 PURPOSE OF ORGANIZATION:

The basic purpose of having organisation is to formulate a frame or structure of an enterprise with a view to fulfil the enterprise tasks. The purpose includes the following logical components.

1. Establishes the pattern of relationship by giving duties and responsibilities to an individual or group.
2. Demarcates the authority, responsibility and duties of each individual or group.
3. It tells each manager where his accountability lies and who are in his sphere of command.
4. Provides adequate communication.
5. Coordinates and controls the activities of individuals or groups to achieve common objectives of the enterprise.

2.3 FORMAL AND INFORMAL ORGANISATIONS:

	FORMAL ORGANIZATION	INFORMAL ORGANIZATION
Meaning	Consciously Co-ordinate relationships.	Spontaneous personal relationships.
Basis	Relegation of authority, functions procedures and regulations.	Whines and prejudices.
Nature	Stable and predictable.	Unstable & unpredictable.
Form	Definite structure & well defined jobs.	Structure less.
Sources of authority	Formal position	Informal without position
emphasis	Office	People

2.4 PRINCIPLES OF ORGANIZATION:

In order to develop a sound and efficient organisation structure, there is need to follow certain principles. **E.F.L.Brech**, “If there is to be a systematic approach to the formation of organisation structure, there ought to be a body of accepted principles”. These principles are as follows:

1. **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.

2. **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.
3. **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 say six.
4. **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.
5. **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.
6. **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.
7. **Delegation:** Proper authority should be delegated at the lower levels oh 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.
8. **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.
9. **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.
10. **Efficiency:** The organization structure should enable the enterprise to function efficiently and accomplish its objectives with the lowest possible cost.
11. **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 mean difficulty of effective communication and coordination. Too many committees and excessive procedures also unduly complicate the structure.

- 12. 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.
- 13. 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.
- 14. 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.
- 15. 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.
- 16. 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.

2.5 TYPES OF ORGANIZATION:

Since organisation structure is not a routine or academic sketch, there can be no standard format which can fit any industrial enterprise. 5 patterns of arrangement which commonly describe the situation in most enterprise. They are:

1. Line organisation.
2. Functional or Staff organisation.
3. Line and Staff organisation.
4. Committee organisation.
5. Matrix organisation.

2.5.1 LINE ORGANISATION:

It is also called as military or scalar organisation and simplest form of organisation structure. Authority flows from man at the top to the lowest man vertically. This makes the line authority 'straight and vertical'. It is the authority which channels and directs the response of others and requires them to conform to decisions, plans, policies, procedures and goals. Line authority is thus that relationship in which a superior exercises direct supervision over a subordinate. There are 3 important principles in the chain of command.

1. Command should be given to subordinate through the immediate superior. There should be no skipping of levels in the chain of command.
2. There should be only one chain. Command must be from one immediate superior.
3. The number of subordinates whose work is directly commanded by the superior should be limited.

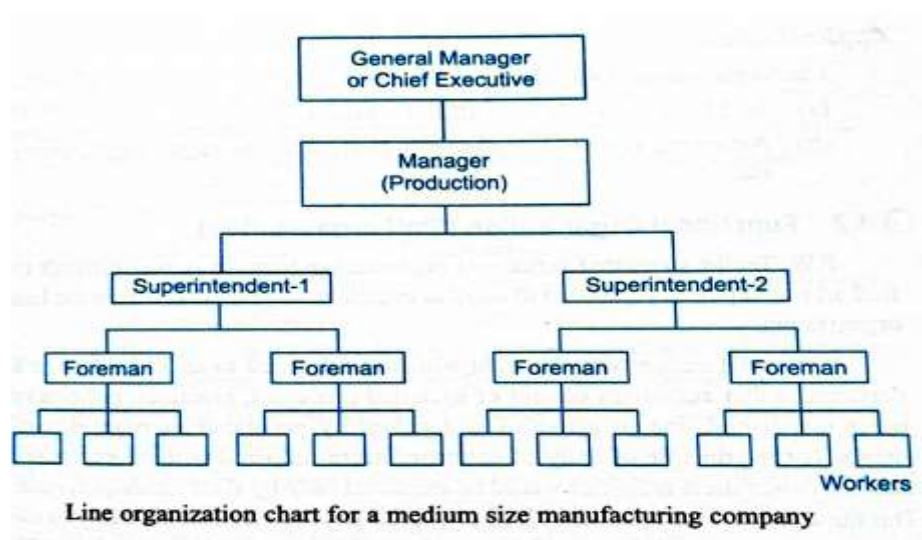


Figure 5: Line Organisation.

ADVANTAGES:

1. Simple and easy to understand.
2. Flexible, easy to expand and contract.
3. Makes clear division of authority.
4. Clear channel of communication with no confusion.
5. Encourages speedy action.
6. Strong in discipline as it fixes responsibility on an individual.

DISADVANTAGES:

1. Neglects specialists.
2. Overloads a few key executives.
3. Requires high type of supervisory personnel to meet the challenges imposed in the absence of specialists as advisors.
4. Limited to very small concerns.
5. Encourage dictatorial way of working & It is rigid and inflexible.

2.5.2 FUNCTIONAL (STAFF) ORGANISATION:

F.W.Taylor suggested functional organisation because it was difficult to find all round persons qualified to work at the middle management levels in the line organisation.

Functional authority is the right which is delegated to an individual or a department that authorises control of specified processes, practices, policies or other matters relating to activities undertaken by personnel in other departments.

As the name implies the whole task of manufacturing and direction of subordinates should be divided according to the type of work involved. Ex: All business organisations have separate departments to look after production, sales and the general office. The functional manufacturing carries this idea to its logical limit of dividing up management into a number of functions such as production, R&D, personnel, purchasing, finance, office management and sales.

The functional organisation was developed so as to achieve complete organisation on the basis of various functions performed by the enterprise.

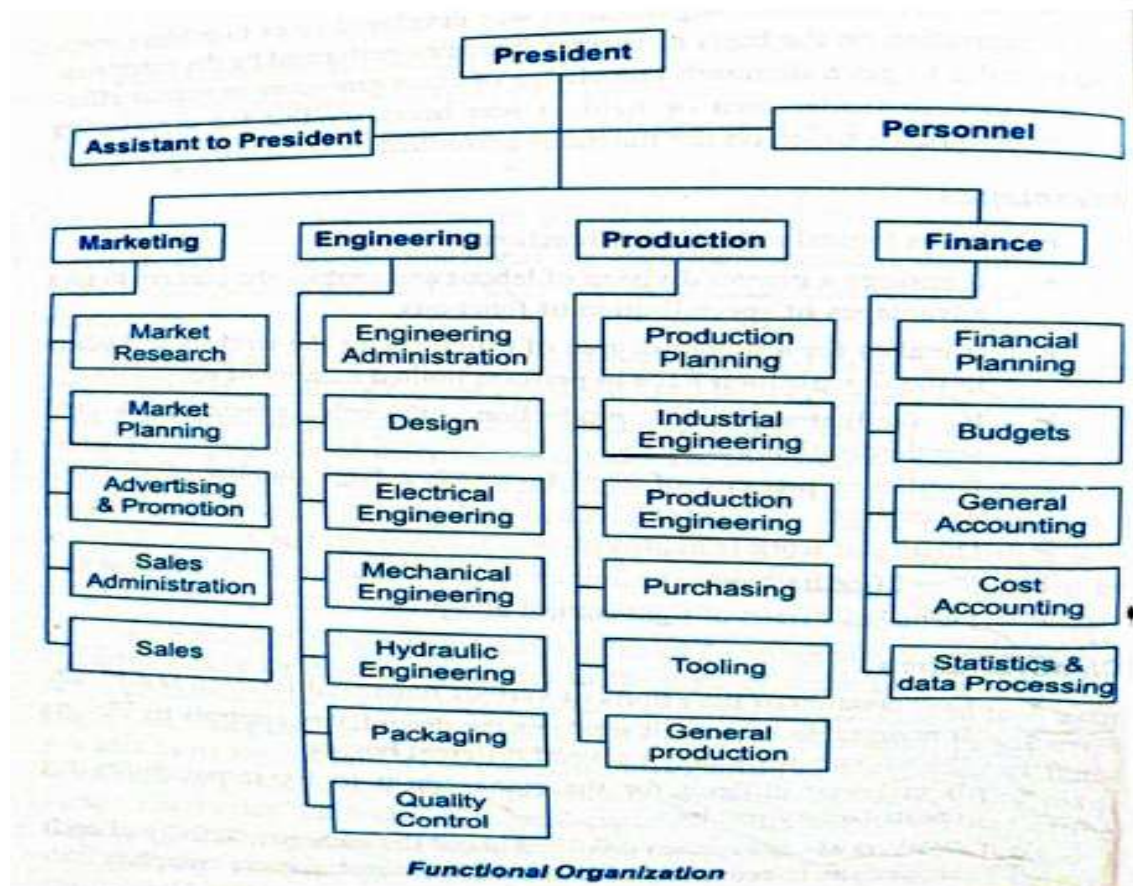


Figure 6: Functional Organisation.

ADVANTAGES:

1. It is a logical reflection of functions.
2. It ensures a greater division of labour and enables the concern to take advantages of specialisation of functions.
3. It makes for a higher degree of efficiency as the workers and others in the organisation have to perform limited number of operations.
4. It facilitates mass production.
5. It relieves pressure of need to search a large number of all round executives.
6. Quality of work is improved.
7. Simplifies training.
8. Tight control at the top.

DISADVANTAGES:

1. Coordination of the efforts of various functional foreman is difficult.
2. It is unstable because it weakens the disciplinary controls by making the workers work under several different bosses.
3. It makes it difficult for the management to fix responsibility for unsatisfactory results.
4. It makes industrial relationship more complex.
5. Responsibility for profit is at the top only.
6. Makes economic growth of company difficult.
7. Limits development of general managers.

2.5.3 LINE AND STAFF ORGANIZATION:

The line organisation gradually developed to shape as the line and staff organisation. As the industry grew in size and complexity, the line executives could not perform properly all other functions such as R&D, planning, distribution, legal, public relations, purchasing, accounting etc.

This made to employing of special executive to assist line executives and they were known as “staff” as they were recruited to perform specialist function.

Line authority gives a supervisor a line of authority and control over a sub ordinate while nature of the staff relationship is advisory.

The function of people in a pure staff capacity is to investigate research and give advice to line managers to whom they report. The final decisions left in the hands of executive.

Staff officers are “authority of ideas”. Line officers are “authority of command”.

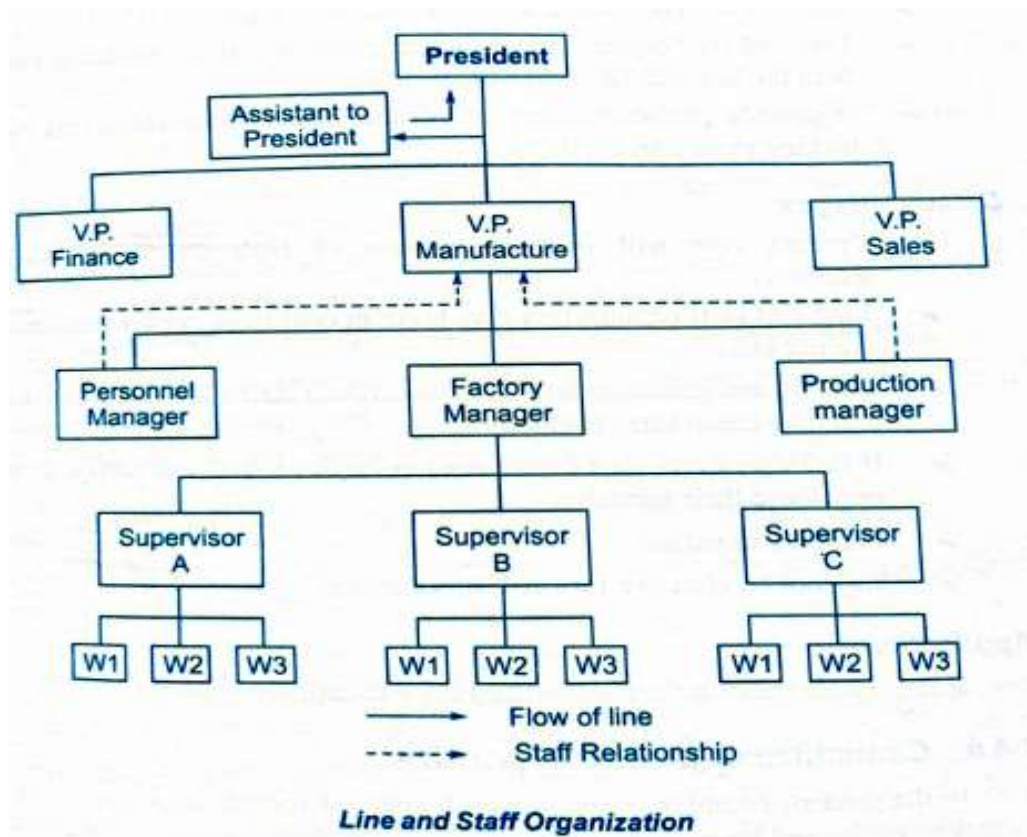


Figure 7: Line and Staff Organisation.

ADVANTAGES:

1. Expert advise from specialist staff executives can be made use of.
2. Line executives are relieved of some of their loads.
3. Less wastage of material, man and machine hours.
4. Quality of product is improved.
5. There is no confusion as exists in functional organisation.
6. It possesses all the advantages of both line and functional organisation.

DISADVANTAGES:

1. Product cost will increase because of high salaries of staff executives.
2. It may bring confusion in case of functions are not clear.
3. Friction and jealousies will develop between staff and line executives.
4. Complex in nature.
5. May not be effective for small organisations.

2.5.4 COMMITTEE ORGANIZATION:

In the modern complex business world, some of the administrative task cannot be performed by a single person alone. Such situations may call for two or more persons to perform such tasks. This calls for a committee organisation.

“A committee is a group of people pooled to carry out a defined objective”.

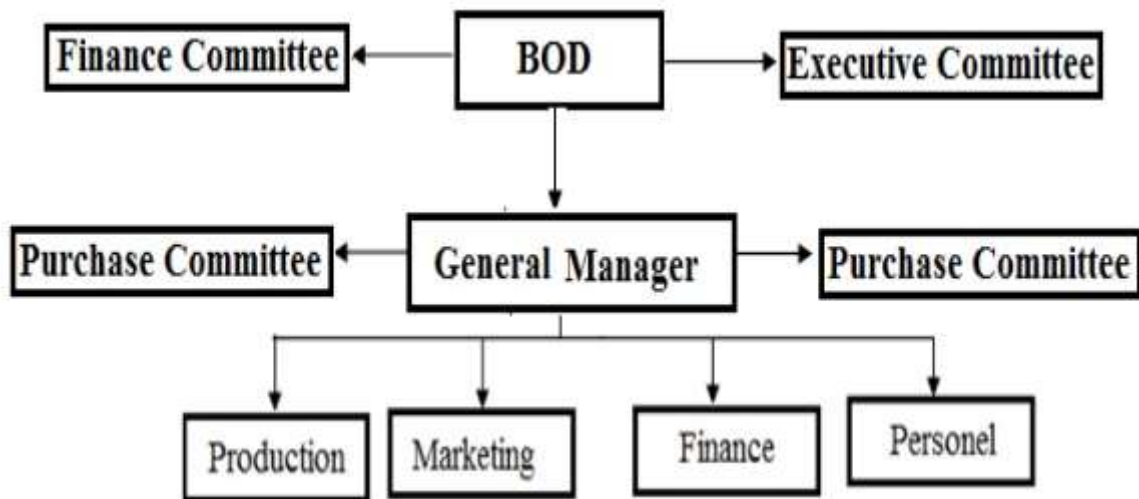


Figure 8: Committee Organisation.

ADVANTAGES:

1. Committees can take valuable decisions.
2. The members can use their expertise while taking decisions.
3. Committee decisions are many times better.
4. As a member of a committee, a manager has to accept the decision and implements it faster.
5. Communication of decision is faster with involvement of members from different groups.
6. Coordination among different department is made easy.
7. Members have authority to implement decisions.
8. Decision is based on vast experience of the members.

DISADVANTAGES:

1. Many times decisions are delays due to the heterogeneous group in the committee.
2. Increased administrative expenses.
3. Lack of ideas, due to which decisions cannot be arrived.
4. Secrecy of decisions cannot be maintained.

5. Sometimes decisions are taken on compromise.
6. Discussions may lead to heated arguments.
7. Dominating nature of people influence more in decision-making.
8. Responsibility cannot be fixed on any individual if a decision does not produce expected results.

2.5.5 MATRIX ORGANIZATION:

There are several departments under matrix organisation. Each department is assigned with a specific task. The available resources can be effectively used by each department with the coordination of the departments.

It is defined as “Any organisation that employs a multiple command structure but also related support mechanisms and an associated organisational culture and behaviour pattern”.

This type of organisation is best suited where large numbers of small projects are to be managed.

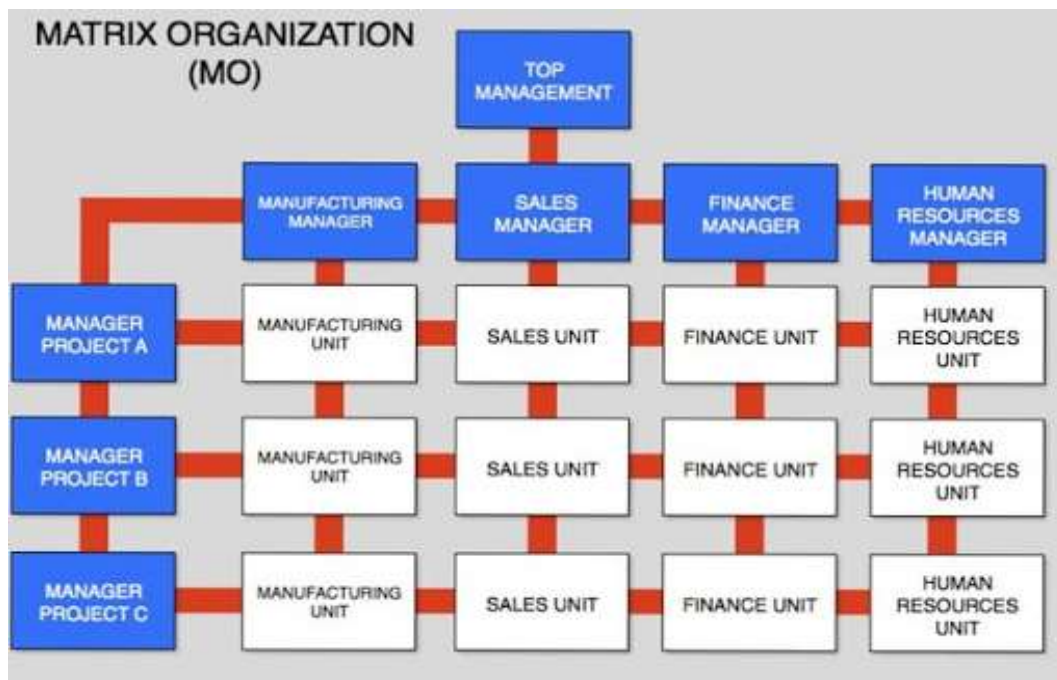


Figure 9: Matrix Organisation.

ADVANTAGES:

1. The matrix organisation combines the advantages of functional and line organisation.
2. It ensures the achievement of objectives with technical specialisation.
3. It ensures effective utilisation of available resources.
4. It adopts itself easily to external charges.
5. It is highly flexible and Makes room for training and development of people.

DISADVANTAGES:

1. Since it does not follow scalar chain of command, it leads to confusions.
2. Since too many supervisors controlling an activity, work may be delayed.
3. Sometimes resources may not be made available owing to other priority projects.
4. May lead to conflicts owing to lack of unity of command in the organisation.

2.6 DEPARTMENTATION/DEPARTMENTALISATION:

The horizontal differentiation of tasks or activities into discrete segments is called departmentalisation. The aim is to take advantage of the division of labour and specialisation up to a certain limit.

Departmentation based on functions, products, customers, regions or territory, time.

2.6.1 FUNCTIONS:

The most widely used base for Departmentation is function. Each major function of the enterprise grouped into a department. Ex: Production, Finance and Marketing departments in manufacturing company. A sales manager in this kind of departmentalisation is responsible for the sales of all products manufactured by the company.

ADVANTAGES:

1. It is for small organisation which manufactures only a limited number of products or services.
2. It promotes excellence in performance because of development of expertise in only a narrow range of skills.
3. It leads to improved planning and control of the key functions.
4. It ensures economy, there is only one department related to one function for the entire function. Manpower and Other resources of the company are effectively utilized by time-sharing then across products or projects.

DISADVANTAGES:

1. It fosters sub-goal loyalties. It is difficult for anyone to understand the task of the whole and to relate his own work to it.
2. Each manager thinks only in terms of his own departmental goals and does not think in terms of the company as a whole.
3. It does not offer a good training ground for the overall development of manager who gains expertise in handling problems of his particular department only
4. Unsuitable for organizations which are large in size, complexity or innovative scope.

5. In this form the customer needs evoke conflicting interpretations from each department head like the story of twelve blind people and an elephant.
6. In this form the procedures are overly complicated, wasteful and time consuming weakness called as “organizational arthritis” develops where the structure is rigid and resists adaptation.

2.6.2 PRODUCTS:

It is well suited for a large organisation 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. Within each department, all the needed manufacturing, engineering, marketing, manpower and other facilities assembled.

Ex: Hindustan Lever, Johnson and Johnson etc have product based departments.

ADVANTAGES:

1. This form relieves top management from operating task responsibility and therefore can concentrate on such centralized activities such as finance, R&D and control. \
2. Enables top management to compare performances of different products and invest more resources in profitable products and withdraw resources from unprofitable ones.
3. In this form as the responsibility is entrusted on a particular department head, he is stimulated for improving his performance.
4. In this form natural team work develops as each worker sees that his contribution is needed to make the whole product.

DISADVANTAGES:

1. This form results in duplication of staff and facilities.
2. Extra expenditure is incurred in maintaining a sales force for each product line.
3. Employment of a large number of managerial powers is required.
4. Equipment in each product may not be utilized fully.

2.6.3 CUSTOMERS:

An enterprise may be divided into a number of departments on the basis of the customers that is services.

Ex: An electronics firm may have separate departments for military, industrial and consumer customers. An educational institute may have separate departments for day, evening and correspondence courses to impart education to full-time, part-time students.

Advantage of this form is that it ensures full attention to major customer groups which have a very different set of criteria governing their decisions to purchase.

The disadvantages of this form are that (1) it may result in under-utilization of resources and facilities in some departments; (2) there may be duplication of facilities.

2.6.4 REGIONS or TERRITORY:

When several production or marketing units of an organisation are geographically dispersed in various locations, it is logical to departmentalise those units on a geographical basis.

Ex: The Indian Railways are departmentalised on this basis. Northern Railways, Southern Railways, Eastern Railways, Central Railways, etc. are departments in this sense.

ADVANTAGES:

1. It motivates each regional head to achieve high performance.
2. It provides each regional head an opportunity to adapt to his local situation and customer need with speed and accuracy.
3. It affords valuable top-management training and experience to middle-level executives.
4. It enables the organization to take advantage of location factors, such as availability of raw materials, labour, market etc.
5. It enables the organization to compare regional performances and invest more resources in profitable regions and withdraw resources from unprofitable ones.

DISADVANTAGES:

1. It gives rise to duplication of various activities and many of the routine and service functions carried out by the regional offices can be carried out centrally by the head office very economically.
2. Many regional units may forget the overall interest of the total organization.

2.6.5 TIME:

In departmentalisation by time, activities are grouped on the basis of timing of their performance.

Ex: A small machine shop grows in size; its owner has choice of either adding extra shifts or renting two more shops.

DISADVANTAGES:

1. Accidental occurrences, such as machinery breakdown when carried over from one shift to another, affect the product of the following shift also.
2. Workers of one shift generally develop a tendency to pass on some portion of their

incomplete work to the workers of the following shift.

3. It becomes difficult for the management to correctly measure the performance of a certain department when the performance of that department does not remain confined to one-shift period but extends to the next shift.

2.7 COMMITTEES:

A committee is a group of people who have been formally assigned some tasks or some problems for their decisions and/or implementation.

Committees are often set up where new kinds of work and/or unfamiliar problems seem to involve decisions, responsibility and powers beyond the capabilities of any one man or department.

Rensis Likert's New Patterns of Management with a system of *“inter-locking groups”*.

Under this proposal each unit head and his subordinates would work as a decision-making committee. Since each unit head would serve as a “Chief” vis-à-vis the level below him and as a subordinate vis-à-vis the level above, he would be performing a linking-pin function in a system of interlocking groups comprising the whole hierarchy of the company. As shown in below figure 11.

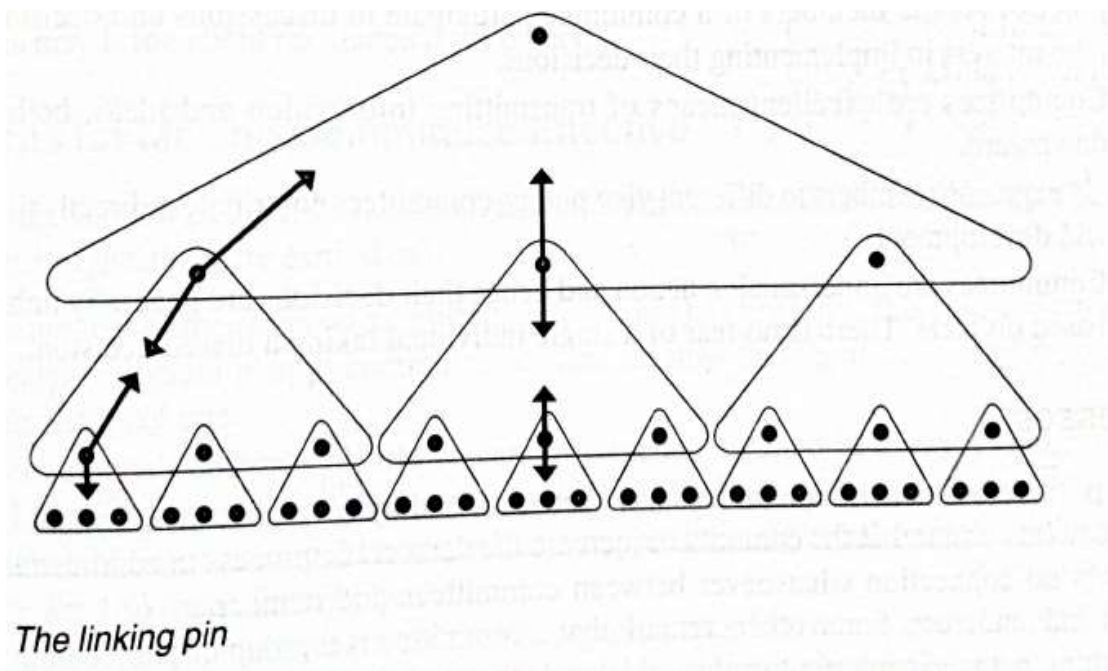


FIGURE 10: Likert's Linking Pin Diagram

2.7.1 PRINCIPLES OF COMMITTEES:

1. The number of persons in a committee should depend upon need.
2. Responsibility, authority, objectives, duties of the committee should be clear.
3. Agenda of the committee should be proposed or communicated to the committee at least one week before the meeting.
4. Problems which can be taken care by an individual should not be included in the agenda.
5. Committee meeting should begin and end on prefixed timings.
6. Problems not related to the subject matter should not be discussed.
7. The recommendation made by committee should be published and circulated to interested and concerned persons.
8. The committee should be appraised, if the action taken based upon the recommendation.
9. A committee must be dissolved after its purpose is over.

2.7.2 TYPES OF COMMITTEES:

1. **Standing or Permanent Committee:** This is needed in a complex organisation experiencing multi-faced problems almost all the times Govt. enterprise like Railways Boards, Board of Revenue, Planning Commission etc.
2. **Temporary Committee:** Is formed to face and solve problems arising occasionally.
3. **General Advisory Committee:** May advise the management on important matters relating to the organisation. Ex: Business enterprise, Board of directors. Etc.
4. **Joint Consultative Committee:** Consisting of the representatives of labour and management, may promote better relation between management and labour by discussing matters of common interest.
5. **Academic Committee:** Non-business institutions like Universities councils, Board of studies etc.
6. **Religious Committee:** Trust, Temple organisation.
7. **Educational:** Aids in getting information about company problems, policies, projects to major individual concerned.

ADVANTAGES:

1. Where committees consists of all department heads as members, people get an opportunity to better understand each other's problems and move towards organizational goals.
2. Committees provide a forum for the pooling of knowledge and experience of many persons of different skills, ages and backgrounds which helps in improving the quality of decisions.
3. Committees provide an opportunity to many persons to participate decision-making process.
4. Committees are excellent means of transmitting information and ideas, both upward and downward
5. Committees can contribute indirectly to their training and viewpoints.
6. Committees are impersonal inaction and hence their decisions are generally unbiased and are based on facts and there is no fear of single individual taking a decision.

DISADVANTAGES:

1. Committees keep up minutes and waste hours by setting up a committee which takes a longer time to get action than from an individual manager.
2. In case a wrong decision taken, no member can be individually blamed which encourages irresponsibility among members of the committee.
3. Can be expensive form of administration where huge amount is spent on convening meetings and giving allowances to the members.
4. Members of the coordinating committees feel appointed to protect their interests of the departments rather than finding appropriate solution to the problem.
5. Committees have a tendency to perpetuate themselves and difficult to dissolve them.
6. Decisions are generally based on some compromise among members which are not best decisions which results in log rolling.
7. As committees consists of large number of persons, difficult to maintain secrecy.
8. As the chairman often changes, influence accumulates in the hands of some other person which may result in domination and may bring about resistance from others.

2.8 CENTRALIZATION VS. DECENTRALIZATION OF AUTHORITY AND RESPONSIBILITY:

Authority is the ability to influence or to cause a person to perform an act.

It is the institutionalised right of a supervisor to command and compel his subordinates to perform a certain act. It is mostly well-defined, finite. It serves as a basis of formal organisation.

Responsibility is the obligation of a subordinate to obey those commands. Thus, when a superior assigns some work to a subordinate, it becomes his responsibility to perform it.

Responsibility has two dimensions. One dimension may be given as responsibility *for*, the other as responsibility *to*. It cannot be delegated or transferred.

DELEGATION:

A manager in an enterprise cannot himself do all the tasks necessary for the accomplishment of group goals, as his capacity to do work and take decisions is limited. He, therefore, assigns some part of his work to his subordinates and also gives them necessary authority to make decisions within the area of their assigned duties. This downward pushing of authority to make decisions is known as delegation of authority.

ADVANTAGES:

1. It relieves the manager of his heavy workload.
2. It leads to better decisions.
3. It speeds up decision-making.
4. It helps train subordinates and builds morale.
5. It serves as compensation to those who face the prospect of limited advancement.
6. It helps create a formal organisation structure.

BARRIERS TO EFFECTIVE DELEGATION:

1. Fear of loss of Power.
2. The “I can do it better myself” Fallacy.
3. Lack of confidence in subordinates.
4. Fear of being exposed.
5. Difficulty in briefing.
6. Inability to establish and exercise proper controls.

DECENTRALISATION:

The delegation of authority by an individual manager is closely related to an organisation's decentralisation of authority. Every organisation has to decide as to how much decision-making authority should be centralised in hands of the chief executive and how much should be distributed among the managers at lower levels.

The greater the decentralization:

1. The greater is the number of decisions made at the lower levels.
2. The greater are the important decisions made at the lower levels.
3. The greater is the number of decisions made at the lower levels.
4. The fewer are the people to be consulted at the lower level and lesser is the checking required on the decisions made at the lower levels.

Difference between Delegation and Decentralisation:

DELEGATION	DECENTRALIZATION
1. It is a process, which refers to the granting of authority and the creation of responsibility between one individual to another.	1. It is the end result of delegation and dispersal of authority.
2. A superior continues to be responsible for the work delegate to his subordinates.	2. The superior is relieved from his responsibility for the work decentralized and the subordinate becomes liable for that.
3. It is vital and essential to the management process and only through delegation subordinates can be involved in the organization and management can get things done.	3. It is optional and may or may not be practiced as a systematic policy.

2.9 SPAN OF CONTROL:

Span of management or control refers to the number of subordinates who report to a manager or the number of subordinates a manager can effectively supervise. It is also called span of supervision.

There is a limit to the number of persons a manager can supervise with effect, even though this limit varies depending on situations, the result is the existence of organisation levels.

There are two types: Wide Span and Narrow Span.

2.9.1 Organisation with Narrow Span:

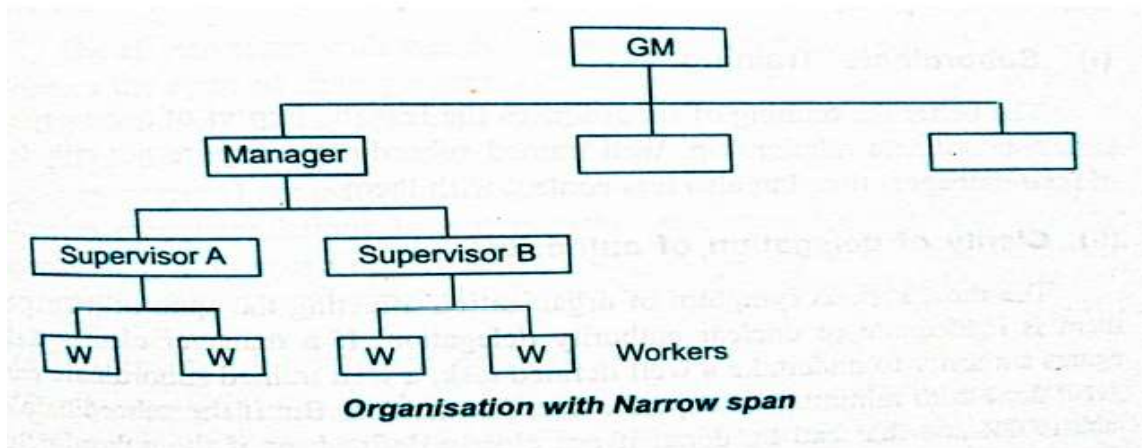


FIGURE 11: Organisation with Narrow Span

ADVANTAGES:

1. Close supervision.
2. Close control.
3. Fast communication between subordinates and superiors.

DISADVANTAGES:

1. Superior tends to get too much involved in subordinates work.
2. Many levels of management.
3. High cost due to many levels of management.
4. Excessive distance between lower level and top level.
5. Complicates planning and control process.

2.9.2 Organisation with Wide Span:



FIGURE 12: Organisation with Wide Span

ADVANTAGES:

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

DISADVANTAGES:

1. Tendency of overloading superiors to become decision bottle necks.
2. Danger of superior's loss of control.
3. Requires managers with exceptional qualities.

Difference between Narrow Span & Wide Span:

NARROW SPAN	WIDE SPAN
It will have many organisation levels.	It will have few organisation levels.
Executive may not be able to supervise the subordinate effectively.	Executive may tend to over supervise the subordinates.
More effective & faster team communication.	Improved communication.
Tall organisation structure.	Flat organisation structure.
It is expensive.	It is less expensive.

2.10 MBO and MBE:**MANAGEMENT BY OBJECTIVE (MBO):**

Management by objective is also referred as results management or management by results. Its main aim is to increase the effectiveness of managers by placing responsibility.

MBO is a process, in which the General manager and his subordinates of an organisation jointly identify the common objectives, define individual's responsibility, and use these measures as guides in achieving the company goals/targets.

Objectives set must meet the following requirements:

1. Work in the same direction for achieving company goals.
2. Clearly define and communicate to all.
3. They can be easily attained.
4. Flexible for marketing adjustment.

Limitations of MBO: The major limitation is that, the management working by objectives may be rigid in action.

MANAGEMENT BY EXCEPTION (MBE):

The principle of management by exception was first given by F.W.Taylor in 1919. According to this principle, only unusual or exceptional items of major deviations in daily activities should be brought to the notice of the manager. It states that non deviations from standards should not be brought to his attention.

The theory behind this principle is that once standard is set for a particular activity, and if it is going smoothly, then there is no point in informing this to the manager. Only if something goes wrong and affects the smooth functioning of the progress, then must be informed to manager.

Limitations of MBE: There is possibility of misusing the authority by subordinates. People may not work promptly as they feel freer.

2.11: NATURE & IMPORTANCE OF STAFFING:

“It is important to have a good organisation structure, but it is even more important to fill the jobs with right people”.

Staffing includes several sub-sections:

1. Recruitment or getting applicants for the jobs as they open up.
2. Selection of the best qualified from those who seek the jobs.
3. Training those who need further instructions to perform their work effectively or to qualify for promotion.
4. Performance appraisal, since it serves as the basis for job change or promotion.
5. Administration of compensation plans, since it is important factor in both getting and holding qualified people.

Advantages of proper and efficient staffing:

1. It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
2. Ensures greater production by putting the right man in the right job.
3. It helps to avoid a sudden disruption of an enterprises production run by indicating shortages of personal if any in advance.
4. Helps to prevent underutilization of personnel through over manning and the resultant high labour cost and low profit margins.
5. Provides information to management for the internal succession of managerial personnel in the event of unanticipated turnover.

2.12 RECRUITMENT:

It can be defined as the process of identifying the sources for prospective candidate and stimulate them to apply for the jobs.

According to **Dalton E. McFarland**, “It is the process of attracting potential employees to the company”.

SOURCES OF RECRUITMENT:

1. Re-employment of former employees.
2. Friends and relatives of present employees.
3. Application at the gate.
4. College and technical institutions.
5. Employment exchanges.
6. Labour unions.

2.13 SELECTION:

Selection is comparing applicant's qualifications with the requirements of a job and eliminates all those who do not stand up to this comparison.

STEPS IN THE SELECTION PROCESS:

1. Job Analysis.
2. Job Description.
3. Job Specification.

SELECTION PROCEDURE:

1. Application bank.
2. Initial interview.
3. Employment tests. (Aptitude tests, Interest tests, Intelligent tests, Personality test etc)
4. Checking references.
5. Physical or medical examination.
6. Final interview.

2.14 PLACEMENT:

“The process of placing the right man on the right job”.

A worker should be placed on a position where there is full use of his strengths and weaknesses become irrelevant. A misplaced person is always a frustrated individual.

References:

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