

Chapter 1: Organization

Concepts of Organization:

Human beings cannot live in isolation. They are unable to fulfill their needs and desires alone, because any one individual lacks the strength, ability, time and potential. He has to get the cooperation of other persons in achieving his goals. In simple words, organization is viewed as a group of persons formed to seek certain goals. Organization is not a new and modern invention or phenomenon.

Ever since the dawn of civilization, people have always formed organizations to combine their efforts for the accomplishments of their common goals. For example, the Emperors of China used organizations a thousand years ago to construct great irrigation systems. The first Pope created a universal church to serve a world religion. The greatest example is the construction of great pyramids by the early Egyptians.

It is very difficult to define the term organization precisely because the use of the term organization is not standardized. It is not static. It is dynamic and ever changing as per the needs of society, its members, business objectives and environmental changes. Organization has been defined in different ways by different theorists, because different theorists have emphasized different characteristics of organization.

Definition:

1. According to Mooney and Reiley:

“Organization is defined as the form of human association for attaining common objectives.”

2. According to Louis A. Allen:

“Organization can be defined as 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.”

3. According to Koontz and O’ Donnel:

“The establishment of authority relationships with provision for coordination between them, both vertically and horizontally in the enterprise structure, is the essence of organization.”

Features of Organization:

Different authors look at the word “organization” from their own angle. One thing which is common in all the viewpoints is that organization is the establishment of authority relationship among persons so that it helps in the achievement of organizational objectives.

Some of the Features of Organization are as Discussed Below:

1. Composition of Interrelated Individuals:

Organization is a composition or aggregation of interrelated individuals. The organizations are not merely a number of individuals collected at random but they are composed of individuals who are interrelated. The identifiable interrelated group of individuals determines the boundary of the organization. It shows the organization as a separate entity from the other elements in its environment.

2. Deliberate and Conscious Creation and Recreation:

Organization is a social unit which is deliberately constructed or reconstructed. It is a system of consciously coordinated activities of two or more persons. This feature differentiates the organization from the other social units. Unlike other social units, members enter in the organization through a contract and can be shunted out also if their performance is not satisfactory. Thus, the relationship is purely of a contractual nature. Recreation of groups can be made by the organization through promotions, demotions or transfers of people in the organization.

3. Achievement of Common Objectives:

An organization is a conscious and purposive creation. It is a means towards the achievement of common enterprise objectives. The objectives of various segments lead to the achievement of major business objectives. The organizational structure should build around common and clear cut objectives. This will help in the proper accomplishment of objectives.

4. Division of Work:

Organization includes breaking up the entire work into different segments. Different segments of work are then assigned to different persons for their efficient accomplishment. This brings in division of labor. It is not that one person cannot carry out many functions but specialization in different activities is necessary to improve one’s efficiency. Organization helps in dividing the work into related activities so that they are assigned to different individuals.

5. Coordination:

Coordination of various activities is as essential as their division. It helps in integrating and harmonizing various activities. Coordination also avoids duplications and delays. In-fact, various functions in an organization depend upon one another and the performance of one

influences the other. Unless all of them are properly coordinated, the performance of all segments is adversely affected.

6. Co-operative Relationship:

An organization creates co-operative relationship among various members of the group. An organization cannot be constituted by one person. It requires at least two or more persons; organization is a system which helps in creating meaningful relationships among people. The relationship should be both vertical and horizontal among members of various departments. The structure should be designed that it motivates people to perform their part of work together.

7. Well Defined Authority Responsibility Relationship:

An organization consists of various positions arranged in a hierarchy with well defined authority and responsibility. There is always a central authority from which a chain of authority relationship stretches throughout the organization. The hierarchy of positions defines the lines of communication and pattern of relationships.

8. Group Behavior:

An organization is a composition of people. The success of an organization depends upon the behavior of the people and the group. Individual groups and structures are the basis of group behavior. Relationships on a person to person level and subordinate to subordinate as well as with the superior are established in a group. Formal and informal organizations help in developing proper behavior of a group.

Group behavior has given birth to team work which has been accepted as the most effective form of organization. Team spirit, team performance, team rewards and team motivation have achieved new dimensions in big organizations in the beginning of this century. Groups in an organization have more effective behavior. They can achieve something more together than what they can achieve individually.

9. Performance:

The whole organization is greater than the sum of its parts. The organization's main aim is to achieve the goals and objectives through effective performance which is possible with human resource development. Organizational development programmes maximize work motivations and creativity. Job enlargement, job enrichment and job satisfaction also come under organizational performance. Specialization in particular helps in the effective performance of the job. The above features of the organization make it different from other social units. In modern organizations, which are large and complex in nature, these features are very important from the point of view of the management.

Concept of Organizational Behavior:

While working in an organization, it is very important to understand others behavior as well as make others understand ours. In order to maintain a healthy working environment, we need to adapt to the environment and understand the goals we need to achieve. This can be done easily if we understand the importance of OB.

Following points bring out the importance of OB –

- It helps in explaining the interpersonal relationships employees share with each other as well as with their higher and lower subordinates.
- The prediction of individual behavior can be explained.
- It balances the cordial relationship in an enterprise by maintaining effective communication.
- It assists in marketing.
- It helps managers to encourage their sub-ordinates.
- Any change within the organization can be made easier.
- It helps in predicting human behavior & their application to achieve organizational goals.
- It helps in making the organization more effective.

Thus studying organizational behavior helps in recognizing the patterns of human behavior and in turn throws light on how these patterns profoundly influence the performance of an organization.

The concept of OB is based on two key elements namely –

- Nature of people
- Nature of the organization

Nature of People

In simple words, nature of people is the basic qualities of a person, or the character that personifies an individual they can be similar or unique. Talking at the organizational level, some major factors affecting the nature of people have been highlighted. They are –

- **Individual Difference** – It is the managerial approach towards each employee individually, that is one-on-one approach and not the statistical approach, that is, avoidance of single rule. **Example**– Manager should not be biased towards any particular employee rather should treat them equally and try not to judge anyone on any other factor apart from their work.
- **Perception** – It is a unique ability to observe, listen and conclude something. It believes in our senses. In short, the way we interpret things and have our point of view is our perception.

- **A whole person** – as we all know that a person’s skill or brain cannot be employed we have to employ a whole person. Skill comes from background and knowledge. Our personal life cannot be totally separated from our work life, just like emotional conditions are not separable from physical conditions. So, people function is the functioning of a total human being not a specific feature of human being.
- **Motivated behavior** – It is the behavior implanted or caused by some motivation from some person, group or even a situation. In an organization, we can see two different types of motivated employees –
 - **Positive motivation** – Encouraging others to change their behavior or say complete a task by luring them with promotions or any other profits. Example – “If you complete this, you will gain this.”
 - **Negative motivation** – Forcing or warning others to change their behavior else there can be serious consequences. Example – “If you don’t complete this, you will be deprived from the office.”
- **Value of person** – Employees want to be valued and appreciated for their skills and abilities followed by opportunities which help them develop themselves.

Nature of Organization

Nature of organization states the motive of the firm. It is the opportunities it provides in the global market. It also defines the employees’ standard; in short, it defines the character of the company by acting as a mirror reflection of the company. We can understand the nature of any firm with its social system, the mutual interest it shares and the work ethics.

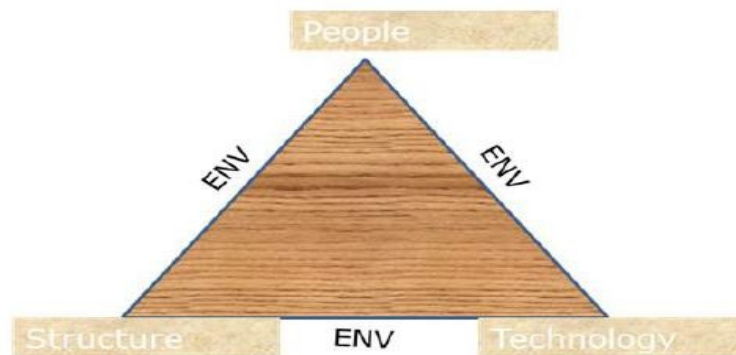
Let us take a quick look at all these factors –

- **Social system** – every organization socializes with other firms, their customers, or simply the outer world, and all of its employees - their own social roles and status. Their behavior is mainly influenced by their group as well as individual drives. Social system are of two types namely –
 - **Formal** – Groups formed by people working together in a firm or people that belong to the same club is considered as **formal social system**. **Example** – A success party after getting a project.
 - **Informal** – A group of friends, people socializing with others freely, enjoying, partying or chilling. **Example** – Birthday party.
- **Mutual interest** – every organization needs people and people need organizations to survive and prosper. Basically it’s a mutual understanding between the organization and the employees that help both reach their respective objectives. **Example** – we deposit our money in the bank; in return the bank gives us loan, interest, etc.
- **Ethics** – they are the moral principles of an individual, group, and organization. In order to attract and keep valuable employees, ethical treatment is necessary and some moral standards need to be set. In fact, companies are now establishing code of ethics training reward for notable ethical behavior.

Determinants of OB:

There are three major factors that affect OB. The working environment being the base for all three factors, they are also known as the determinants of OB. The three determinants are –

- People
- Structure
- Technology



People:

An organization consists of people with different traits, personality, skills, qualities, interests, background, beliefs, values and intelligence. In order to maintain a healthy environment, all the employees should be treated equally and be judged according to their work and other aspects that affect the firm.

Example – A company offers campus placement to trainees from different states like Orissa, Haryana, Arunachal Pradesh and many more. However, during and after training, all trainees are examined only on the basis of their performance in the tasks assigned.

Organizational Structure:

Structure is the layout design of an organization. It is the construction and arrangement of relationships, strategies according to the organizational goal.

Example – Organizational structure defines the relation of a manager with employees and co-workers.

Technology:

Technology can be defined as the implementation of scientific knowledge for practical usage. It also provides the resources required by the people that affect their work and task performance in the right direction.

Example – Introduction of SAP, big data and other software in the market determines individual and organizational performance.

Environment:

All companies function within a given internal and external environment. Internal environment can be defined as the conditions, factors, and elements within an enterprise that influences the activities, choices made by the firm, and especially the behavior of the employees. While external environment can be defined as outside factors that affect the company's ability to operate. Some of them can be manipulated by the company's marketing, while others require the company to make adjustments.

Some **examples of internal environment** include employee morale, culture changes, financial changes or issues, and some **examples of external environment** include political factors, changes to the economy and the company itself.

Organizational Behavior Models:

Organizational behavior reflects the behavior of the people and management all together, it is considered as field study not just a discipline. A discipline is an accepted science that is based upon theoretical foundation, whereas OB is an inter-disciplinary approach where knowledge from different disciplines like psychology, sociology, anthropology, etc. are included. It is used to solve organizational problems, especially those related to human beings.

There are four different types of models in OB. We will throw some light on each of these four models.

Autocratic Model

The root level of this model is power with a managerial orientation of authority. The employees in this model are oriented towards obedience and discipline. They are dependent on their boss. The employee requirement that is met is subsistence. The performance result is less.

The major drawbacks of this model are people are easily frustrated, insecurity, dependency on the superiors, minimum performance because of minimum wage.

Custodial Model

The root level of this model is economic resources with a managerial orientation of money. The employees in this model are oriented towards security and benefits provided to them. They are dependent on the organization. The employee requirement that is met is security.

This model is adapted by firms having high resources as the name suggest. It is dependent on economic resources. This approach directs to depend on firm rather than on manager or boss. They give passive cooperation as they are satisfied but not strongly encouraged.

Supportive Model

The root level of this model is leadership with a managerial orientation of support. The employees in this model are oriented towards their job performance and participation. The employee requirement that is met is status and recognition. The performance result is awakened drives.

This model is dependent on leadership strive. It gives a climate to help employees grow and accomplish the job in the interest of the organization. Management job is to assist the employee's job performance. Employees feel a sense of participation.

Collegial Model

The root level of this model is partnership with a managerial orientation of teamwork. The employees in this model are oriented towards responsible behavior and self-discipline. The employee requirement that is met is self-actualization. The performance result is moderate zeal.

This is an extension of supportive model. The team work approach is adapted for this model. Self-discipline is maintained. Workers feel an obligation to uphold quality standard for the better image of the company. A sense of "accept" and "respect" is seen.

Challenges for OB:

Challenges and opportunities for organizational behavior are massive and rapidly changing for improving productivity and meeting business goals.

1. Improving Peoples' Skills.
2. Improving Quality and Productivity.
3. Total Quality Management (TQM).
4. Managing Workforce Diversity.
5. Responding to Globalization.
6. Empowering People.
7. Coping with Temporariness.
8. Stimulating Innovation and Change.
9. Emergence of E-Organization & E-Commerce.
10. Improving Ethical Behavior.
11. Improving Customer Service.
12. Helping Employees Balance Work-Life Conflicts.
13. Flattening World.

Process of Organization formation:

1. Determining Objectives
2. Determining the Activities
3. Creating Activity groups
4. Assignment of Responsibility
5. Delegation of Authority
6. Coordinating activities

Theories of OB:

Organization theory is a set of concepts, and principles that provide framework for systematic study of structure, functioning and performance of organization and of the behavior of individuals and groups working in them.

Organization theory explains how organization structures are built. It also suggests how organization can be designed to improve their effectiveness.

— The theory of org can be classified into three broad categories:

- Classical Organization theory
- Neoclassical Organization theory
- Modern Organization theory

I. Classical Organization theory

- It is the oldest theory of organization
- It is originated from the writings of classical management thinkers such as Taylor and Fayol.
- The Classical writers viewed organization as a machine and individuals working in it as different components of this machine. They believed that efficiency of organization can be increased by making each individual more efficient.

Characteristics or contributions of classical organization theory:

- - It is based on organization as a machine and individuals working in it as different components of this machine.
- - It believed that efficiency of organization can be increased by making each individual more efficient.
- - It deals with formal organization structures.
- - It focuses on objectives and tasks and not on the human beings performing the tasks.
- - It aims at maximizing control.
- - It emphasizes on the Specialization, Scientification and Simplification.

Principles of Classical Theory:

The classical theory has been developed round the following principles or pillars:

- Division of labor and departmentization.
- Scalar chain i.e. hierarchy of authority
- Delegation of authority
- Unity of command – One Supervisor System
- Unity of direction – one Direction/ One plan System
- Line and staff relationship
- Span of control
- Parity of authority and responsibility
- Structural relationships among various tasks,activities and people.

II. Neoclassical Organization theory

- The neoclassical theory originated from the findings of famous Hawthorne experiments conducted under the leadership of Mayo. It developed with the human relations movement.

- The neoclassical school focuses attention on human beings and their behavior in organizations.
- It believes that human behavior in organizations is greatly influenced by formal as well as informal relations.

Characteristics or contributions of Neoclassical organization theory:

- The organization is a social system composed of several interacting Sub- systems.
- The social environment on the job affects people and is also affected by the people.
- Integration between organizational and individual goals is a must.
- Money is only one of the motivators but not the sole.
- Human beings are not always rational. They behave rationally as far as rewards from the job are concerned.
- Two way communications is necessary for sound functioning of the organization.
- Team work is essential for cooperation and higher productivity. But it can be achieved only through behavioral approach.

III. Modern Organization theory

- The modern organization theory originated in sixties and flourished in seventies of the 20th century.
- The modern theory of organization views organization as a system.
- It considers organization as a system composed of many subsystems such as managerial, technical, social sub system
- It regards individual as complex being who can be motivated in multitude of ways.
- It is descriptive approach of studying organizations.
- It is multi- disciplinary theory as draws concepts and principles from several disciplines such as sociology, psychology, economics, engineering and so on.
- It is dynamic in interaction with the structure. It is constantly subject to change as environment changes. Organization adapts itself suitably to the changing environment and it survives.
- It is both macro and micro in its approach. It is macro when considered with respect to the entire nation or industry. It is micro with respect to internal parts of the organization.
- It ensures better flow of communication at all the levels and ensures effective control.