

UNIT – 2

ORGANISING

Meaning of Organisation:

The word organisation is used and understood widely in our daily lives. The organising function is important in the managerial functions. It is the primary mechanism with which managers activate such plans.

“Organising” is the function of gathering resources, establishing orderly uses for such resources and structuring tasks to fulfill organisational plans. It includes the determination of what tasks are to be done, how the tasks are to be grouped, who is going to be responsible to do these tasks and who will make decisions about these tasks.



Organising in management refers to the relationship between people, work and resources used to achieve the common objectives (goals).

Definition:

According to Theo Haimann, - "Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them."

According to Louis Allen, - "Organising 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."

Principles of Organization In Management

A principle is a rule which is generally accepted by all. It is a guideline for solving problems and difficulties. The principles of organisation are called as "Classical Principles" because they are old and some of them are adopted from Henry Fayol's principles of management. The most common principles of organisation are Objectives, Specialisation, Co-ordination, Authority and Responsibility, which are often abbreviated as the OSCAR principles.

Top 14 Principles of an Organization

1. Principle of Objective: The enterprise should set up certain aims for the achievement of which various departments should work. A common goal so devised for the business as a whole and the organization is set up to achieve that goal. In the absence of a common aim, various departments will set up their own goals and there is a possibility of conflicting objectives for different departments. So there must be an objective for the organization.

2. Principle of Specialisation: The organization should be set up in such a way that every individual should be assigned a duty according to his skill and qualification. The person should continue the same work so that he specialises in his work. This helps in increasing production in the concern.

3. Principles of Co-ordination: The co-ordination of different activities is an important principle of the organization. There should be some agency to co-ordinate the activities of various departments. In the absence of co-ordination there is a possibility of setting up different goals by different departments. The ultimate aim of the concern can be achieved only if proper co-ordination is done for different activities.

4. Principle of Authority and Responsibility: The authority flows downward in the line. Every individual is given authority to get the work done. Though authority can be delegated but responsibility lies with the man who has been given the work. If a superior delegates his authority to his subordinate, the superior is not absolved of his responsibility, though the subordinate becomes liable to his superior. The responsibility cannot be delegated under any circumstances.

5. Principle of Definition: The scope of authority and responsibility should be clearly defined. Every person should know his work with definiteness. If the duties are not clearly assigned, then it will not be possible to fix responsibility also. Everybody's responsibility will become nobody's responsibility. The relationship between different departments should also be clearly defined to make the work efficient and smooth.

6. Span of Control: Span of control means how many subordinates can be supervised by a supervisor. The number of subordinates should be such that the supervisor should be able to control their work effectively. Moreover, the work to be supervised should be of the same nature. If the span of control is disproportionate, it is bound to affect the efficiency of the workers because of slow communication with the supervisors.

7. Principle of Balance: The principle means that assignment of work should be such that every person should be given only that much work which he can perform well. Some person is over worked and the other is under-worked, then the work will suffer in both the situations. The work should be divided in such a way that everybody should be able to give his maximum.

8. Principle of Continuity: The organization should be amendable according to the changing situations. Everyday there are changes in methods of production and marketing systems. The organization should be dynamic and not static. There should always be a possibility of making necessary adjustments.

9. Principle of Uniformity: The organization should provide for the distribution of work in such a manner that the uniformity is maintained. Each officer should be in-charge of his respective area so as to avoid dual subordination and conflicts.

10. Principle of Unity of Command: There should be a unity of command in the organization. A person should be answerable to one boss only. If a person is under the control of more than one person then there is a like-hood of confusion and conflict. He gets contradictory orders from different superiors. This principle creates a sense of responsibility to one person. The command should be from top to bottom for making the organization sound and clear. It also leads to consistency in directing, coordinating and controlling.

11. Principle of Exception: This principle states that top management should interfere only when something goes wrong. If the things are done as per plans then there is no need for the interference of top management. The management should leave routine things to be supervised by lower cadres. It is only the exceptional situations when attention of top management is drawn. This principle relieves top management of many botherations and routine things. Principle of exception allows top management to concentrate on planning and policy formulation. Important time of management is not wasted on avoidable supervision.

12. Principle of Simplicity: The organizational structure should be simple so that it is easily understood by each and every person. The authority, responsibility and position of every person should be made clear so that there is no confusion about these things. A complex organizational

structure will create doubts and conflicts among persons. There may also be over-lapping's and duplication of efforts which may otherwise be avoided. It helps in smooth running of the organization.

13. Principle of Efficiency: The organization should be able to achieve enterprise objectives at a minimum cost. The standards of costs and revenue are pre-determined and performance should be according to these goals. The organization should also enable the attainment of job satisfaction to various employees.

14. Scalar Principle: This principle refers to the vertical placement of supervisors starting from top and going to the lower level. The scalar chain is a pre-requisite for effective and efficient organization.

The Process of Organising

The process of organising has the following steps:

1. Determination of objectives.
2. Determining activities.
3. Grouping activities.
4. Assigning duties.
5. Developing relationships.

1. Determination of Objectives: The first step in the organising process is to determine the organisational goals and objectives. So it is necessary to state in clear terms what the objectives are.

2. Determining Activities: Managers prepare and analyse the activities needed to accomplish the objectives in the second step. There may be specific activities, which are unique to the type of business that an organisation is in. Example: In the restaurant, the two major activities or tasks are cooking food and serving customers.

3. Grouping Activities: Once the tasks have been determined, these tasks must be classified into manageable work units. This is usually done on the basis of similarity of activities. The major categories of tasks can be subdivided into smaller units to facilitate operations and supervision.

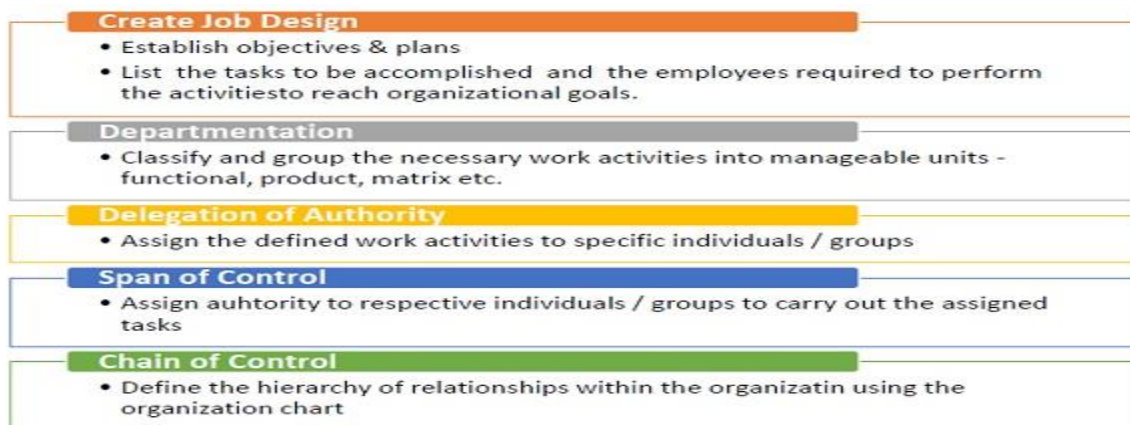
Example: There may be different persons for taking cocktail orders, for food orders and for clearing the tables in the area of serving customers in the restaurant.

4. Assigning Duties: After grouping the various activities into manageable units, suitable persons are selected to be assigned the duty or responsibility for each group of activities.

For example: The purchase manager is assigned the duties relating to purchase of goods, the sales manager relating to sale of goods.

5. Developing Relationships: It is necessary to define the relationships among the employees, when two or more people work together. Here, everyone should clearly know who is his superior from whom he has to take orders and to whom he will be answerable. This will help the smooth working of the enterprise by facilitating the delegation of responsibility and authority.

The Organization Process Chart



Delegation of Authority

- A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority.
- Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job.
- Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Meaning of Delegation of Authority:

It is an important managerial practice of getting things done through others by sharing authority with them

“Delegation means in brief the passing on the other of a share in the four elements of the management.” —**E. F. L. Brech**

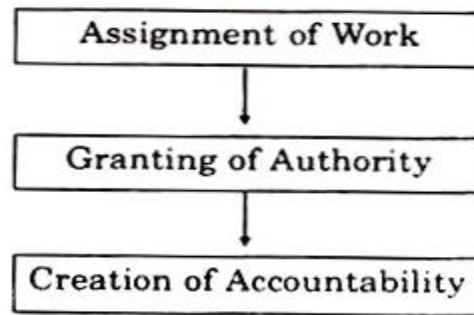
“Delegation means assigning work to others and giving them authority to do it.” — **F. G. Moore**

“Delegation is an act of comparing authority by some higher source of authority.”

“Delegation means conferring authority from one executive or organizational unit to another in order to accomplish particular assignment.” —**George R. Terry**

Process of Delegation of Authority:

Delegation process involves the following three steps



STEP-I: Assignment of Work: The first step in delegation is the assignment of work or duty to the subordinate i.e., delegation of authority. The superior asks his subordinate to perform a particular task in a given period of time. It is the description of role assigned to the subordinate. Duties in terms of functions or tasks to be performed constitute the basis of delegation process.

STEP-II: Granting of Authority: The grant of authority is Process of delegation the second element of the dele authority to the subordinate so that the assigned task is accomplished. The delegation of responsibility without authority is meaningless. The subordinate can only accomplish the work when he has authority required for completing that task. Authority is derived from responsibility.

STEP-III: Creation of Accountability: Accountability is the obligation of a subordinate to perform the duty assigned to him. The delegation creates an obligation on the subordinate to accomplish the task assigned to him by the superior. When a work is assigned and authority is delegated then the accountability is the by-product of this process.

The authority is transferred so that a particular work is completed as desired. This means that delegator has to ensure the completion of assigned work. Authority flows down-ward whereas accountability flows upward.

Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

Elements of Delegation

1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority.
Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.
2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.
3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability can not be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

Differences between Authority and Responsibility

Authority	Responsibility
It is the legal right of a person or a superior to command his subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the position of a superior in concern.	Responsibility arises out of superior-subordinate relationship in which subordinate agrees to carry out duty given to him.
Authority can be delegated by a superior to a subordinate	Responsibility cannot be shifted and is absolute
It flows from top to bottom.	It flows from bottom to top.

Advantages of Delegation – 10 Important Advantages

- 1. Basis of effective functioning** – Delegation lays the basis for effective functioning of an organisation. It creates the relationship with others and achieves various objectives of the organisation. It creates the relationship with others and achieves various objectives of the organisation.
- 2. Saving of time** – Delegation of authority enables the superior to allot more time to important matters like planning, organising, staffing, directing, and co-ordinating, controlling and decision-making.
- 3. Reduction of work** – Delegation relieves the superior from attending to the routine matters. Normally, the routine matters are allocated to subordinates. It helps the superior to carry out more responsible work alone.
- 4. Opportunity for development** – Delegation of authority gives a very good opportunity to the subordinate to grow. It helps in identifying the best person among the various subordinates for development.
- 5. Benefit of specialised service** – Delegation helps the superior to get the benefit of specialised knowledge of various persons at lower levels. For example, production is delegated to the production manager, sales to the sales manager, legal matters to the lawyer and the like.
- 6. Delegation of authority enables effective managerial supervision.**
- 7. Efficient running of branches** – If the business has any branch, the branch affairs or activities are looked after by a separate person. He is supposed to be in charge of this branch. When he can get adequate authority with responsibility he could work for the smooth and effective functioning of the particular branch.
- 8. Interest and initiative** – Whenever the delegation of authority takes place, the sub-ordinate may do the work with interest. In certain cases, the subordinate by himself takes initiative do the work properly.

9. Satisfaction to subordinates – Delegation of authority will satisfy the self-actualization needs of the individuals.

10. Expansion and diversification of business activity – The subordinates are fully trained in decision making in various fields of the business by using the delegation of authority. This type of talents of subordinates can be used by the top management in the expansion and diversification of the business activities.

Centralization and Decentralization

Centralization and Decentralization are two modes of working in any organization. In centralization, there is a hierarchy of formal authority for making all the important decision for the organization.

And in decentralization decision making is left for the lower level of organization. Let us learn the difference between centralization and decentralization in detail with their advantages and other factors.

Meaning of Centralization

Centralization is a form of organizational structure where the decision making capability rests with the top management. A couple of hand-picked members are entitled to create strategies, determine the goals and objectives based on which an organisation will function.

In a centralized organisation, the top management sets rules and procedures which are then communicated to the lower-level employees, who are expected to carry out the same without questioning the authority.

Meaning of Decentralization

Decentralization is another form of organizational structure that functions by delegating decision-making capabilities to multiple teams across geographies.

In such an organization, most of the planning, strategy and decision to implement them are taken by the people in the middle and lower level of management.

Advantages of Centralization

- The organization can strictly enforce uniformity of procedures and policies.
- It can help in the elimination of overlapping or duplicate activities and save costs.
- The organization has a better chance of utilizing the potential of its outstanding employees.
- It offers a better control over the activities of the organization by ensuring consistency in operations and uniformity in decision-making.
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Advantages of Decentralization

- Faster decision-making and better quality of decisions
- Improves the effectivity of managers.
- Offers a democratic environment where employees can have a say in their governance.
- Provides good exposure to mid and lower-level managers and creates a pool of promotable manpower with managerial skills.
- Since managers can see the results of their own actions, they are more driven and have improved morales.

Both centralization and decentralization have their own advantages and disadvantages. Even if an organization is working in a decentralized manner, some functions are usually centralized.

Decentralization	Centralization
Definition	
Decision-making capabilities delegated across multiple levels	Decision-making capability rests with the top management
Flow of Information	
Open and free	Vertical
Ideal for	
Decentralization is ideal for large-sized organizations	Centralization is ideal for small-sized organizations
Decision-making speed	
Significantly faster	Comparatively slow
People Involved	
In decentralization, a higher number of people from each level are involved in the decision-making process	In centralization, only a few handpicked people are involved in the decision-making process
Employee Motivation	
Highly motivated employee	Demotivated employee
Conflict in Decision	
Most likely to occur	Least likely to occur
Burden	
The burden gets shared among many levels	Only one group is carrying the burden
Stability	
Prone to instability due to multiple conflicting decisions	Relatively stable as decisions are made by a central authority sharing a common ideology

Types of Organizational Structure

1. Line Organization
2. Functional Organization
3. Line and Staff Organization
4. Committee Organization
5. Project Organization
6. Matrix Organization

Type - 1. Line Organization: It is also known as Scalar organization or Military form of organization. It is the oldest form of organization. Under this method, authority flows in a vertical manner from top to bottom. Each position in the structure has an authority over a lower position. Line executives are directly involved in the performance of the activities of an enterprise and are called the 'doers'.

Line organization is of two types, viz., Pure Line Organization and Departmental Line Organization. Under pure line organization all perform same type of work at any level. On the other hand, under departmental line organization, each department performs different type of work.

Merits of Line Organization:

1. It is simple to understand and easy to establish.
2. Each individual knows clearly to whom he is responsible.
3. It provides unit of command.
4. It helps in taking quick and effective decisions.
5. It ensures personal contact between workers and manager.
6. It ensures discipline between the employees and employer.

Demerits of Line Organization:

1. There is concentration of authority at the top level. It leads to autocratic control.
2. Communication flows from top to bottom. There is no participation of workers.
3. It lacks specialization as a line manager is responsible for both planning and execution of work.
4. Overburdens the top executives and they cannot perform their work properly.

Suitability: In spite of these limitations, it is suitable for small concerns where there are fewer levels of authority.

Type - 2. Functional Organization: This concept was devised by F.W. Taylor. It is based on the functional foremanship. Under this method, the structure of the enterprise is classified into different functional areas. Each functional area is headed by a specialist who has full control of that function over the organization and gives instructions direct to the personnel, rather than through the chain of command. Each chief manager is in charge of a particular activity. For example, chief finance manager is in charge of finance function of all the three units. Thus, he enjoys functional authority over the employees of other departments also.

Merits of Functional Authority:

1. It helps to reap the benefits of specialization
2. Subordinates can make use of the expertise of functional experts
3. The burden of top executive is reduced as each expert looks after only one function.
4. It leads to joint supervision by different experts
5. There is expert and better control can be exercised by functional experts
6. It provides better scope for expansion and diversification

Demerits of functional organization:

1. It is against the principle of unity of command as the subordinate is responsible to a number of superiors
2. Lower level people are not given an opportunity for all round experience and hence they do not fit into top level positions.
3. The complex nature of functional organization with its cross relationship creates a confusion among workers
4. The decision making is very slow as involvement of many experts is required
5. There is a scope of lack of coordination as each specialist thinks of only his function and ignores other functions.

Suitability: It is suitable to all kinds of organization provided applied at higher levels. At lower levels too many cross relationship creates confusion throughout the organization.

Type - 3. Line and Staff Organization: Line and staff organization is a combination of functional and line structure. Line authority flows from top to bottom and the line executive is directly concerned with the accomplishment of primary objectives. They are actual doers and generally do not possess specialized knowledge to solve complex problems.

To provide specialized assistance to line managers, staff positions are created. Staff means a stick in the hand for support. Thus, staff helps the line executives in their work. They play the role of an advisor.

The other approach views that line and staff are two kinds of authority. According to this approach, line authority is defined as a direct authority which a superior exercises over his subordinates to carry out orders and instructions. The exercise of this authority is always downwards, that is, from a superior to a subordinate. Staff authority involves giving advice to line managers to carry on the operation. The flow of this authority may be in any direction depending on the need of such an advice. It is common that in actual practice, some variations may exist. The variations are more pronounced in the case of staff authority.

The distinction between line and staff though not rigid, is important because staff must be provided if the growing organization is to accomplish its goals. The differentiation between line and staff is necessary for the following reasons.

In line and staff organization, the line authority remains the same in the organization. But staff executives are attached with line executives who help them by providing necessary advice on important matters. Staff executives have no power to command subordinates in other departments. It is clear that PA to Managing Director, Personnel Manager and Budget Manager play role of staff executives. In most business units, staff executives are used for collecting data required for taking decisions and to provide expert advice to line managers.

Merits of Line and Staff Organization:

- a. This combination provides for specialized knowledge where staff executives guide and advise line executives.
- b. It reduces the burden of line executives because staff carries on detailed investigation of each activity.
- c. Better decisions are possible as expertise of the staff is used.
- d. It is flexible in the sense that staff can be added to line executives.

Demerits of Line and Staff Organization:

- I. Always it creates confusion as it is very difficult to define the authority relationship between line and staff.
- II. Staff executives are not accountable and they may not take the tasks seriously.
- III. There is always constant conflict between line and staff because the nature of their functions differs from each other.

Type - 4. Committee Organization: A committee is a group of persons who consciously and deliberately formed to discuss a problem and provide solutions to overcome it. They meet on an organized basis to discuss and deal with the matter placed before it.

The following are the characteristics of a committee:

- a. A committee is a group of people. There must be a minimum of two people and there is no limit for maximum.
- b. The scope of committee is limited to the extent of task assigned to it.
- c. Democratic principle of 'One man one vote' is followed
- d. It may be executive committee or non-executive committee. Executive committee takes decisions and implements them. Non-executive committee only provides suggestions and recommendations.

Merits of Committee Organization:

- 1. Pooling of knowledge and experience-** Knowledge and experience are pooled together to take joint decisions on the principle of two heads are better than one.
- 2. Motivation through participation-** Members are allowed to participate in the decision making process. It makes them more committed to the decision.
- 3. Effective and proper coordination-** Through coordination of experts bringing together diverse viewpoints many problems could be solved effectively.
- 4. Tool for management development-** Every member has an opportunity for learning from the experience and mistakes of others. Thus it helps for management development.

5. Representation of diverse interest groups- When different interest groups are represented in a committee, conflicting views can be easily settled through motivation and participation.

6. Effective communication- By convening a committee any information can be easily passed on to all members of the organization.

7. Consolidation of authority- It enables management to consolidate splintered authority. This is helpful to a manager who has limited authority with which he cannot solve the problem without simultaneous exercise of authority by other managers related to the problem.

Demerits of Committee Organization:

The committee is one made of the unfit, selected by the unwilling to do the unnecessary.

The excessive or lack of use of committees creates problems to the management as follows:

- a. It is costly and time consuming activity. The cost incurred is far below its benefits.
- b. Committees do not help in taking quick decisions.
- c. To arrive at unanimous decisions agreements are arrived at on the basis of a compromise which may not be really a right decision, Compromise is not the solution.
- d. When unanimous decisions are taken by dominant members, a few persons may accept them under pressure.
- e. Committees fix group responsibility where no individual can be made accountable. This leads to inefficiency.
- f. Committee is a tool to misuse to delay or avoid or to take unpleasant decision.

Type- 5. Project Organization: The use of the project organization has increased in the last few years. It is currently being employed in numerous undertakings engaged in the execution of construction activities, turnkey projects and research and development projects. The project organization can take various forms, but the important characteristic that distinguishes it from other forms is once the project is completed the organization is disbanded or phased out.

Merits of Project Organization:

- a. It allows maximum utilization of specialization
- b. It is tailor-made to meet specific needs of a particular project
- c. It provides more flexibility in handling resources by allocating them when they are needed.

Demerits of Project Organization:

- I. It has a limited time and creates a feeling of uncertainty and insecurity among people.
- II. Lack of proper vertical authority makes the job of a project manager difficult. He is responsible for the completion of the project but without authority over people in the project.
- III. Undue influence of specialists from diverse field makes the decision making very difficult.

Type- 6. Matrix Organization: It is a combination of project organization and functional organization.

“Any organization that employs a multiple command system that includes not only multiple command structure but also related support mechanism and an associated organization culture and behaviour pattern.” — **Paul R. Lawrence and Stanley M. Davis**

It is clear from the above that matrix organization leads in overlapping of command, control and behaviour pattern.

Merits of Matrix Organization:

1. It focuses attention on a single project and facilitates better control.
2. It is more flexible than traditional organization
3. It provides motivation for the people engaged in a project
4. It leads to better utilization of services of professionals.

Demerits of Matrix Organization:

1. People receive instructions and order both from functional and project managers. Thus, it violates unity of command.
2. The complex relationship leads to confusion and makes coordination difficult. Subordinates are not in a position to identify their superiors.
3. In the absence of mutual trust and confidence, in sharing the resources and in taking joint decisions, conflicts arise.
4. As people are drawn from various departments, there is a lack of commitment and morale is low.

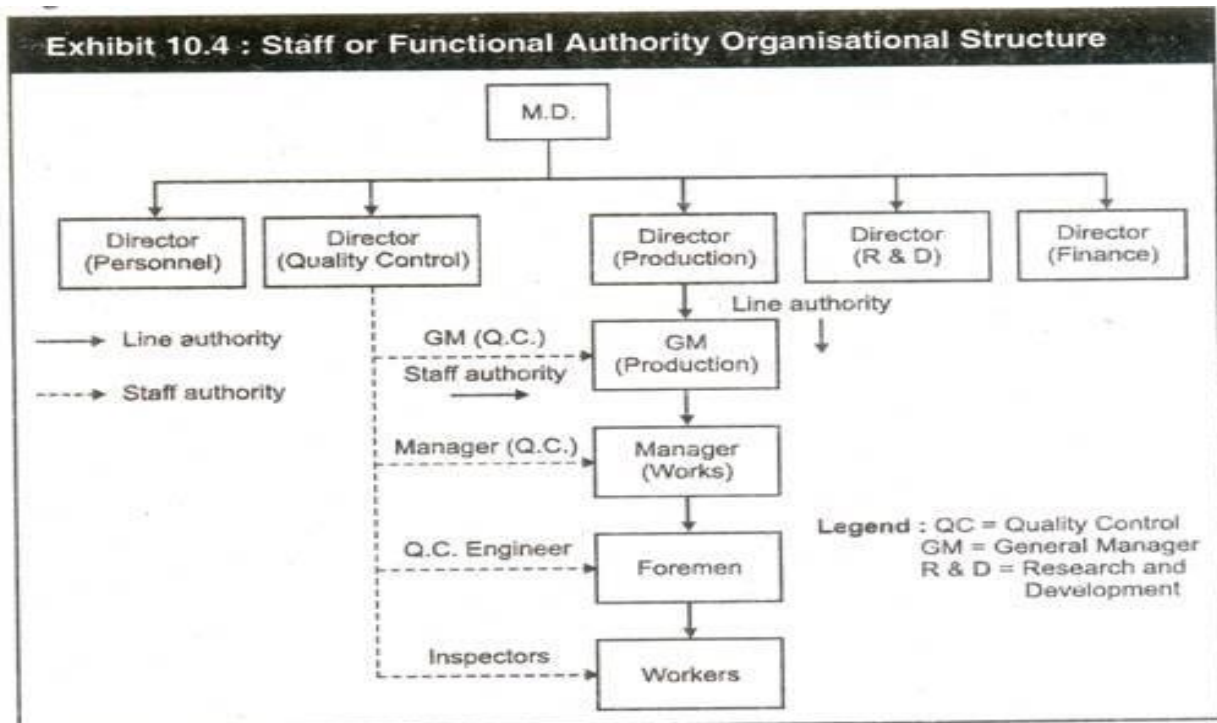
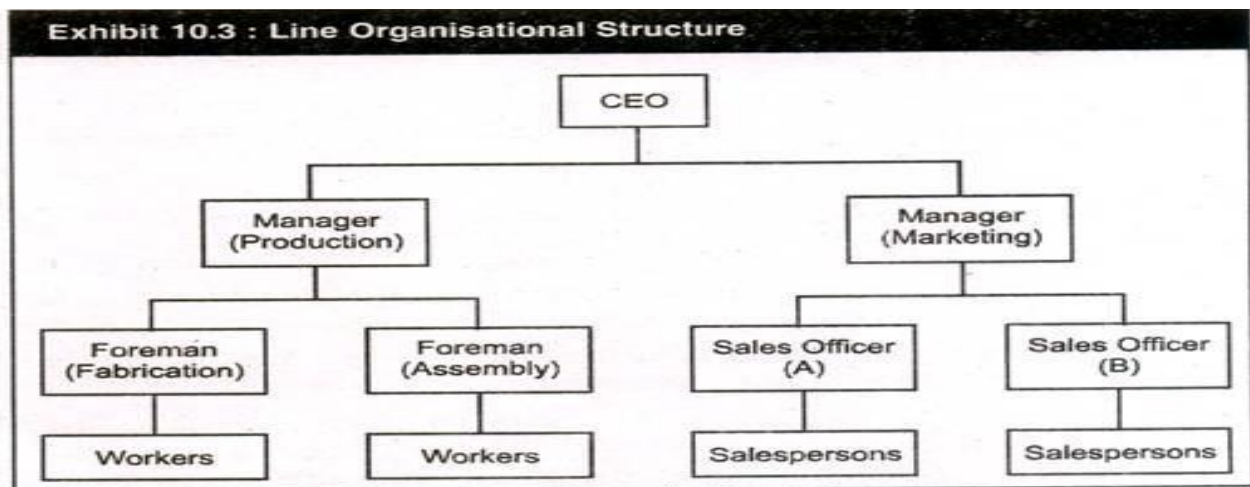


Exhibit 10.5 : Line and Staff Organisational Structure

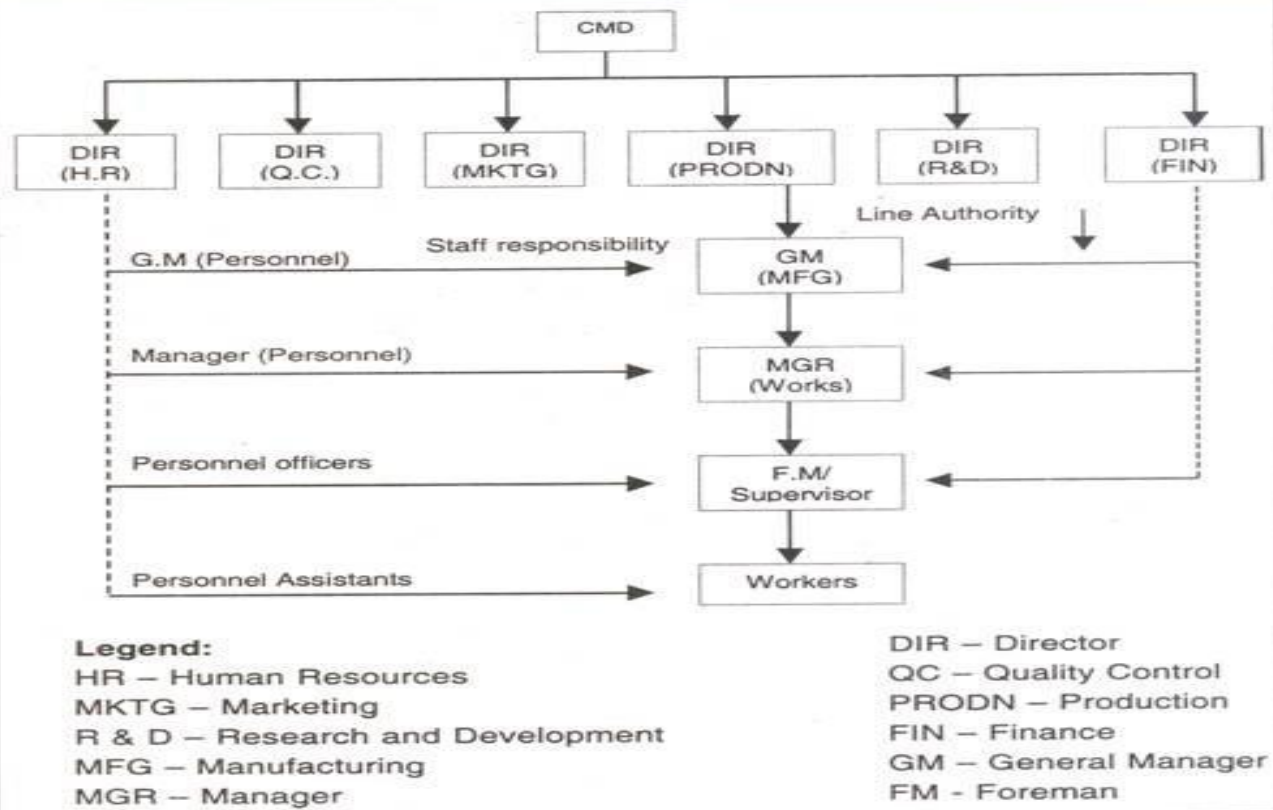
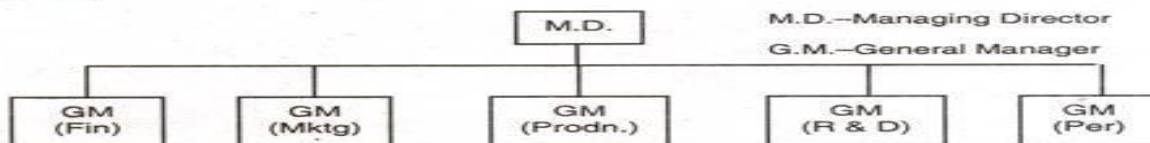


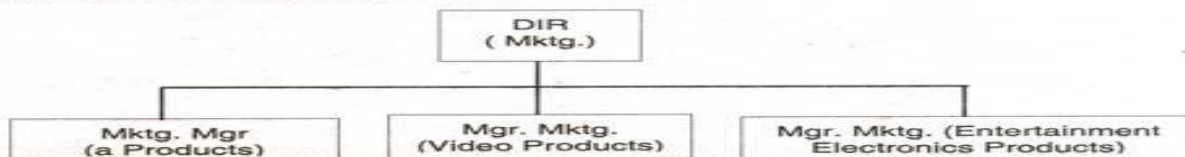
Exhibit 10.6 : Divisional Organisational Structure (Departmentation)

Features : Structure based on division of work based on a functional activity such as finance, marketing etc., or based on type of products manufactured or based on geographic location of the units or based on projects undertaken.

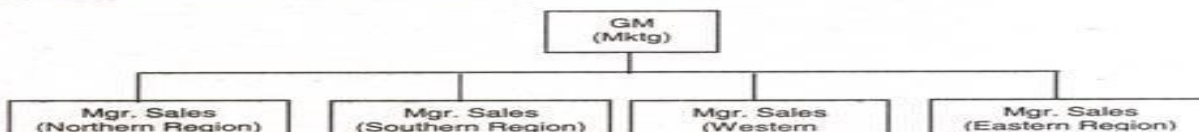
(a) Departmentation by Function



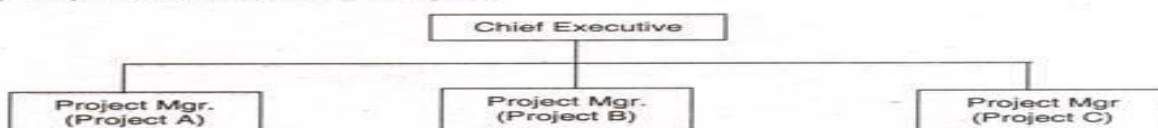
(b) Departmentation by Product



(c) Departmentation by Geographic territory



(d) Departmentation by Project



(e) Departmentation by combination approach (Combination of any two or more bases discussed above).

Exhibit 10.7 : Project Organisational Structure

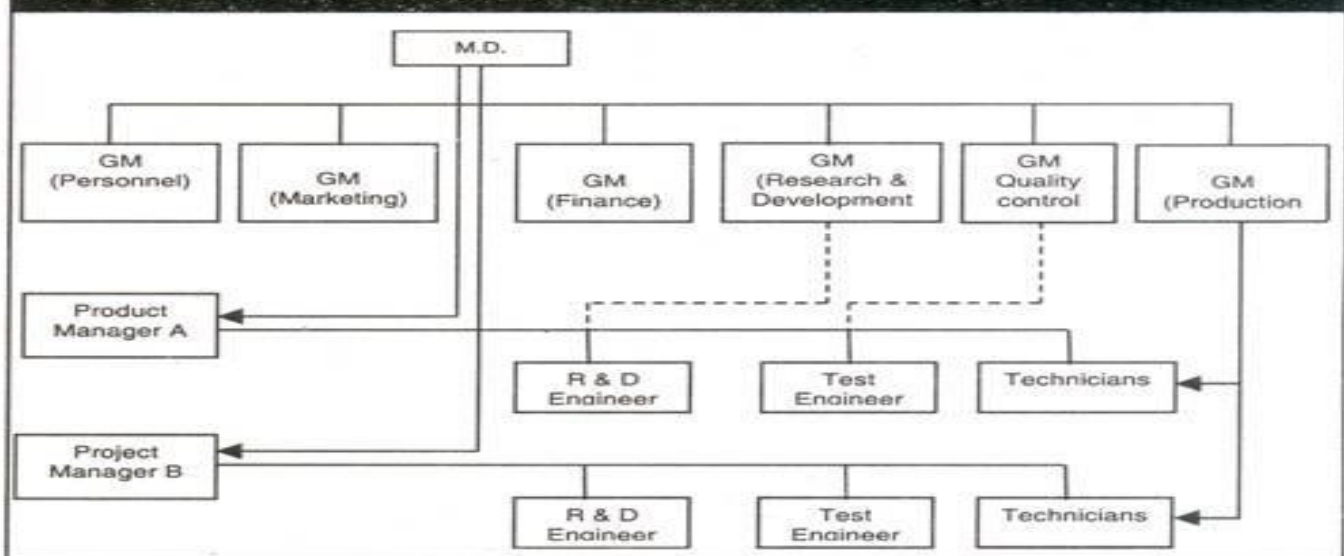


Exhibit 10.8 : Matrix Organisational Structure

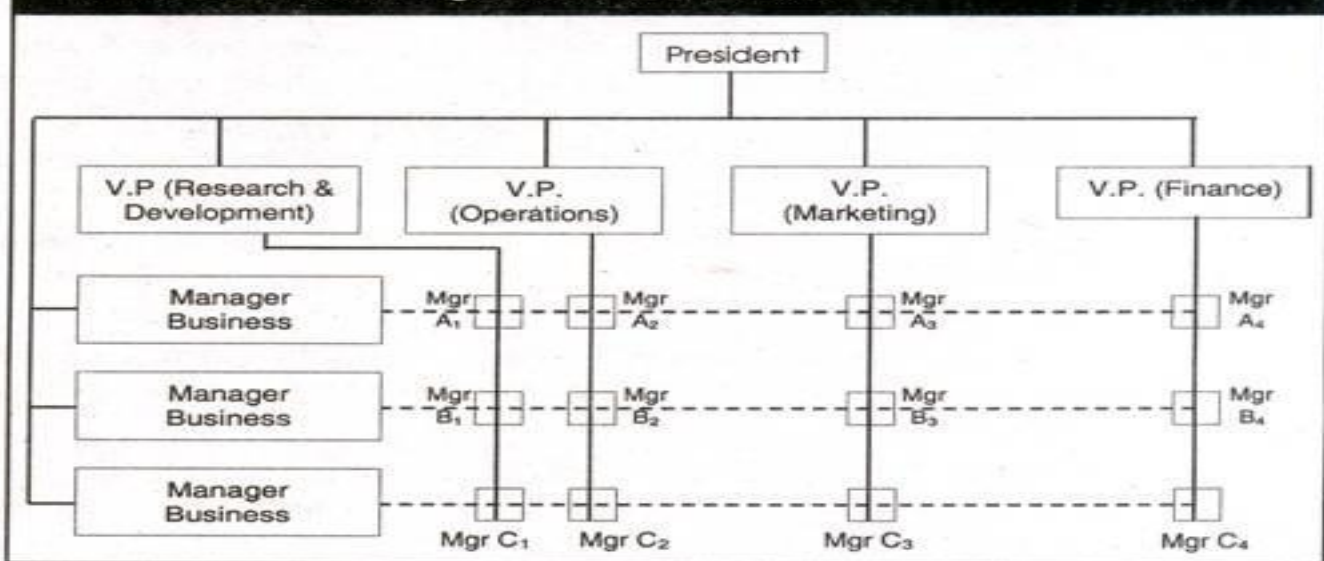


Exhibit 10.9 (a) : Hybrid Organisational Structure (IBM Structure)

