Unit III

Subject Name	Sub Code	Semester	Prepared by
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Organising is the process of identifying and grouping the work to be performed, **defining** and delegating the responsibility and authority and establishing a pattern of relationship for the purpose of enabling people work most effectively to accomplish the objective". – Louis A.

Process of Organising:

The process of organising involves the following steps:

(i) Determination of Objectives:

Every organisation is established for some objective or goal. Various tasks are determined to achieve this goal. For example, if the organisation is established to export goods, it determines the nature and type of goods to be exported, sources from where raw material will be obtained, countries where goods will be exported, co-ordinate with foreign buyers etc. Determining the workload of the organisation is the first step in the process of organising.

(ii) Division of Activities:

Since one person cannot manage all the activities, total task is broken into smaller units and assigned to members. Work is assigned according to qualification and ability of every person.

Division of work leads to specialisation which has the following benefits:

(a) Greater output:

Adam Smith illustrated a study where one person could manufacture 20 pins a day if he worked alone. Production of pin was broken into sub-activities where each person carried out the following specialised tasks: Drawing out the wire – straightening the wire – cutting the wire – grinding the point – polishing it – putting the pin head and so on. It was observed that as against 20 pins produced by one person in a day, division of work and its specialisation enabled 10 people to produce 48, 000 pins in a day — watch the wonders of specialisation!

(b) Efficiency:

Performing the same task over and over again increases skill and efficiency of the workers.

(c) Facilitates training of less-skilled workers:

Since the complex task is broken into smaller units, less-skilled workers can be trained to carry out those activities.

(iii) Grouping of Activities:

After the work is assigned to people, those performing similar activities are grouped in one department. Various departments like sales, finance, accounting etc. are filled with people having different skills and expertise but performing similar activities. Grouping of activities into departments is called departmentalisation and every department is governed by a set of rules, procedures and standards.

(iv) Define Authority and Responsibility:

Every department is headed by a person responsible for its effective functioning. Departmental heads are appointed to carry out the activities of their respective departments. It is ensured that competence of departmental head matches job requirements of the department.

Every head has authority to get the work done from his departmental members. He delegates responsibility and authority to members of his department. This creates a structure of relationships where every individual knows his superiors and subordinates and their reporting relationships.

(v) Co-Ordination of Activities:

When departments work for their objectives, there may develop inter-departmental conflicts which can obstruct the achievement of organisational goals. For example, finance department wants to cut the costs but the marketing department needs additional funds to market its products; this conflict can be resolved through co-ordination so that all departments share the common resources optimally. Work can be coordinated by defining relationships amongst various departments and people working at different positions.

(vi) Reviewing and Re-organising:

There is constant appraisal of the organising process so that changes in the structure can be made consequent to changes in the environmental factors. Constant appraisal and re-organisation is an integral part of the organising process.

Importance of Organising:

Organising is important for the following reasons:

(i) Facilitates Administration:

Top managers cannot perform all the organisational tasks as they will be overburdened to concentrate on strategic matters. It is essential that part of the workload is shared by middle and lower level managers. Top executives will be relieved of managing routine affairs and concentrate on effective administration.

The basic elements of organising (division of work, grouping of activities, distribution of authority and coordination) facilitate better administration by the top management. (ii) Growth and Diversification: A well-organised institution is adaptive to change and responsive to growth and diversification. It can multiply its operations.

(iii) Creates Synergies:

Division of work provides the benefits of synergies, that is, total task achieved by a group of people is more than the sum total of their individual achievements. People coordinate their tasks in the same and different departments. This gives the benefit of 'one plus one makes eleven.'

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(iv) Establishes Accountability:

When every person knows his superiors and subordinates, the organisation can function efficiently. Establishing limitations in the area of operations defines people's accountability to their immediate boss which gears the organisation towards its broader goals.

(v) Optimum Use of Technology:

It is the age of technological developments. Organisations not having well-developed technology will not be able to compete in the market. Well-organised structures enable the organisations to optimally use and update their technology and remain competitive in the dynamic market conditions.

(vi) Facilitates Communication:

Communication is the essence of organisation. Efficiency of organisation depends upon how well organisational members communicate with each other. A well-designed system of communication (vertical and horizontal) is facilitated through effective organising efforts of top executives.

(vii) Facilitates Creativity:

Creativity means creating something new. It develops new ways of doing the things. A sound organisation enables the top management to improve the ways of doing things by delegating routine affairs to people down the scalar chain. It creates a sense of achievement amongst managers that provides moral boost for further creative thinking.

(viii) Improves Inter-personal Relationships:

A sound organisation structure ensures that workload is divided into well-defined jobs and assigned to people according to their abilities and skills. Placing the right person at the right job ensures job satisfaction and morale boost of employees. This improves inter-personal relationships amongst people working in the organisation.

 (ix) Facilitates Coordination:

Well-defined objectives and plans can fail if organisational activities are not coordinated in a unified direction. A well designed organisation structure promotes order and system in its activities. It coordinates work of people at different levels in different departments.

People work along pre-defined dimensions and harmonies individual goals with organisational goals, internal organisational environment with the external environment and financial resources with non-financial resources.

(x) Facilitates Teamwork:

Though people are responsible for specific tasks assigned to them, they work collectively as a team and optimise the use of scarce organisational resources to achieve the organisational goals. Organisation, thus, facilitates teamwork. Rather than viewing organisational goals from personal perspectives, they view them from group perspectives. Organisational goals satisfy individual goals.

(**xi) Facilitates Control**:Organisation provides sound direction to activities and ensures that people work according to plans. This facilitates control and promotes organisational goals. Objectives are determined and regular feedback ensures conformance of actual performance to targeted performance.

 (xii) Increase in Output:

Sound organisation divides activities into various departments (production, marketing etc.). These departments specialise in their tasks and increase organisational output. Specialisation is an important contribution of organisation that promotes higher output.

(xiii) Optimum Allocation of Resources:

Organising promotes optimum allocation of resources. Resources are allocated over different departments (production, marketing, personnel etc.) in the order of priority. People are assigned jobs they are best suited for. All activities are assigned to all people in the organisation. There is no duplication of work. Organising, thus, avoids overlapping of activities to ensure that collectively, people working in different departments perform activities that contribute to organisational goals.

Types of Organisation

There exist two types of organisation:

•   Formal Organisation

•   Informal Organisation

Formal Organisation

In every enterprise, there are certain rules and procedures that establish work relationships among the employees. These facilitate the smooth functioning of the enterprise. Further, they introduce a systematic flow of interactions among the employees. Effectively, all of this is done through a formal organisation. Notably, the management is responsible for designing the formal organisation in such a way that it specifies a clear boundary of authority and responsibility. Coupled with systematic coordination among various activities, it ensures achievement of organisational goals.

Again, the management builds the formal organisation. It ensures smooth functioning of the enterprise as it defines the nature of interrelationships among the diverse job positions. Additionally, these ensure that the organisational goals are collectively achieved. Also, formal organisation facilitates coordination, interlinking and integration of the diverse departments within an enterprise. Lastly, it lays more emphasis on the work to be done without stressing much on interpersonal relationships.

Advantages

•   The formal organisation clearly outlines the relationships among employees. Hence, it becomes easier to rack responsibilities.

•   An established chain of commands maintains the unity of command.

•   As the duties of each member is clearly defined, there is no ambiguity or confusion in individual roles whatsoever. Further, there is no duplication of efforts which eliminates any wastage.

•   In a formal organisation, there is a clear definition of rules and procedures. This means that behaviours and relationships among the members are predictable. Consequently, there is stability and no chaos existing in the enterprise.

•   Finally, it leads to the achievement of organisational goals and objectives. This is because there exist systematic and well thought out work cultures and relationships.

Disadvantages

•   Decision making is slow in a formal organisation. It is important to realise that any organisational need has to flow through the respective chain of commands before being addressed.

- Formal organisation is very rigid in nature. This means that there prevails perfect discipline coupled with no deviations from the procedures. Hence, this can lead to low recognition of talent

- Lastly, the formal organisation does not take into account the social nature of humans as it talks about only structure and work. Interestingly, we cannot eliminate this integral part of our nature. Hence, it does not entirely display the functioning of the organisation.

Informal Organisation

It's easy to understand that if we interact with certain people regularly we tend to get more informal with them. This is because we develop interpersonal relationships with them which are not based solely on work purposes. Rather, these relationships might arise because of shared interests, like if you get to know that your colleague likes the same football club of which you're a fan of.

As a matter of fact, informal organisation arises out of the formal organisation. This is because when people frequently contact each other we cannot force them into a rigid and completely formal structure. Instead, they bond over common interests and form groups, based upon friendship and social interactions. Unlike formal organisation, informal organisation is fluid and there are no written or predefined rules for it. Essentially, it is a complex web of social relationships among members which are born spontaneously. Further, unlike the formal organisation, it cannot be forced or controlled by the management.

Also, the standards of behaviour evolve from group norms and not predefined rules and norms. Lastly, as there are no defined structures or lines of communication, the interactions can be completely random and independent lines of communication tend to emerge in informal organisation.

Advantages

- In this type of organisation, communication does not need to follow the defined chain. Instead, it can flow through various routes. This implies that communication in an informal organisation is much faster relative to formal organisation.

- Again, humans are social animals. The needs to socialize exists deep within our existence. The informal organisation ensures that there is socialization within the enterprise. Consequently, members experience the sense of belongingness and job satisfaction.

- Informal organisation, getting true feedbacks and reactions is not easy. Hence, in informal organisation, various limitations of formal organisation is covered up.

Disadvantages

• The informal organisation is random and can result in the spread of rumours. Again, we cannot manage and control informal organisation. Consequently, this may result in chaos within the enterprise.

• It is important to realise that it is not possible to effect changes and grow without the support of the informal organisation. This can work in both ways, for growth or decline of the enterprise.

• To point out again, informal organisation conforms to group standards and behaviours. If such behaviours are against the organisational interests, they can eventually lead to disruption of the organisation.

Delegation of Authority - Meaning, Importance and its Principles

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.

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 mis utilize 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 cannot 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 toplevel 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.

For achieving delegation, a manager has to work in a system and has to perform following steps : -

1. Assignment of tasks and duties
2. Granting of authority
3. Creating responsibility and accountability

Delegation of authority is the base of superior-subordinate relationship, it involves following steps:-

1. **Assignment of Duties -** The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.

2. **Granting of authority -** Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

3. **Creating Responsibility and Accountability -** The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. 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.

Therefore every manager,i.e.,the delegator has to follow a system to finish up the delegation process. Equally important is the delegatee's role which means his responsibility and accountability is attached with the authority over to here.

Departmentation may be defined as "The process of dividing the work and then grouping them into units and sub-units or departments for the purpose of administration."

Departmentation is essential/important because of the following reasons:

1. Specialization:

Departmentation permits an organization to take advantage of specialization. It permits people to work in individual departments and gain experience and expertise in handling things over there. Jobs can be assigned to people who are best suited for delivering excellent results.

2. Expansion:

Organisations can cope with heavy work by simply dividing the same among a number of smaller, flexible departments. Organisations can grow only when additional departments are created to handle rush orders and specialized jobs demanding individual attention. In the absence of Departmentation, managers can control only a small group of people under their command.

3. Autonomy:

Departmentation permits people to think and act independently while working in an individual department. They have enough freedom to think and act on their own putting resources at their command to best use. When people are empowered to act in an autonomous way, they get enthused and begin to put their best foot forward.

4. Responsibility:

Departmentation helps people know their limitations. They know what to do and what not to do. They also know what they are supposed to do in order to meet targets and deadlines. When they fail to live up to expectations and go off the track it is easy to find out where things have gone wrong. Where job assignments are clear and you know who is responsible for what, accountability can be fixed fairly easily and quickly.

5. Appraisal:

The performance of people working in a department can be appraised easily against the assigned goals and targets. When they fail to deliver results, you can put the finger on the problem causing trouble. You can separate the wheat from the chaff easily.

6. Management Development:

Departmentation allows people to grow in a particular area or field. They can put in their best while working in a department fairly independently. They can put their skills, capabilities and talents to best use. Repeated operations in a micro area would help them gain mastery over the discipline. Over the years, they can also offer guidance, assistance and help to the younger executives reporting to them directly and thus, contribute to their growth.

7. Communication and Control:

Departmentation facilitates communication, coordination and control and contributes to the organizational success. Working in a department permits people to interact freely and communicate without any hurdles. They can coordinate their efforts with others in an attempt to reach goals. It becomes easy to find out where things have gone wrong, who is not able to pick up speed, how to plug the loopholes promptly. This, of course, would facilitate the control process

What is Centralization?

Centralization in an organization implies holding of authority through the senior management.

We can see that the authority is consistent and a systematic hierarchical pattern is observed in Centralization

Centralization in any organization has the flow of communication designed upright, so as the middle and lower management has to strictly follow the directions of the senior management.

Since authority, power is influenced by senior management. Vertically allied movement of communication

1. Decision-making progression is slower

2. The power lies with Senior management

3. Leadership has apt coordination

4. Implementation in small-sized organizations.

Decentralization in an organization involves spreading power, accountability, and responsibility to various management levels.

Decentralization in any organization has the flow of communication designed freely, so as the middle and lower management has full freedom to overlook the strategies for the organization.

Since the authority and power lie in the hands of middle and lower management. The decision-making process is faster and not so complex.

Following are some points in Decentralization to be known:

1. The flow of communication is free and open

2. Faster decision making and execution

3. Lower management has the authority to work.

4. There is significant control over the organization.

5. Implementation in large-sized organizations