

UNIT III

Subject name	Subject code	Semester	Prepared by
NME II – Principles of Management	I8BBA6EL	VI	Dr.K.Karthikai, Assistant professor in BBA

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. Organising process involves differentiation and integration of activities. Differentiation is the segmentation of structure into sub-systems while integration involves creating unity of effort among the various sub-systems.

Concept of Organisation

The term 'organisation' is used in management literature in two different ways: (i) as a structure, and (ii) as a process.

Organisation as a Structure - refers to the network of relationships among individuals and positions in an organisation. It is the skeleton framework of an enterprise, just like the architectural plan of a building, designed to achieve its common goal. As a structure organisation is the structural framework within which the efforts of different people are co-ordinated and related to each other. It is a blue-print of how the management will like the various activities and functions to be performed. It is a structure manned by group of individuals who are working together towards a common goal.

Organisation as a Process - refers to the process of determining, arranging, grouping and assigning the activities to be performed for the attainment of objectives. In performing the organising function, the manager defines, departmentalises and assigns activities so that they can be most effectively executed. This is the dynamic and humanistic meaning of the term Organisation.

Nature of Organising The main characteristics of organising are as follows:

- 1. Common purpose.** Every organisation exists to accomplish some common goals. The structure must reflect these objectives as enterprise activities are derived from them. It is bound by common purpose.
- 2. Division of labour.** The total work of an organisation is divided into functions and sub-functions. This is necessary to avoid the waste of time, energy and resources which arises when people have to constantly change from one work to another. It also provides benefits of specialisation.
- 3. Authority structure.** There is an arrangement of positions into a graded series. The authority of every position is defined. It is subordinate to the position above it and superior to the one below it. This chain of superior-subordinate relationships is known as chain of command.
- 4. People.** An organisation is basically a group of persons. Therefore, activity groupings and authority

provisions must take into account the limitations and customs of people. People constitute the dynamic human element of an organization.

5. Communication. Every organisation has its own channels of communication. Such channels are necessary for mutual understanding and cooperation among the members of an organisation.

6. Co-ordination. There is a mechanism for coordinating different activities and parts of an organisation so that it functions as an integrated whole. Co-operative effort is a basic feature of organisation.

7, Environment. An organisation functions in an environment comprising economic, social, political and legal factors. Therefore, the structure must be designed to work efficiently in a changing environment. It cannot be static or mechanistic.

8. Rules and regulations. Every organisation has some rules and regulations for orderly functioning of people. These rules and regulations may be in writing or implied from customary behaviour.

PRINCIPLES OF ORGANISING

The principles of organisation are as follows:

1. **Unity of Objectives** - An organisation structure is sound when it facilitates the accomplishment of objectives. Therefore, the organisation as a whole and every part of a must be geared to the basic objectives of the enterprise.
2. **Specialisation or Division of Work.** The activities of every member of the organisation should be confined, as far as possible, to the performance of a single function.
3. **Span of Control.** Every manager should have a limited number of subordinates reporting to him directly. Generally, the span should be narrow for complex work and wide for simple and routine work. Span should be neither too wide for too narrow.
4. **Scalar Principle.** There should be a clear chain of command extending from top to the bottom of the organisation. Every subordinate should know who his superior is and who his subordinates are.
5. **Functional Definition.** The duties (functions), authority and responsibility of every position should be clearly defined so as to avoid duplication of work and overlapping of functions.
6. **Exception Principle.** Only exceptional matters which are beyond the authority of lower level persons should be referred to higher levels. Routine matters should be dealt with by executives at lower levels. This is also known as authority level principle.
7. **Unity of Command.** Each subordinate should have only one superior whose command he has to obey. This is necessary to ensure discipline and to fix responsibility for results,
8. **Balance.** A proper balance between centralization and decentralization should be kept. Each function in the organisation should be developed to the point at which the value received is at least equal to costs.

9. **Efficiency.** The organisation structure should facilitate the achievement of objectives at minimum possible cost. It should permit the optimum use of resources.
10. **Flexibility.** The organisation structure should be adaptable enough to accommodate technical and other changes in the environment. Therefore, complicated procedures, red tape and complexity of control should be avoided. At the same time, the organisation structure should be reasonably | stable so as to withstand changes.
11. **Continuity.** Proper arrangements should be made for the training and development of executives.
12. **Facilitation of Leadership.** Organisation structure should be so devised that there is enough opportunity for the management to give effective leadership to the enterprise.
13. **Parity of Authority and Responsibility.** In every position, the authority and responsibility should correspond. Adequate authority should be delegated to all levels and wherever authority is delegated the person should be held responsible.

14.Coordination. The organisation structure should facilitate unity of effort and co-ordination among different individuals and groups. Channels of communication should be open and clear.

PROCESS OF ORGANISATION

To organise means to arrange different elements into a whole, of interdependent parts. It implies putting persons or things in their proper places and in relation to each other, so that the whole aggregate works as a coherent unit, with each person or thing having proper and well-defined function to perform. Systematic planning, division of work, united effort and coordination, constitute the basis of any organisation process.

Peter Druker has divided the organisation process into three elements:

- (a) activity analysis, (b) decision analysis, and (c) relation analysis.

The important steps in organisation process are as follows :

1. **Determining the activities to be performed** The process of organisation begins after the establishment of objectives to be accomplished through the organisation. The first step in this process is to divide the total effort into a number of functions and sub functions, each to be performed, preferably, by a single individual or a group of individuals. If each member or group specialises in a single operation, he would not only acquire greater skill in his work, but it would also lead to avoidance of waste of time, energy and material that might occur if he is made to change from one process or work to another.
2. **Assignment of responsibilities** It involves selection of suitable persons to take charge of activities to be performed at each work point. The principle of Specialisation should be strictly followed. Even so, the tasks to be performed by each member or group should be clearly defined.
3. **Delegation of authority.** Along with the assignment of duties, there should also be proper

delegation of authority. It would be unrealistic to expect an individual to perform his job well if he lacks the authority to secure performance from his subordinates.

4. **Selecting right men for right jobs** All managers are in the business of people. They have to find, retain and develop a staff of people, who are highly competent for the jobs assigned to them. Before assigning a particular task to an individual, his technical competence, interests, and aptitude for the job should be suitably tested. This is necessary because in an organisation structure, each individual is assigned a specific task for the performance of which he alone will be accountable.
5. **Providing right environment** It involves provision of physical means, and generation of right atmosphere in which employees can perform their respective tasks and duties. Conscious efforts are also necessary to ensure high employee morale and development of right attitudes.

IMPORTANCE/ADVANTAGES OF ORGANISATION

Organisation is important due to the following reasons:

1. **Efficiency in management** - Organisation lays a foundation for focussing managerial attention and actions on the accomplishment of enterprise objectives. Planning, direction and control can have meaning only when these functions are undertaken within the framework of a properly designed and balanced organization. It would be useless to plan for anything if there is no arrangement whereby various activities and functions can be assigned to employees on the basis of their specialisation in the jobs concerned. Organisation is thus an effective instrument for realising the aims and objectives of an enterprise. But it can do so only when it provides for scientific selection of workers, specialisation among its employees, proper delegation of authority and responsibility, and effective coordination and control. It should also be flexible enough to be adapted to the needs of any change in circumstances.
2. **Instrument of all-round development** - A balanced organisation helps an enterprise to grow and enter new lines of business. It can achieve the necessary momentum and adaptability to meet the various challenges posed by the environmental forces. For example, any scheme for growth and diversification will require the enterprise to arrange for recruitment of new staff, delegation of greater authority to subordination and control of activities at different work-centres. If the basic organisation structure is properly designed, it can be adjusted to face all the changes. On the contrary, if it lacks the above qualities, it would show signs of disintegration as soon as any change is introduced in the structure and would produce confusion and conflict.
3. **Adoption of new technology** The effectiveness of an enterprise is measured by the capacity of its reaction to changes in the environment and the determination to carry out suitable modifications and adjustments to meet such changes. In a rapidly advancing world, changes are bound to take place in the techniques of production, distribution and man-power management.

Only an effective management can foresee such changes, and be prepared to face them boldly and intelligently.

4. **Aid to initiative** For an organisation to continue to remain effective, it is necessary that it encourages initiative among its staff. Then alone, it can discover talents and creatively among its employees. ;

To this end, there should be well-defined policies and procedures to guide the employees in deciding matters. But within the limits of such policies and procedures, employees should be given a free hand in making decisions. Provision of suitable opportunity to show initiative does not mean a freedom to do things in any manner one likes. But at the same time, restrictions should not be so many that they force managers to behave like machines.

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.

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. Further, unlike the formal organisation, it cannot be forced or controlled by the management.

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

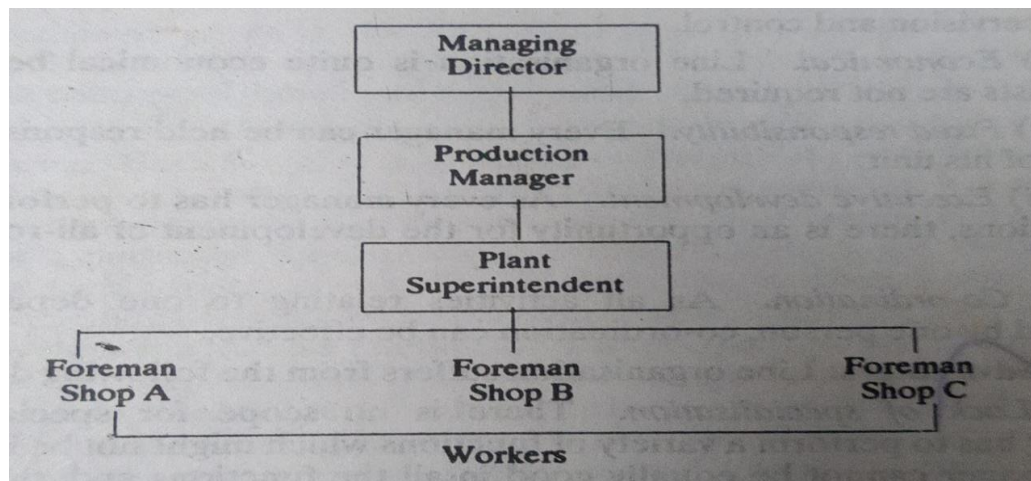
organisation.

FORMS OF ORGANISATION STRUCTURE is primarily concerned with the allocation of tasks and delegation of authority. There are several ways of division of work and distribution of authority. As a result several types of organisation structure have been evolved. The six main types of organisation structure are given below:

1. Line organisation
2. Functional organisation.
3. Line and staff organisation.
4. Project organisation.
5. Matrix organisation.
6. Committees.

Line organisation - Line organisation is the oldest type of organisation structure. It also known as military or 'scalar' organisation because it originated in the army. In fine organisation there is an unbroken vertical line through which authority flows from the top to the bottom of organisation. Every manager exercises a direct authority over his subordinates who are in turn directly responsible to their superior. There is thus a hierarchical arrangement of authority. Line organisation may be of two types. In pure line organisation, all individuals at a given level perform the same type of work and departments are created only to facilitate supervision and control.

LINE ORGANISATION

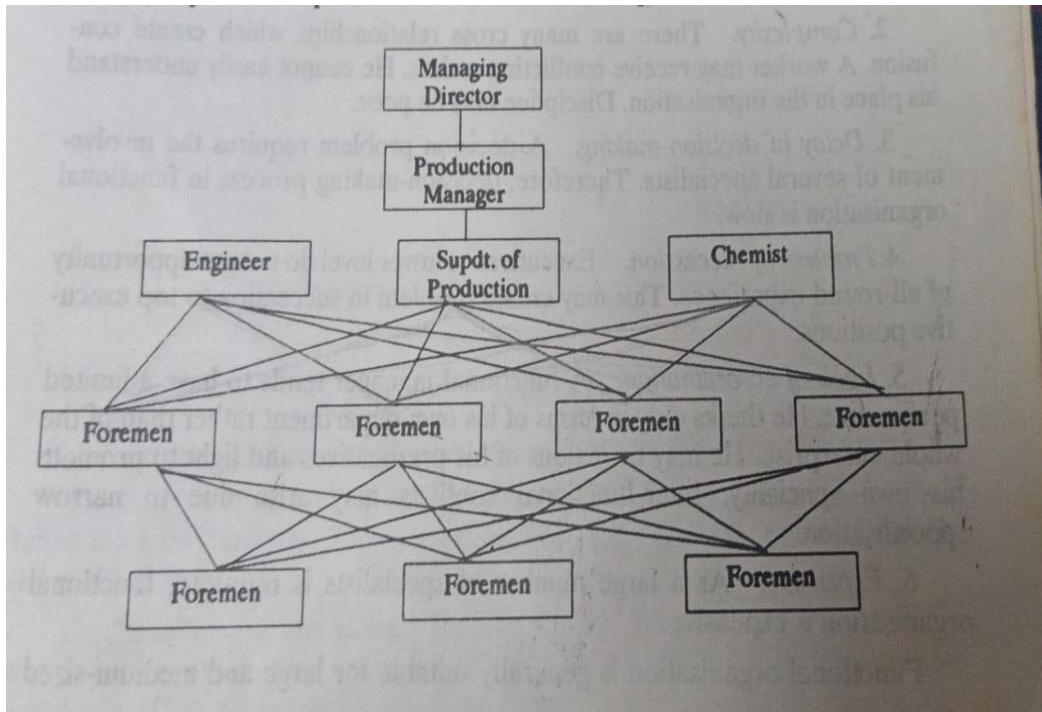


Functional Organisation

As organisation grows in size, line organisation proves inadequate and it becomes necessary to introduce specialization. Under functional organisation the organisation is divided into a number of functional areas. Each function is managed by functional expert in that area. Every functional area serves all other areas in the organization. Thus, an individual in the organisation receives instructions from several functional heads, Every functional expert enjoys functional authority over subordinates in other departments, Within a functional department every operating excutive receives orders from several functional specialists. The main characteristics of functional organisation are: (i) The whole task of the

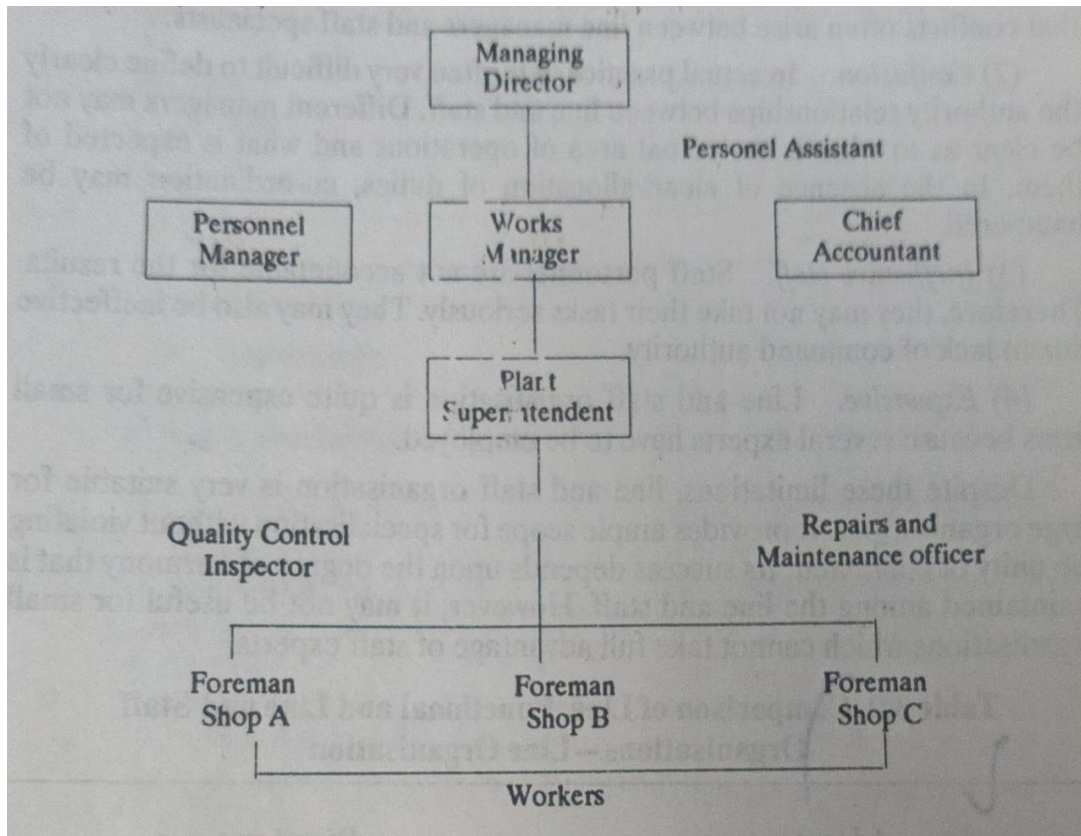
enterprise is divided into specialised functions. (ii) Each function is performed by a specialist. (iii) The specialist in charge of a functional department has the authority over all other employees for his function.(iv) Specialists operate with considerable independence. Functional organisation is generally suitable for large and medium-sized Organisation.

FUNCTIONAL ORGANISATION



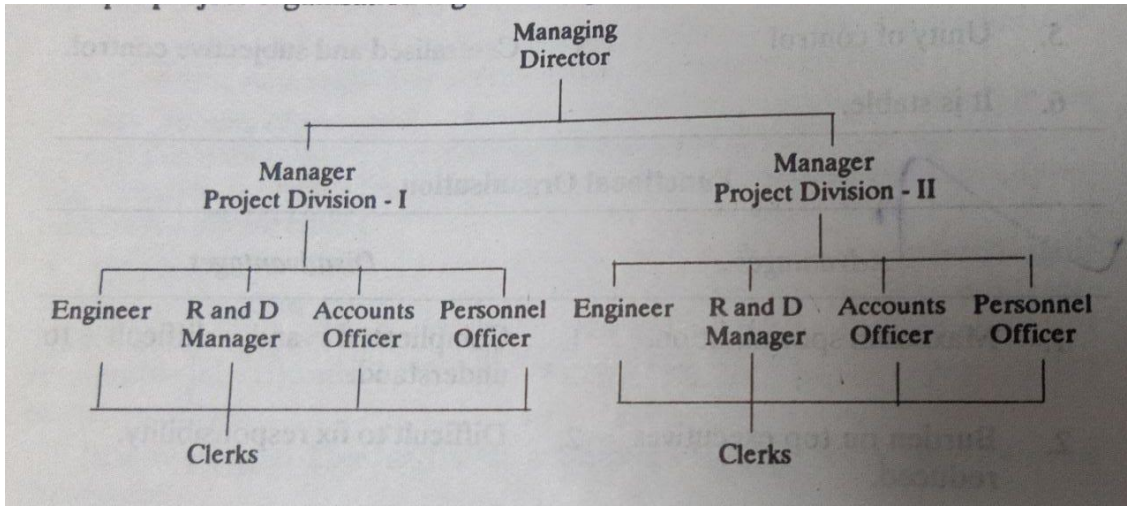
Line and staff organisation is a combination of line and functional structures. Under it, line authority flows in a vertical line in the same manner as in the line organisation. In addition, staff specialists are attached to line positions to advise them on important matters. These specialists do not have power of command over subordinates in other departments. They are purely of advisory nature. When the work of line executives increases, they need advice, information and help of staff specialists. Therefore, staff positions are created to support the line managers. Every staff specialist, however, has line authority over the subordinates in his own department.

LINE AND STAFF ORGANISATION



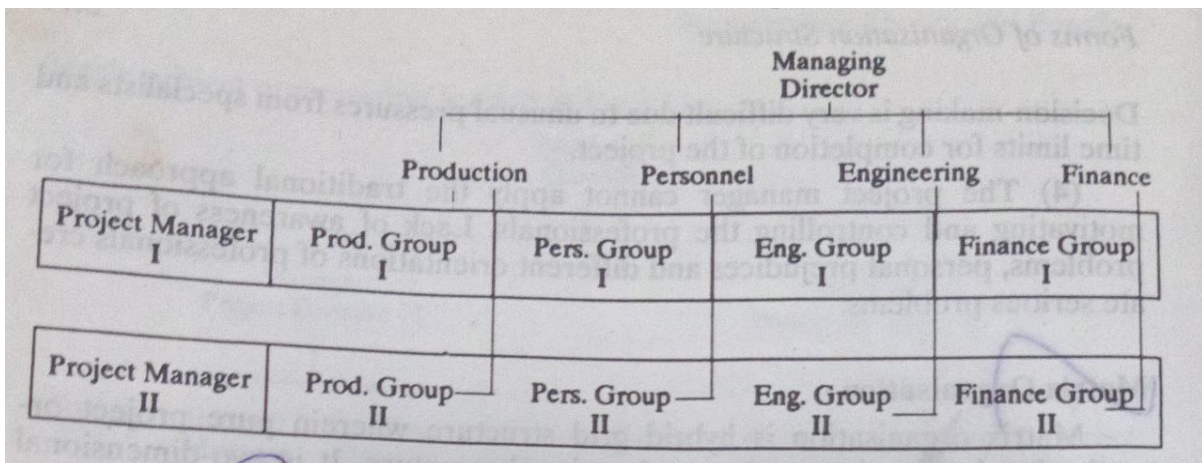
Project Organisation Project and matrix structures are of recent origin, developed after World War II. When an organisation has to execute large projects of long duration, it may adopt a project organisation. Under project organisation each project is organised as a semi-autonomous project division. A project is a unique and complex cluster of activities designed around a distinct mission and a specific time frame. A project team consists of specialists in different fields. The activities of project team members are coordinated by a project manager who is ultimately responsible for successful completion of the project. Once a project is complete, the project division undertakes a new project. A Project organisation can be effectively applied under the following situations: (a) The project offers a unique or unfamiliar challenge. (b) The project has definite goals and well-defined specifications. (c) Successful completion of the project is critical to the organisation. (d) The project is complex with interdependent tasks. (e) assignment is to be completed within the given time limit.

PROJECT ORGANISATION



Matrix organisation is hybrid grid structure wherein pure project organisation is Superimposed on a functional structure. It is two dimensional pattern developed to meet the problems of growing size and complexity of undertakings, Such undertakings require an organisation structure more flexible and technically oriented than the traditional line and staff structures. Matrix structure has been defined as “any organisation that employs a multiple command system that includes not only the multiple command structure but also related support mechanism and an associated organisational culture and behaviour pattern,” The essence of matrix organisation is the combining of functional and product forms of departmentation. Thus, a matrix organisation is characterised by an overlapping of command, control and behaviour patterns. It represents a compromise between functional and product structures. into details of the problem. This authority is expressed in terms of one member one vote.

MATRIX ORGANISATION



Committees A committee may be constituted at any level of organisation and its members may be drawn from various departments. According to Allen, “A committee is a body of persons appointed or elected to meet on an organised basis for the consideration of matters brought before it.” Committees have become an important instrument of management in modern organisations. They may be used to (i) secure viewpoints and consultation of various persons in the organisation; (ii) to give participation and representation to different groups or interests; (iii) to co-ordinate the activities of different departments; (iv) to review the performance of certain units; (v) facilitate communication and co-operation among diverse groups.

DELEGATION OF AUTHORITY

Meaning

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/ Nature 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 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.

SCOPE OF DELEGATION

It is impossible for any one person in an enterprise to execute all the tasks for the accomplishment of group objectives. It is also impossible for any person in a growing enterprise to exercise the decision-making authority all by himself. There is a limit to what an individual can perform single-handed. There is also a limit to the functional areas, or the number of subordinates, whom a person can effectively supervise.

When a person assigns duties to his subordinates and delegates to them the necessary authority to perform the assigned duties, he has also to hold them answerable for the performance of the work assigned to them, and for the exercise of the authority delegated to them. If the subordinates are not accountable for the performance of the work assigned to them, or for the exercise of authority delegated to them, there is a danger that they may not perform their assigned tasks, or they may exercise the delegated authority without any sense of responsibility.

The three elements, ie., assignment of duties, delegation of authority, and accountability for the performance of duties and responsibilities and exercise of authority, are together termed as delegation.

Assignment of tasks without delegation of adequate authority, will be meaningless. Delegation of authority without specifying the tasks to be performed, will mean leaping in the dark. Assignment of tasks and delegation of authority without accountability, will be a blind bargain.

The need for delegation arises because it is impossible for an individual, howsoever competent and capable he may be, to manage and control anything done even on a modest

scale. Physical and mental limitations of an individual become all the more pronounced when it comes to management of a business enterprise.

Through delegation, an individual can multiply himself and perform several simple and complex tasks. Delegation enables a person not only to discharge his responsibility but also to discharge it efficiently and economically, because in that case he can secure the benefits of specialised knowledge and expertise of several persons. For a business with branches situated at different places, there is no alternative to delegation. Delegation ensures continuity in business, because managers at lower levels are enabled to acquire valuable experience in decision-making and they gain enough competence to fill higher positions in case of need.

Advantages of Delegation

Delegation offers several advantages.

- 1. Basis of effective functioning-** Delegation provides the basis for effective functioning of an organisation. It establishes relationships through the organisation and helps in achieving coordination of various activities in accomplishing enterprise objectives.
- 2. Reduction in managerial load** Delegation relieves the manager of the need to attend to minor or routine types of duties. Thus, he is enabled to devote greater attention and effort toward broader and more important responsibilities,
- 4. Benefit of specialised service** Delegation enables the manager to benefit from the specialised knowledge and expertise of persons at lower levels. Thus, purchasing may be delegated to the purchase manager, sales to the sales manager, advertising to the advertising manager, accounting to an accountant, legal matters to a lawyer, and personnel functions to a personnel manager.
- 5. Efficient running of branches,** In the modern world, where a business rarely confines its activities to a single place, only delegation can provide the key to smooth and efficient running of the various branches of the business at places far and near.
- 6. Aid to employee development -** Delegation enables the employees of business to develop their capabilities to undertake new and more challenging jobs. Also, it promotes job satisfaction and contributes to high employee morale,
- 7. Aid to expansion and diversification of business -** With its employees fully trained in decision-making in various fields, the business can confidently undertake expansion and diversification of its activities. Because, it will already have a competent team of contented workers to take on new responsibilities.

Delegation of authority offers several advantages, such as, maximum organisational effectiveness, better and speedier decision-making, and inculcation of self-confidence and initiative among the subordinates. However, inspite of this, most managers are reluctant to delegate authority and most subordinates are reluctant to accept it.

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.

CENTRALIZATION

Centralization in an organization implies holding of authority through the senior management. The decision making authority is concentrated in a few hands at the top. 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. Here,

1. Decision-making progression is slower
2. The power lies with Senior management

3. Leadership has apt coordination

4. Implementation in small-sized organizations.

DEPARTMENTATION

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 a part of the organisation process .It means dividing and grouping the activities and employees of an enterprise into various departments, division of total work of an enterprise into individual functions and sub functions. The work units so formed may be called departments, divisions or units.

FACTORS OF DEPARTMENTATION

The following are the factors which say why departmentation is essential in an Organisation:

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