UNIT 3

Meaning of Organising:

Organising is a "process of defining the essential relationships among people, tasks and activities in such a way that all the organisation's resources are integrated and coordinated to accomplish its objectives efficiently and effectively". — Pearce and Robinson

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.'

(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.
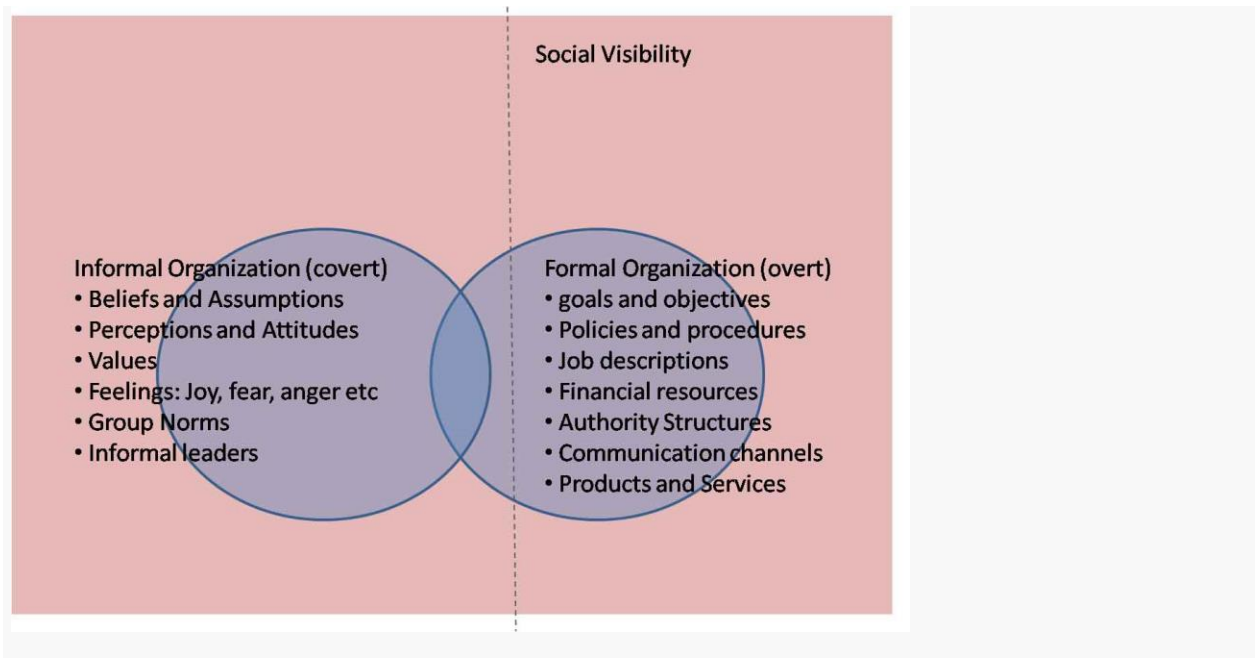
(ix) Facilitates Coordination:

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.

Formal and Informal Organization:

Formal Organisation:

When the managers are carrying on organising process then as a result of organising process an organisational structure is created to achieve systematic working and efficient utilization of resources. This type of structure is known as formal organisational structure.

Social Visibility

Informal Organization (covert)
• Beliefs and Assumptions
• Perceptions and Attitudes
• Values
• Feelings: Joy, fear, anger etc
• Group Norms
• Informal leaders

Formal Organization (overt)
• goals and objectives
• Policies and procedures
• Job descriptions
• Financial resources
• Authority Structures
• Communication channels
• Products and Services

Formal organisational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior- subordinate relationship and the designation of every individual in the organisation. This structure is created intentionally by the managers for achievement of organisational goal.

Features of Formal organisation:

(1) The formal organisational structure is created intentionally by the process of organising.

(2) The purpose of formal organisation structure is achievement of organisational goal.

(3) In formal organisational structure each individual is assigned a specific job.

(4) In formal organisation every individual is assigned a fixed authority or decision-making power.

(5) Formal organisational structure results in creation of superior-subordinate relations.

(6) Formal organisational structure creates a scalar chain of communication in the organisation.

Advantages of Formal Organisation:

1. Systematic Working:

Formal organisation structure results in systematic and smooth functioning of an organisation.

2. Achievement of Organisational Objectives:

Formal organisational structure is established to achieve organisational objectives.

3. No Overlapping of Work:

In formal organisation structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.

4. Co-ordination:

Formal organisational structure results in coordinating the activities of various departments.

5. Creation of Chain of Command:

Formal organisational structure clearly defines superior subordinate relationship, i.e., who reports to whom.

6. More Emphasis on Work:

Formal organisational structure lays more emphasis on work than interpersonal relations.

Disadvantages of Formal Organisation:

1. Delay in Action:

While following scalar chain and chain of command actions get delayed in formal structure.

2. Ignores Social Needs of Employees:

Formal organisational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.

3. Emphasis on Work Only:

Formal organisational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

Informal Organisation:

In the formal organisational structure individuals are assigned various job positions. While working at those job positions, the individuals interact with each other and develop some social and friendly groups in the organisation. This network of social and friendly groups forms another structure in the organisation which is called informal organisational structure.

The informal organisational structure gets created automatically and the main purpose of such structure is getting psychological satisfaction. The existence of informal structure depends upon the formal structure because people working at different job positions interact with each other to form informal structure and the job positions are created in formal structure. So, if there is no formal structure, there will be no job position, there will be no people working at job positions and there will be no informal structure.

Features of informal organisation:

(1) Informal organisational structure gets created automatically without any intended efforts of managers.

(2) Informal organisational structure is formed by the employees to get psychological satisfaction.

(3) Informal organisational structure does not follow any fixed path of flow of authority or communication.

(4) Source of information cannot be known under informal structure as any person can communicate with anyone in the organisation.

(5) The existence of informal organisational structure depends on the formal organisation structure.

Advantages of Informal Organisation:

1. Fast Communication:

Informal structure does not follow scalar chain so there can be faster spread of communication.

2. Fulfills Social Needs:

Informal communication gives due importance to psychological and social need of employees which motivate the employees.

3. Correct Feedback:

Through informal structure the top level managers can know the real feedback of employees on various policies and plans.

Strategic Use of Informal Organisation. Informal organisation can be used to get benefits in the formal organisation in the following way:

1. The knowledge of informal group can be used to gather support of employees and improve their performance.

2. Through grapevine important information can be transmitted quickly.

3. By cooperating with the informal groups the managers can skillfully take the advantage of both formal and informal organisations.

Disadvantages of Informal organisation:

1. Spread Rumours:

According to a survey 70% of information spread through informal organisational structure are rumors which may mislead the employees.

2. No Systematic Working:

Informal structure does not form a structure for smooth working of an organisation.

3. May Bring Negative Results:

If informal organisation opposes the policies and changes of management, then it becomes very difficult to implement them in organisation.

4. More Emphasis to Individual Interest:

Informal structure gives more importance to satisfaction of individual interest as compared to organisational interest.

Types of Organisational Structures:

1. Line Organisational Structure:

A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.

Exhibit 10.3 : Line Organisational Structure
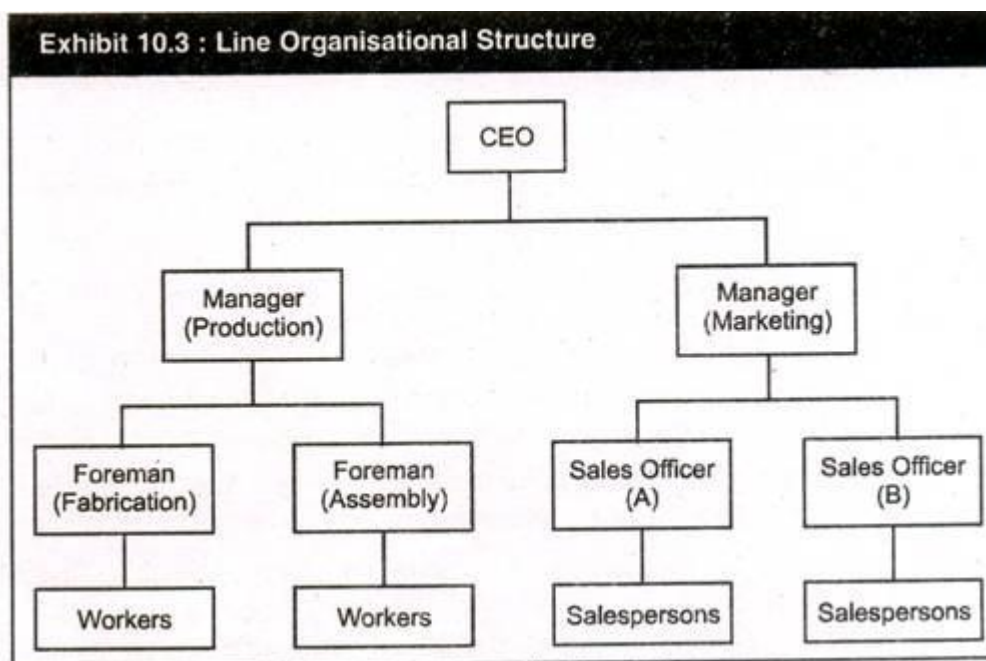
Features:

Have only direct vertical relationships between different levels in the firm.

Advantages:

1. Tends to simplify and clarify authority, responsibility and accountability relationships

2. Promotes fast decision making

3. Simple to understand.

Disadvantages:

1. Neglects specialists in planning

2. Overloads key persons.

Some of the advantages of a pure line organisation are:

(i) A line structure tends to simplify and clarify responsibility, authority and accountability relationships. The levels of responsibility and authority are likely to be precise and understandable.

(ii) A line structure promotes fast decision making and flexibility.

(iii) Because line organisations are usually small, managements and employees have greater closeness.

However, there are some **disadvantages** also. They are:

 (i) As the firm grows larger, line organisation becomes more ineffective.

(ii) Improved speed and flexibility may not offset the lack of specialized knowledge.

(iii) Managers may have to become experts in too many fields.

(iv) There is a tendency to become overly dependent on the few key people who an perform numerous jobs.

2. Staff or Functional Authority Organisational Structure

The jobs or positions in an organisation can be categorized as:
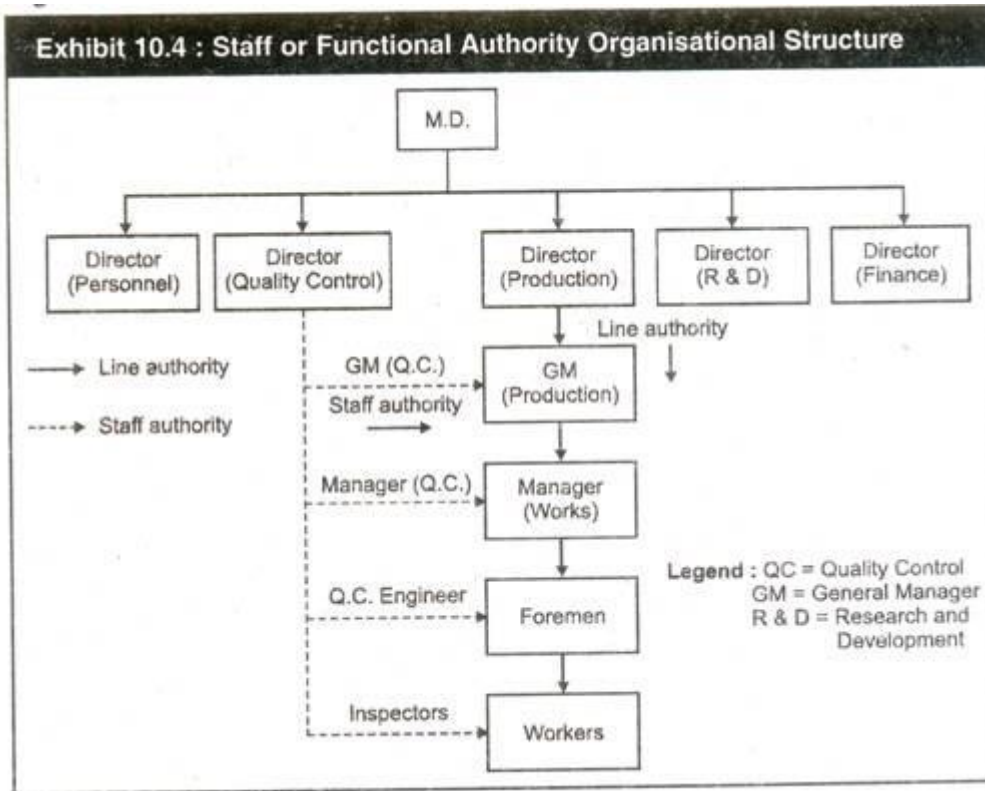
(i) Line position:

a position in the direct chain of command that is responsible for the achievement of an organisation's goals and

(ii) Staff position:

A position intended to provide expertise, advice and support for the line positions.

The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advice the line) over the line. This is also known as functional authority.

An organisation where staff departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation. Exhibit 10.4 illustrates a staff or functional authority organisational structure.

Exhibit 10.4 : Staff or Functional Authority Organisational Structure

M.D.

Director (Personnel) — Director (Quality Control) — Director (Production) — Director (R & D) — Director (Finance)

→ Line authority

- - → Staff authority

GM (Q.C.) — GM (Production)

Line authority

Manager (Q.C.) — Manager (Works)

Q.C. Engineer — Foremen

Inspectors — Workers

Staff authority

Legend : QC = Quality Control
GM = General Manager
R & D = Research and Development

In the line organisation, the line managers cannot be experts in all the functions they are required to perform. But in the functional authority organization, staff personnel who are specialists in some fields are given functional authority (The right of staff specialists to issue orders in their own names in designated areas).

The principle of unity of command is violated when functional authority exists i.e., a worker or a group of workers may have to receive instructions or orders from the line supervisor as well as the staff specialist which may result in confusion and the conflicting orders from multiple sources may lead to increased ineffectiveness. Some staff specialists may exert direct authority over the line personnel, rather than exert advice authority (for example, quality control inspector may direct the worker as well as advise in matters related to quality).

While this type of organisational structure overcomes the disadvantages of a pure line organisaional structure, it has some major disadvantages:

They are: (i) the potential conflicts resulting from violation of principle of unity of command and (ii) the tendency to keep authority centralized at higher levels in the organisation.

3. Line and Staff Organisational Structure:

Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).

Exhibit 10.5 : Line and Staff Organisational Structure.

Legend:
HR – Human Resources
MKTG – Marketing
R & D – Research and Development
MFG – Manufacturing
MGR – Manager

DIR – Director
QC – Quality Control
PRODN – Production
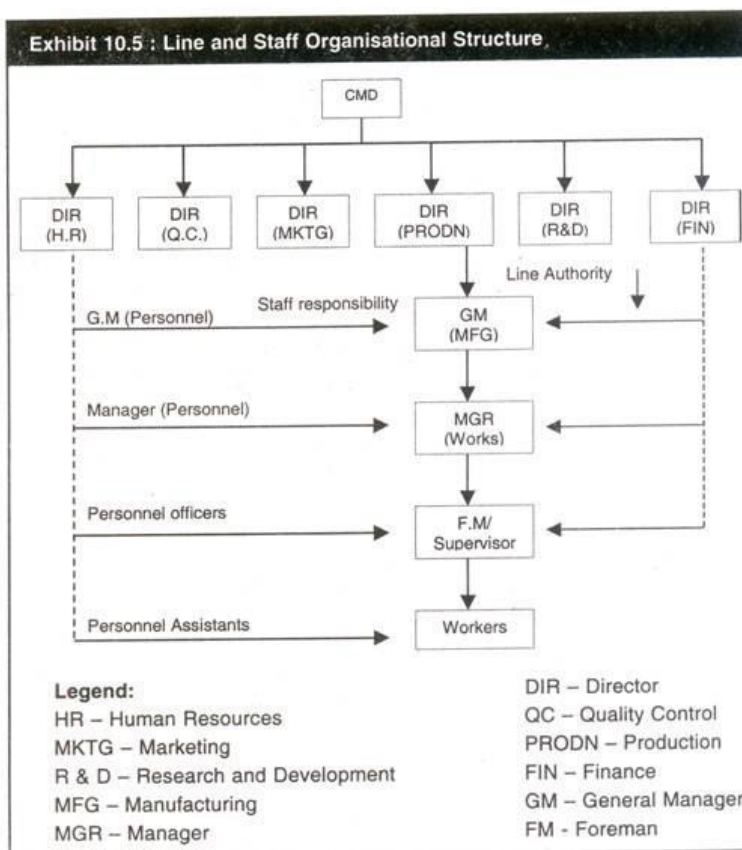FIN – Finance
GM – General Manager
FM - Foreman

Exhibit 10.5 illustrates the line and staff organisational chart. The line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional authority organisational

structure is replaced by staff responsibility so that the principle of unity of command is not violated.

Three types of specialized staffs can be identified:

(i) Advising,

(ii) Service and

(iii) Control.

Some staffs perform only one of these functions but some may perform two or all the three functions. The primary advantage is the use of expertise of staff specialists by the line personnel. The span of control of line managers can be increased because they are relieved of many functions which the staff people perform to assist the line.

Some **advantages** are:

(i) Even through a line and staff structure allows higher flexibility and specialization it may create conflict between line and staff personnel.

(ii) Line managers may not like staff personnel telling them what to do and how to do it even though they recognize the specialists' knowledge and expertise.

(iii) Some staff people have difficulty adjusting to the role, especially when line managers are reluctant to accept advice.

(iv) Staff people may resent their lack of authority and this may cause line and staff conflict.

Features:

1. Line and staff have direct vertical relationship between different levels.

2. Staff specialists are responsible for advising and assisting line managers/officers in specialized areas.

3. These types of specialized staff are (a) Advisory, (b) Service, (c) Control e.g.,

(a) Advisory:

Management information system, Operation Research and Quantitative Techniques, Industrial Engineering, Planning etc

(b) Service:

Maintenance, Purchase, Stores, Finance, Marketing.

(c) Control:

Quality control, Cost control, Auditing etc.

Advantages:

(i) Use of expertise of staff specialists.

(ii) Span of control can be increased

(iii) Relieves line authorities of routine and specialized decisions.

(iv) No need for all round executives.

Disadvantages:

(i) Conflict between line and staff may still arise.

(ii) Staff officers may resent their lack of authority.

(iii) Co-ordination between line and staff may become difficult.

Committee Organisational Structure Features:

(a) Formed for managing certain problems/situations

(b) Are temporary decisions.

Advantages:

1. Committee decisions are better than individual decisions

2. Better interaction between committee members leads to better co-ordination of activities

3. Committee members can be motivated to participate in group decision making.

4. Group discussion may lead to creative thinking.
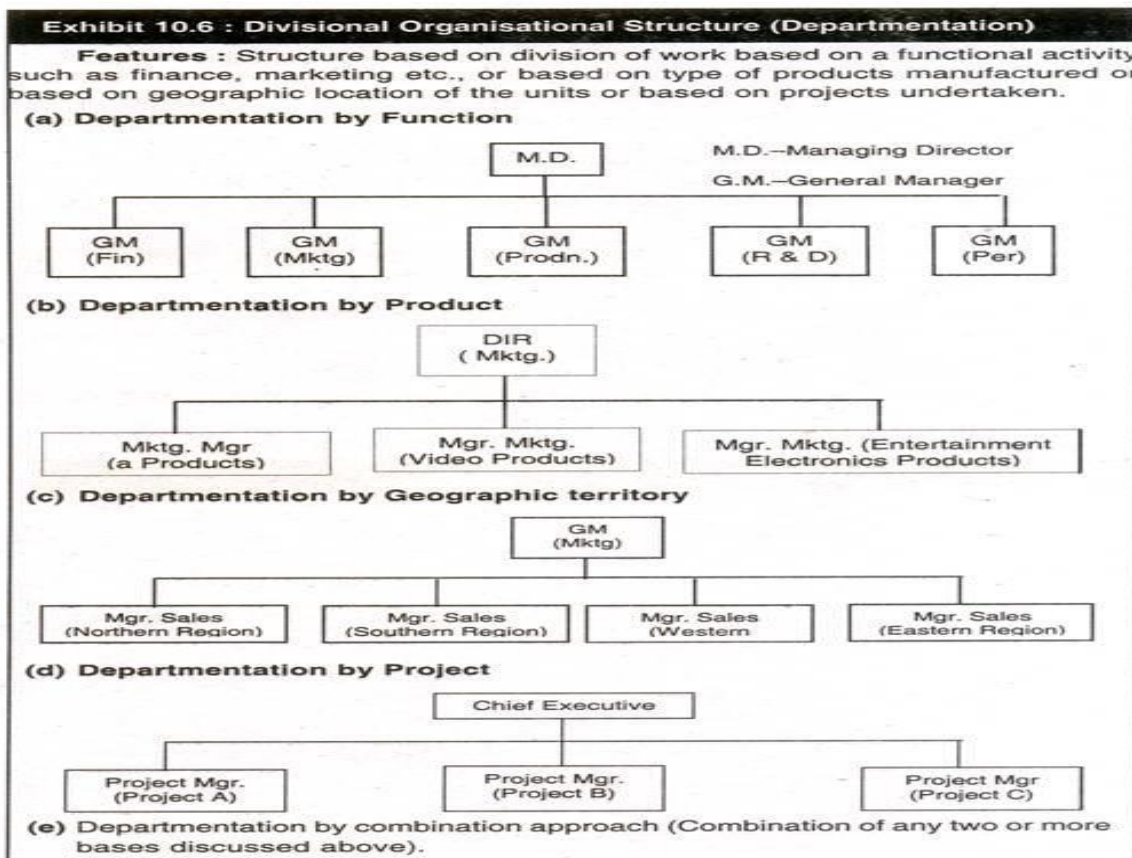
Disadvantages:

1. Committees may delay decisions, consume more time and hence more expensive.

2. Group action may lead to compromise and indecision.

3. 'Buck passing' may result.

4. Divisional Organisational Structure:

In this type of structure, the organisation can have different basis on which departments are formed. They are:

(i) Function,

(ii) Product,

(iii) Geographic territory,

(iv) Project and

(iv) Combination approach.

Exhibit 10.6 illustrates organisational structures formed based on the above basis of departmentation.

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

M.D.—Managing Director
G.M.—General Manager

(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).

5. Project Organisational Structure:

The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships. In some projects (complex activity consisting of a number of interdependent and independent activities) work process may flow horizontally, diagonally, upwards and downwards. The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists. The cope up with such situations, project organisations and matrix organisations have emerged.

A project organisation is a temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The project team focuses all its energies, resources and results on the assigned project. Once the project has been completed, the team members from various cross functional departments may go back to their previous positions or may be assigned to a new project. Some of the examples of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc.

Exhibit 10.7 illustrates a project organisational structure.

Exhibit 10.7 : Project Organisational Structure
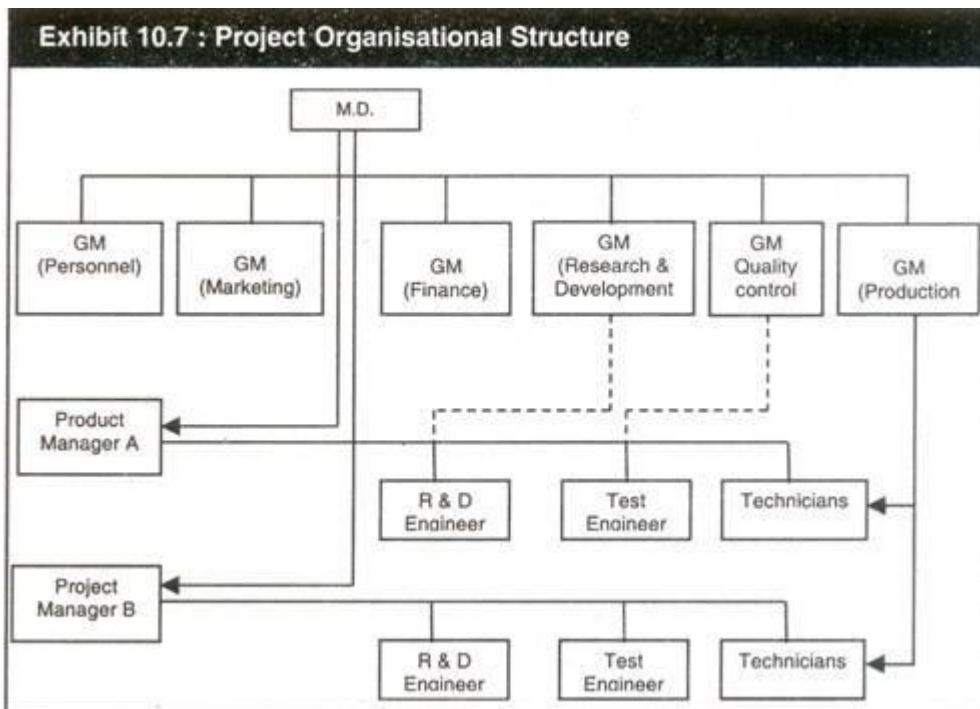
Feature:

Temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.

Importance of Project Organisational Structure:

Project organisational structure is most valuable when:

(i) Work is defined by a specific goal and target date for completion.

(ii) Work is unique and unfamiliar to the organisation.

(iii) Work is complex having independent activities and specialized skills are necessary for accomplishment.

(iv) Work is critical in terms of possible gains or losses.

(v) Work is not repetitive in nature.

Characteristics of project organisation:

1. Personnel are assigned to a project from the existing permanent organisation and are under the direction and control of the project manager.

2. The project manager specifies what effort is needed and when work will be performed whereas the concerned department manager executes the work using his resources.

3. The project manager gets the needed support from production, quality control, engineering etc. for completion of the project.

4. The authority over the project team members is shared by project manager and the respective functional managers in the permanent organisation.

5. The services of the specialists (project team members) are temporarily loaned to the project manager till the completion of the project.

6. There may be conflict between the project manager and the departmental manager on the issue of exercising authority over team members.

7. Since authority relationships are overlapping with possibilities of conflicts, informal relationships between project manager and departmental managers (functional managers) become more important than formal prescription of authority.

8. Full and free communication is essential among those working on the project.

**6. Matrix Organisational Structure:**

It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The matrix organisation is illustrated in Exhibit 10.8.

Feature:

Superimposes a horizontal set of divisions and reporting relationships onto a hierarchical functional structure

Advantages:

1. Decentralised decision making.

2. Strong product/project co-ordination.

3. Improved environmental monitoring.

4. Fast response to change.

5. Flexible use of resources.

6. Efficient use of support systems.

Exhibit 10.8 : Matrix Organisational Structure
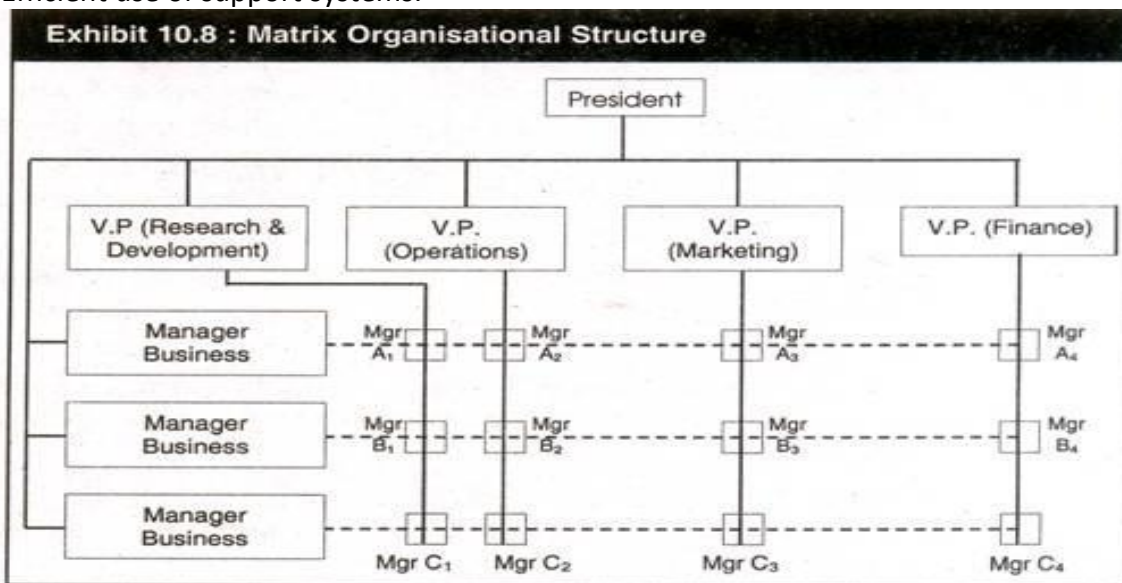
Disadvantages:

1. High administration cost.

2. Potential confusion over authority and responsibility.

3. High prospects of conflict.

4. Overemphasis on group decision making.

5. Excessive focus on internal relations.

This type of organisation is often used when the firm has to be highly responsive to a rapidly changing external environment.

In matrix structures, there are functional managers and product (or project or business group) managers. Functional manager are in charge of specialized resources such as production, quality control, inventories, scheduling and marketing. Product or business group managers are incharge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources.

The problem with this structure is the negative effects of dual authority similar to that of project organisation. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organisation, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.

7. Hybrid Organisational Structure:

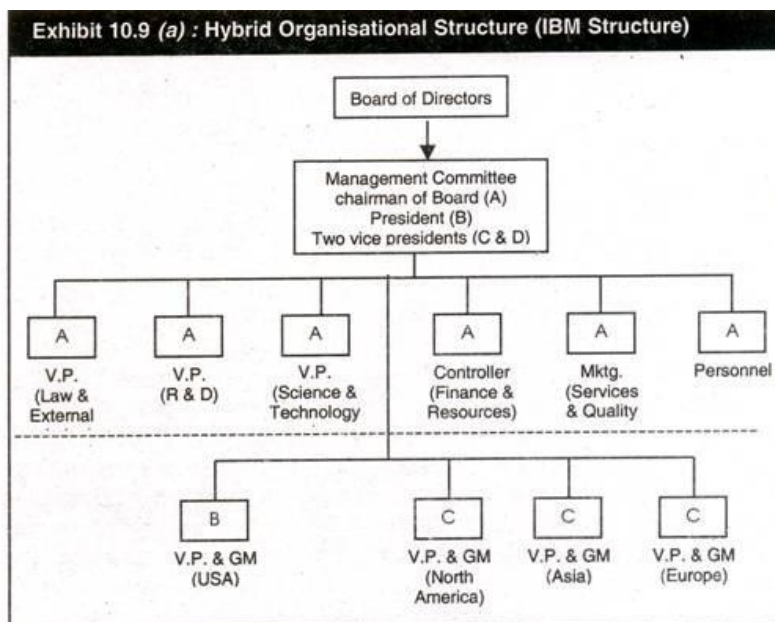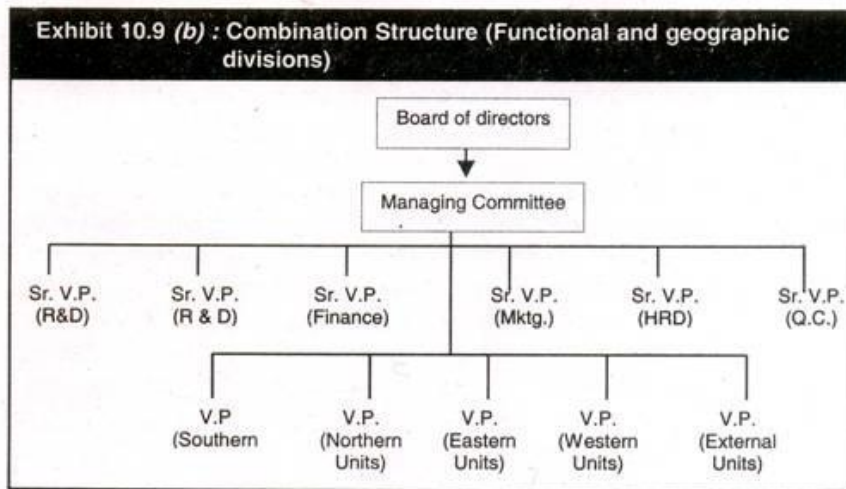Exhibit 10.9 (a) illustrates the hybrid organisational structure.

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

Exhibit 10.9 (b) illustrates a combination structure

Exhibit 10.9 (b) : Combination Structure (Functional and geographic divisions)

Advantages:

1. Alignment of corporate and divisional goals.

2. Functional expertise and efficiency.

3. Adaptability and flexibility in divisions.

Disadvantages:

1. Conflicts between corporate departments and units.

2. Excessive administration overhead.

3. Slow response to exceptional situations.

Uses:

Used in organisations that face considerable environmental uncertainty that can be met through a divisional structure and that also required functional expertise or efficiency

This type of structure is used by multinational companies operating in the global environment, for example, International Business Machines USA. This kind of structure depends on factors such as degree of international orientation and commitment. Multinational corporations may have their corporate offices in the country of origin and their international divisions established in various countries reporting to the CEO or president at the headquarters. The international divisions or foreign subsidiaries may be grouped into regions such as North America, Asia, Europe etc. and again each region may be subdivided into countries within each region.

While the focus is on international geographic structures, companies may also choose functional or process or product departmentation in addition to geographic pattern while at the head quarter's the departmentation may be based on function.

Organisation Process:
1.Review plans and objectives.

Objectives are the specific activities that must be completed to achieve goals. Plans shape the activities needed to reach those goals. Managers must examine plans initially and continue to do so as plans change and new goals are developed.

2.Determine the work activities necessary to accomplish objectives.

Although this task may seem overwhelming to some managers, it doesn't need to be. Managers simply list and analyze all the tasks that need to be accomplished in order to reach organizational goals.

3.Classify and group the necessary work activities into manageable units.

A manager can group activities based on four models of departmentalization: functional, geographical, product, and customer.

4.Assign activities and delegate authority.

Managers assign the defined work activities to specific individuals. Also, they give each individual the authority (right) to carry out the assigned tasks.

5.Design a hierarchy of relationships.

A manager should determine the vertical (decision-making) and horizontal (coordinating) relationships of the organization as a whole. Next, using the organizational chart, a manager should diagram the relationships.

Delegation:
Delegation is a process which enables a person to assign a work to others and delegate them with adequate authority to do it. Delegation is the dynamics of management.

Features of delegation:

i. Two Sided Relationship:

Delegation is a two sided relationship. The superior must be willing to sacrifice a portion of his authority and the subordinate must be prepared to shoulder additional responsibilities.

ii. Act of Trust:

Delegation is an act of trust, an expression of confidence that the subordinate (delegatee) will discharge assigned duties in a sincere way.

iii. Freedom to Think and Act:

Delegation means freedom of action sufficient to get the task accomplished. It means freedom to make decisions, commit mistakes, learn and rise to the challenge putting one's own competencies to best use.

iv. Dependency Relationship:

The delegator has to extend continual support and continued blessings to the delegatee. The delegatee should seek clear communication of what is expected of him, when the job needs to be completed etc. In case of any trouble, the delegator must lend support to the delegatee.

v. A Challenging Task:

Delegation is a challenging task. Both parties must set goals to mutual satisfaction. Questions like when, where and how need to be addressed properly. Both must invest their time, put resources to best use and deliver results through constant interaction, questioning and exchanging of notes. Delegation requires trust and confidence in each other's traits and abilities. It is a skill that separates the men from the boys in management.

vi. Forward Thinking Principle:

Delegation opens a new in superior subordinate relationship. Both the superior and subordinate are expected to enact their roles in a positive and mutually supportive way. The superior should trust the subordinate and give enough room to operate. Likewise, the subordinate should accept the challenges and deliver results. Both must keep their sights on institutional interests and play their roles to the best of their abilities and potential.

Nature of delegation includes:

i. It gives direction to a manager in performing his duties

ii. It has dual characteristics in the sense that though the authority is delegated, it is still retained with the superior

iii. It can be modified even after the action is over

iv. Manager cannot delegate authority which he does not possess

v. It may be specific or general and

vi. It is an art rather than a science.

Principles of the delegation:

Principle 1: Principle of Functional Definitions:

According to Koontz and O'Donnell, "more a position, or a department has clear definitions of results expected, activities to be under taken, organisation authority delegated, and authority and informational relationship with other positions understood, the more adequately the individuals responsible can contribute towards accomplishing organisation objectives." The subordinate must fully understand the nature and significance of his job, its relationship with other jobs and the limits of his authority.

Principle 2: Principle of Delegation by Results Expected:

The nature and extent of delegation should be consistent with the results expected by subordinates. There-fore it is responsibility of superior to make the results and objects clear to his subordinates and the subordinates will do only the needful activities which may contribute to the attainment of prerecorded objectives. It will make the delegation more successful and effective.

For example, if the sales manager lays down the target of achieving sales turnover of 5 Lakh, rupees for U.P. office, he should delegate adequate authority to the Branch Manager of U.P. office.

Principle 3: Principle of Authority and Responsibility:

Authority and responsibility should bear logical relation to each other. Therefore a proper balance must be maintained between authority and responsibility during delegating the duties. There should be not disparity between the authority granted to a subordinate and the responsibility imposed on him.

For instance if a manager tries to hold subordinates accountable for duties for which they do not have the requisite authority, it will be unfair. It is also not proper if the subordinates are given sufficient authority, but are not held accountable for its proper use.

Principle 4: Principle of Absoluteness of Responsibility:

According to this principle only the authority can be delegated and not the responsibility. If executive can delegates his authorities to his subordinates, his responsibility and accountability do not change. Only executive is responsible and not his subordinates. For example, if branch decides to active sales turnover two lakh rupees, only branch manager is answerable to the sales manager.

Principle 5: Principle of Unity of Command:

Every subordinate should be under the command by one superiors. He must get the orders only from one officer. If a person reports to two superiors for the same duty, confusion and friction

will result. Therefore as for as possible, dual subordination should be avoided. Thus the process of delegation can be effective and successful only if the above principle is followed.

Principle 6: Principle of Scalar:

The chain of command from the top to bottom of the organisational hierarchy should be such that every subordinates knows who has delegated authority to him and to whom matters beyond his authority must be referred too,. The limits of authority within which subordinates can exercise initiative should be clarified.

Principle 7: Principle of Authority Level:

The subordinates should refer only those decisions to the superior which cannot be made at their level. They should themselves handle matters falling within the scope of their authority, if they try to bring every matters for decision to the superior, the purpose of delegation will be defeated. The superior should not unnecessary interfere in the decisions and actions of the subordinates.

Delegation Process:

In the process of delegation the following steps are essential and they must be kept in mind:

(1) The Delegation Should Define the Result Expected from his Subordinates:

The first requirement in he determination of contribution is the stage of creating various positions in the organisation.

(2) Duties should be Assigned According to the Qualifications, Experience and Aptitude of the Subordinates:

Duties must be defined very clearly.

They may be described in two ways:

(a) In terms of activities to be performed by a sub-ordinate.

(b) In terms of results that are expected from the performance of activities.

For Example – How much sale is to be achieved by salesman? It is better to assign duties in terms of results expected, because the sub-ordinate knows in advance the terms in which his performance will be judged, while assessing duties and responsibilities.

The delegator must ensure that subordinates understand and accept the assignment; otherwise delegation would be meaningless or ineffective.

(3) Adequate Authority must be given to Subordinates:

The authority to be delegated to each particular sub-ordinate is determined in advance. The delegator confers upon the sub-ordinate the right to act in a specified way within limited boundaries. It decides what actions he may take and what action he cannot take. Proper authority to any sub-ordinate not given in time, will not give or produce expected results.

For Example – A sales manager, charged with the responsibility of increasing sales of company's product should be given authority to hire competent salesmen, pay wages and incentives, allow concessions, within specified limits.

(4) The Sub-Ordinate Must Produce Expected Results from the Task Assigned to him:

It is obligatory on the part of the sub-ordinate that he must give satisfactory performance from the tasks assigned. He becomes answerable for the proper performance of the assigned duties and for the exercise of the delegated authority. Authority without accountability is likely to be misused.

Accountability without authority may be frustrating to the subordinates. The extent of accountability depends upon the extent of delegated authority and responsibility. A sub-ordinate cannot be held responsible for acts not assigned to him by his superior. He is accountable only to his immediate superior.

(5) Proper Evaluation of the Performance must be made:

In the end, an information and control system must be established to check and evaluate the performance of the subordinates to whom authority has been delegated. Duties, authority and responsibility are the three interdependent essential steps in the process of delegation. In this connection an eminent authority. H. W. Newman has said—"These three inevitable attributes of delegation are like a three legged stool, each depends on the others to support the whole and no two can stand alone."

Types of Delegation

(a) **Formal and informal delegation:**

In a formal delegation, the delegated assignments and the accompanying authority for each delegate are spelt out, on a piece of paper. In the informal type, the delegation goes by a climate of understanding between the superior and the subordinate.

(b) General and specific delegation:

When authority is given to perform general managerial functions like planning, organizing, directing etc., the subordinate managers perform these functions and enjoy the authority required to carry out these responsibilities. The chief executive exercises overall control and guides the subordinates from time to time.

The specific delegation may relate to a particular function or an assigned task. The authority delegated to the production manager for carrying out this function will be a specific delegation. Various departmental managers get specific authority to undertake their departmental duties.

Decentralisation:

Decentralisation is referred to as a form of an organisational structure where there is the delegation of authority by the top management to the middle and lower levels of management in an organisation.

Importance of Decentralisation:

1. **Rapid decision making –** Most of the decisions are taken on the spot, and approval from the higher authority is not required. The ability to make a prompt decision allows an organisation to function its operation quickly and effectively.
2. **Administrative development –** The decentralisation process questions the manager's judgement and techniques, when responsibility and challenges to develop solutions are given to them. This questioning method grows confidence, encourages self-reliance, and makes them a good decision-maker resulting in the development of the organisation.
3. **Development of executive skills –** It allows the employee to perform task individually, giving them invaluable exposure. This individual performance creates an environment where an individual can enhance their expertise, take ownership & more significant responsibilities, and be suitable for promotion.
4. **Promotes growth –** Decentralisation also allows the heads of the department to work independently. This independence helps the department to grow, have a healthy competition between other departments. Ultimately, the competition will lead to an improvement and enhancement in productivity.
5. **Higher control –** It also evaluates and reviews the performances of each department and gives them a comprehensive perspective of their work. However, controlling is the biggest challenge of decentralisation and stabilised management and scorecard are being developed.

Advantages of Decentralisation:
1. Reduces the burden on top executives:
Decentralisation relieves the top executives of the burden of performing various functions. Centralisation of authority puts the whole responsibility on the shoulders of an executive and his immediate group. This reduces the time at the disposal of top executives who should concentrate on other important managerial functions. So, the only way to lessen their burden is to decentralise the decision-making power to the subordinates.

2. Facilitates diversification:

Under decentralization, the diversification of products, activites and markets etc., is facilitated. A centralised enterprise with the concentration of authority at the top will find it difficult and complex to diversify its activities and start the additional lines of manufacture or distribution.

3. To provide product and market emphasis:

A product loses its market when new products appear in the market on account of innovations or changes in the customers demand. In such cases authority is decentralised to the regional units to render instant service taking into account the price, quality, delivery, novelty, etc.

4. Executive Development:

When the authority is decentralised, executives in the organisation will get the opportunity to develop their talents by taking initiative which will also make them ready for managerial positions. The growth of the company greatly depends on the talented executives.

5. It promotes motivation:

To quote Louis A. Allen, "Decentralisation stimulates the formation of small cohesive groups. Since local managers are given a large degree of authority and local autonomy, they tend to weld their people into closely knit integrated groups." This improves the morale of employees as they get involved in decision-making process.

6. Better control and supervision:

Decentralisation ensures better control and supervision as the subordinates at the lowest levels will have the authority to make independent decisions. As a result they have thorough knowledge of every assignment under their control and are in a position to make amendments and take corrective action.

7. Quick Decision-Making:

Decentralisation brings decision making process closer to the scene of action. This leads to quicker decision-making of lower level since decisions do not have to be referred up through the hierarchy.

Disadvantages of Decentralisation:

Decentralisation can be extremely beneficial. But it can be dangerous unless it is carefully constructed and constantly monitored for the good of the company as a whole.

Some disadvantages of decentralisation are:

1. Uniform policies not Followed:

Under decentralisation, it is not possible* to follow uniform policies and standardised procedures. Each manager will work and frame policies according to his talent.

2. Problem of Co-Ordination:

Decentralisation of authority creates problems of co-ordination as authority lies dispersed widely throughout the organisation.

3. More Financial Burden:

Decentralisation requires the employment of trained personnel to accept authority, it involves more financial burden and a small enterprise cannot afford to appoint experts in various fields.

4. Require Qualified Personnel:

Decentralisation becomes useless when there are no qualified and competent personnel.

5. Conflict:

Decentralisation puts more pressure on divisional heads to realize profits at any cost. Often in meeting their new profit plans, bring conflicts among managers.