

# Organizing

## A. Organisation as a structure-

When organisation is viewed as a structure, it refers to a group of people having formal relation & all working together to attain certain common objectives<sup>1</sup>

### Definition--McFarland-

“ Organisation is a identifiable group of people contributing their efforts towards the attainment of goals.”

### Mooney & Reily-

“ Organisation is the from of every human association for the attainment of a common purpose.”

B. Organisation as a process--Organisation is viewed as a process of making a rational division of work into group of activities and creating co-operative relationship between them to achieve the desired goals.

### Definitions--Henry feyol-

“ To organise a business is to provide it with everything useful to its functioning: raw materials , tools, capital, personnel.”

### J.W. Schulze

“ Organisation is a combination of necessary beings, materials, tools, equipment, working space and opportunities, brought together in a systematic and effective correlation to accomplish some desired object.”

## Nature and Characteristics of Organisation

- 1.Organising is a managerial function----crucial managerial function—following after planning.
2. Organising is concerned with group activity-Organisation---existence only when a group of people comes together to accomplish a common goal.
- 3.Organisation involves identification and grouping of activities- ---identification and grouping---logical pattern ---to form homogeneous group of activities.
4. Organisation is done on the basis of division of work.Division of work- 2 Reasons— 1. organisation structure comes into existence when work---divided—homogeneous group. 2. entire work—too much-- -single individual to perform.

5. Organisation involves co-ordination of activities---entire work-divided-homogeneous groups-necessary to integrate –activities –various sections-subsections- groups and individuals –to achieve goal.

6. Organisation aims at accomplishment of objectives-Organisational structure – means towards – accomplishment of objectives-has no meaning-unless– contributes to accomplishment of common objectives.

7. Organisation aims at a accomplishment of authority-responsibility relationship-Organisation structure consists– various positions arranged in hierarchy-clear definition of authority and responsibility--- associated with each of the positions.

8. Organisation is a process-It involves various steps –so it is a process

9. Organisation is structure-a framework of relationships manned by a group of individuals who are working towards attainment of goal.

### Importance of Organisation

1. Increase in managerial efficiency-Avoids delay, duplication, overlapping or confusion in performance by pinpointing the responsibilities of all personnel. Division of labour, specialisation assignment of duties, facilitating control—increases efficiency.

2. Optimum utilisation of human efforts- Scientific selection, training, placement—through effective motivation –best use –skill, knowledge, experience of human being.

3. Proportionate and balanced emphasis on various activities-In organisation process the activities of enterprises are divided and grouped. The important activities- assigned---top executives and routine activities to normal employees. This emphasis on the activities in the order of their significance.

4. Facilitates other function- Planning- directing, co-ordinating and control in proper manner.

5. Clarifies authority-responsibility relationship-Defines & clarifies authority –responsibility relationship among all the managers and subordinates.

6. Facilitates staffing-Defines the kind of personnel required, position,skills,qualificatins-and work experiences required for the people- this helps for staffig function.

7 Optimum utilisation of physical resources-Sound organisation ensures the most use of physical resources---such as P&, equipment etc.

8 Facilitates coordination-Facilitates co-ordination of working of different departments, sections, subsections, functions processes and employees working at different levels.

9. Development of managers-Training and development-all levels-decentralisation and delegation of authority helps to develop.

10. Facilitates growth and expansion-Organisation leads to the growth and expansion of enterprise through creation of more departments and enlarging the scope of existing department.

### Steps or Process of organisation

1 Specify the objectives / goals-In this step the enterprise specify the goals and objectives---necessary to clearly specify.

2. Find out the resources needed-The resources that would be required i.e. how much finance, human and physical resources are necessary to complete the objectives.

3. Accumulate the resources- The next step to accumulate the resources. The human, physical, and financial resources have to be accumulated.

4. Prepare the complete schedule of work-Step-the organiser does is laying down the schedule, identifying activities, dividing the work, grouping similar activities, assigning responsibility, laying down the hierarchy, specifying the span of control etc. necessary to avoid duplication of work and wastage of scarce resources.

5 Implementation-In this step the actual work is started.

6 Monitoring- it is necessary to monitor the work that is being undertaken. Monitoring helps in finding out whether the implementation is as per the plan or not.

7 Evaluating- organiser—evaluate –performance –to find out the areas that need to be improved. If evaluation gives a positive result then he can infer t.hat his organising was successful

### Authority

Defn. by Henry Fayol- “ Authority is the right to give orders and the power to enforce obedience.”

Weihrich & Koontz-” Authority into organisation is the power in a position ( & through it the person occupying the position) to exercise discretion in making decisions affecting others”.

### Features of Authority

1. Authority includes right. This right is given to a manager by his superior.
2. Legitimate right-The right of giving orders is legitimate and legal.
3. Helps decision making- Authority gives right of making decisions. Authority can be exercised by making decisions and implementing them.
4. Influence the behaviour- the authority is used to influence the behaviour of the subordinates. It is useful for directing the entire organisation

5. Subjective use- though the authority is objective, its use or exercise is always subjective. The use of authority depends on the concerned manager.

## Source of Authority

There are 3 views regarding the origin or source of authority

1. Classical theory- according to this theory the authority is inherent in a managerial position. It is obtained by delegation. In a co. shareholders – delegate—to board of directors—to chief executives. This process continues till the lower level of organisation. flow is top. to bottom.

2. Acceptance Theory- this theory views that authority becomes legitimate by virtue of its acceptance from below. If the acceptance is lacking among sizeable number of employees, manager loses his power—in simple words an individual compares advantages and disadvantages of accepting authority & accordingly makes decision.

3. Competence Theory- authority is generated by personal competence. A person's order or advice is accepted by others not because he is having formal authority, but because of his personal qualities. In the social groups, persons with charisma are vested with the authority.

## Responsibility

Defn- Hurley Marries- “ Responsibility is the duty to which a person is bound by reason of his status or task. Such responsibility implies compliance with directives of the person making the initial delegation.”

Theo Haiman- “ Responsibility is the obligation of a subordinate to perform the duty as required by his superior.”

## Authority and Responsibility Relationship

Authority is a right to get the work done and the responsibility is the obligation to perform, it follows that authority should correspond to responsibility. Authority and responsibility should go hand in hand.

Authority should match responsibility. ---Principle of mgf.----Balance between authority and responsibility.

Authority –delegated- subordinate- to get work done. Responsibility cannot be delegated—superior held responsible for failure

## Centralisation & Decentralisation

Defn-

Louis Allen- “ Centralisation is the systematic & consistent reservation of authority at central points within the organisation.”

## Factors Determining centralisation & decentralisation

1. Size of Organisation- large organisation – better to decentralise its operations—leads to better control.
2. Type of organisation- Joint stock companies-decentralised , sole trader- partnership firm-centralised.
3. Philosophy of Management-philosophy of mgf involves a set of beliefs or ideas that mgf has about the way to do the job. If the mgf philosophy is to have total control the they may prefer centralisation & vice versa.
4. Recruitment Policy- recruits' professionals & experts then disperse authority at different levels.
5. Extent of Competition- if the competition is severe then it is better ---having decentralisation.
6. Number of Products produced- more number of products-decentralisation .
7. Competence of Subordinates- trained and experienced and knowledge subordinates –prefer decentralisation.
8. Communication system- speedy and accurate- transfer of information is more effective – centralisation
9. Clarity of goals and objectives- clear cut and definite , a structure procedure can be develop for making routine decision, --decentralisation.

## **Advantages of centralisation**

1. Economical- as activities are integrated and the duplication of work and operating over heads are avoided.
2. Prompt Decision and actions- in centralisation top level mge makes decisions – quick decisions and follow up action are possible
3. Promotes Uniformity of actions- uniform rules and precedures– result ---uniformity in the operations of dept. devisions and branches etc.
4. Suitable to small business- due to limites activities- centralisations is convenient to small business.
5. Facilitates Coordination- because of centralisation, activities of a small business are well co-ordinated.

### Disadvantages of centralisation-

1. Restricts the process of delegation- in centralisation, functions duties and responsibilities are concentrated in the hands of few managers.
2. Imposes heavy burden on top executives-Decision making power rests with few top executives. This puts heavy burden on top executives.
3. Subordinates suffer- in centralisation limited authority is given to subordinates. They are like machines and have to act as per the decisions of top level mgf. The opportunity to learn, to accept new responsibilities and also of self development is not given to them.
4. Limited dedication and Motivation- decisions are imposed on lower level. They work as per orders issued. They are not dedicated or committed to the organisation.

### Advantages / benefits/ importance of Decentralisation

1. Improves quality of decision making- decentralisation relieves managers –excessive burden— save valuable time, devote to more imp decisions.
2. Facilitates diversification of activities- managers may utilize their skills and judgment in decentralization.
3. Encourages development of managerial personnel- giving managerial jobs to suitable persons and delegating them the authority to make important decisions— decentralisation offers such opportunities.
4. Improves motivation- decentralisation facilitates delegation, communication and participation also provides greater motivation to its managers.
5. Facilitates quick decision making- quicker and better decisions at lower levels can be taken
6. provides opportunity to learn by doing- decentralization –freedom to make decisions to use judgment and to act. It gives practical training to middle level managers & facilitates mgf development.
7. Facilitates effective supervision and control-as lower level managers have complete authority to make change in the work distribution, to make changes in the production schedule, to recommend promotions or to take disciplinary actions.
8. creates healthy climate within the organisation- due to decentralisation, divisions with specialised activities are created. Each division is made into a distinct profit centre—this encourages employees.
9. Promotes teamwork- decentralisation increases relation between top level manager and lower level managers. This promotes teamwork.
- 10 Facilitates optimum use of resources- human and non human resources are put to optimum use by cutting down wastages.

## Limitations of Decentralisation

- 1 Costly – as it raises administrative expenses on account of trained personnel to accept authority at lower level.
- 2 Delay in decision making- delay and even correct decisions as per the changing situation may not be possible.
- 3 Unsuitable to small business- may not be practicable in small concerns where product lines are not broad enough for the creation of autonomous units for administrative purpose
- 4 Lack of uniformity- decentralisation leads to inconsistencies at the organisation level, e.g. uniform policies may not be followed for identical work in different divisions.
- 5 Problems of co-ordination – as the decision making authority is not concentrated.

## Forms of organisation

The organisation structure may take any of the following forms.

### 1 Line Organisation/ vertical organisation/ scalar chain/ traditional/ military

Under this –lines of authority flow from the top to the bottom of the hierarchy & the lines of responsibility flowing from bottom to top.

## Advantages

- 1 Simplicity-
- 2 Easy supervision and control-the subordinates receives orders and instruction from only one superior-  
-Direct and close contacts with subordinate
- 3 Discipline- unity of command, unity of direction lead to efficient control –ensures strict discipline.
- 4 Prompt decisions- line organisation defines authority at every level. Prompt decisions can be made within the limit of authority.
- 5 Orderly communication- upward & downward communication pass through the immediate superiors. This helps to maintain close contacts among the employees at all levels & improves communication
- 6 Economical – line organisation does not employ staff officers and experts to advise line officers. It is quite economical.
- 7 Development of manager- as managers at all levels have to perform their work independently. This leads to the development of their capabilities through wide exposure.

8 Flexible- it is flexible form of organisation that is adaptable to change.

## Disadvantages

- 1 Overloading- with the growth-line officers get overloaded with responsibility-leads to inefficiency
- 2 Concentration of authority- line organisation leads to the concentration of authority at top level management. If top executives are incapable –the enterprise suffers heavily.
- 3 Lack of specialization- every manager has to perform a variety of functions. He may not be cope up with varied needs of his department –leads to poor performance.
4. Problem of co-ordination- it gives emphasis on only vertical relationship and does not co-operate with other line officers.
- 5 No initiative- the authority is concentrated at top level & departmental heads & their subordinates merely execute the orders coming form the above.
- 6 unsuitable for large organisation
7. Autocratic- this type – leads to autocratic and aristocratic approach in administration which prevent the organisation from growing & developing further.

## 2 Functional Organisation

Business growth increases the complexities of business operations and the line officers find it difficult to perform varieties of functions needing special skill. To overcome this serious limitation of line organisation F. W. Taylor suggested functional foremanship organisation.

Functional organisation implies the placement of specialists in the line position . The taylor divided the activities of the production department into two broad areas as 'planning & Execution' into 8 sub-activities and each activity was assigned to a person who is specialized in that area.

## Advantages

1. Benefits of specialization- This type –ensures greater division of labour and enables the organisation to make full use of experts services.
2. Increase in Efficiency-workers perform activities under the guidance of specialists in respective field- their productivity & efficiency increases.
3. Flexibility- as it is based on functions it accommodates any change in level of activities making the organisation flexible.
4. Large scale production- Standardization and specialization facilitates larger scale production.

5. Quick decision- decisions relatively quick as compared to line organisation as the work is divided among different people operating at different levels.
6. Economy- service of experts in every function are utilized under this form of organisation – it makes optimum utilization of resources resulting in overall economy.
7. Facilitates control & co-ordination- In this type all work of one kind is performed under one specialist manager. This leads to high degree of control and co-ordination.

### Disadvantages

1. Lack of Co-ordination- There may be problem of co-ordination between different departments. – may affect the functioning of various departments & ultimately of the organisation.
2. Costly- Many dept. exist in functional organisation – increases the operational cost. Also necessary to recruit people having specific technical & organizational skills to perform work—they have to paid huge salary.
3. No unity of command- as there are many dept-no unity of command
4. No corporate overview- this may lead to decisions being taken from department point of view & not form organizations point of view.
5. Unsuitable for trading units- it is meant for manufacturing concerns. It is not suitable for non-manufacturing organisation.

### 3 Line & Staff organisation-

It combines the merits of line-type & functional type organisation.---the staff personnel are provided advisory staff –they do not possess any line authority. They simply recommend. Thus staff members are ‘thinkers’ while line officials are ‘doers’

### Advantages

1. Benefits of Specialization- all activities are planned and executed under the guidance of expert.
2. No overloading- line officers not overburdened as they have facility of specialised expert staff on technical matter.
3. Unity of command- only line officers are responsible for making decisions and executing them.
4. increased efficiency- increased efficiency, better performance etc.
5. Training & development- staff officers talent can be utilized for training mgf. Supervisory personnel.

6. Prospect for personal growth- it offers ample scope for learning personnel to develop and growth in organisation.

### **Disadvantage-**

1. line and staff conflict- spoil atmosphere & defeat the purpose of specialization.
2. Ineffective staff officers- may ineffective for task of authority & accountability.
3. Dominance of line officers- line officers may dominate the staff as they have no obligation to accept their advice.
4. Delayed decisions- matters are to be referred to the staff officers & take their approval— unduly delayed.
5. Confusion- allocation of authority & responsibility among line & staff may not be always clear this---cause confusion
6. Misunderstanding of line officers-the line managers may develop the feeling that the staff undermines their authority.

## **Formal & Informal Organisation**

Defn.- Chester Bernard- “ an organisation is formal when the activities of two or more persons are consciously coordinated towards a common objective.”

Allen- “ The formal organisation is a system of well defined jobs each bearing a definite measure of authority, responsibility & accountability.”

### **Characteristics of formal organisation**

1. Durability- formal organisation is more durable. There are no frequent changes in the organisation structure.
2. Simplicity- it is easy to understand & explain. –no confusion in respect of the various positions.
3. Hierarchy- clear-cut line of authority from top to the bottom. Everyone knows to whom he is responsible & who is responsible to him.
4. Unified control-due to clear cut division of authority & responsibility – unified control. –every person has single superior to control.
5. Discipline- --single relationship between superior and subordinate----
6. Plain to see- nature of organizational relationship is simple & not complicated.
7. Static- more static- useful for dealing with situations that are known & consistent.

8. More concentration of Authority- more concentration at top level. All decisions are taken by top level persons.

## Informal organisation

Defn. Keith Davis- " Informal organisation is network of personal & social relations not established or required by the formal organisation but arising spontaneously as people associate with one another.

Chester Barnard- An informal organisation is a joint personal activity without conscious common purpose through contributing to joint results. Here people works together because of their personal likes & dislikes & there is no question of positions, duties, responsibilities, authorities etc.

## Characteristics

1. Own Norms- it have their own norms,-- such norms are established independently or with the consultation of the mgf.
2. Group Members roles-unwritten assignment within the group. Usually the jobs are assigned according to personal interest & qualiiction.
3. Leader Emerge- leader emerges from the group. Because of personal charisma or social status or technical expertise.
4. Group Cohesion- cohesion means the degree & strength of interpersonal attraction among the members of the group. Such high degree of cohesion is an imp characteristic of informal group.
5. Evolve constantly- constantly to satisfy social and personal needs.
6. Centred forwards Human Elements.
7. -Conflicting Goals- conflict with the formal organisation goals.
8. Additional Channel of Communication-sometimes the mgf. Gets information through informal groups which may not be available through official channels.

## Functions of informal organisation

1. Promote cultural & social values- day to day interaction reinforces these values that preserve group unity integrity.
2. Provide social status- it provides social status, recognition & satisfaction. As informal groups can share jokes, eat together and become good friends.
3. Promote communication- develops a communication channel to keep it members informal to keep its members informed about mgf actions affecting them.

4. Provide Social control- groups influence & regulate the behavior of members. Such social internal control keeps checks on their behavior inside & outside the group.

### Difference between Formal Informal organisation

## Organic & mechanistic organisation

The environment, strategy, technology, size people etc. decides the effectiveness of organisation structure. Among these environment plays vital role. It influence the organisation. So the form of structure of the organisation must be suitable to the environment.

Various studies have been conducted to identify the effect of environment on organisation. In 1960 Tom Burns & G.M. Stalkar studied 20 electronic firms in Great Britain & established a linkage between organisarion & its environment. He evolved 2 systems or organisation 1. organic system for changing environment 2. Mechanistic system for stable environment.

### Characteristics of organic system

1. It contributes special knowledge & experience to the common task
2. It enables adjustment & continuous revision of individual tasks.
3. It spreads the commitment.
4. It has network structure of control, authority & communication.
5. It has a lateral rather than vertical direction of communication.
6. The communication consists of information & advice rather than instructions & decisions
7. It gives importance & prestige to affiliations & expertise.

The complete knowledge of the task is not inputted to the head of the concern.

### Characteristics of Mechanistic System

1. The functional tasks are broken down for specialized differentiation.
2. The nature of each individual task is abstract so the officials concentrates more on technical improvement of means.

3. The rights, obligations & technical methods attached to each functional position are precisely defined.
4. There is transaction of rights & obligations & methods into responsibilities of functional position.
5. It has a hierarchic structure of control, authority & communication.
6. It gives greater importance & prestige to the internal thing than the general knowledge, experience & skill.
7. The working behaviour & tendency is as per the instructions & decisions of the superiors.

The interaction between members of the organisation is vertical i.e. between superior & subordinate.

## Virtual Organisation

It is a temporary alliance between 2 or more organisation that operate together to undertake a specific venture.

Defn.-“Virtual organisation is an organisation that is part of a network in which many companies share skills, casts, capabilities, markets & customers to collectively solve customers problem or provide specific products or services.”

### Features-

1. Technology- Information technology network enables for flunged companies to link-up their work together.
2. Opportunism- Collaborations of companies are less permanent, less formal & opportunistic. They are disigned to explore it market opportunities.
3. Excellence- As each organisation brings care, competence to the joint effort
4. Trust-Mutual trust among the organisation joining hands is foundation of the virtual organisation. They shore the sense of we- distiny.
5. No Borders- the virtual organisation model redefines the traditional boundaries of the companies. More co-operation among competitors, suppliers and competitor, suppliers & customers make it hard to determine where are company ends and another begins.

### Benefits of Virtual organisation-

1. Increasing Dynamic markets- Since the market demands are increasing quickly & no single co. has the core competencies to react to changing demand, virtual organisation is beneficial in such situation.
2. Greater Synergy- Greater synergy is generated through virtual organisation. Creating synergy in the process of putting 2 or more element together to achieve a sum total of individual elements separately.
3. Customer's Expectations- Day-by-day customers expectations for products & services are increasing. Individual co may not be in a position to meet such ever increasing demand.
4. Help in shrinking margins- Due to global markets & free trade policies, industry margin has been shrinking everywhere. Virtual organisation can help to increase the margins.
5. Prominence of eco- system- The increasing prominence of ecosystem partnership & alliance evolve into virtual organisation.