

## UNIT 5

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# ORGANISING

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### Meaning of Organising :-

After laying down the plans and objectives the next function to be performed by the managers is organising. It determines what activities and resources are required and decides who will do a particular task, where it will be done and when it will be done.

- \* Thus organising means establishing relationship between various factors of production and it is concerned with establishing relationship amongst jobs, sections, department & position.

Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

### Step Involved in the Process of Organising :-

1. **Identification and Division of Work :-** It involves identification and dividing the total work to be done into specific activities (called jobs) in accordance with previously determined plans. By dividing the work the burden of work can be shared among the employees.

It facilitates specialisation of work & skills. Duplication of work can be avoided by dividing the work into manageable activities.

2. **Departmentalisation :-** The second step in organising is to combine or group similar or related jobs into larger units, called departments, divisions or sections. They can be grouped on the basis of functions which an organisation undertakes to achieve its objective. For example departments may be created for manufacturing, marketing, financing etc.

Departmentalisation is done to achieve coordination & to facilitate unity of efforts.

3. **Assignment of duties :-** Once departments have been formed each of them is placed under the charge of an individual called departmental head (e.g., production manager, finance manager etc.) Jobs are then allocated to the members of each department according to their skills and qualifications.
4. **Establishing Reporting Relationships :-** Merely allocating work is not enough. Each individual should also know from whom he has to take orders and to whom he is accountable. It helps in coordination amongst various departments.

### **Importance of Organising :-**

1. **Benefits of specialisation :** - In organising every individual is assigned a part of total work and not the whole task. Due to this division of work into smaller units and repetitive performance leads to specialisation. Thus organising promotes specialisation which in turn leads to efficient & speedy performance of tasks.
2. **Clarity in working Relationship :-** It helps in creating well defined jobs and also clarifying the limits of authority and responsibility of each job. The superior, subordinate relationship is clearly defined in organising.
3. **Effective Administration :** It provides a clear description of jobs and related duties which helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work which results in effective administration.
4. **Optimum Utilisation of resources :** The proper assignment of jobs avoids overlapping/duplication of work. This helps in preventing confusion and minimising the wastage of resources and efforts.
5. **Adaptation of change :-** It allows a business enterprise to adapt itself according to changes in the business environment. Organisational structures can be suitably modified according to changes.
6. **Development of personnel :** Sound organisation encourages initiative & creative thinking on part of employees.
7. **Expansion and growth :** It helps in growth & diversification of an enterprise by adding more job positions & department.

### **Meaning of Organisational Structure :-**

It seeks to establish relations among all the persons working in the organisation. Under the organisational structure various posts are created to

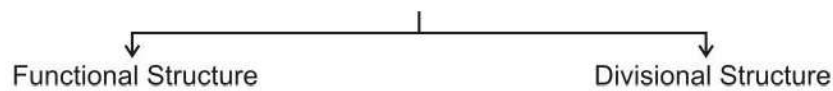
perform different activities for the attainment of the objectives of the enterprise. Relations among persons working on different posts are determined. The structure provides a basis or framework for managers and other employees for performing their functions.

The organisation structure can be defined as the frame work within which managerial and operating tasks are performed.

### Relation between Span of Management and Organisation structure

- Span of management refers to the number of subordinates that can be effectively managed by a superior. The Span of management to a large extent gives shape to the organisation structure. This determines the levels of management in the structure.

### Types of Organisation Structures



- I. **Functional Structure :-** In functional structure activities are grouped and departments are created on the basis of specific functions to be performed. For example all the jobs related to production are grouped under production department - Sales to sales department etc.



### Advantages :

1. **Specialisation** - Better division of labour takes place which results in specialisation of functions and its consequent benefits.
2. **Coordination is established :-** All the persons working within a department are specialist of their respective jobs. It makes the co-ordination easier at department level.
3. **Helps in increasing managerial efficiency :** Managers of one department are performing same type of function again and again which makes them specialised and improves their efficiency.
4. **Minimises cost** - It leads to minimum duplication of effort which results in economies of scale and thus lowers cost.



## Disadvantages

1. **Ignorance of organisational objectives** - Each departmental head works according to his own wishes. They always give more weight to their departmental objectives. Hence overall organisation objectives suffer.
2. **Difficulty in Inter-departmental Coordination** - All departmental heads work as per their own wishes which results coordination within the department but it makes inter-departmental coordination difficult.
3. **Hurdle in complete development** - because each employee specialises only in a small part of the whole job.

## Suitability :-

1. Where the size of business unit is large.
2. Where specialisation is required.
3. Where there is mainly only one product in sold.

## II. DIVISIONAL ORGANISATION STRUCTURE :

Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics etc) in known as divisional organisation structure.



## Advantages :-

1. **Quick decision making** :- Divisional manager can take any decision regarding his division independently which makes decisions quick and effective.
2. **Divisional results can be Assessed** :- Divisional results (profit/loss) can be assessed easily. On this basis unprofitable division can be closed.
3. **Growth and Expansion** :- It facilitates growth and expansion as new divisions can be added without disturbing existing departments.

### **Disadvantages :-**

1. **Conflicts** - among different divisions on allocation of resources
2. **Duplicity of Functions** : - Entire set of functions is required for all divisions. It gives rise to duplicity of efforts among divisions.
3. **Selfish Attitude** :- Every division tries to display better performance even sometimes at the cost of other divisions. This shows their selfish attitude.

### **Suitability :-**

1. Where the number of main products are more than one.
2. Where the size of the concern is large enough.

## **FORMAL ORGANISATION**

This structure is designed by the management to achieve organisational goals in which the responsibilities, authority and mutual relationships among all the employees working in an enterprise are clearly defined. It can be functional or divisional.

### **Features :-**

1. It is deliberately created by the top management.
2. It is based on rules and procedures. Which are in written form
3. It is impersonal - Does not take into consideration emotional aspect.
4. It clearly defines the authority and responsibility of every individual.
5. It is created to achieve organisational objectives.

### **Advantages :-**

1. Easier to fix responsibility since mutual relationships are clearly defined.
2. No overlapping of work - because things move according to a definite plan.
3. Unity of command through an established chain of commands.
4. Easy to achieve objectives - because of coordination and optimum use of human and material resources.
5. Stability in the organisation - because behaviour of employees can be fairly predicted since there are specific rules to guide them.

### **Disadvantages :**

1. The work is based by rules which causes unnecessary delay.
2. Lack of initiatives - because the employees have to do what they are told to do and they have no opportunity of thinking.
3. Limited in scope - It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work.

### **Informal Organisation :**

An informal organisation is that organisation which is not established deliberately but comes into existence because of common interests, tastes and religious and communal relations.

### **Features :**

1. It originates from within the formal organisation as a result of personal interaction among employees.
2. It has no written rules and procedures.
3. It does not have fixed lines of communication.
4. It is not deliberately created by the management.
5. It is personal - means the feelings of individuals are kept in mind.

### **Advantage**

1. **Speed** : Prescribed lines of communication are not followed which leads to faster spread of information.
2. **Fulfillment of social needs** - enhances job satisfaction which gives them a sense of belongingness in the organisation.
3. **Quick solution of the problems** - because the subordinates can speak out their mind before the officers which helps the officers to understand the problems of their subordinates.

### **Disadvantages :-**

1. **It creates rumours** :- All the persons in an informal organisation talk carelessly and sometimes a wrong thing is conveyed to the other person.
2. **It resists change and lays stress** on adopting the old techniques.
3. **Priority to group interests** - Pressurises members to conform to group expectations.

#### Difference between Formal & Informal organisation

| <i>Basis</i>             | <i>Formal organisation</i>   | <i>Informal organisation</i>  |
|--------------------------|--|---|
| 1. Meaning               | If refers to the structure of well defined authority and responsibility. | It refers to the network of social relationships which develops automatically |
| 2. Nature                | Rigid  | Flexible  |
| 3. Authority             | Arises by virtue of positions in management                              | Arises out to personal qualities.   |
| 4. Adherence to rules    | Violation of rules may lead to penalties and punishments                 | No such punishments.  |
| 5. Flow of communication | Takes place through the scalar chain                                     | Not through a planned route It can take place in any direction.               |

#### Delegation of Authority

Meaning - It means the granting of authority to subordinates to operate within the prescribed limits. The manager who delegates authority holds his subordinates responsible for proper performance of the assigned tasks. To make sure that his subordinates perform all the work effectively and efficiently in expected manner the manager creates accountability.

#### Elements of Delegation :-

1. **Authority** - The power of taking decisions in order to guide the activities of others. Authority is that power which influences the conduct of others.
2. **Responsibility** : It is the obligation of a subordinate to properly perform the assigned duty. When a superior issues orders it becomes the responsibility of the subordinate to carry it out.
3. **Accountability** - When a superior assigns some work to a subordinate, he is answerable to his superior for its success or failure.

**Principle of Absoluteness of Accountability** - Authority can be delegated but responsibility / Accountability cannot be delegated by a manager. The authority granted to a subordinate can be taken back and re-delegated to another person. The manager cannot escape from the responsibility for any default or mistake on the part of his subordinates.



## Importance of Delegation of Authority

1. **Reduction of Executive work load** - It reduces the work load of officers. They can thus utilise their time in more important and creative works instead of works of daily routine.
2. **Employee development** - Employees get more opportunities to utilise their talent which allows them to develop those skills which will enable them to perform complex tasks.
3. **Quick and better decision are possible** - The subordinate are granted sufficient authority so they need not to go to their superiors for taking decisions concerning the routine matters.
4. **High Morale of subordinates** - Because of delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.
5. **Better coordination** - The elements of delegation - authority, responsibility and accountability help to define the power, duties and answerability related to various job positions which results in developing and maintaining effective co-ordination.

### Difference - Authority, Responsibility and Accountability

| <i>Basis</i>  | <i>Authority</i>                          | <i>Responsibility</i>                  | <i>Accountability</i>                            |
|---------------|---|--|--|
| 1. Meaning    | Right to command                          | Obligation to perform an assigned task | Answerability for out come of the assigned task. |
| 2. Origin     | Arises from formal position               | Arises from delegated authority        | Arises from responsibility.                      |
| 3. Flow       | Downward - from Superior to Subordinate   | upward - from Subordinate to Superior  | upward - from Subordinate to Superior            |
| 4. Withdrawal | Can be withdrawn anytime by giving notice | Cannot be withdrawn once created       | Cannot be withdrawn once created                 |

### Decentralisation :-

**Meaning** - It means to delegate authority to all levels of management for taking decisions. Under decentralisation all the authority except the one which is absolutely necessary for the superiors to hold is given to the subordinates permanently. Under decentralisation the number of centres for taking decisions



increases because the managers belonging to the middle and lower level have the authority to take important decisions.

**Centralisation and Decentralisation** - represents the pattern of authority among managers at different levels. Centralisation of authority means concentrations of power of decision making in a few hands. In such an organisation very little authority is delegated to managers at middle and lower levels. No organisation can be completely centralised or decentralised. They exist together and there is a need for a balance between the two. As the organisation grows in size there is a tendency to move towards decentralisation. Thus every organisation is characterised by both.

### Importance of Decentralisation :-

1. **Develops initiative amongst subordinates** - It helps to promote confidence because the subordinates are given freedom to take their own decisions.
2. **Quick and better decisions** - The burden of managerial decisions does not lie on a few individuals but gets divided among various persons which helps them to take better and quick decisions.
3. **Relieves the top Executives from excess workload** - The daily managerial works are all assigned to the subordinates which leaves enough time with the superiors which they can utilise in developing new strategies.
4. **Managerial Development** - It means giving authority to the subordinates up to the lower level to take decisions regarding their work. In this way the opportunity to take decisions helps in the development of the organisation.
5. **Better Control** - It makes it possible to evaluate performance at each level which results in complete control over all the activities.

### Difference between - Delegation & Decentralisation

| <i>Basis</i>         | <i>Delegation</i>   | <i>Decentralisation</i>   |
|----------------------|---|---|
| 1. Nature            | It is a compulsory act  | It is an optional policy  |
| 2. Freedom of action | Less freedom to take decisions due to more control by the superiors | More freedom of action due to less control by the top management. |
| 3. Status            | It is a process of sharing tasks and authority                      | It is the result of policy decisions taken by top management.     |

|            |   |  |
|------------|---|--|
| 4. Scope   | Narrow - as it is confined to a superior and his immediate subordinate. | Wide - It includes extensions of delegation to the lowest of management. |
| 5. Purpose | To reduce the burden of the manager                                     | To increase the role and autonomy of lower level management.             |

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## QUESTIONS

### 1 marks

1. How effective administration is possible through organising?
2. Name the function of management which coordinates the physical, financial and human resources and establishes productive relations among them for achievement of specific goals.
3. Name the organisation which is directed by group norms.
4. What is organisation chart?
5. What is meant by organisational structure?
6. Difficulty in inter-departmental coordination is one of the limitations of which organisation structure.
7. What is meant by Authority?
8. What is the basis of delegation of authority.
9. Why effective management is possible through delegation of authority.

### 3 marks

10. What is functional organisation structure? Write two advantages of this structure.
11. How accountability related to authority? Explain.
12. Why is it necessary to delegate authority? Give three reasons.
13. Write three characteristics of decentralisation.
14. State three steps in the process of organising.

**4/5 marks**

15. Explain briefly any four features of formal organisation.
16. The employees of Sachin Ltd. a software company, have formed a Dramatic group for their recreation, Name the type of organisation and state its three features.
17. Distinguish between Formal and Informal organisation (any four points)
18. A manager is of the view that he is not responsible for the quality of work that he has delegated to his subordinates . Do you agree?
19. Delegation of authority provides the means where by a manager multiples himself Commnet.

**6 marks**

20. Explain the importance of organising as a function of management.
21. Formal organisation is considered better than informal organisation . Do you agree with this statement? Give reasons.
22. What is meant by Divisional structure of an organisation? Explain any two advantages and two limitations of it.
23. Decentralisation is an optional policy. Explain why an organisation would choose to be decentralised.
24. Explain the meaning and process of delegation of authority.