



# learnkwniy

## CHAPTER - 5

### ORGANISING

## **MEANING OF ORGANISING**

**Organising includes the process of determining what activities are to be conducted, how the activities are to be grouped, how responsibility and authority are to be delegated and who report to whom.**

## **DEFINITION OF ORGANISING**

**Organising can be defined as a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals).**

## **CHARACTERISTICS OF ORGANISING**

- 1. Division of work: - Under division of work, the entire work of business is divided into many departments. The work of every department is further sub-divided into sub-work.**
- 2. Plurality of persons: - Organisation is a group of many persons who assemble to fulfill a common purpose. A single person cannot create an organisation.**
- 3. Common objectives:- There are various part of an organisation with different function to perform but all move in the direction of achieving a general objectives.**

## **IMPORTANCE OF ORGANISING**

- 1. Benefit of specialisation: - Under organising all the activities are subdivided into various works or job. For all the sub works competent people are appointed who become experts by doing particular job again and again. In this way, organisation gets the benefit of specialisation.**
- 2. Optimum utilisation of resources: - Under the process of organising the entire work is divided into small activities. There is a different employee performing every different job. By doing so, there is no possibility of any activity being left out. Consequently, there is optimum utilisation of all available resources in the organisation.**

**3. Clarity of working relationship:-** Organising clarifies the working relation among employees. It specifies who is to report to whom.

**4. Effective administration:-** Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work. Management of an enterprise thereby becomes easy and this brings effectiveness in administration.

## **ORGANISING PROCESS**

**(i) Identification and division of work:-** The first step in the process of organising involves identifying and dividing the work that has to be done in accordance with previously determined plans.

**(ii) Departmentalisation:-** Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. This grouping process is called departmentalisation.

**(iii) Assignment of duties:-** Jobs are allocated to the members of each department in accordance to their skills and competencies. The work must be assigned to those who are best fitted to perform it well.

**(iv) Establishing reporting relationships:-** Merely allocating work is not enough. Each individual should also know who he has to take orders from and to whom he is accountable.

## **MEANING OF ORGANISATION STRUCTURE**

The organisation structure can be defined as the framework within which managerial and operating tasks are performed. It specifies the relationships between people, work and resources. It allows correlation and co- ordination among human, physical and financial resources and this enables a business enterprise to accomplish desired goals.

## **TYPES OF ORGANISATION STRUCTURES**

The type of structure adopted by an organisation will vary with the nature and types of activities performed by an organisation. The organisational structure can be classified under two categories which are as follows:

**(i) Functional structure**

**(ii) Divisional structure**

## **FUNCTIONAL STRUCTURE**

**It refers to the division of the whole enterprise according to the major function/ activities to perform by it. Under this all the functions of similar nature are divided in different units which are called department. Again, sub-department can be established in each department.**

### **Advantages of Functional Organisation Structure**

- 1. Benefit of specialisation: The whole company is divided into many departments on the basis of major activities to be performed. Each department is headed by an expert manager. Hence, the benefit of specialisation becomes available.**
- 2. Co-ordination is established: All the persons working within a department are specialist of their respective Job. It makes coordination easier at the department Level.**
- 3. Managerial efficiency is increased: It helps in increasing managerial efficiency because of performing the same work again and again. Further is result in increased profit.**
- 4. Minimal duplication of Efforts: In this type of organisation unnecessary duplication of effort is eliminated.**

### **Disadvantage of Functional organisation Structure**

- 1. Ignorance of Organisational objectives:- Each departmental need works according to his sweet will. They always give more weight to their departmental objectives. Hence, overall organisational objectives suffer.**
- 2. Difficulty in Inter -departmental Co-ordination: - All departmental work as per their own wish. No doubt this facilitates inter- departmental may Co-ordination within the department but it makes Co-ordination difficult.**
- 3. Conflict of interest: - Every departmental head wants to become a functional empire. To satisfy their ego every one demands maximum**

resources for their department. This situation leads to conflict among the various departmental heads.

**4. Hurdles in complete development:** - This system is a hurdle in the way of complete development of employees. Each employee specialises only in a small part of the whole job.

#### **Suitability of Functional Organisational Structure**

- (i) Where the size of the business unit is large.**
- (ii) Where specialisation is required.**
- (iii) Where decentralisation of authority is needed.**

### **DIVISIONAL ORGANISATION STRUCTURE**

**Divisional organisation Structure** means division of the whole enterprise according to the major products to be manufacture by it. If in a business enterprise many types of goods are manufactured, departmentation is done on the basis of product instead of function. The head of the division look after all the functions connected with that product that is purchase, sale, advertisement, production, financial etc. All these functions are performed separately by different division.

#### **Advantage of Divisional organisation**

- 1. Development of Divisional head:** - The head of each division look after all the functions connected with their product.
- 2. Divisional result can be assessed:-** The divisional results (Profit /Loss) Can be assessed easily. On this basis an unprofitable division can be closed.
- 3. Quick Decision making:** - The divisional manager can take any decision regarding his division independently without consulting other divisional manager. Hence, decisions are quick and effective.

**4. Easy Expansion:** - For every product separate divisions are opened. If a company wants to introduce a new product. It can be introduced early without disturbing the existing division.

### **Disadvantage of Divisional Organisation Structure**

**1. Conflicts between Divisional heads:** - Every divisional head want to establish his supremacy. This situation leads to conflict among the various divisional heads.

**2. Duplicity of Function:** - The entire set of functions is required for all division. It gives rise to duplicity of effort among divisions.

**3. Selfish Attitude:** -Every division tries to display better performance sometime even at the cost of other division. This shows their selfish attitude.

### **Suitability of Divisional Organisation Structure**

**1. Where the number of main product is more than one.**

**2. Where different manufacturing technologies and marketing method are required.**

**3. Where the size of the concern is really large.**

### **DIFFERENCE BETWEEN FUNCTIONAL AND DIVISIONAL ORGANISATION STRUCTURE**

Basis of difference	Functional structure	Divisional structure
1. Formation	On the basis of work.	On the basis of product.
2. Specialisation	Specialisation of job	Specialisation of product.
3. Cost	Since there is no duplication of jobs, cost incurred is less.	Since there is duplication of jobs, cost incurred is high.
4. Co-ordination	All departmental heads work as per their discretion so it becomes difficult to establish co-ordination.	Whole division is headed by one divisional head, who control all the divisional activities. So, co-ordination is established.

5.Suitability

Where there is only one main product that is sold.

Where the number of main product is more than one.

**THE STRUCTURE OF AN ORGANISATION IS BOTH FORMAL AND INFORMAL.**

## **FORMAL ORGANISATION**

**A Formal organisation means an organisation in which the responsibility, authority and mutual relationship among all the enterprise are clearly defined.**

## **CHARACTERISTICS OF FORMAL ORGANISATION**

- (a) Formal organisation clearly shows who will be reporting to whom.**
- (b) it lays down rules and procedures essential for their achievement of goal.**
- (c) Efforts of various departments are coordinated, interlinked and integrated through the formal organisation.**
- (d) It is deliberately designed by the top management to facilitate the smooth functioning of the organisation.**

## **ADVANTAGES:**

**Formal organisation offers many advantages. Some of the important ones are:**

- (a) It is easier to fix responsibility since mutual relationships are clearly defined.**
- (b) Unity of command is maintained through an established chain of command.**
- (c) It leads to effective accomplishment of goals by providing a framework for the operations to be performed.**

## **LIMITATION**

**(a) Every activity is bound by rules which cause unnecessary delay in completion of work.**

**(b) In this organisation, employees have to do what they are asked to do and they do not have a chance of some independent thinking.**

**(c) It is difficult to understand all human relationship in the enterprise as it places more emphasis on structure and work.**

## **INFORMAL ORGANISATION**

**Interaction among people at work gives rise to a 'network of social relationships among employees' called the informal organisation. Informal organisation emerges from within the formal organisation when people interact beyond their officially defined roles.**

## **CHARACTERISTICS**

**(a) An informal organisation originates from within the formal organisation as a result of personal interaction among employees.**

**(b) The standards behaviour evolve from group norms.**

**(c) Informal organisation is not deliberately created. It emerges out of mutual relationship and tastes.**

**(d) It has no definite structure or form because it is a complex network of social responsibility among members.**

## **ADVANTAGES**

**(a) Prescribed lines of communication are not followed.**

**(b) This enhances their job satisfaction since it gives them a sense of belongingness in the organisation.**

**(c) In the informal organisation, the subordinate put their ideas before the superiors without any fear or hesitation**

## **LIMITATION**



**(a) All the persons in an organisation talk carelessly and sometimes a wrong thing is conveyed to the other person which may bring horrible results.**

**(b) This organisation resists change and lays stress on adopting the old technique.**

**(c) It pressurises member to conform to group expectation.**

## **DIFFERENCE BETWEEN FORMAL AND INFORMAL ORGANISATION**

Basis of Difference	Formal organisation	Informal organisation
Meaning	Structure of authority relationships created by the management.	Network of social relationships arising out of interaction among employees.
Origin	Arises as a result of company rules and policies.	Arises as a result of social interaction
Authority	Arises by virtue of position in management	Arises out of personal qualities
Behaviour	Behaviour is predetermined.	Behaviour not pre determined.

## **Meaning of Delegation of Authority**

**According to FG Moore," Delegation of authority means assigning work to others and giving them authority to do it.**

## **ELEMENT OF DELEGATION OF AUTHORITY**

### **1. RESPONSIBILITY**

**The responsibility comes into play only after the job has been assigned. Thus, to assign job can be called to assign responsibility.**

### **Features**

- (i) Responsibility can be assigned to some other person.
- (ii) The essence of responsibility is to be dutiful.
- (iii) It gets originated because of superior- subordinate relationship.

## **2. AUTHORITY**

**Authority means the power to take decision. Decision can be related to the use of resources and to do or not to do something.**

### **Features**

- (i) Authority can be assigned to some other person.
- (ii) Authority is the key to a managerial job because a post without authority cannot be a managerial post.
- (iii) It makes implementation of decision possible.

## **DISTINGUISH BETWEEN AUTHORITY AND RESPONSIBILITY**

BASIS OF DIFFERENCE	AUTHORITY	RESPONSIBILITY
1. Meaning	Power to take decision	The assigned job.
2. Direction or flow	Authority move from top to bottom.	Responsibility move from bottom to top.
3. Essence	The essence of authority is to get decision implemented.	The essence of responsibility is to obey the duties.

## **3. ACCOUNTABILITY**

**Accountability means the answerability of the subordinate to his superior for his work performance.**

### **Features**

- (i) Accountability cannot be delegated to some other person.
- (ii) It is only towards the delegators.

(iii) Its base is senior Subordinate relationship.

(iv) It originates because of delegation of authority.

## **DISTINGUISH BETWEEN RESPONSIBILITY AND ACCOUNTABILITY**

<b>BASIS OF DIFFERENCE</b>	<b>RESPONSIBILITY</b>	<b>ACCOUNTABILITY</b>
<b>1. Meaning</b>	<b>The assigned job.</b>	<b>Answerable to superior for the work performed.</b>
<b>2.Delegation</b>	<b>Responsibility or the work is delegated to some other person.</b>	<b>Accountability cannot be delegated to some other person.</b>

### **Can Accountability be delegated?**

**No, because only authority can be delegated and not the accountability.**

## **PROCESS OF DELEGATION OF AUTHORITY**

**The three elements i.e. responsibility, authority and accountability of delegation process are completed in the following serial order.**

- 1. Assigning Responsibility: - The first step in the delegation process assigning responsibility. While assigning job / responsibility to the Subordinates their capabilities and skill are kept in mind.**
- 2. Granting Authority: - The second step in the process of delegation granting authority for successful work performance. Thus, all the needed authorities should be delegated for the fulfillment of a responsibility.**
- 3. Fixing Accountability: - The Last step in the process of delegation is to hold subordinate accountable for their work performance. Every subordinate is just accountable to that officer who delegates authority for the fulfillment of job/ responsibility.**

## **IMPORTANCE OF DELEGATION OF AUTHORITY**

**Delegation ensures that subordinates perform tasks on the behalf of the manager thereby reducing his work load & providing him with more time to concentrate on important matters.**

**1. Employee Development: - The mental growth of a person takes place only when he has authority to take decision. The process of delegation of authority provides the authority to take decision by subordinates.**

**2. Effective management: - By empowering the managers are able to function more efficiently as they get more time to concentrate on important matters.**

**3. Better Co- ordination - Delegation of authority is a process to establish relation among responsibility, authority and accountability. Through this, employees get clarification with regard to their power, duties and accountability for work Performance.**

## **DECENTRALISATION OF AUTHORITY**

### **MEANING OF DECENTRALISATION**

**Those organisations in which decision making authority lies with the top management are termed as Centralisation Organisation.**

**Whereas those in which such authority is shared with lower levels are Decentralised Organisation.**

### **DEFINITION**

**According to Henri Fayol," Everything which goes to increase the importance of a subordinate's role s decentralisation, everything that goes to reduced it is centralisation.**

### **Importance of Decentralisation**

**1. Develop initiative among Subordinates: - Decentralisation helps to promote self-reliance and confidence amongst the subordinate. A**

**decentralisation policy helps to identify those executives who have the necessary potential to become dynamic leader.**

**2. Quick decision making: - In decentralised Organisation, however, since decision are taken at levels which are nearest to the point of actions and there is no requirement for approval from many Levels, the process is much faster.**

**3 Relief to top management: - Decentralisation also leaves the top management with more time which they can devote to important policies decision rather than occupying their time with both policy as well as operational decision.**

**4. Better Control: - Decentralised makes it possible to evaluate performance at each level and departments can be individually held accountable for their results. Feedback from all levels helps to analyse variances and improve operations.**

### **DISTINGUISH BETWEEN DELEGATION OF AUTHORITY AND DECENTRALISATION**

<b>BASIS OF DIFFERENCE</b>	<b>DELEGATION OF AUTHORITY</b>	<b>DECENTRALISATION</b>
<b>1. Nature</b>	<b>Delegation is a compulsory act</b>	<b>Decentralisation is an optional policy decision.</b>
<b>2. Freedom of action</b>	<b>More control by superiors hence less freedom to take own decision.</b>	<b>Less control over executives. Hence, greater freedom of action.</b>
<b>3. Scope</b>	<b>It has narrow scope.</b>	<b>It has wider scope</b>
<b>4. Purpose</b>	<b>To lessen the burden of the manager.</b>	<b>Increase the role of the subordinate.</b>

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