



Name: _____

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Meaning

Organising essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives. 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).

Steps in the Process of Organizing

The following steps emerge in the process of organising:

- (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. The work is divided into manageable activities so that duplication can be avoided, and the burden of work can be shared among the employees.
- (ii) Departmentalisation: Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. Such sets facilitate specialisation. This grouping process is called departmentalisation. Departments can be created using several criteria as a basis. Examples of some of the most popularly used basis are territory (north, south, west etc.) and products (appliances, clothes, cosmetics etc).
- (iii) Assignment of duties: It is necessary to allocate work to various employees. Once departments have been formed, each of them is placed under the charge of an individual. Jobs are then allocated to the members of each department in accordance to their skills and competencies. It is essential for effective performance that a proper match is made between the nature of a job and the ability of an individual. 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. Everyone should also know who he has to take orders from and to whom he is accountable. The establishment of such clear relationships helps to create a hierarchal structure and helps in coordination amongst various departments.

Importance of Organizing

- (i) Benefits of specialisation: Organising leads to a systematic allocation of jobs amongst the work force. This reduces the workload as well as enhances productivity because of the specific workers performing a specific job on a regular basis. Repetitive performance of a task allows a worker to gain experience in that area and leads to specialisation.
- (ii) Clarity in working relationships: The establishment of working relationships clarifies lines of communication and specifies who is to report to whom. This removes ambiguity in transfer of information and instructions. It helps in creating a hierarchical order thereby enabling the fixation of responsibility and specification of the extent of authority to be exercised by an individual.
- (iii) Optimum utilization of resources: Organising leads to the proper usage of all material, financial and human resources. The proper assignment of jobs avoids overlapping of work and makes possible the best use of resources. Avoidance of duplication of work helps in preventing confusion and minimising the wastage of resources and efforts.
- (iv) Adaptation to change: The process of organising allows a business enterprise to accommodate changes in the business environment. It allows the organisation structure to be suitably modified and the revision of inter-relationships amongst managerial levels to pave the way for a smooth transition.
- (v) 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.
- (vi) Development of personnel: Organising stimulates creativity amongst the managers. Effective delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates.
- (vii) Expansion and growth: Organising helps in the growth and diversification of an enterprise by enabling it to deviate from existing norms and taking up new challenges.

Organization Structure

Organization structure is the outcome of the organizing process. An effective structure will result in increased profitability of the enterprise. The need for an adequate organization structure is felt by an enterprise whenever it grows or complexity. It is only those enterprises which do not focus on growth that can maintain a structure for a long period of time. However, it is important to understand that such stagnancy may prove to be detrimental to an enterprise as those companies which do not change at all will close or cease to grow.



Functional Structure

Grouping of jobs of similar nature under functional and organising these major functions as separate departments creates a functional structure. All departments report to a coordinating head. For example, in a manufacturing concern division of work into key functions will include production, purchase, marketing, accounts and personnel. These departments may be further divided into sections.

Advantages: The functional structure has many advantages to offer. Important among them are as follows:

- (a) A functional structure leads to occupational specialisation since emphasis is placed on specific functions. This promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and can improve performance.
- (b) It promotes control and coordination within a department because of similarity in the tasks being performed.
- (c) It helps in increasing managerial and operational efficiency and this results in increased profit.
- (d) It leads to minimal duplication of effort which results in economies of scale and this lowers cost.
- (e) It makes training of employees easier as the focus is only on a limited range of skills.
- (f) It ensures that different functions get due attention.

Disadvantages: The functional structure has certain disadvantages which an organisation must take into consideration before it adopts it. Some of them are as follows:

- (a) A functional structure places less emphasis on overall enterprise objectives than the objectives pursued by a functional head. Such practices may lead to functional empires wherein the importance of a function may be overemphasised.
- (b) It may lead to problems in coordination as information has to be exchanged across functionally differentiated departments.
- (c) A conflict of interests may arise when the interests of two or more departments are not compatible. For example, the sales department insisting on a customer friendly design which may cause production difficulties. Such dissension can prove to be harmful in terms of fulfilment of organisational interest.
- (d) It may lead to inflexibility as people with same skills and knowledge base may develop a narrow perspective and thus, have difficulty in appreciating any other point of view. Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas

Divisional Structure

Many large organizations with diversified activities have reorganized themselves away from the simpler and basic functional structure towards a divisional structure which is more suited to their activities.

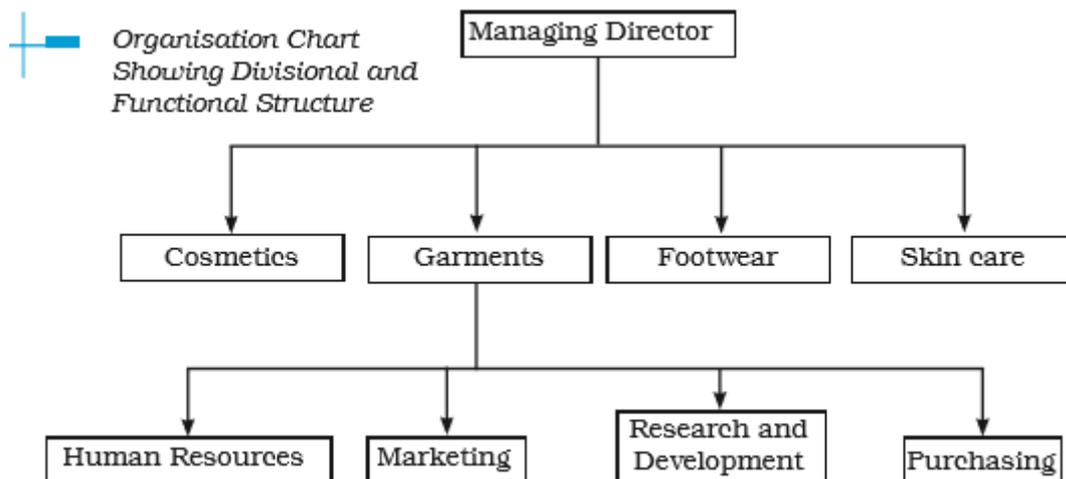
This is particularly true of those enterprises which have more than one category of products to offer. This is because although every organization performs a set of homogenous functions, as it diversifies into varied product categories, the need for a more evolved structural design is felt to cope with the emerging complexity.

Advantages: The divisional structure offers many benefits. Prominent among these are as follows:

- (a) Product specialization helps in the development of varied skills in a divisional head and this prepares him for higher positions. This is because he gains experience in all functions related to a product.
- (b) Divisional heads are accountable for profits, as revenues and costs related to different departments can be easily identified and assigned to them. This provides a proper basis for performance measurement. It also helps in fixation of responsibility in cases of poor performance of the division and appropriate remedial action can be taken.
- (c) It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.
- (d) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations by merely adding another divisional head and staff for the new product line.

Disadvantages: The divisional structure has certain disadvantages. Some of them are as follows:

- (a) Conflict may arise among different divisions with reference to allocation of funds and further a division may seek to maximize its profits at the cost of other divisions.
- (b) It may lead to increase in costs since there may be a duplication of activities across products. Providing each division with separate set of similar functions increases expenditure.
- (c) It provides managers with the authority to supervise all activities related to a division. In course of time, such a manager may gain power and, in a bid, to assert his independence may ignore organizational interests.



Basis	Functional Structure	Divisional Structure
Formation	Formation is based on functions	Formation is based on product lines and is supported by functions
Specialization	Functional specialization	Product specialization
Responsibility	Difficult to fix on a department	Easy to fix responsibility for performance
Managerial Development	Difficult, as each functional manager must report to the top management	Easier, autonomy as well as the chance to perform multiple functions helps in managerial development
Cost	Functions are not duplicated hence economical	Duplication of resources in various departments, hence costly.
Coordination	Difficult for a multi-product company.	Easy, because all functions related to a product are integrated in one department.

Formal Organization

Formal organisation refers to the organisation structure which is designed by the management to accomplish a task. It specifies clearly the boundaries of authority and responsibility and there is a systematic coordination among the various activities to achieve organisational goals.

Features are:

1. It specifies the relationships among various job positions and the nature of their interrelationship. This clarifies who must report to whom.
2. It is a means to achieve the objectives specified in the plans, as it lays down rules and procedures essential for their achievement.
3. Efforts of various departments are coordinated, interlinked and integrated through the formal organisation.
4. It is deliberately designed by the top management to facilitate the smooth functioning of the organisation.
5. It places more emphasis on work to be performed than interpersonal relationships among the employees.

Advantages:

- a) There is no ambiguity in the role that each member must play as duties are specified. This also helps in avoiding duplication of effort.
- 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 and ensuring that each employee knows the role he must play.
- d) It provides stability to the organisation. This is because behaviour of employees can be fairly predicted since there are specific rules to guide them.

Limitations:

- a) The formal communication may lead to procedural delays as the established chain of command has to be followed which increases the time taken for decision making.
- b) Poor organisation practices may not provide adequate recognition to creative talent since it does not allow any deviations from rigidly laid down policies.
- c) It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work. Hence, the formal organisation does not provide a complete picture of how an organisation works.

Informal Organization

Informal organisation emerges from within the formal organisation when people interact beyond their officially defined roles. When people have frequent contacts, they cannot be forced into a rigid formal structure. Rather, based on their interaction and friendship they tend to form groups which show conformity in terms of interest. Examples of such groups formed with common interest may be those who take part in cricket matches on Sundays or meet in the cafeteria for coffee

Informal organisation can be better understood with the help of the following features:

1. An informal organisation originates from within the formal organisation as a result of personal interaction among employees.
2. The standards of behaviour evolve from group norms rather than officially laid down rules and regulations.
3. Independent channels of communication without specified direction of flow of information are developed by group members.
4. It emerges spontaneously and is not deliberately created by the management.
5. It has no definite structure or form because it is a complex network of social relationships among members.

Advantages:

- (a) Prescribed lines of communication are not followed. Thus, the informal organisation leads to faster spread of information as well as quick feedback.
- (b) It helps to fulfil the social needs of the members and allows them to find likeminded people. This enhances their job satisfaction since it gives them a sense of belongingness in the organisation.
- (c) It contributes towards fulfilment of organisational objectives by compensating for inadequacies in the formal organisation. For example, employees' reactions towards plans and policies can be tested through the informal network.

Disadvantages:

- (a) Informal organisation may become a disruptive force when it spreads rumours. This may work against the interest of the formal organisation.
- (b) The management may not be successful in implementing changes if the informal organisation opposes them. Such resistance to change may delay or restrict growth.
- (c) It pressurises members to conform to group expectations. This can be harmful to the organisation if the norms set by the group are against organisational interests.

Basis	Formal Organization	Informal Organization
Meaning	Structure of authority relationships created by management	Network of social relationships arising out of interaction among employees
Origin	Arises because of company rules and policies.	Arises because of social interaction
Authority	Arises from virtue of position in management	Arises out of personal qualities
Behavior	It is directed by rules	There is no set behavior pattern
Flow of communication	Communication takes place through scalar chain	Flow of communication is not through a planned route. It can take place in any direction
Nature	Rigid	Flexible
Leadership	Managers are leaders	Leaders may or may not be managers. They are chosen by the group

Delegation

Delegation refers to the downward transfer of authority from a superior to a subordinate. It is a pre-requisite to the efficient functioning of an organisation because it enables a manager to use his time on high priority activities. It also satisfies the subordinate's need for recognition and provides them with opportunities to develop and exercise initiative.

Elements of Delegation

According to Louis Allen, delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance. A detailed analysis of Louis Allen's definition brings to light the following essential elements of delegation:

1. **Authority:** Authority refers to the right of an individual to command his subordinates and to act within the scope of his position. The concept of authority arises from the established scalar chain which links the various job positions and levels of an organisation. Authority also refers to the right to take decisions inherent in a managerial position to tell people what to do and expect them to do it.
2. **Responsibility:** Responsibility is the obligation of a subordinate to properly perform the assigned duty. It arises from a superior-subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior. Thus, responsibility flows upwards i.e., a subordinate will always be responsible to his superior.
3. **Accountability:** Delegation of authority, undoubtedly empowers an employee to act for his superior but the superior would still be accountable for the outcome: Accountability implies being answerable for the outcome. Once authority has been delegated and responsibility accepted, one cannot deny accountability. It cannot be delegated and flows upwards i.e.; a subordinate will be accountable to a superior for satisfactory performance of work. It indicates that the manager must ensure the proper discharge of duties by his subordinates.

Basis	Authority	Responsibility	Accountability
Meaning	Right to command	Obligation to perform an assigned task	Answerability for outcome of the assigned task.
Delegation	Can be delegated	Cannot be entirely delegated	Cannot be delegated at all
Origin	Arises from formal position	Arises from delegated authority	Arises from responsibility
Flow	Flows downward from superior to subordinate	Flows upward from subordinate to superior.	Flows upward from subordinate to superior

Importance of Delegation

- (i) Effective management: By empowering the employees, the managers can function more efficiently as they get more time to concentrate on important matters. Freedom from doing routine work provides them with opportunities to excel in new areas.
- (ii) Employee development: Because of delegation, employees get more opportunities to utilise their talent and this may give rise to latent abilities in them. It allows them to develop those skills which will enable them to perform complex tasks and assume those responsibilities which will improve their career prospects. It makes them better leaders and decision makers.
- (iii) Motivation of employees: Delegation helps in developing the talents of the employees. It also has psychological benefits. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate.
- (iv) Facilitation of growth: Delegation helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures. Trained and experienced employees can play significant roles in the launch of new projects by replicating the work ethos they have absorbed from existing units, in the newly set up branches.
- (v) Basis of management hierarchy: Delegation of authority establishes superior subordinate relationships, which are the basis of hierarchy of management. It is the degree and flow of authority which determines who must report to whom. The extent of delegated authority also decides the power that each job position enjoys in the organisation.
- (vi) Better coordination: The elements of delegation, namely authority, responsibility and accountability help to define the powers, duties and answerability related to the various positions in an organisation. This helps to avoid overlapping of duties and duplication of effort as it gives a clear picture of the work being done.

Decentralization

Decentralisation explains the way decision-making responsibilities are divided among hierarchical levels. Put simply, decentralisation refers to delegation of authority throughout all the levels of the organisation. Decision making authority is shared with lower levels and is consequently placed nearest to the points of action. In other words, decision making authority is pushed down the chain of command.

Centralization

Complete centralisation would imply concentration of all decision-making functions at the apex of the management hierarchy. Such a scenario would obviate the need for a management hierarchy. On the other hand, complete decentralisation would imply the delegation of all decision-making functions to the lower level of the hierarchy and this would obviate the need for higher managerial positions. An organisation can never be completely centralised or decentralised. As it grows and complexity, there is a tendency to move towards decentralised decision making.

Importance of Decentralization

1. Develops initiative among subordinates: Decentralisation helps to promote self-reliance and confidence amongst the subordinates. This is because when lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgment.
2. Develops managerial talent for the future: Formal training plays an important part in equipping subordinates with skills that help them rise in the organisation but equally important is the experience gained by handling assignments independently. Decentralisation gives them a chance to prove their abilities and creates a reservoir of qualified manpower who can be considered to fill up more challenging positions through promotions.
3. Quick decision making: The management hierarchy can be looked upon as a chain of communication. In centralised organisation because every decision is taken by the top management the flow of information is slow as it must traverse many levels. Response also takes time. This reduces the speed of decision making and makes it difficult for an enterprise to adapt to dynamic operating conditions.
4. Relief to top management: Decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act and decide albeit within the limits set by the superior. Also, personal supervision is generally replaced by other forms of control such as return on investment etc.
5. Facilitates growth: Decentralisation awards greater autonomy to the lower levels of management as well as divisional or departmental heads. This allows them to function in a manner best suited to their department and fosters a sense of competition amongst the departments. Consequently, with each department doing its best in a bid to outdo the other.
6. Better control: Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results. The extent of achievement of organisational objectives as well as the contribution of each department in meeting the overall objectives can be ascertained. Feedback from all levels helps to analyse variances and improve operations. In decentralisation, one of the challenges is the accountability of performance.

Basis	Delegation	Decentralization
Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	Decentralization is an optional policy decision. It is done at the discretion of the top management.
Freedom of Action	More control by superiors hence less freedom to take own decisions.	Less control over executives hence greater freedom of action.
Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.
Scope	It has narrow scope as it is limited to superior and his immediate subordinate.	It has wide scope as it implies extension of delegation to the lowest level of management.
Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organization by giving them more autonomy.