

CHAPTER -5

ORGANISING

MEANING AND DEFINITION

Organising is the process of arranging people and physical resources to carry out plans and accomplish organizational objectives. Organising is concerned with establishing interrelationship among jobs, sections, departments and positions. It is concerned with building up a framework for structure of tasks and authority relationship.

‘organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them’ -**Theo Haimann**

‘organizing is the process of establishing effective authority relationships among selected works, persons and work places in order for the group to work together effectively “
- **George.R .Terry**

‘To organize a business means to provide it everything useful to its functioning raw material, tools capital and personnel’ `
-**Henri Fayol**

The purpose of organising is to enable people to relate one another and to work together for a common objective. The organized group of people, in a collective sense , is known as organization.

STEPS IN THE PROCESS OF ORGANISING

Organising Involves a series of steps that need to be taken in order to achieve the desired goal. They are:-

1. **Identification and division of work:-** The first step in the process of organizing is to make an estimation of the total work or the entire activities to be performed for the attainment of objectives. Then the identified works are divided into different activities. That is the job divided into various functions like production, financing marketing etc
2. **Departmentation:-** The second step in organizing is to combine or group similar or related jobs into larger units called departments , divisions or sections. This grouping of activities is known as departmentation

3. **Assigning duties:-** The next step involves the allotment of various activities to different individuals according to their ability and attitude. Each one is given a specific job and he is responsible for its execution. Right man at the right job is the motto.
4. **Establishing Reporting relationships:-** After assignment of duties , appropriate authority is delegated to each individual . Without such authority a person cannot carry out the assigned job. Everyone must know , what he is required to do and to whom he is accountable. A proper authority structure created to facilitate smooth functioning of the business.

IMPORTANCE OF ORGANISING

Organization is the frame work through which managers get things done through others. Sound organization is the backbone of effective management due to the following reasons

1. **Benefits of specialization:-** In the process of organizing work is divided and subdivided into convenient jobs. Similar jobs are grouped into departments. Thus organizing promotes specialization which in turn leads to efficient and speedy performance of tasks.
2. **Clarity in working relationships:-** Organising defines each job and clearly differentiates the work of one from the others. It helps to remove duplication of work and fixation of responsibility. The role, tasks, authority, responsibility of each job clearly spelt out.
3. **Optimum utilization of resources:-** The proper assignment of job avoids overlapping or duplication of work results in preventing confusion and minimizing wastage of resources and efforts
4. **Adaptation of Changes:-** A properly designed organization structure is flexible. It facilitates adjustments to changes due to changing conditions in the external environment with respect to technology, markets, products etc.
5. **Effective administration:-** Organisation provide clear description of jobs and related duties. This leads to avoid confusion and duplication. Clarity in working relationship enables proper execution of work. This brings effectiveness in administration.
6. **Development of personnel:-** Organising provides creativity among managers. Through delegation, managers can get their work reduced by assigning routine jobs to their subordinates. By doing so , subordinate get an opportunities to develop .ie. developing new methods and ways of performing tasks
7. **Expansion and growth:-** Sound organization can alone provide smooth expansion and avoidance of problems caused by rapid growth of an enterprise.

ORGANISATION STRUSTURE

Organisation structure is the outcome of the organising process. An organization structure is the pattern of authority – responsibility relationships among various levels of management and other personnel of the enterprise .it is the frame work within which manager and other employees perform their various functions

Organisation Chart:- is the diagrammatical representation of the organization structure. It shows the relationship between different authorities. It also shows the systematic channel for communication.

ELEMENTS OF ORGANISATION STRUCTURE

1. **Job design:-** The various tasks to be accomplished under each job and qualities, skills and qualifications required to undertake the job is specified in job design.
2. **Departmentation:-** Once the jobs are defined, similar jobs are grouped together to form a department. It is called departmentation.
3. **Span of control/ management:-** Span of control is the number of subordinates that a supervisor can effectively manage. The number of superior subordinate relationship increases geometrically with the increase in the number of subordinates.
4. **Delegation of Authority:-** Delegation authority means granting authority to subordinates to operate within prescribed limit. Delegation of authority is the essence of sound organization.

TYPE OF ORGANISATION STRUCTURE

1. It is very simple to understand and logical in classification
2. It provides specialization. Thus making possible efficiency in operation
3. It facilitates delegation of authority
4. It facilitates coordination of activities within each department
5. It eliminates costly duplication of efforts

Disadvantages

1. When the organization grows, it will be difficult to coordinate all functions
2. Slow adaptation to change in environment
3. Responsibility for profits is at top only
4. Conflict of interest may arise when the interests of departments are not compatible
5. Limits the development of general managers.



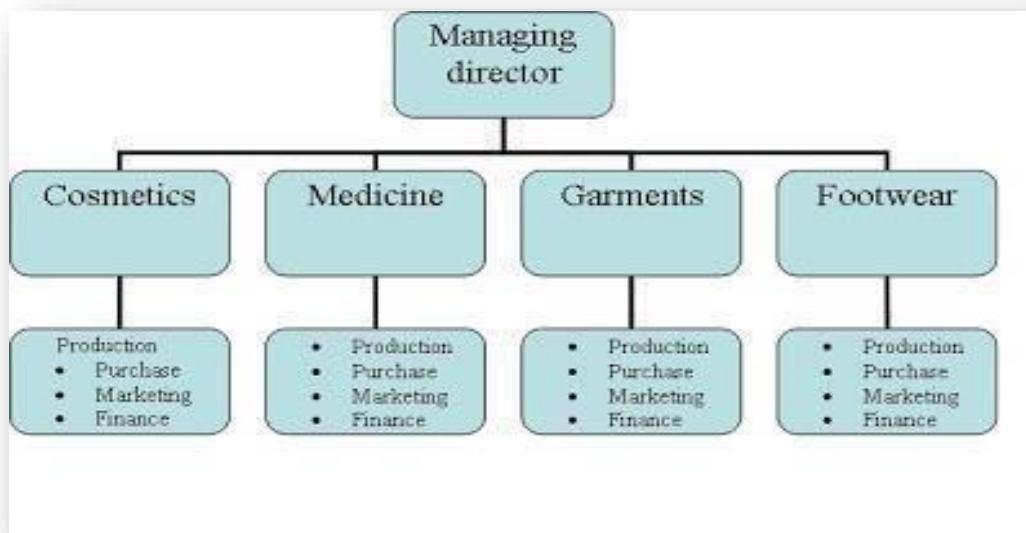
Example: Functional Organizational Structure.

Suitability:-It is suitable when

- Size of enterprise is large
- There are diversified activities
- An enterprise requires high degree of specialization

Divisional structure/ product structure

Divisional structure is the division of organization on the basis of products. In this structure the products come under similar category are grouped together and it is called division. Each division will be under the charge of a separate manager. Each division may be subdivided into production, sales, finance and personnel activities.



Advantages:

1. It brings about efficiency and economy of operations
2. It gives freedom of action to each division
3. Decision making can be faster and effective
4. It focus individual attention on each product line which facilitate expansion and diversification

Disadvantages:

1. There is a duplication of different functions and equipment in various divisions
2. Each division may function as autonomous units and it leads to lack of coordination
3. It is not suitable to small business ,it is a costly affairs
4. There may be underutilization of plant capacity when demand for particular product is inadequate.

Suitability: It is most suitable when

- Large variety of products are manufactured with different productive resources
- When an organization grows and needs to add more employees , create more departments, introduce new levels of management, it will decide to a divisional structure.

DIFFERENCE BETWEEN FUNCTIONAL STRUCTURE AND DIVISIONAL STRUCTURE

FUNCTIONAL STRUCTURE	DIVISIONAL STRUCTURE
1.Focus on Functions- production, finance, sales etc.	1. Focus on products, territories etc
2. Occupational specialization	2.Product specialization
3 . Less autonomy in operation	3 . More autonomy in operation
4 . It is economical	4 .It is expensive
5 .Simple Structure	5 . Complicated Structure
6 . Control of department is simple	6 . Control of division is difficult
7 . Coordination between departments is difficult	7 .Coordination between divisions is simple.

FORMAL AND INFORMAL ORGANISATION

Relationship between individuals in the organization can be classified into formal and informal organization

FORMAL ORGANISATION: Formal organization means the organizational structure designed and established by the management to achieve organizational goals. It is the structure authority, responsibility, line of command , clear definition of jobs will be specified.

“The formal organization is a system of well-defined jobs each bearing a definite measure of authority, responsibility and accountability.” **Louis Allen**

“formal organization is a system of consciously coordinated activities of two or more persons towards a common objective”- **Chester Barnard**

Features of Formal organization:

1. It is deliberately created by top management to achieve common goals
2. It is based on specialization or division of labour
3. It defines clearly the authority and responsibility of every person
4. It has written rules and procedures
5. It specifies the official lines of communication and official relationship
6. It emphasis jobs or positions and not individuals
7. It is impersonal

Advantages of Formal organization

1. Organizational work can be done orderly and systematically
2. Avoid duplication of work (3). Unity of command is maintained

(4)It provides stability to the organization (5) Co ordination is possible

Disadvantages of Formal organization

- (1)It may leads to procedural delays (2) Inadequate recognition of creativity
(3) Social needs of employees are not looked into (4)t places more emphasis on structure and work

INFORMAL ORGANISATION:- People working together in the formal organization interact or communicate with each other in the course of work. Gradually they develop friendly relationships and form small social groups. The network of these social groups based on friendship is known as informal organization. Thus informal organization is the system of social relationship among the members of a formal organization. These relations are highly in personal in nature.

“informal organization is the network of personal and social relationships not established or required by formal organization” -**Keith Davis**

characteristics of Informal Organisation

1. It arises spontaneously and not preplanned
2. Its relationship is based on social , emotional and psychological needs
3. It is voluntary organization(4) It is based on personal preference and understandings (5) It reflects human relationships (6)It has no definite structure or form.
(7) No written rules and regulations (8) It is highly flexible.

Advantages of Informal organization

1. Quick Communication is possible (2) Give importance to social needs of employees (3). It fills the inadequacies of formal structure.

Disadvantages of Informal Organisation

1. Spreads false news
2. May cause for employees work against management
3. Priority given to personal interests than common interest.

The informal organization is a part of the formal organization. It cannot be separated. In other words a single organization has two faces - the formal one and informal one.. They are two aspects of the same organization and linked to each other.

DIFFERENCE BETWEEN FORMAL AND INFORMAL ORGANISATION

BASIS	FORMAL ORGANISATION	INFORMAL ORGANISATION
1. Formation	Deliberately planned and created by the top management	Arises spontaneously as a result of social interaction among the employees
2. Purpose	It is created to achieve predefined organizational objective	It satisfies personal and social needs of employees
3. Authority	Arises by virtue of position in the management	Arises out of personal qualities
4. Behaviour	It is directed by rules	There is no set of behavioural pattern
5. Nature	Rigid	Flexible
6. Communication	Formal communication through official lines	Informal communication based on convenience
7. Organisational chart	It is supported by organizational chart	There is no such chart
8. Relationship	Based on authority and responsibility	No specific relationship
9. Leadership	Managers are leaders by the virtue of their positions	Leaders are chosen voluntarily by members
10. Stability	It is usually stable	It does not last long.

DELEGATION

Delegation refers to the downward transfer of authority from a superior to a subordinate. Delegation of authority is the essence of sound organization. Delegation is the key element in organizing. The

process of delegation involves assignment of tasks, entrustment of authority and imposition of accountability. It is based on the principle of division of labour.

‘delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits’
-**Theo Haimann**

‘The ability to get results through others’ **L.A.Allen**

PROCESS OF ELEMENTS OF DELEGATION

The following are the components of the process of delegation

1. **Assignment of duties to subordinates:-** The first step in delegation is the assignment of duty to the subordinates. The delegator tells his subordinates to carry out a specific task in a specific period of time.
2. **Granting of authority:-** Nobody can carry out his duties unless he has the requisite and matching authority. Thus the superior should delegate authority to his subordinates to carry out the duty assigned to him.
3. **Creating on obligation or accountability:-** Once the authority is delegated, subordinate become accountable for the performance of their duties. Subordinate have to report to their superior about their performance.

ELEMENTS OF DELEGATION

Authority, responsibility and accountability are the three basic elements of delegation of authority. Authority is delegated, responsibility created and accountability is imposed.

1. **AUTHORITY:-** Authority is the right to command. Henri Fayol defined authority as ‘the right to give orders and exact obedience’. He stated the difference between official authority and personal authority. Authority which derived by a person on account of his position in the organization is known as official authority. On other hand personal authority is derived by a person on account of his intelligence, knowledge, skill and experience. Authority flows from top to bottom. Authority determines the superior subordinate relationship.
2. **RESPONSIBILITY:-** Responsibility is described as an obligation to perform a task. It originated from the superior subordinate relationship in an organization. It cannot be delegated or transformed. Responsibility always flows upwards .ie. From a subordinates to a superior.

‘Responsibility is the obligation of a subordinate to perform the assigned and implied duties’
-Koontz and O’ Donell.

There is a close relationship between authority and responsibility. If the authority is delegated without responsibility is likely to be misused. If sufficient authority is not granted, the subordinates cannot discharge his assigned duties.

3. **ACCOUNTABILITY:-** Accountability is the obligation to perform responsibility when subordinate is assigned some duties to be performed, he will be accountable to his superior for doing or not doing that work. Thus accountability is the obligation for the performance of

work assigned and authority delegated. Accountability cannot be delegated and moves upwards.

OVERVIEW OF ELEMENTS OF DELEGATION

BASIS	AUTHORITY	RESPONSIBILITY	ACCOUNTABILITY
1. Meaning	Right to command	Obligation to perform an assigned task	Answerability for the Final outcome of assigned task
2. Delegation	Can be delegated	Cannot be delegated	Cannot be delegated
3. Origin	Formal position	Delegated Authority	Responsibility
4. Flow	Flows downwards	Moves upwards	Moves upwards

IMPORTANCE OF DELEGATION

When the size of an organization expands, a manager alone cannot do all the work himself. He has to share his work and authority with others. It reduces the work load of superiors. So the manager can concentrate on important matters and leaving the routine matters to his subordinates.. The advantages of delegation are as follows.

1. **Efficient Management:-** The manager who delegates authority can perform more than one who does not. Delegation of authority relieves the top executives from heavy load of work. It enables him to concentrate on policy matters and decision making. This would increase his effectiveness.
2. **Employee development:-** Delegation provides opportunities to make familiarity with the work of superiors. It makes them better leaders and decision makers. Thus delegation helps by preparing better future managers.
3. **Motivation of employees:-** Some employees are willing to take more responsibility, since it will satisfy their ego. Such employees feel motivated when they are delegated authority.
4. **Facilitation of Growth:-** Delegation of Authority prepares executives for the future. This enables the organization to face challenges effectively and promotes the potential for growth.
5. **Basis of Management hierarchy:-** Delegation of authority establishes superior subordinates relationships which are the basis of hierarchy of management. Delegation of authority decides the power that each position enjoys in the organization.

6. **Better Coordination:-** Delegation elements like authority , responsibility and accountability clearly defines the power, rights and various job position in the organization. Clarity in reporting helps to develop and maintain effective coordination amongst departments, job positions and function of management.

DECENTRALISATION

Decentralisation of authority means the disposal of decision making authority to lower levels.

‘Decentralisation refers to the systematic efforts to delegate to the lower levels all authority except which can be executed at the central points’ -**Louis Allen**

‘Everything that goes to increase the importance of the subordinate’s role is decentralization’
- Henry Fayol

Decentralisation explains the manner in which decision making responsibilities are divided among hierarchical levels. Decentralization refers to delegation of authority throughout all the levels of the organization.

CENTRALISATION AND DECENTRALISATION

‘Everything which goes to increase the subordinate’s role is the decentralization; everything which goes to decrease it is centralisation’ -Henry Fayol

Decentralisation is often viewed as the opposite of centralization. Decentralisation is the disposal of power to the lower levels of the organization while centralization is the concentration of power at one point (Top levels). No organization can be completely centralized or completely decentralized. They exist together. Their degree differ from organization to organization.

IMPORTANCE OF DECENTRALISATION

Decentralization is not merely the transfer of authority to lower levels, but a philosophy of management. The main benefits of decentralization are as follows

1. **Develop Initiate among subordinates:-** Decentralisation helps to promote self-reliance and confidence amongst the subordinates. Lower level managers are given more freedom to the managerial decisions. This will improve their career prospects.
2. **Develops Managerial talents for the future:-**Decentralisation promote opportunity to the subordinates to make familiarity with the work of superiors .it make them better leaders and decision makers. Thus decentralization help by preparing better future managers
3. **Quick decision making:-** The subordinates have sufficient authority to take quick decisions. They neednot consult their superiors on every issue. This avoids delay in decision making and facilitates quick decisions.
4. **Relief to top management:-** Decentralisation relieves the top executives from the heavy load of work. It enables them to concentrate on higher functions of management.

- 5. Facilitate Growth:-** Decentralisation prepares executives for the future. This enables the organization to face future challenges effectively and promotes the potential for growth.
- 6. Better Control:-** In decentralized set up , it becomes easier to fix standards of performance, evaluate the performance and take corrective action. This will lead to effective control.

DISTINCTION BETWEEN DELEGATION AND DECENTRALISATION

Basis	Delegation	Decentralisation
1. meaning	It refers to the entrustment of responsibility and authority from one individual to another	It refers to the systematic delegation of authority throughout the organization
2. Scope	It is narrow compared to decentralisation	It is wider term which include delegation
3. Need	It is compulsory	It is optional
4. status	It is a process	It is the result of the policy of the organization (It is a situation)
5. Nature	It is Individualistic	It is totalistic
6. Purpose	To reduce the burden of manager	To increase the role of subordinates in the organization by give them more autonomy