ORGANISING <mark>(Short Note)</mark>

Once the plans have been laid down and objectives specified therein, the next step is to organise resources in a manner which leads to the accomplishment of objectives. Organising refers to the process of identifying and grouping various activities and bringing together various resources for the achievement of specific goals. Organisation in an enterprise means the integration and coordination of individual efforts to achieve the predetermined goal of the business enterprise.

<mark>Definition</mark>

Organising can be defined as the "process of identifying and grouping different activities in the organisation and bringing together the physical, financial and human resources to establish most productive relations for the achievement of specific goal of organisation"

[Suppose twelve students work for the school library in the summer vacations. One afternoon they are told to unload a shipment of newly purchased books, stock the bookshelves, and then dispose of all waste (packaging, paper etc). If all the students decide to do it in their own way, it will result in mass confusion. However, if one student supervises the work by grouping students, dividing the work, assigning each group their quota and developing reporting relationships among them, the job will be done faster and in a better manner.]

From the above description, the following steps emerge in the process of organising:

<mark>Steps in the process of organising</mark>

1. Identification and division of work

The first step in the process of organising is identifying and dividing the total work that has to be done in accordance with previously determined plans..

2. Grouping the job and departmentalisation:

Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together and put under one department. The process of grouping the activities of similar nature is called departmentalisation.

3. Assignment of duties:

Once departments have been formed, it is necessary to define the work of different job positions and allocate work to members of the department on the basis of their skills and qualifications. It is essential for effective performance.

4. Establishing reporting relationships:

The last step in the organisation process is defining the relationship among the people in the organisation in clear terms. Each individual should know from whom he has to receive orders and to whom he is answerable/accountable.

Importance of organising

1. Benefits of specialisation

In organising the total work is divided into smaller units and activities of similar nature are grouped together. Division of work leads to specialisation.

2. Clarity in working relationships

A good organisational structure clarifies the authority responsibility relationship and specify the line of communication.

3. 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 also makes possible the best use of resources.

4. Adaptation to change

Properly designed organisation structure is flexible. It can be modified according to the changes in the business environment.

5. Effective administration

Organising helps in effective administration by providing a clear description of jobs and related duties.

6. Development of personnel

Organising helps in development of personnel by delegation of work to subordinates.

7. Expansion and growth

Through organisation, management can multiply its strength.

Organisation Structure

Proper coordination in a large organisation is difficult without a proper 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 physical resources. The organisation structure of a firm can be displayed with the help of a chart.
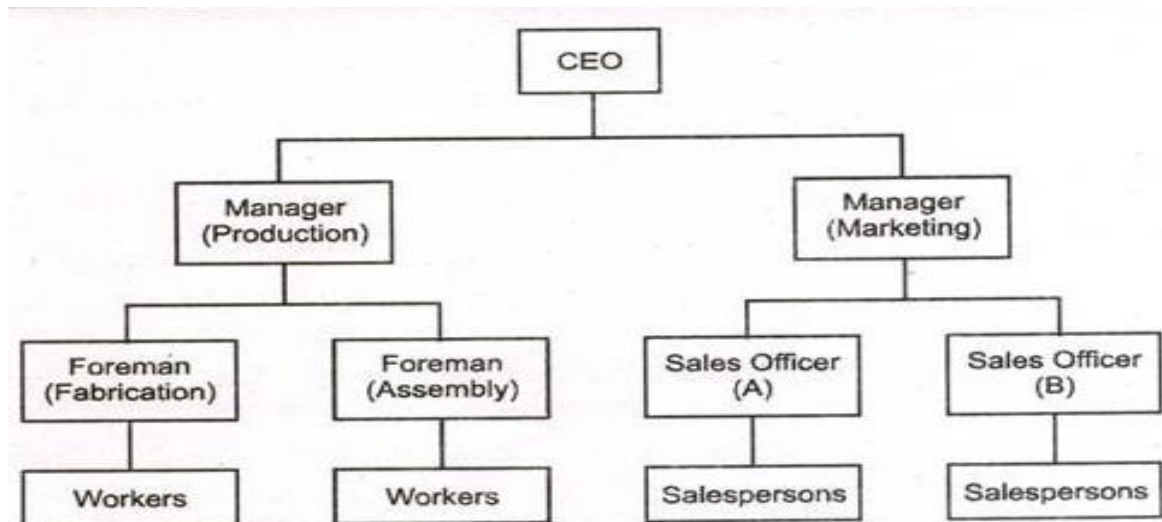

Benefits of an adequate organisational structure:

1) It will result in increased profitability of the enterprise by ensuring proper coordination among human, physical and financial resources.
2) A proper organisational structure is essential to ensure a smooth flow of communication and better control over the operations of a business enterprise

Span of Management (Span of control)

Span of management refers to the number of subordinates that can be effectively managed by a superior or how many subordinates are under one superior. Span of management determines the levels of management in the structure. The span of control depends upon the capacity and intelligence level of managers and employees.

If routine job has to be performed then there can be wide span but for challenging jobs narrow span of control is preferred. A tall structure of organisation is the one that has multiple levels of hierarchy. A tall structure of organisation has narrow span of management.

Here

Span of

Control is

Wide span of control
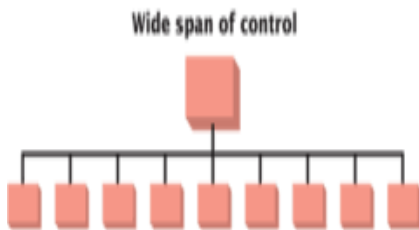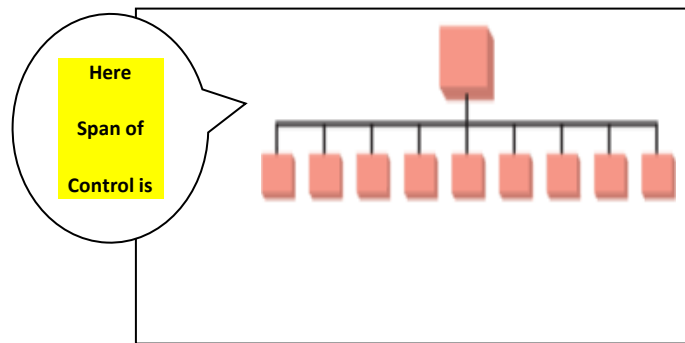
Narrow span of control

Q. A tall structure has -------

a. Narrow span of management.

b. Wide span of management.

 c. No span of management.

D .Less levels of management.

Ans: a Narrow span of management.

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 and
(ii)   Divisional structure

I.   Functional Structure

It is an organisational structure wherein **jobs of similar nature** are grouped into major functions and these major functions are organised as separate departments. This kind of organisational structure classifies people according to the function they perform in the organisation.
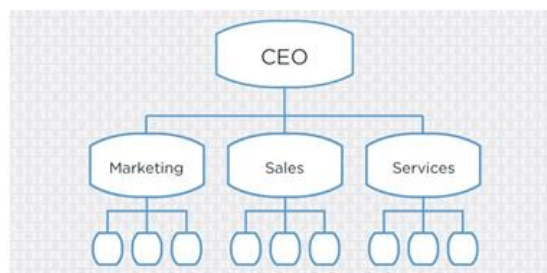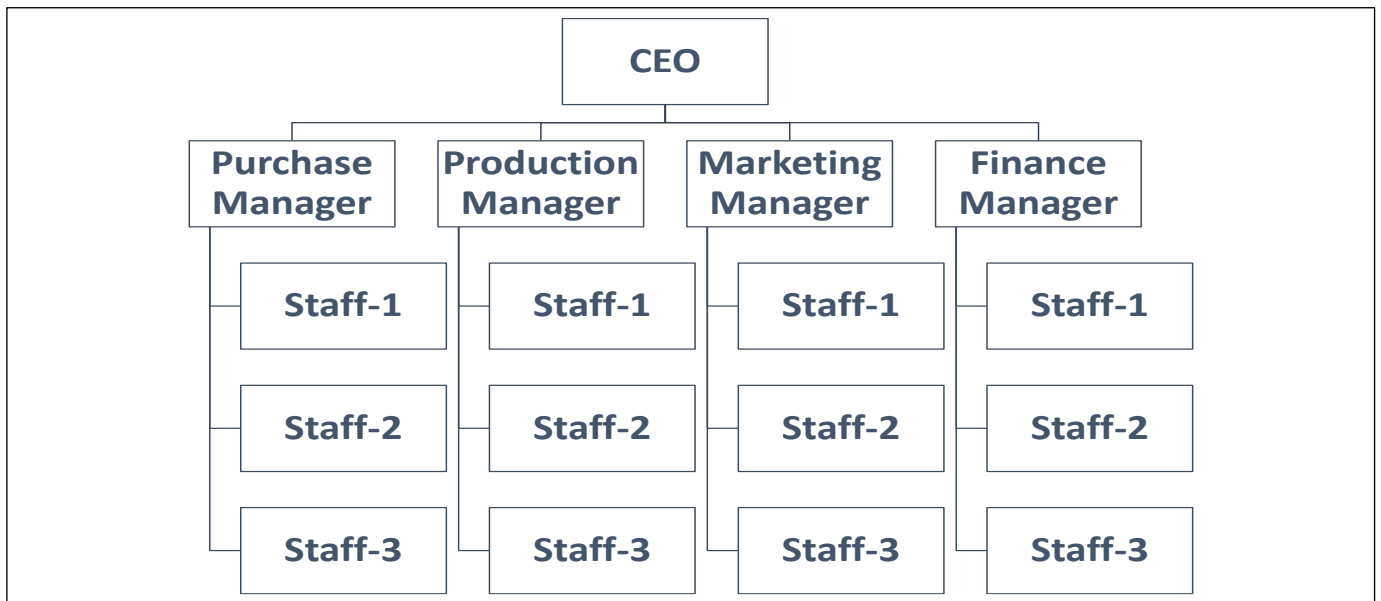
Fig: Functional structure

Advantages of Functional structure

1. Specialisation

In a functional structure job of similar nature are grouped together. It provides specialisation which makes optimum utilisation of manpower.

2. Easy supervision

The supervisor becomes familiar with the type of task to be performed because all tasks are related to one function only. As a result, he can easily supervise his department.

3. Increasing managerial efficiency

Managers of one department are performing same type of function again and again which help to increase their managerial and operational efficiency. It ensures increased profit also.

4. Effective training

This type of structure makes training of employees easier as the focus is only on a limited range of skills. For examples, employees of production department are given training of production techniques only.

5. Lower cost

It leads to minimum duplication of effort which results lower cost.

1. **Emphasis on departmental objectives**

Due to separation, each department head emphasis on the performance of his function and lacks emphasis on the overall objectives of the company.

2. **Problem in coordination**

Co-ordination of the activities of different departments is not practically easy.

3. **Conflict between departments**

Since interest of different departments differs, there will be interdepartmental conflicts which are harmful to organisational interest.

4. **Obstacle to the all-round development of managers**

Specialisation is an obstacle to the all-round development of managers. Managers develop only in a specific area.

Suitability of Functional structure

➢ It is most suitable when the size of the organisation is large.
➢ Firms producing a single line of product.
➢ It is suitable where there is high degree of specialisation is required.

II.   Divisional Structure

Divisional structure is an organisational structure wherein grouping of activities or departmentalisation is on the basis of product line or areas. Each unit has a divisional manager responsible for performance. Each divisional head is required to look after all function related to the product or market territory. There are separate divisions for different products and each division having functions like production, marketing, finance etc.
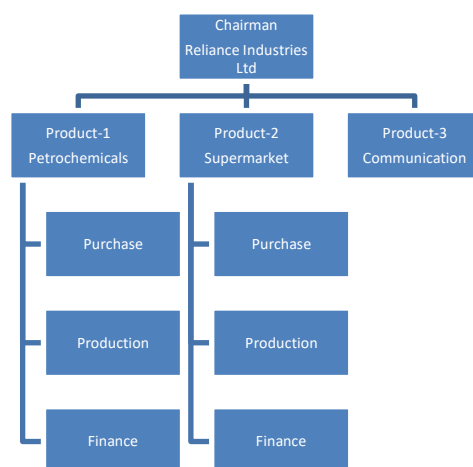

Fig: Divisional structure

Fig: Divisional structure

[Example:

V.Guard Ltd a leading company in Kerala is engaged in diversified business namely electrical, textiles, amusement parks etc. Each of this have different departments namely marketing, production, finance, research and development etc. In this case the company should adopt 'Divisional Structure' because product specialisation helps growth and facilitates diversification of enterprise. It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.]

Advantages of Divisional structure

1. Product specialisation

Here all activities related to one type of product are grouped under one department. Attention on individual product line permits its growth and facilitates diversification of enterprise.

2. Coordination becomes easy

Activities like purchase, production, marketing etc. related to a particular product line are integrated easily in this structure.

3. Helps in fixation of responsibility

Divisional structure helps in fixation of responsibility in cases of poor performance of the division and appropriate remedial action can be taken.

4. It promotes flexibility and initiative

It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.

1. **Conflict may arise among different divisions**

Managers in each division may focus on their own product ignoring the interest the interest of the organisation. There may be conflict with different divisions regarding allocation of resources, priorities etc.

2. **Chances of duplication**

There may be duplication of activities which leads to high operating cost.Example-advertisement expenses, transportation cost etc.

3. **Selfish attitude**

Every division tries to display better performance sometimes even at the cost of other divisions. This shows their selfish attitude. Consequently, it hits the interest of the concern as a whole.

Suitability

➢ Divisional structure is suitable where large variety of products are manufactured.
➢ It is suitable for organisations needing product specialisation.
➢ Growing companies which plan to add more line of products in future.

Difference between Functional and Divisional Structure

Basis	Functional Structure	Divisional Structure
Formation	Formed on the basis of **function**	Formed on the basis of **products**
Accountability	Difficult to make accountable as departments are interdependent	Easy to fix accountability, as departments work independently
Specialisation	Functional specialisation is followed	Product specialisation is followed
Coordination	Difficult for a multi-product company	Easy, because all functions related to a particular product are integrated in one division.
Cost	Functions are not duplicated, hence economical	Duplication of resources in various departments, hence costly

Managerial development	Less chance as manager becomes specialised in one function only	More chance as managers perform multi-functions
Autonomy of operations	Less autonomy	More autonomy

Formal and Informal Organisation

I. Formal Organisation

Formal organisation refers to the organisation structure which is designed by the management to achieve organisational goals. Formal organisation structure clearly defines the job to be performed by each individual. It also clearly specifies authority and responsibility assigned to individuals in the organisation. It forms a chain of superior subordinate relationship that can be represented in a chart. In formal organisation, communication takes place only through 'Scalar chain'. The structure in a formal organisation can be functional or divisional.
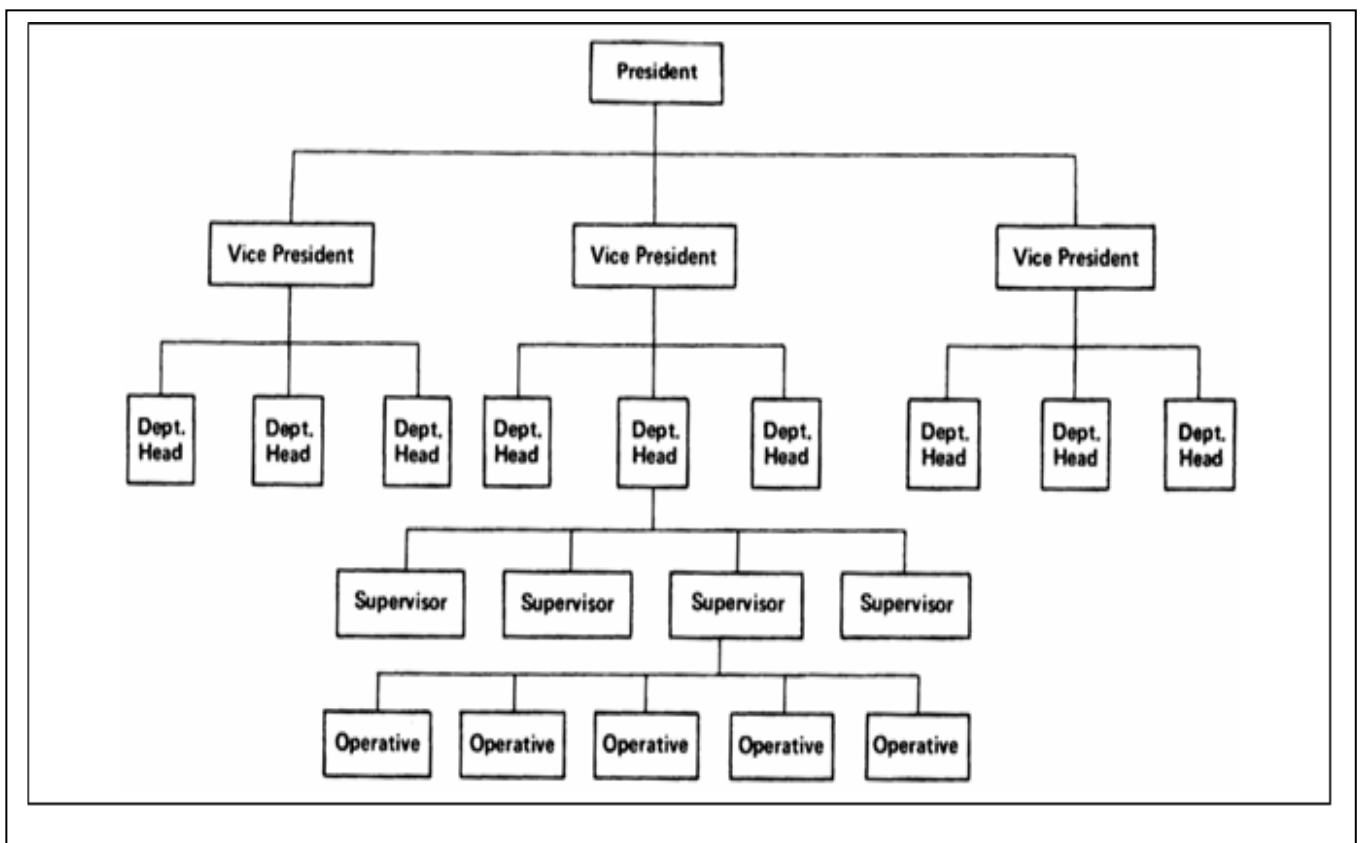

Fig: Formal Organisation

Definition

According to Louis Allen "The formal organisation is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability"

Example: A company is manufacturing TV. There is well defined system of jobs with a clear and definite authority, responsibility accountability in the company. But people are not allowed to interact beyond their officially defined roles.

Feature of Formal Organisation

1. Deliberately created

It is deliberately planned and created by top management to facilitate the smooth functioning of the organisation.

2. Defines superior subordinate relationship

It specifies the relationships among various job positions and the nature of their interrelationship. This clarifies who has to report to whom. The authority, responsibility and accountability of each level are clearly defined.

3. Official lines of communication

Formal organisational structure creates a scalar chain of communication in the organisation

4. Emphasis of work

It places more emphasis on work to be performed rather than on inter-personal relationships among the employees. It does not consider emotional aspect.

5. Rules and procedures

It lays down standard behaviours by rules.

Advantages of Formal Organisation

1. Easy to fix responsibility

It is easier to fix responsibility since mutual relationships are clearly defined.

2. No overlapping of work

In formal organisation structure work is systematically divided among various departments and employees. So, there is no chance of duplication or overlapping of work.

3. Ensures unity of command

Formal organisational structure ensures unity of command by clearly defines superior subordinates' relationship, i.e. who reports to whom.

4. Systematic working

Formal organisation structure results in systematic and smooth functioning of an organisation. It is helpful to achieve organisational objectives.

5. Co-ordination

Formal organisational structure ensures proper coordination of activities of various departments.

Limitations of Formal Organisation

1. Delay in action

While following scalar chain and chain of command actions get delayed in formal structure.

2. No scope for creativity

Rigid policies never allow deviation. So, in formal organisation, there is no scope for creativity.

3. Emphasis on work only

Formal organisational structure gives importance to work only, it ignores human relations. No consideration is given to sentiments or social values.
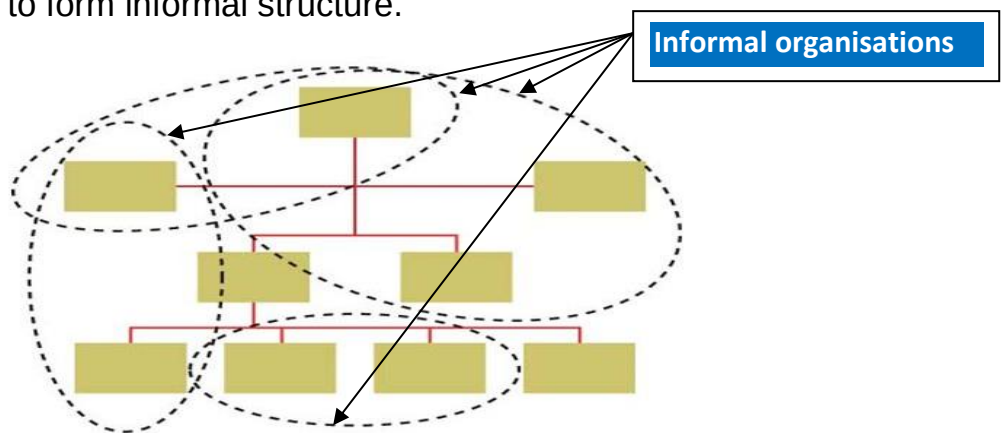
II.   Informal Organisation

Informal organisation is voluntary and independent organisation, developed automatically between individuals of a formal organisation to satisfy their social and human needs. It develops **within the formal organisation** as a result of the cultural and social needs of members. This organisation is formed informally between workers on the basis of friendship and common interest, which may or may not be work related.

For example, managers and subordinates taking part in cricket matches on Sundays or meeting in cafeteria for morning coffee.

Features of informal organisation

1. Informal organisation structure gets created automatically and is not deliberately created by management.
2. It is formed by employees to get psychological satisfaction.
3. Informal organisation does not have fixed line of communication.
4. Source of information cannot be known under informal structure as any person can communicate with anyone in the organisation
5. The relationship is based upon friendship and common interest.
6. The existence of informal organisational structure depends on the formal organisation structure because people working at different job positions interact with each other to form informal structure.

Informal organisations

Advantages of Informal Organisation

1. Fast Communication

Informal structure does not follow scalar chain so there can be faster spread of communication

2. Fulfils social needs

Informal organisation helps to fulfil social needs of the members. This enhances their job satisfaction.

3. Correct Feedback

Through informal structure the top-level managers can know the real feedback of employees on various policies and plans.

4. Complementary to formal organisation

It removes the weakness of formal organisation. It supports formal organisation in administration. Thus; it is complementary to formal organisation.

5. Meet the personal need

It is a social structure formed to meet personal needs of the members of the group. Such needs cannot be met by the formal structure.

1. Spread Rumours

Most of the information passed through informal structure is rumours or gossip which can mislead the employees.

2. More emphasis to individual interest

Informal organisation emphasises more on individual interests and satisfaction rather than organisational interests.

3. May bring negative results

If informal organisation opposes the policies and changes of management, then it becomes very difficult to implement them in organisation.

Informal organisation cannot be altogether eliminated from an organisation. The knowledge of such groups can be used to gather their support and consequently lead to improved organisational performance. Instead of opposing them, management should skilfully take advantage of both the formal and informal organisation so that work continues smoothly.

Formal Organisation Vs Informal Organisation

Basis	Formal Organisation	Informal Organisation
Formation	Deliberately planned and created by top management	It arises as a result of social interaction among employees
Purpose	To achieve predetermined goals of the organisation	To satisfy social and cultural needs and fulfil common interest.
Structure	It has a well-defined structure of jobs and relationships	Does not have a clear-cut structure
Flow of communication	Communication takes place through the 'Scalar chain'	Communication does not take place through a planned route, it can take place in any direction
Authority	Authority arises by virtue of position in management	Authority arises out of personal qualities
Nature	Rigid	Flexible

| Leadership | Managers are leaders | Leaders may or may not be managers. They are chosen by the group. |
| Behaviour | Standards of behaviour are laid down by rules | There is no set of behaviour pattern |

Delegation of authority

In every organisation, managers are assigned lot of work and manager alone cannot perform all the work. So, he must share his duties with subordinate managers. 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.

The delegation of authority works from a **higher level to lower level** and not vice versa. That means a boss can assign his work to his employees, but the employees can't give their work to their boss.

Delegation can be defined as "A process of entrusting responsibility and authority to the subordinates and creating accountability on those employees who are entrusted responsibility and authority".

Delegation does not mean abdication (handing over). The manager shall still be **accountable** for the performance of the assigned tasks..

Elements of Delegation

There are three elements of delegation:

1. Authority

2. Responsibility

3. Accountability

1. Authority

Authority means power to take decision. In formal organisation authority originates by virtue of an individual's position in an organisation. Authority is highest at the top level. Authority flows from **top to bottom**, i.e., the superior has authority over the subordinate. To carry on the responsibilities every employee needs to have some authority. Authority can be delegated. So, when managers passing some their responsibilities to the subordinates, they should also pass some of the authorities too. Authority determines the superior subordinate relationship.

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**. Responsibility cannot be fully delegated.

There must be parity with authority and responsibility. If authority granted is more than responsibility, it may lead to misuse of authority, and if responsibility assigned is more than authority it may make a person ineffective.

3. Accountability

Accountability implies being answerable for the final outcome/result. The subordinate is held accountable to superiors. The subordinate has to give explanations before his superiors, if any failure happened in the delegated job. Accountability arises from responsibility. **Accountability flows upwards**. Accountability cannot be delegated.

Note: It may be stated that authority is delegated, responsibility is accepted and accountability is imposed. Responsibility is derived from authority while accountability is from responsibility.

Elements of Delegation –A Comparison

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

1. Effective management

With the process of delegation, the managers can pass all their routine work to the subordinates and concentrate on important work. This would increase his effectiveness.

2. Motivation of employees

Delegation implies grant of authority to subordinates. So, they have a sense of recognition. They are motivated to work for higher performance.

3. Employee development

As a result of delegation, employees get opportunities to utilise their talent. It makes them better leaders and decision makers.

4. Helping the expansion of business

If the enterprise expands well trained, experienced and competent persons readily available to take up the positions. It will give advantages to the business.

5. Better co-ordination

Delegation enables managers and subordinates to establish relationship with each other. Clarity in reporting helps to develop and maintain effective coordination.

6. Basis of management hierarchy

Delegation of authority establishes superior subordinate relationships, which are the basis of hierarchy of management. This hierarchy determines who has to report to whom.

Centralisation and Decentralisation

I. Centralisation

Centralisation refers to concentration of authority at top level. An organisation is centralised when the decision the making authority is in the hands of top-level management only.

II. Decentralisation

Decentralisation refers to systematic **delegation of authority throughout all the levels** of management and in all the departments. An organisation is said to be decentralised when managers at middle and lower levels are given the authority to take decision and actions on matters relating their respective areas of work. Top management retains only

the authority for taking major decisions and also retain the authority for overall coordination and control of the organisation.

Importance of Decentralisation

1. Develop initiative among subordinates

Decentralisation helps to promote self-reliance and confidence amongst the subordinates. Decentralisation gives an opportunity to lower-level managers to take decisions.

2. Quick decision making

Decentralisation promotes quick decision making, as subordinates have enough authority to take decision without consulting with their superiors.

3. Relief to top management

Decentralisation permits the top executives to share his excessive workload with his subordinates. This helps the top management to utilise his valuable time on more important matters.

4. Facilitates growth

Decentralisation enables the managers at the lower level as well as the departmental heads to perform to their full potential and sense of healthy competition among the departments. It will contribute a lot to the development of the organisation.
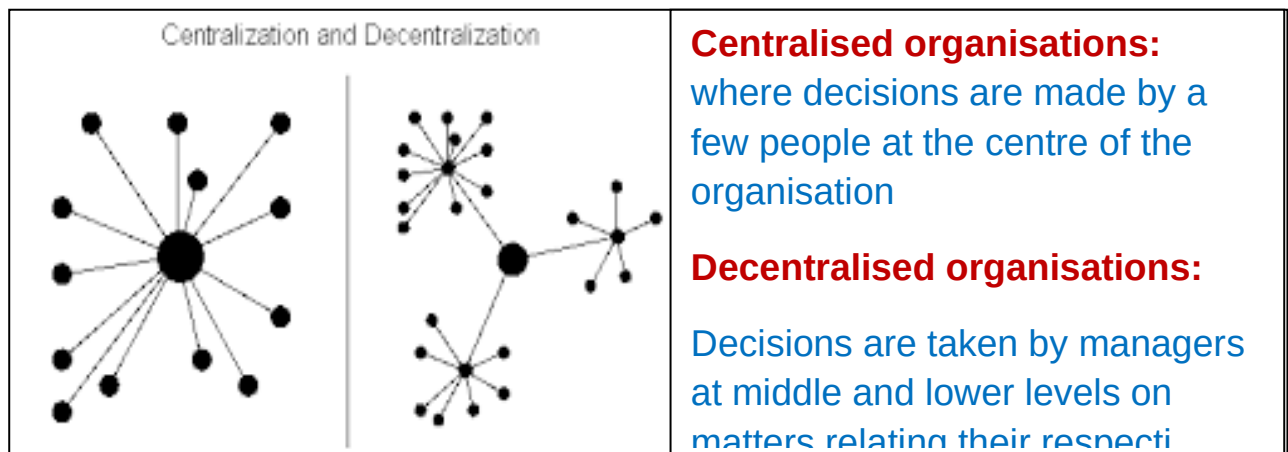
5. Democratic system

Decentralisation shares authority and responsibility between managers. It avoids concentration of power, which is a democratic approach towards management.

6. Better control

Decentralisation facilitates evaluation of performance at every level. Departments can be individually held accountable for their results.

Delegation Vs Decentralisation

Basis	Delegation	Decentralisation
Nature	Delegation is a compulsory because no individual can perform all tasks on his own	Decentralisation is optional, It is a policy decision.
Scope	It has narrow scope as it is limited to superior and his immediate subordinate	It has wider scope as it implies extension of delegation to the lowest level.
Purpose	To reduce the workload of the manager	To increase the role of the subordinates in the organisation giving them autonomy
Requirement	Yes, it is very necessary	No, it is an optional philosophy
Freedom of action	Very little freedom to the subordinates	Considerable freedom to the subordinates

Centralization and Decentralization

Centralised organisations:
where decisions are made by a few people at the centre of the organisation

Decentralised organisations:

Decisions are taken by managers at middle and lower levels on matters relating their respecti

1. The form of organization known for giving rise to romours is called---------
   Ans: Informal organization
2. The number of subordinates that can be effectively managed by a superior is called ----- Ans: **Span of management/ span of control**
3. " It is the right to give orders and power to exact obedience." This is called----.
   a. Authority, b. Responsibility c. Accountability. d. None of these. **Ans: a. Authority**
4. Granting authority to subordinatesto operate within the prescribed limit is called------
   a. Delegation b. Co-ordination c. Controlling d. Planning   **Ans: Delegation**
5. ------------- is the out come of the organisation process. **Ans: Organisation structure**
6. Which of the following doesn't follow the scalar chain ?
   a. Divisional structure .b. Functional structure. c. Formal organisation. d. Informal organisation. **Ans: Informal organisation.**
7. -----------organisation has no written rules and does not have fixed line of communication.
   a. Formal organization b. Informal organization c. None of the above
   Ans: Informal organisation
8. Grouping of activities on the basis of function is called.................. a. Functional organisation. b. Divisional organisation. c. Centralisation. d. Decentralisation.
   Ans: Functional organisation
9. **Span of control refers to:**
a. Number of managers
b. Period of appointment of managers
c. Number of subordinates under a manager
d. None of these   **Ans: Number of subordinates under a manager**
10. A tall organization structure has a ----------
    a. Wide span of management b. Narrow span of management c. No span of management **Ans: Narrow span of management**

11. To satisfy social, cultural needs and to fulfil common interests, people organize themselves. What is the technical term for this type of organization?

    Ans: Informal organisation

12. Briefly explain the term 'Organisationl structure' ? (3)

13. Explain the term 'functional structure' and 'divisional structure'? (6)

14. List out any two advantages of Functional structure of organization?

15. List out any two advantages of divisional structure of organization?

16. Distinguish between functional structure and divisional structure of organising (5)

17. Name any two elements of delegation? (2)

18. Mr. John is the principal of a higher secondary school. He decided to give some of his charges to vice-principal Mrs.Rose. Which function of management is used here? Explain (5 Score)

19. Explain by giving any 5 reasons why organising is considered as important function in an organisation?

20. What is a divisional structure? Discuss its advantages and disadvantages? (8)

21. What do you mean by informal organization. How far formal organization differ from informal organization? (6)

22. Decentralisation is extending delegation to the lowest level. Comment. Give any three differences between delegation of authority and decentralisation?   (6 Score)

23. Distinguish between centralisation and decentralisation?

24. Decentralisation is extending delegation to the lowest level. Comment.