

## Chapter 5

# Organising

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

Thus organizing means establishing a relationship between various factors of production and it is concerned with establishing relationships amongst jobs, sections, departments & positions.

‘Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships to enable people to work most effectively together in accomplishing objectives.’

### Steps Involved in the Process of Organizing:

- (a) **Identification and Division of Work:** It involves identification and division of total work to be done into specific activities (called jobs) under previously determined plans. By dividing the work, the burden of work can be shared among the employees. It facilitates specialization of work & skills. Duplication of work can be avoided by dividing the work into manageable activities.
- (b) **Departmentalization:** The second step in organizing is to combine or group similar or related jobs into larger units called departments, divisions, or sections. They can be grouped based on functions, products, customers, and territories, etc. Departmentalization is done to achieve coordination & to facilitate unity of efforts.
- (c) **Assignments of duties:** Once departments have been formed each of them is placed under the charge of an individual called departmental head (e.g., production manager, finance manager, etc.). Jobs are then allocated to the members of each department according to their skills and qualifications.
- (d) **Establishing Reporting Relationships:** Merely allocating work is not enough. Each individual should also know from whom he has to take orders and to whom he is accountable. It helps in coordination amongst various departments.

- **Importance of Organizing:**

- (a) **Benefits of specialization:** In organizing, every individual is assigned apart of total work and not the whole task. This division of work into smaller units and repetitive performance leads to specialization. Thus organizing promotes specialization which in turn leads to efficient & speedy performance of tasks.
- (b) **The clarity in working relationship:** It helps in creating well-defined jobs and also clarifying the limits of authority and responsibility of each job. The superior-subordinate relationship

is clearly defined in organizing.

- (c) **Effective Administration:** It provides a clear description of jobs and related duties which helps to avoid confusion and duplication. The clarity in working relationships enables the proper execution of work which results in ineffective administration.
- (d) **Optimum utilization of resources:** The proper assignment of jobs avoids overlapping/duplication of work. This helps in preventing confusion and minimizing the wastage of resources and efforts.
- (e) **Adoption to Change:** A properly designed organizational structure is flexible which facilitates adjustment to changes in workload caused by a change in external environment related to technology, products, resources, and markets.
- (f) **Development of Personnel:** Sound organization encourages initiative and relative thinking on part of the employees. When managers delegate their authority, it reduces their workload so they can focus on more important issues related to growth & innovation. This also develops the subordinates' ability and helps him to realize his full potential.
- (g) **Expansion and growth:** It helps in the growth & diversification of an enterprise by adding more job positions, departments, product lines, new geographical territories, etc.
- **Meaning of Organizational Structure:** It seeks to establish relations among all the persons working in the organization. Under the organizational structure, various posts are created to perform different activities for the attainment of the objectives of the enterprise. Relations among persons working on different posts are determined. The structure provides a basis or framework for managers and other employers for performing their functions. The organization structure can be defined as the framework within which managerial and operating tasks are performed.
- **The relation between Span of Management and Organization structure:** Span of management refers to the number of subordinates that can be effectively managed by a superior. The Span of management to a large extent gives shape to the organization structure. This determines the levels of management in the structure. A narrow span of management results in a tall structure whereas a wider span of management results in a flat structure.

- (a) **Functional Structure:** In a functional structure, activities are grouped and departments are created based on specific functions to be performed. For example, all the jobs related to production are grouped under the production department, sales departments, etc.



**Suitability:**

- (1) Large organizations producing one line of products.
- (2) Organizations that require a high degree of functional specialization with diversified activities.

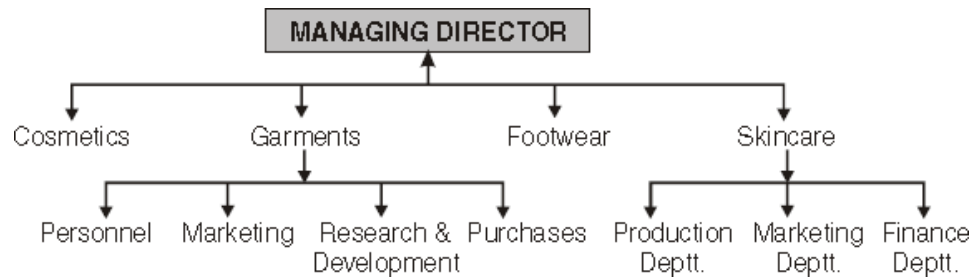
• **Advantage:**

- (a) **Specialization:** The better decision of labor takes place which results in the specialization of functions and its consequent benefits.
- (b) **Coordination is established:** All the persons working within a departmental are specialists in their respective jobs. It makes the co-ordination easier at the departmental level.
- (c) **Helps in increasing managerial efficiency:** Managers of one department are performing the same type of function again and again which makes them specialized and improves their efficiency.
- (d) **Minimizes cost:** It leads to minimizing duplication of effort which results in economies of scale and thus lowers cost.

• **Disadvantages:**

- (a) **Ignorance of organizational objectives:** Each departmental head works according to his wishes. They always give more weight to their departmental objectives. Hence overall organizational objectives suffer.
- (b) **Difficulty in Inter-departmental Coordination:** All departmental heads work as per their wishes which leads to coordination within the department easier but it makes inter-departmental coordination difficult.
- (c) **Hurdle incomplete development** – because each employee specializes only in a small part of the whole job.

- **Divisional Organization Structure:** Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics, etc.) is known as a divisional organization structure.



**Suitability:** This structure is suitable in organizations producing multi-product or different lines of products requiring product specialization. Also growing companies that intend to add more lines of products in the future adopt this structure.

**Advantages:**

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

**Disadvantages:**

- (a) **Conflicts** among different divisions on the allocation of resources.
  - (b) **The duplicity of Functions:** Entire set of functions is required for all divisions. It gives rise to the duplicity of efforts among divisions & increases cost.
  - (c) **Selfish Attitude:** Every division tries to display better performance and sometimes even at the cost of other divisions. This shows their selfish attitude.
- **Formal Organization:** This structure is designed by the management to achieve organizational goals in which the responsibilities, authority, and mutual relationships among all the employees working in an enterprise are clearly defined. It can be functional or divisional.

**Features:**

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

**Advantages:**

1. Easier to fix responsibility since mutual relationships are clearly defined.

2. No overlapping of work – because things move according to a definite plan.
3. Unity of command through an established chain of command.
4. Easy to achieve objectives - because of coordination and optimum use of human and material resources.
5. Stability in the organization – because the behavior of employees can be fairly predicted since there are specific rules to guide them.

**Disadvantages:**

1. Work is based on rules which causes unnecessary delays.
  2. **Lack of initiative:** The employees have to do what they are told to do and they have no opportunity of thinking.
  3. **Limited in scope:** It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work.
- **Informal Organization:** An informal organization is that organization that is not established deliberately but comes into existence because of common interests, tastes, and religious and communal relations. The main purpose of this organization, the structure is to get psychological satisfaction. For example, employees with similar interests in sports, films, religion, etc. may form their informal groups.

**Features:**

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

**Advantages:**

1. **Speed:** Prescribed lines of communication are not followed which leads to a faster spread of information.
2. **Fulfillment of social needs** – enhances job satisfaction which gives them a sense of belongingness in the organization.
3. **Quick solution of the problems** – because the subordinates can speak without hesitation before the officers, it helps the officers to understand the problems of their subordinates.

**Disadvantages:**

1. **It creates rumors:** All the persons in an informal organization talk careless and sometimes a wrong thing is conveyed to the other persons.
2. It resists change and lays stress on adopting the old techniques.
3. **Priority to group interests:** Pressurizes members to conform to group expectations.

### Difference between Formal Informal Organization

Basis	Formal	Informal
	It refers to the structure of well-defined authority and responsibility.	It refers to the network of social relationships that develop automatically.
2. Nature	Rigid and stable	
3. Authority	Arises by virtues of positions in management.	Arises out of personal qualities.
4. Adherence to rules	Violations of rules may lead to penalties and punishments.	No such penalties and punishments.
5. Flow to Communication	Takes place through the scalar chain.	Not through a planned route, it can take place in any direction.
6. Purpose	To achieve planned organizational objectives.	To satisfy social and cultural needs and fulfill common interests.
7. Formation/ origin	Deliberately planned and created by management.	Emerges spontaneously as a result of social interaction among employees.
8. Structure	Well defined structure of tasks and relationships.	No clear cut structure because of a complex network of relationships.
9. Flow of Authority	Authority flows from top to bottom i.e. downwards.	Authority flows vertically as well as horizontally.
10. Interdependence		Depends on formal structure.

- **Delegation of Authority:**

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

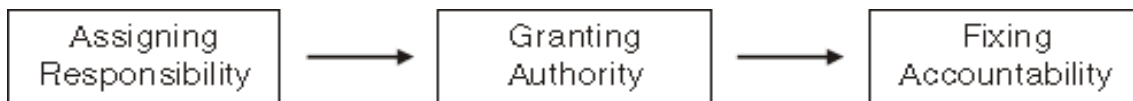
**Process/Elements of Delegation:**

1. **Authority:** The power of taking decisions to guide the activities of others. Authority is that power which influences the conduct of others.
2. **Responsibility:** A subordinate must properly perform the assigned duty. When superior issues orders, it becomes the responsibility of the subordinate to carry it out.
3. **Accountability:** When a superior assign some work to a subordinate, he is answerable to his



superior for its success or failure.

- Principle of Absoluteness of Accountability:** Authority can be delegated but responsibility/accountability cannot be delegated by a manager. The authority granted to a subordinate can be taken back and re-delegated to another person. The manager cannot escape from the responsibility for any default or mistake on the part of his subordinates. For example, If the chief executive asks the marketing manager to achieve a sales target of sales of 100 units/day. The marketing manager delegates this task to the deputy sales manager, who fails to achieve the target. Then the marketing manager will be answerable for the work performance of his subordinates. Thus, accountability is always the person who delegates authority.



- Process of Delegation of Authority:**  
**Difference between Authority, Responsibility, and Accountability**

Basis	Authority	Responsibility	Accountability
	Right to command	Obligation to perform an assigned task.	Accountability for the outcome of the assigned task.

2. Origin	Arises from formal position.	Arises from delegated authority.	Arises from responsibility.
3. Flow	Downward from superior to subordinate.	Upward from subordinate to superior.	Upward from subordinate to superior.
4. Withdrawal	Can be withdrawn anytime by giving notice.	Cannot be withdrawn once created.	Cannot be withdrawn once created.

- **Importance of the Delegation of Authority:**

1. **Reduction of Executives workload:** It reduces the workload of officers. They can thus utilize their time in more important and creative works instead of works of daily routine.
  2. **Employee development:** Employees get more opportunities to utilize their talent which allows them to develop those skills which will enable them to perform complex tasks.
  3. **Quick and better decisions are possible:** The subordinates are granted sufficient authority so they need not go to their superiors for taking decisions concerning the routine matters.
  4. **High Morale of subordinates:** Because of the delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.
  5. **Better coordination:** The elements of delegation – authority, responsibility, and accountability help to define the powers, duties, and answerability related to various job positions which result in developing and maintaining effective coordination.
- **Decentralization:** It is defined as an even and systematic distribution of authority at every level and all departments of management. Under this, the authority is transferred to the level where it is to be exercised, so the number of centers for taking decisions increases. It should be noted that ‘Decentralization’ is an extension of delegation.
  - **Centralization and Decentralization:** represent the pattern of authority among managers at different levels. Centralization of authority means the concentration of power of decision making in a few hands. In such an organization very little authority is delegated to managers at middle and lower levels. No organization can be completely centralized or decentralized. They exist together and there is a need for a balance between the two. As the organization grows in size, there is a tendency to move towards decentralization. Thus, every organization is characterized by both.

- **Importance of Decentralization:**

1. **Develops initiative amongst subordinates:** It helps to promote confidence because the subordinates are given the freedom to make their own decisions.
2. **Quick and better decisions:** The burden of managerial decisions does not lie in the hands of few individuals but gets divided among various persons which helps them to take better and quick decisions.
3. **Relieves the top executives from excess workload:** The daily managerial works are assigned to the subordinates which leave enough time with the superiors which they can utilize in developing new strategies.
4. **Managerial Development:** It means giving authority to the subordinates up to the lower



level to make decisions regarding their work. In this way, the opportunity to take decisions helps in the development of the organization.

5. **Better Control:** It makes it possible to evaluate performance at each level which results in complete control over all the activities.

#### Difference between – Delegation and Decentralization

Basis		
1. Nature	It is a compulsory act.	
2. Freedom of action	Less freedom to take decisions due to more control by the superiors.	More freedom of action due to less control by the top management.
3. Status	It is a process of sharing tasks and authority.	It is the result of policy decisions taken by top management.
4. Scope	Narrow as it is confined to a superior and his immediate and subordinate.	Wide It includes an extension of delegation to all levels of management.
5. Purpose	To reduce the burden of the manager.	To increase the role and the autonomy of a lower level of management.