

## 5. ORGANIZING

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Organization means a system with parts which work together, or system with parts dependent upon each other. According to Louis Allen, organization is a process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

### **Nature or Characteristics of an Organization**

#### **1. Division of Labour**

It is the root of any organization structure. In order to improve the efficiency of any organization, the total efforts of persons who joined together for common purpose have to be divided into different functions. These functions are further divided into sub-functions each to be performed by different persons. After the division of the total effort into functions and sub-functions, the next step is to group the activities on the basis of similarity of work. For example, in a manufacturing enterprise, its total activities may be divided and grouped under a) Production, b) Marketing, c) Finance and d) Personnel. Even within each of these groups or departments, one or more sub-departments or sections may be created to look after particular activities.

#### **2. Co-ordination**

An organization has to adopt suitable methods to ensure proper co-ordination of the different activities perform at various work spots. This implies that there must be proper relationship between: a) an employee and his work, b) one employee and another and c) one department or sub-department and another.

### 3. Objectives

Objectives of a business cannot be accomplished without an organization; similarly an organization cannot exist for long without objectives and goals.

### 4. Authority - Responsibility Structure

For successful management, positions of personnel are so ranked that each of them is subordinates to the one above it, and superior to the one below it. Management authority may be defined as the right to act, or to direct the actions of others.

### 5. Communication

For successful management, effective communication is vital because management is concerned with working with others, and unless there is proper understanding between people, it cannot be effective. The channels of communication may be formal, informal, downward, and upward to horizontal.

### Process of Organization

The important steps in organization process are as follows:

#### 1. Determining the Activities to be performed

The first step in this process is to divide the total effort into a number of functions and sub-function each to be performed, preferably, by a single individual or a group of individuals. Thus, specialization is a guiding principle in the division of activities.

#### 2. Assignment of Responsibilities

It involves selection of suitable persons to take charge of activities to be performed at each work point. Also, the tasks to be performed by each member or group should be clearly defined.

#### 3. Delegation of Authority

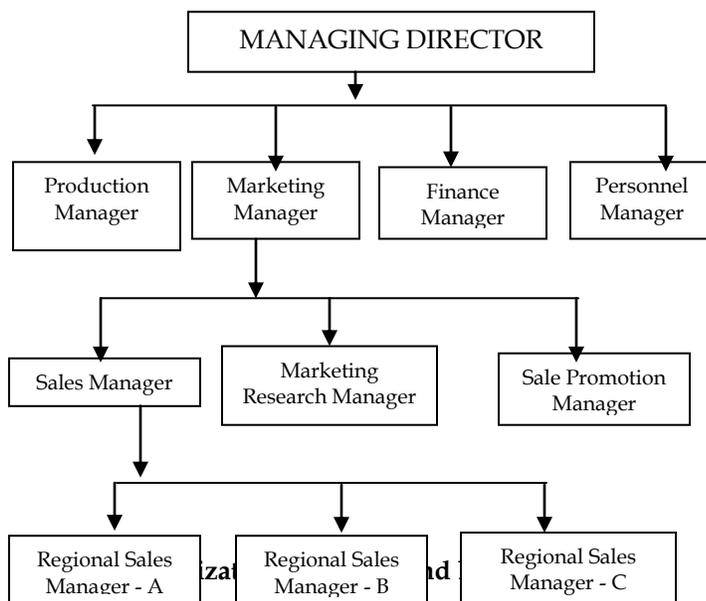
Along with the assignment of duties, there should be proper delegation of authority. It would be unrealistic to expect an individual to perform his job well if he lacks the authority to secure performance from his subordinates.

#### 4. Selecting Right Men for Right Jobs

Before assigning a particular task to an individual, his technical competence, interests, and aptitude for the job should be tested. If the individual concerned lacks the technical ability to do his job, he can not perform it to the best of his ability.

#### 5. Providing Right Environment

It involves provision of physical means like machines, furniture, stationery etc. and generation of right atmosphere in which employees can perform their respective tasks.



## Key Elements of Organization Process

The following may be said to be the key elements in the process of organization.

1) Departmentation, 2) Delegation and 3) Decentralization.

### 1. Departmentation

Departmentation implies the grouping of various activities on the basis of their similarity, into separate units. Departmentation of the enterprise activities can be done by:

a) **Functions:** production, sales, finance and personnel departments can be created.

b) **Production:** For each product or group of products, a separate department is created.

c) **Territory:** For each geographical division or territory, a separate department is created.

d) **Customer:** Departmentation by customer is followed to look after the sales function where, in the interest of efficiency and economy, special attention needs to be given to different customers.

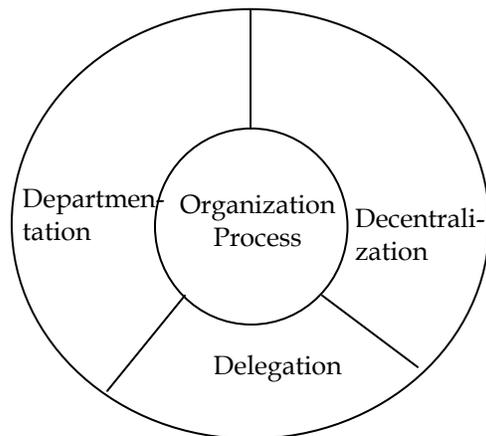


Fig. 5.2. Key Elements of Organization Process

e) **Number:** In case departmentation by numbers, activities are grouped on the basis of their performance by a certain number of persons, whereas under departmentation by time, activities are grouped on the basis of the time of their performance.

### 2. Delegation

The delegation has three important features, namely,

a) Assignment of duties and responsibilities.

b) Delegation of authority to perform the assigned duties and responsibilities.

c) Accountability.

### 3. Decentralization

Decentralization is the opposite of centralization. Under centralization, the decision-making authority is vested in the hands of one or a few individuals.

Decentralization refers to dispersal of decision-making authority. It means that decisions are to be made by persons and at places away from the centre.

Decentralization may take the form of: a) departmentation or divisionalisation of enterprise activities; b) dispersal of decision-making powers among executives at various levels.

## Importance of Organization

### 1. Efficiency in Management

Planning, direction and control can have meaning only when these functions are undertaken within the frame work of a properly designed and balanced organization. Organization is an effective instrument for realizing the objectives of an enterprise.

### 2. Instrument of All Round Development

A balanced organization helps an enterprise to grow and enter new lines of business. It can achieve the necessary momentum and adaptability to meet the various challenges posed by the environmental forces.

### 3. Adoption of New Technology

In a rapidly advancing world, changes are bound to take place in the techniques of production, distribution and man-power management. An effective management can foresee such changes in environment which will involve rescheduling of activities as a new approach to delegation of authority and responsibility.

### 4. Aid to Initiative

For an organization to continue to remain effective, it is necessary that it encourages initiative among its staff. Then alone, it can discover talents and creativity among its employees.

## Principles of Organization

The structure of the organization should be designed such that it achieves the stated goals. The basic principles of an organization are:

### 1. Objectives

The objectives of an organization are decisive in the determination of its structure. Does it plan to produce a single product to begin with, and then go on adding to its product-line as the financial resources permit? Does it want to produce quality product? Does it plan to retain customer goodwill by providing after sales services? All these questions will influence the organization structure.

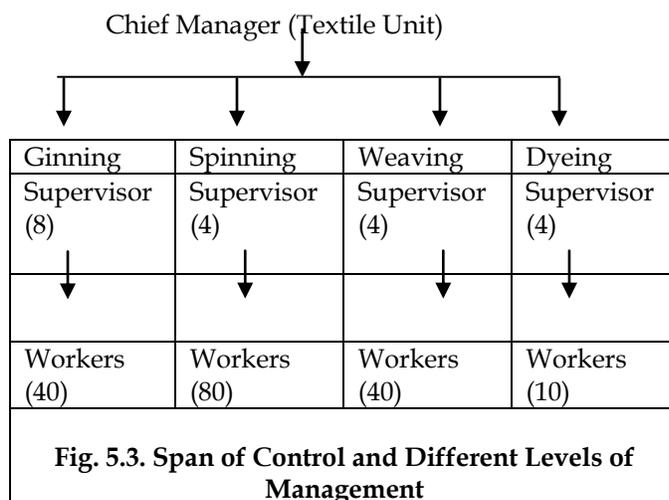
### 2. Unity of Command

The unity of command stipulates that each is responsible to only one superior. If a subordinate is made to follow the orders from more than one boss, he will be in a perpetual dilemma and not know whose orders should be carried out first, how to allocate his time between different bosses, so as to satisfy them all and displease none, and what to do in case of conflicting orders.

### 3. Span of Control

The span of control refers to the number of subordinate managers reporting to a single senior manager stationed above them in the management pyramid. The span of control should be legitimate (neither too wide nor too narrow) without split in the line of control.

The optimum span must be determined for each enterprise taking into account all the variables - organizational and human - the nature of enterprise, its traditions, tasks and ambitions. The span of control will differ from level to level; the optimum span should be determined individually for the different levels of management.



However, there is no consensus on how many reporting subordinates is the best number for next senior who takes the report. According to Gillmore, in the case of most organizations, there should be no more than six levels of management, including that of the chief executive.

#### **4. Scalar pattern**

This principle is sometimes, known as the chain of command. The line of authority from the chief executive at the top to the first line supervisor at the bottom must be clearly defined. The authority chain travels down the scalar line. Each position or level in the chain of command (authority) reports to the next superior and the process is repeated till the top is reached. Each such position enjoys formal authority depending upon the

- i) position in the scalar chain and
- ii) status of centralization or decentralization in the organization.

#### **5. Clear Definition of Authority and Responsibility**

Authority may be defined as the power to make decisions which guide the actions of another. Responsibility is the obligation of a subordinates to whom a superior has assigned a task, to perform the service as required. Duty or responsibility may be in terms of functions, or in terms of targets or goals. The authority and responsibility of each manager should be clearly defined in writing such that he knows what is expected of him and the limits of his authority to get it done.

#### **6. Balance between Authority and Responsibility**

If any responsibility assigned to a manager is not matched by the authority delegated to him, he will not be able to get the desired performance from his subordinates.

#### **7. Absolute Responsibility of Managers for Acts of Subordinates**

While authority can be delegated, responsibility is not. The manager continues to be as responsible as the subordinates concerned for what the latter has done, or failed to do.

#### **8. Power**

It is the ability of a person to influence another person to perform an act. There are five types of power: reward, coercion, reference, expertise, and legitimacy.

The difference between authority and power are given below:

<b>Authority</b>	<b>Power</b>
1. It rests on the chain (or position). With the change in the position, the authority of individual also changes.	It rests on the individual. Even if his position has changed, his power remains unchanged.
2. It is delegated to an individual by his supervisor.	It is earned by an individual through his own efforts. The individual gets it from people below him or from his peers.
3. It is mostly well defined ,conspicuous (shown on the organization chart) and finite in commensurate with responsibility.	It is undefined, inconspicuous and infinite. Its location cannot be known from the formal organization chart.
4. It is what exists in the eye of the law.	It is what exists intact.
5.It serves as a basis of formal organization	It serves as basis of informal organization.

#### **9. Accountability**

The subordinate is accountable for his actions and omissions. The accountability improves his responsibility and there by his performance. Every position in the organization structure should be assigned specific tasks, as also individuals or groups who are accountable for the accomplishment of those tasks. Care should be taken to see that people who are accountable for the performance of the given tasks have the required ability and information to carry out those tasks.

### **10. Delegation**

The three elements i.e., assignments of duties, delegation of authority and accountability for the performance of duties and responsibilities and exercise of authority are together termed as delegation. The entire process of delegation involves the determination of results expected, the assignment of tasks, the delegation of authority for accomplishment of these tasks, and the exaction of responsibility of their accomplishment.

Decentralization is a pattern of responsibility arising from delegation.

### **Distinction between Delegation and Decentralization**

<b>Delegation</b>	<b>Decentralization</b>
1. It is an act, or a process	It is the end-result of delegation and dispersal of authority at various levels.
2. It refers to relationship between two individuals i.e., a superior and his immediate subordinates.	It refers to relationship between the top management and various departments and division in the enterprise.

### **11. Job Range and Depth**

The job range refers to the manageable size of the work while the depth refers to the extent of the job rectification or perfection.

**Job Range:** A weaving master can manage, for example, 10 weaving units.

**Job Depth:** Day to day rectification of mechanical failure, major trouble in weaving machine has to be attended by the mechanical/textile manager.

### **12. Specialization**

Specialization is acquired when a person (or a department or division) devotes his time to the performance of single leading operation. It is the key to efficiency and effectiveness. Specialization is concerned with delegation of authority horizontally rather than vertically.

### **13. Distinction between Line and Staff Functions**

Line functions are concerned with the accomplishment of the main objectives of the organization. In a manufacturing unit, for example, production and sales are the line functions which are basic to the organization. As against this, staff functions are those which are of an advisory nature and auxiliary to the line functions. Departments concerned with purchases, advertising, public relations, legal services only provide advice and aid to the line departments.

Staff personnel do not generally have authority to implement any change. They only offer advice or recommendation which may not be accepted by the line personnel.

### **14. Flexibility**

Flexibility in the organization structure is necessary to enable it to adjust and adapt itself to any change in its environment, e.g., conditions of booms, depression, political instability etc.

### **15. Simplicity**

The organization structure should be simple i.e., with as few levels of authority as possible, such that there is free communication between persons operating at different levels, thus making for effective co-ordination.

### **Patterns in Organization Structure**

The organization structure is determined by the nature and size of an enterprise. The pattern of organization structures commonly to be found is:

- i) Line organization
- ii) Functional organization
- iii) Line and Staff organization
- iv) Project organization
- v) Committee organization
- vi) Free-form organization

#### **i) Line organization**

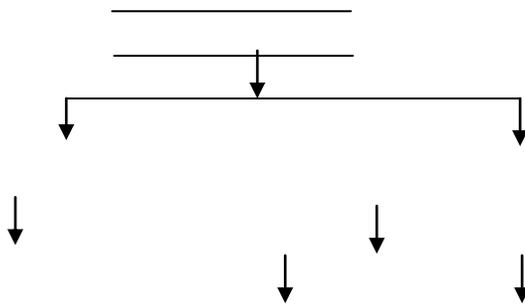
Under this, the persons having the greater decision-making authority are placed at the top, and those having the least decision-making authority are at the bottom. In between, there are other levels of management, such as intermediate and supervisory. The superior at each level makes decisions within the scope of the authority delegated to him by his boss. He communicates his decisions and orders to his subordinates.

#### **ii) Functional Organization**

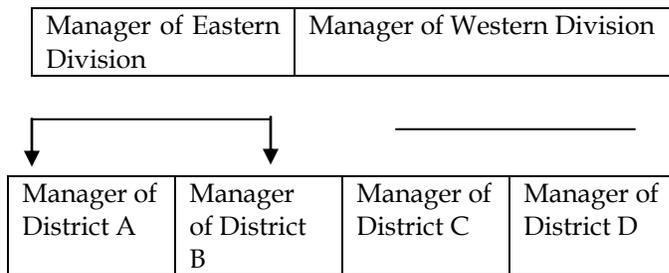
A functional organization is one where the work is organized on the basis of specialization. Each specialist conveys his instruction direct to the line personnel, rather than through a formal chain of command. Functional organization improves specialization and thereby the efficiency.

#### **iii) Line and Staff organization**

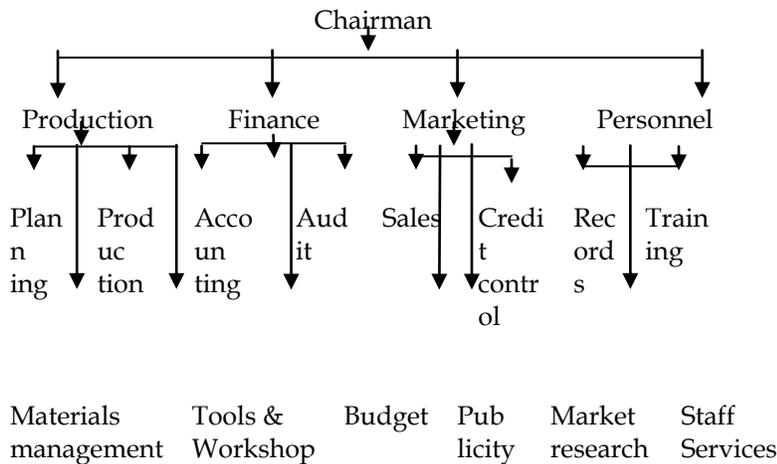
A line and staff organization is one where specialist advisers, in the role of functional managers, assist the line managers in the performance of their duties. In a firm engaged in the production of textiles, the production manager (in-charge of production) the marketing manager (in-charge of sales) and the finance control (in-charge of financial matters) may be treated as line executives, and their department is called Line Department.



## General Manager



**Fig.5 .4. Line Organization**



**Fig. 5.5 Functional Organization**

Line executives have direct control over the subordinates under them. Staff executives have no such authority. They are only meant to aid and advise the line managers at the same level.

### iv) Project Organization

It is set up with the objective of overcoming the major weaknesses of the functional organization, namely, absence of unity of command, delay in decision-making, and lack of co-ordination.

In a project organization a division or department charged with completion of a specific programme may exist for a relatively long time. A project organization can also be the beginning of an organization. The project may become a long-term or permanent effort that eventually becomes a programme (or branch) organization. The latter may in turn become separated from the parent organization and be established as a full-fledged product division functionally organized.

### v) Committee Organization

A committee means a group of persons formed for a special purpose. Committees are of the following types.

**a) Standing or ad-hoc Committee:** Standing Committee is a permanent one which is routinely chaired by the incumbent

Ad-hock committee is a temporary special purpose committee which is appointed to deal with specific problem.

**b) Executive or Advisory Committee:** An executive committee has the responsibility of making and executing its decisions. An advisory committee only examines a specific problem and gives its recommendations.

**vi) Free-form Organization**

A free-form organization is similar to project organization and it is adhoc-in nature.

The job in free form organization cannot be defined with certainty. Specific tasks are assigned to persons considering their expertise and competence.

**Horizontal Integration of Firms**

The firms producing similar or identical products come together so that their collective bargaining power increases.

Milk producers, vegetable growers, oil seed growers and so on can form union to have more bargaining powers. In this type, the middlemen are avoided, consumers are not exploited and the marketing cost is reduced so that the producers can get major share in the consumer's rupee.

**Vertical Integration of Firms**

The various firms which are engaged in processing the products at different levels can be merged. A single firm may be engaged in more than one process. The marketing channel can be shortened by eliminating or reducing the number of middlemen. Both producers and consumers can be benefited as the marketing cost is reduced (A firm combines activities of different levels in the marketing channel).

Co-operative Milk Producer's Union.

Tamil Nadu Co-operative Oil Seed Growers Federation (TANCO).

**Conglomeration of business**

The different firms join together (conglomerate) and try to fix the price and output for their own benefit. In this, horizontal or vertical integration or both may take place.