

ORGANIZING

Organising is the process of identifying and grouping various activities and bringing together physical, financial and human resources and establishing productive relations among them for the achievement of specific goals.

Steps in the process of organizing

- 1. Identification and Division of Work** – It means dividing total work into specific activities, these activities are then grouped into jobs and assigned to different individuals or departments. This brings specialization and productivity.
- 2. Departmentalization** – In this 2nd step, combine similar or related jobs into larger units called departments. This grouping of activities called departmentalization. E.g. manufacturing department, marketing department etc.
- 3. Assignment of duties** – After forming departments each employee should be placed in their respective positions under a manager and allocate them the duties based on their skill and knowledge.
- 4. Establishing reporting relationship** – Various positions in the organization are arranged in a hierarchy with a clear definition of authority and responsibility. Each employee should know from whom he has to take orders and to whom he is accountable. This will facilitate the smooth functioning of the enterprise.

Importance of Organizing

- 1. Benefits of Specialization** – Organizing helps to increase productivity and efficiency due to specialization because it involves division of labour.
- 2. Clarity in working relation** – Organization structure allocates authority and responsibility. It specifies who is to direct whom. It minimizes conflicts and confusion about the respective powers and privileges of managers.
- 3. Optimum utilization of resources** – Organizing helps to avoid duplication of work because specific jobs are assigned to individuals and departments, which leads to optimum utilization of resources.
- 4. Adaptation to change** – A sound organization facilitates adjustments to changes due to changing conditions in the external environment with respect to technology, markets, products etc.
- 5. Effective administration** – Clarity in authority – responsibility relationships, assignment of duties etc. enables the management to effectively administer the activities in the organization.
- 6. Development of Personnel** – Organizing provides creativity among managers. Through delegation of authority, superiors can be engaged in exceptional matters and the lower level managers get an opportunity to develop.
- 7. Expansion and growth** – Organizing helps in the growth and expansion of an enterprise by bringing an order for everything instead of chaos, removes conflict among people over work and creates a suitable environment for team work.

Organization Structure

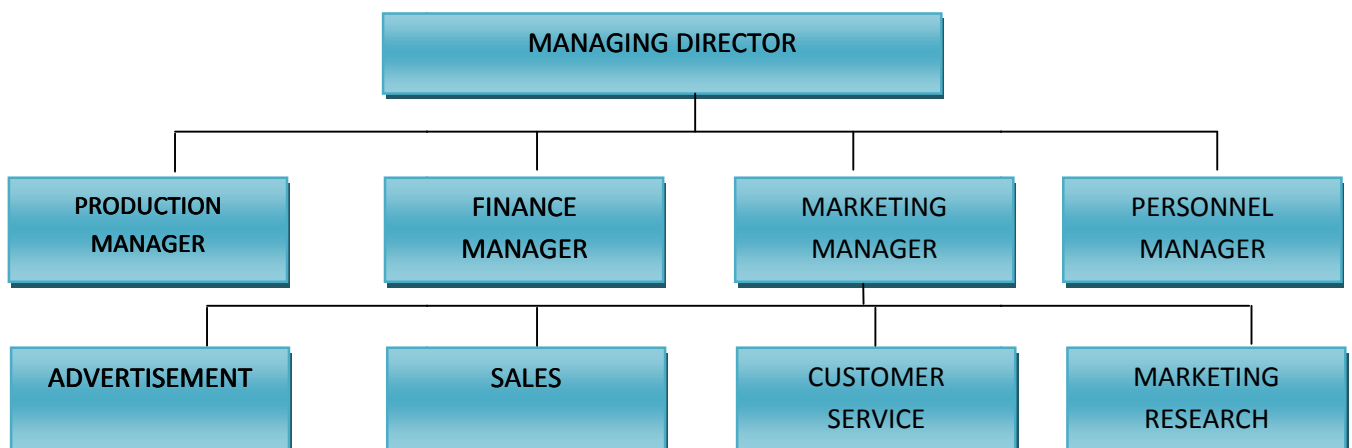
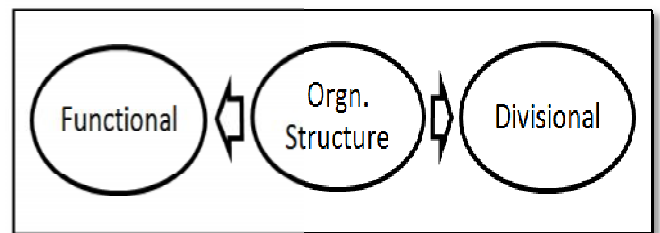
Organization structure is the established pattern of relationships among various parts of the enterprise. It states the relationship among various positions and activities. The structure provides a framework for managers and employees for performing their functions.

The span of management, to a large extent gives shape to the organizational structure. Span of management refers to the number of subordinates that can be effectively managed by a superior. This determines the levels of management in the structure.

A proper organization structure is essential to ensure a smooth flow of communication and better control over the operations of a business enterprise.

Types of Organization Structure

- 1. Functional Structure** – This organization structure is **formed on the basis of different functions** or work to be done in the enterprise. For example, Production, Marketing, Finance, Human Resource etc.



Advantages

- 1) Specialization** – In this structure, employees perform the same work repeatedly which will lead to specialization and high performance.
- 2) Better control and coordination** – Since the tasks in a department are similar, this kind of structure promotes better control.
- 3) Increased profit** – Increased managerial and operational efficiency leads to high profit.
- 4) Cost reduction** – This structure helps to minimize the duplication of work, so that cost of production can be reduced.
- 5) Training becomes easier** – As focus is only on a specific function, it makes training of employees very easier.
- 6) Due attention** – It ensures due attention to different functions.

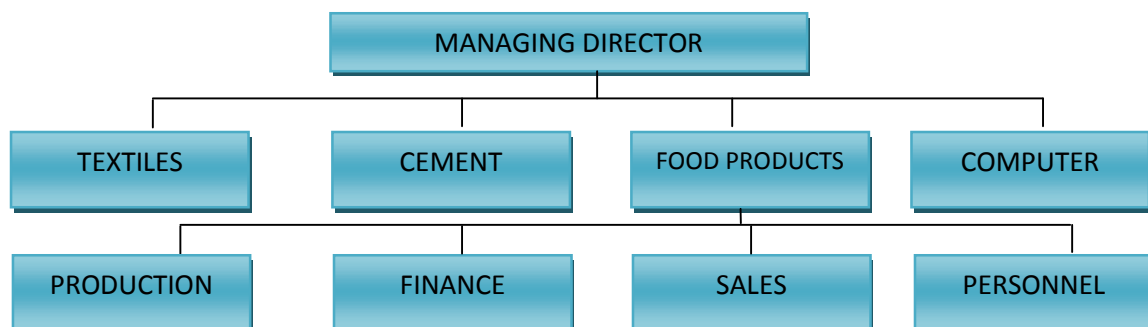
Disadvantages

- 1) **Less importance to organizational interest** – This structure gives more emphasis to functional heads or departments. So that only a least importance may be given to the overall objectives of the organization.
- 2) **Coordination problem** – Coordination is quite difficult in this structure, as the information may be passed among various departments.
- 3) **Interdepartmental conflicts** – There may be conflict between two or more departments. E.g., Production department insisting on increase in production may cause difficulties for purchase department to procure materials in time.
- 4) **Inflexibility in promotion** – Functional heads may not get training for top management positions, hence they may not be promoted.

Suitability – Functional Structure is suitable in the following cases:

- a) When the size of organization is large.
- b) Where there are diversified activities.
- c) Where a high degree of specialization is required.

2. **Divisional Structure** – It is suitable for large organizations having different products or having business in different areas.



Advantages

- 1) **Skill development** – Product specialization helps in the development of various skills of the divisional head which makes him suitable for higher positions.
- 2) **Fixation of responsibility** – Divisional head can be made responsible for profit from his product or area.
- 3) **Quick decisions** – Each division functions as an autonomous body, quick decisions can be taken.
- 4) **Expansion and growth** – New divisions can be added without any disturbance to the existing ones.

Disadvantages

- 1) **Conflicts among divisions** – Allocation of funds to various divisions is a problem.
- 2) **Increased cost** – Each division is having similar functions, e.g., production, finance, marketing etc. This leads to duplication of activities.
- 3) **Independent authority is harmful** – The divisional manager is independent, so that he can do as he likes.

Suitability – Divisional structure is suitable to:

1. Where a large variety of products are manufactured.
2. Where an organization works in various parts of the country.
3. Where an organization grows and requires more departments.

Comparison – Functional and Divisional Structure

Basis	Functional	Divisional
1. Formation	Based on functions	Based on product lines
2. Specialization	Based on functions	Based on products
3. Responsibility	Difficult to fix on department	Easy to fix on a department
4. Managerial development	Difficult	Easy
5. Cost	Economical	Increase in cost
6. Coordination	Difficult for a multi product orgn.	Easy for a multi product orgn.

Formal and informal organization

1. **Formal Organization** – It refers to the structure of relationships deliberately designed by the top management to attain the objectives. Here the responsibility, authority etc. will be specified. Every subordinate is expected to obey his superior in the formal chain of command.

“An organization is formal when the activities of two or more persons are consciously coordinated towards a common objective.” – Chester Bernard

Features

- a) **Superior Subordinate relationship** – It is well defined in a formal organization and it clarifies as to who has to report to whom.
- b) **Rules and procedures** – It lays down rules and procedures to attain the objectives.
- c) **Deliberately created** – by the top management to facilitate smooth functioning of the organization.
- d) **Coordination is possible** – Efforts of different departments are coordinated.
- e) **Emphasis on work** – It gives priority to the work rather than the individuals.

Advantages

- a) **Easy to fix responsibility** – as the superior subordinate relationship is clearly defined.
- b) **Avoidance of duplication of work** – Since the role of each individual is clearly specified, there is no chance for duplication.
- c) **Unity of command** – Communication through the chain of command ensures unity of command.
- d) **Accomplishment of goals** – In a formal organization, there is a framework for the job to be performed by each employee and it ensures the attainments of goals.
- e) **Stability** – Specific rules, behavior of employees etc. provides stability to the organization.

Disadvantages

- a) **Procedural delays** – it is because the communication is passed through the official chain of command.
- b) **No creativity** – Employees cannot deviate from the rules and procedures laid down by the top management, hence there no chance for creativity.
- c) **More emphasis on structure and work** – It gives importance only to the job but not for human relations.

2. **Informal Organization** – Informal organization structure is developed within the formal organization spontaneously. *The network of personal and social relationships on the basis of friendship and common interest is called informal organization.*

Features

- a) It originates from within the formal organization as a result of **personal interaction** among employees.
- b) No official **rules and regulations**.
- c) Independent **channel of communication** without specified direction.
- d) It emerges **spontaneously**.
- e) No definite **structure**.

Advantages

- a) **Speedy communication** is possible as there is no official chain of command.
- b) It fulfills **social needs** and provides **job satisfaction** for employees.
- c) **Supports formal organization** – For instance, the reaction of employees towards plans and policies can be tested through informal organization.



www.rrvgirls.com

Disadvantages

- a) Since there is no prescribed line of communication, **false news** may be spread and its responsibility cannot be fixed on a particular person.
- b) If the informal group is strong, they may oppose the plans of top management, which will lead to **delay in growth** of the business.
- c) It gives priority to personal interest rather than organizational interest, which will be **harmful to the organization**.

Differences between formal and informal organization

Basis	Formal Organization	Informal Organization
1. Formation	Relationship is well planned and created deliberately	Originates spontaneously as a result of social interaction
2. Purpose	Created to achieve predetermined objectives	To satisfy social and cultural needs of the employees
3. Structure	Well defined authority and responsibility	Based on human emotions and sentiments
4. Behavior of members	Prescribed pattern for behavior of members	Social norms are developed through mutual consent of members
5. Communication	Through official lines	Based on convenience

6. Leadership	Managers are the leaders by their position in the organization	Leaders are chosen by the group of members
7. Stability	Usually stable	Life of informal group is generally short. It may be dissolved if some members leave it.
8. Flexibility	It follows a rigid structure of relationship	Loosely structured and highly flexible in nature
9. Adherence to rules	Strict adherence to rules	No formal rules exist
10. Interdependence	It exists independently	Exists within the framework of formal organization

Delegation of Authority

Delegation means assigning work to others and giving them authority to do it. In other words, *it is the downward transfer of authority from a superior to the subordinate*. It enables the managers to distribute their workload to others.

Elements of Delegation

- 1. Authority** – Authority means the right of an individual to command his subordinates and to take action within the limits of his position.
- 2. Responsibility** – It means the obligation of a subordinate to perform the duties assigned. It always moves upwards and it cannot be delegated. The authority granted must be in parity with the responsibility otherwise delegation of authority will become ineffective.
- 3. Accountability** – Accountability means answerability for the final outcome of the assigned task. It cannot be delegated and flows upwards. Here a subordinate is accountable to his superior for his performance and at the same time the superior would still be accountable for the outcome.

Authority is delegated – Responsibility is assumed or accepted – Accountability is imposed.

Responsibility is derived from authority while accountability is from responsibility.

A comparative study on the elements of delegation

Basis	Authority	Responsibility	Accountability
Meaning	Right to command	Obligation to perform assigned duty	Answerability for outcome of the assigned task
Delegation	Can be delegated	Cannot be delegated	Cannot be delegated
Comes from	Formal position	Delegated authority	Responsibility
Flow	Downward	Upward	Upward

Importance of Delegation

- 1. Effective management** – By entrusting the tasks with subordinates, top executives are able to concentrate on important matters.
- 2. Employee development** – Through delegation, subordinates get tremendous opportunities to utilize their talents, which will lead to their ultimate development.

3. **Motivation of employees** – Delegation motivates the subordinates to improve their performance.
4. **Facilitates growth** – Delegation enables workforce to assume more responsibilities and take up leading positions, thus it helps the growth and expansion of the organization.
5. Delegation strictly follows the **Managerial Hierarchy**.
6. **Better coordination** - Delegation ensures proper reporting, which will help to coordinate the activities of different employees and departments.

Decentralization

Decentralization refers to the systematic dispersal of authority to the lower levels of organization. An organization is said to be decentralized when managers at middle and lower levels are given the requisite authority to take decisions and appropriate actions on matters relating to their respective areas of work.

Suppose in a company, all leave applications are approved by the General Manager. When he feels that he is over burdened with this work, he may delegate it to the personnel manager. It is a case of delegation of authority. On the other hand, if the General Manager distributes this work to all the departmental managers, it is an instance of Decentralization.

Importance of Decentralization

1. Reduction of work load of top executives.
2. Development of personnel
3. Subordinates will be motivated
4. Quick decision making
5. Promote initiative and creativity
6. Better coordination of activities.
7. Better control (evaluation of actual performance with the standard performance)



Distinction between Delegation and Decentralization

Basis	Delegation	Decentralization
1. Meaning	Entrustment of authority and responsibility from one individual to another	Systematic delegation of authority in the organization
2. Nature	Individualistic	Totalistic under organizational set up
3. Scope	Limited as it is individualistic	Wide as it is organizational
4. Responsibility	Responsibility remains with the superior	Executive is relieved from the responsibility up to a certain extent.
5. Effectiveness	Possible and effective in all organizations	Effective in large organizations
6. Relationship	Establishes superior – subordinate relationship	Creation of semi autonomous units in the organization

For Latest updates, visit: **HssVoice Blog**

www.hssplustwo.blogspot.com