

Organization

Definition of Organization

Organization may be defined as the process of-

- Identifying and grouping the work to be performed.
- Defining and delegating responsibility and authority.
- Establishing relationships for the purpose of enabling people to work together effectively.

An organization does the following

- Establishes pattern of relationships by giving duties and responsibility to an individual or group.
- It demarcates/sets the authority, responsibility and duties of each individual or group.
- It provides adequate communication.
- Coordinates and controls the activities of individuals or groups.

Process of organization

Determination of objectives

- Objectives decide the purpose and nature of work to be accomplished by the organization.

Deciding various activities

- The principles of division of work, specialization etc. are followed to avoid duplication, confusion and wastage of manpower, machine, money and material.

Grouping of activities

- Activities of similar nature are grouped under departments, sections or divisions. There may be different departments in an enterprise like personnel, finance, purchase, production, sales, etc.

Assignment of responsibilities of definite persons

- Specific job assignments are made to different subordinates for ensuring certainty of work performance.

Delegation of Authority

- Corresponding to the responsibilities assigned, authority is delegated to enable work performance.

Providing physical facilities and proper environment

- Physical facilities include proper machinery, tools etc.
- Right environment includes proper lighting, ventilation and heating/cooling systems, reasonable work hours, rest interval, safety devices, job security and satisfaction, human approach by management.

Importance of organization

- Facilitates administration.
- Facilitates growth and diversification.
- Facilitates effective use of manpower.
- Stimulates creativity.
- Optimum use of resources.
- Leads to specialization.
- Minimizes corruption and inefficiencies.
- Facilitates training and managerial development of personnel.

Departmentation/Departmentalization

- Identifying and grouping of similar activities on some logical basis, in order to attain the objectives of the enterprise/organization may be defined as departmentation.
- Departmentation means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features. Each department is headed by a person known as departmental manager (or) Head Of the Department (HOD).

- A department is a work group combined together for performing certain functions of similar nature. Departmentation is done for proper administration.

Aims of departmentation

- Grouping activities and personnel into manageable units.
- Bringing specialization in the performance of various activities.
- Fixing responsibilities to the various HOD's for achieving the enterprise goals.

Advantages of departmentation

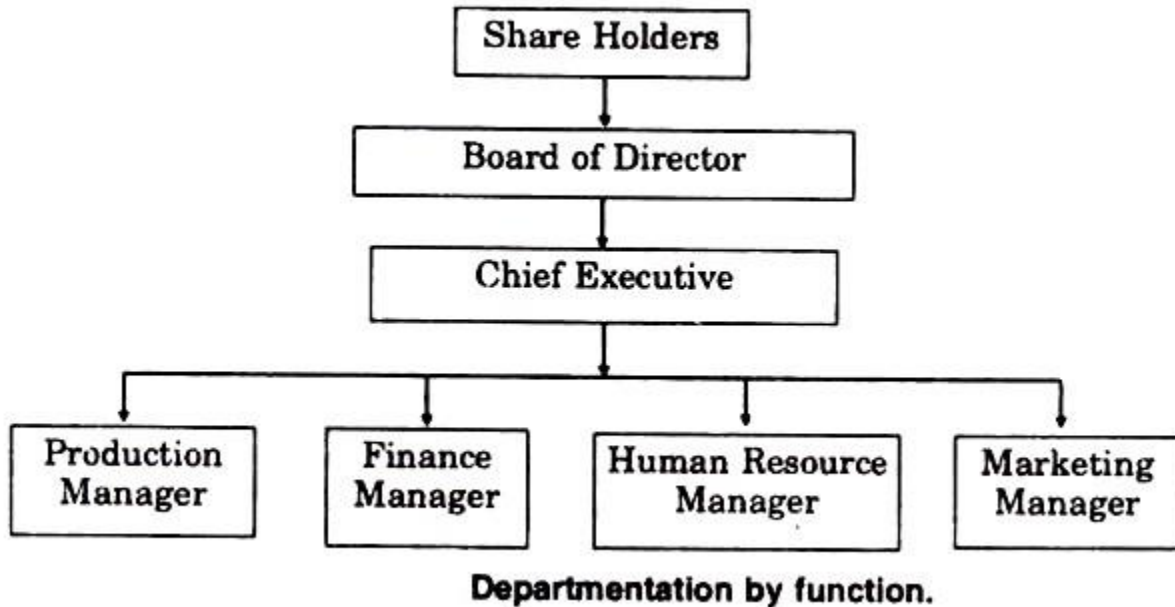
- Promotes order and increases enterprise efficiency.
- Ease of fixing accountability.
- Helps in growth of individual/s professionally.
- Improves co-ordination in the enterprise as a whole.

Methods of departmentation

- Functional
The grouping of activities by functions performed.
- Product
The grouping of activities by product produced.
- Customer
The grouping of activities by common customers.
- Geographic
The grouping of activities by territory.
- Process
The grouping of activities by work or customer flow.

Departmentalization by Function

- Similar activities of a business are grouped into major departments or divisions under an executive who reports to the chief executive.
- This departmentation is most widely used basis for organizing activities and is present in every organization at some level.



Merits of Departmentation by Function:

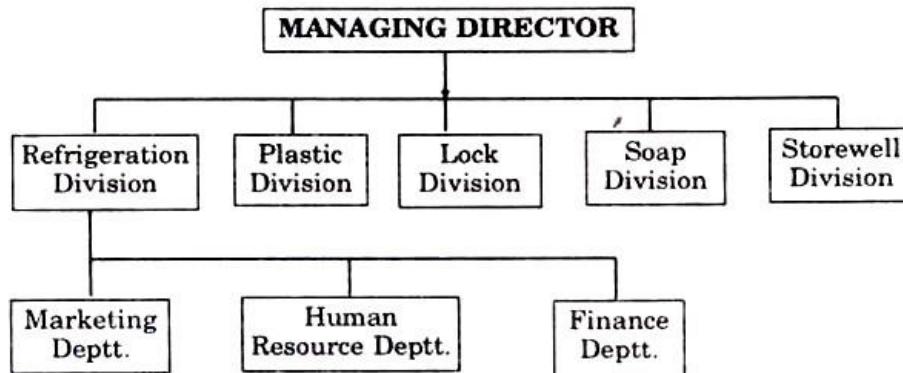
1. It suits well the small enterprises for creating major departments.
2. It promotes specialization.
3. It economizes operations and makes possible the adoption of logical and comprehensible structure.
4. It facilitates inter-departmental co-ordination.
5. It suits well for those organizations which have single product line.

Demerits of Departmentation by Function:

1. It may lead to excessive centralization.
2. Decision making process is delayed.
3. Poor inter-departmental co-ordination.
4. It is rather difficult to set up specific accountability and profit centers within functional departments so the performance is not accurately measured.
5. It hinders human development in all the areas.

Departmentalization by Product

In a multiproduct organization the departmentation by product most suits. Here the activities are grouped on the basis of produce or product lines. All functions related to particular product are bought together under the umbrella of product manager.



Departmentation by product.

Merits of Departmentation by Product:

1. Each product division can be taken as a viable profit centre for accountability purposes. The performance of individual products can be easily accessed to distinguish between profitable and unprofitable products.
2. Marketing strategy becomes more pragmatic.
3. Top management is relieved of operating task responsibility and can concentrate on such centralized activities as finance, research etc.
4. It facilitates decentralization.
5. Attention is given to product lines, which is good for further diversification and expansion.

Demerits of Departmentation by Product:

- (1) It increases management cost. Service functions are duplicated both at the top and at the operating levels of management.

(2) High cost of operation prevents the small & medium sized concerns from adopting this basis of classification, particularly for creating major units.

(3) There are problems at the top regarding co-ordination.

Departmentalization by Territory/geography

It is suitable for organizations having wide geographical market such as pharmaceuticals, banking, consumer goods, insurance, railways etc. Here, the market is broken up into sales territories and a responsible executive is put in charge of each territory. The territory may be known as district, division or region



Merits of Departmentation by Territory:

1. It helps in achieving the benefits of local operations such as local supply of materials & labour, local markets etc.
2. Full attention can be paid to local customer groups.
3. A regional division achieves a better co-ordination and supervision of activities in a particular area.
4. It helps in reducing transportation and distribution costs.
5. It facilitates the expansion of business to different regions.
6. It provides an opportunity to a regional manager to gain broad experience as he looks after the complete operation in a particular territory

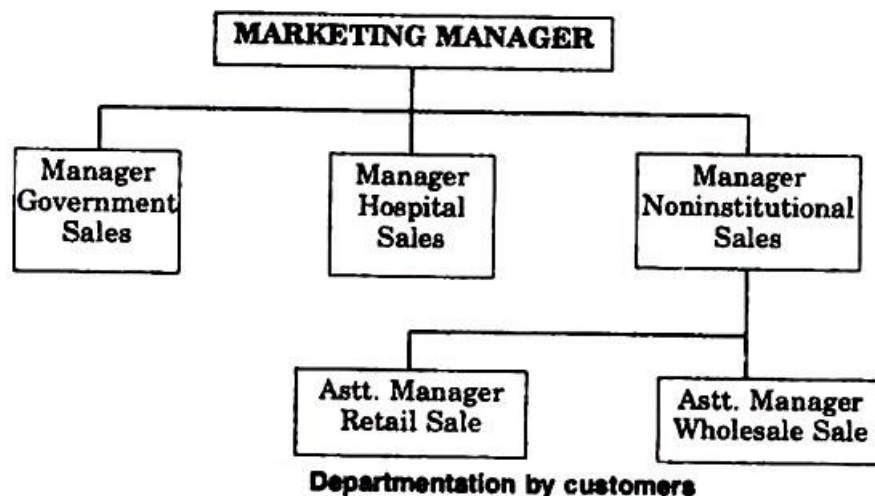
Demerits of Departmentation by Territory:

1. It creates the problem of communication and co-ordination between various regional offices.
2. It may be uneconomical due to costly duplication of personnel & physical facilities.

3. It may be difficult to provide efficient centralized services to various departments located in different areas.
4. Various regional units may become so engrossed in short term competition among themselves that the overall long-term interests of the organization as a whole may be overlooked.
5. The problem of top management control becomes difficult.

Departmentalization by Customers

- This type of classification is adopted by enterprises offering specialized services. To give the attention to heterogeneous groups of buyers in the market, marketing activities are often split into various several parts.
- Such groups are suitable to organizations serving several segments like a pharmaceutical company supplying to institutional buyers such as hospitals and government and non-institutional buyers as wholesalers and retail chemists.



Merits of Departmentation by Customers:

1. The main advantage of following this type of departmentation is that particular needs of the particular- customers can be solved.
2. Benefits of specialization can be obtained.

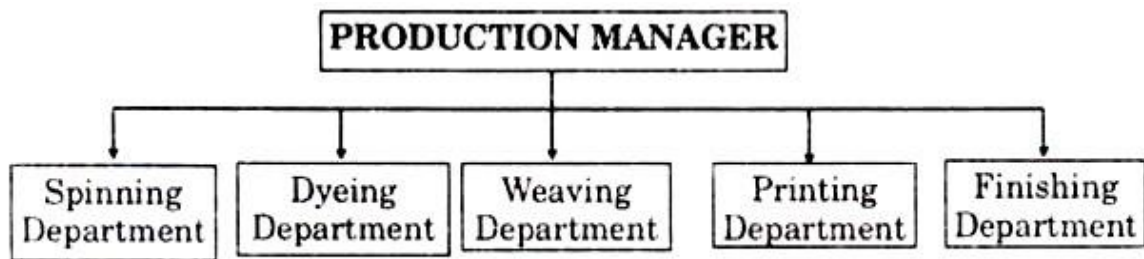
Demerits of Departmentation by Customers:

1. There may be duplication and underutilization of facilities and resources.
2. It may be difficult to maintain co-ordination among the different customer departments.

Thus, customers' departmentation is useful for those enterprises which have to cater to the special and varied needs of different classes of customers.

Departmentalization by Process

- The production function may be further subdivided on the basis of the process of production when the production process has distinct activity groups, they are taken as the basis of departmentation.
- Process departmentation is suitable when the machines or equipment's used are costly and required special skill for operating.
- It is useful for organizations which are engaged in the manufacture of products which involves several processes.



Departmentation by process (Textile mill)

Merits of Departmentation by Process:

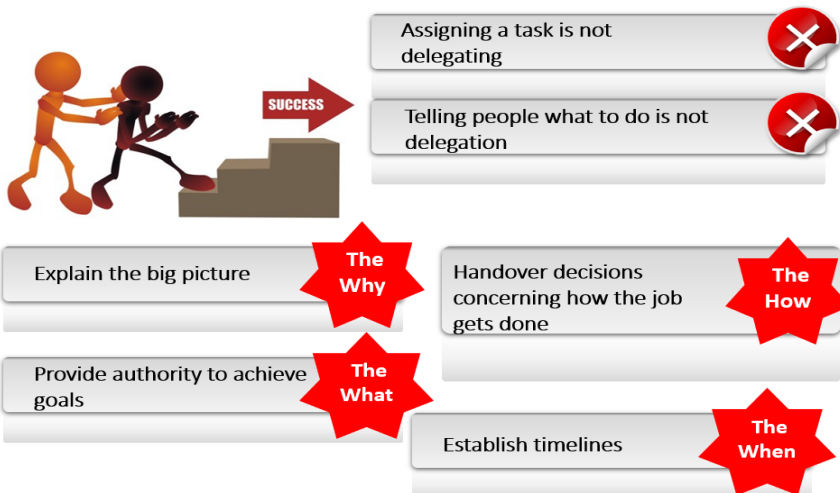
1. It provides economy of operation
2. The benefits of specialization are available.
3. Efficient maintenance of equipment's is possible.
4. It simplifies supervision and plant layout.

Demerits of Departmentation by Process:

1. There may be difficulties in coordinating the activities of different departments
2. Due to specialized activity, the employee mobility is reduced.
3. Extreme specialization may reduce flexibility of operations.
4. This type of departmentation may not provide opportunity for the all-round development of managerial talent.
5. Conflicts may arise among managers of different processes, particularly when they lose sight of the overall company goals.

Delegation

What's Delegation???



Delegation and decentralization

Delegation is a process of devolution of authority

Delegation takes place between a superior and subordinate. It is a complete process. It may consist of certain tasks alone

In delegation, control rests entirely with superior or delegator

Delegation is a must for management. Subordinates must be given sufficient authority to perform their assignments

Decentralization is the end result which is achieved when delegation of authority is at more than one level

Decentralization involves spreading of the total decision-making power

The top management may exercise control only in a general manner and delegate the authority for control to the departmental managers

The ultimate goals of delegating

- The goal of delegating is not getting someone to do something you do not want to do.
- Effective delegation best leverages your current talent in ways that elevate their potential. *It is more about people than tasks.*

Decentralization

Centralization & Decentralization of Authority

“**Centralization**” is the systematic and consistent reservation of authority at central points in the organization.

The implication of centralization can be :-

- Reservation of decision making power at top level.
- Reservation of operating authority with the middle level managers.
- Reservation of operation at lower level at the directions of the top level.

Decentralization is a systematic delegation of authority at all levels of management and in all of the organization.

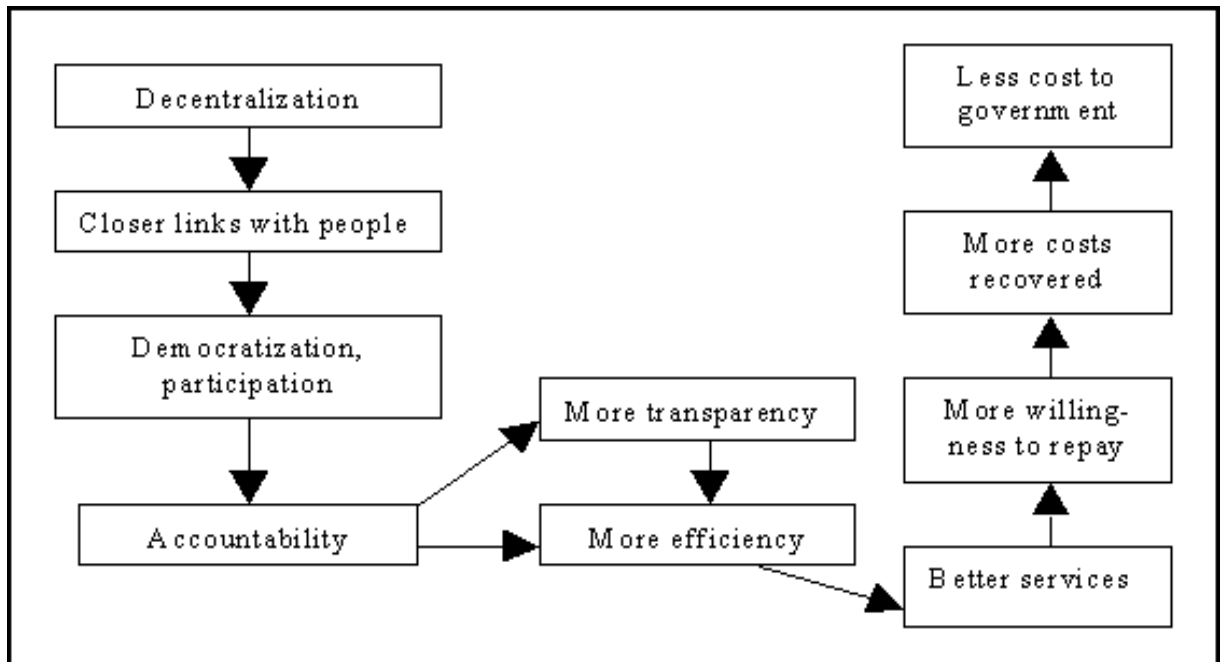
- Everything that increases the role of subordinates is decentralization and that decreases the role is centralization.
- Authority is retained by the top management for taking major decisions.
- Decentralization pattern is wider in scope.

Implication of Decentralization

- Less burden on the Chief Executive as in the case of centralization.
- Subordinates get a chance to decide and act independently.
- Operations can be coordinated at divisional level.
- Co-ordination to some extent is difficult to maintain.

FACTORS AFFECTING DECENTRALIZATION

- Size of the organization – large or small
- Cost and Importance of decisions
- Uniformity
- History of organization
- Management Philosophy
- Availability of efficient managers
- Type of business
- Branches of organization



Advantage of Decentralized Organizational Structure

- Distribution of burden of top executive.
- Increased motivation and morale.
- Greater efficiency and output.
- Diversification of Activities.
- Better Co-ordination.
- Maintenance of Secrecy.
- Facilitate effective control and quick decision.

Disadvantage of Decentralized Organizational Structure

- More cost.
- No specialization.
- Need more specialists.
- No uniform action.

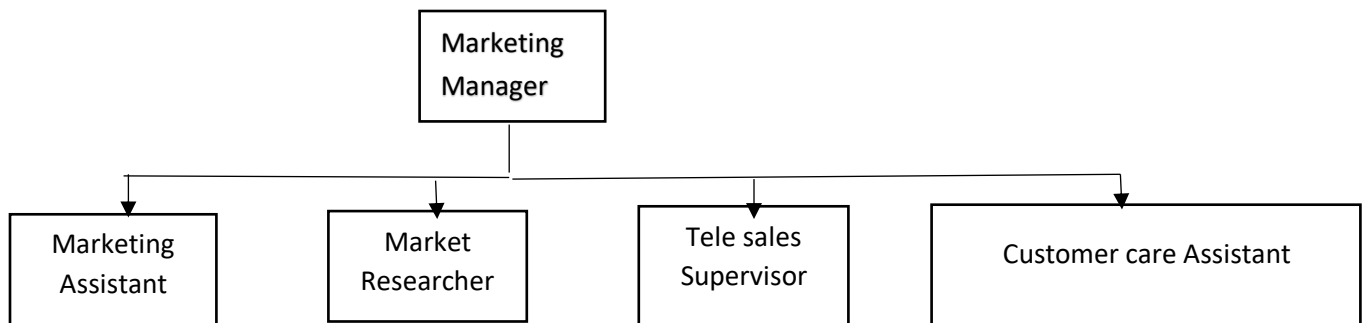
- No equitable distribution of work.

Span of control

What is the Span of Control?

- The number of people who report to one manager in a hierarchy
- The more people under the control of one manager - the wider the span of control
- Less means a narrower span of control

Example below shows a span of control of 4 for the Marketing Manager



Narrow span of management: - this means a single managers or supervisor oversees few subordinates. This gives a rise to a *tall organizational structure*.

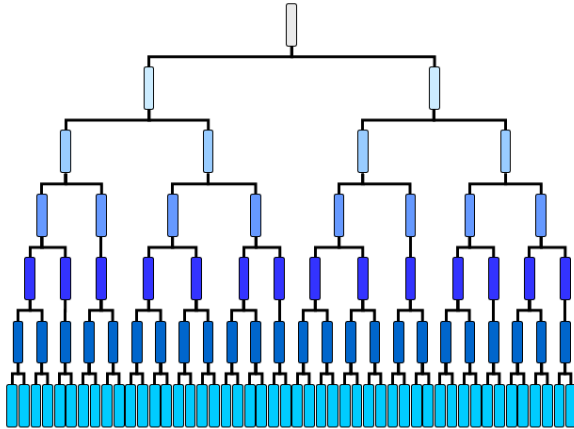
Wide span of management: - this means a single managers or supervisor oversees a large number of subordinates. This gives a rise to a *flat structure*.

Factors that influence span of an organization

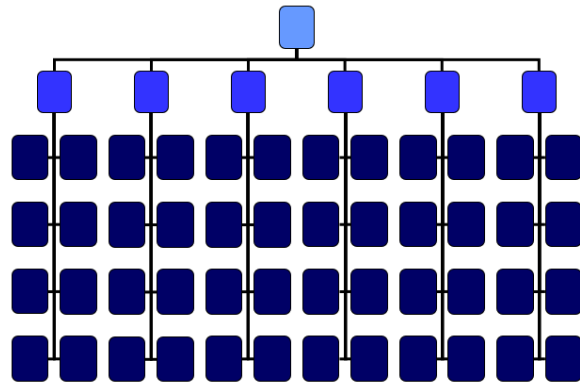
- Level and ability of management.
- Level and knowledge and experience of subordinates.
- Complexity of a task.
- The costliness of mistakes committed by subordinates.
- Degree of hazard or danger associated with the work

Tall and Flat organizational structures

Tall Hierarchy:
low span of control



Flat Hierarchy:
wide span of control



Advantages of TALL STRUCTURE

- Within tall organizational structure there is a close supervisory control because of the low span of managers.
- It is *more authorized structure*.
- In a tall structure the responsible person is accountable to the higher authority.
- This structure enhances the control of the top regulation over the organization.

Disadvantages OF TALL STRUCTURE

- Employees are *less motivated* within this structure.
- Verdict making is slow.
- Tall structure *creates communication barriers between the upper and lower management*.
- Less benefit and rewards are given to the body in the tall organization.

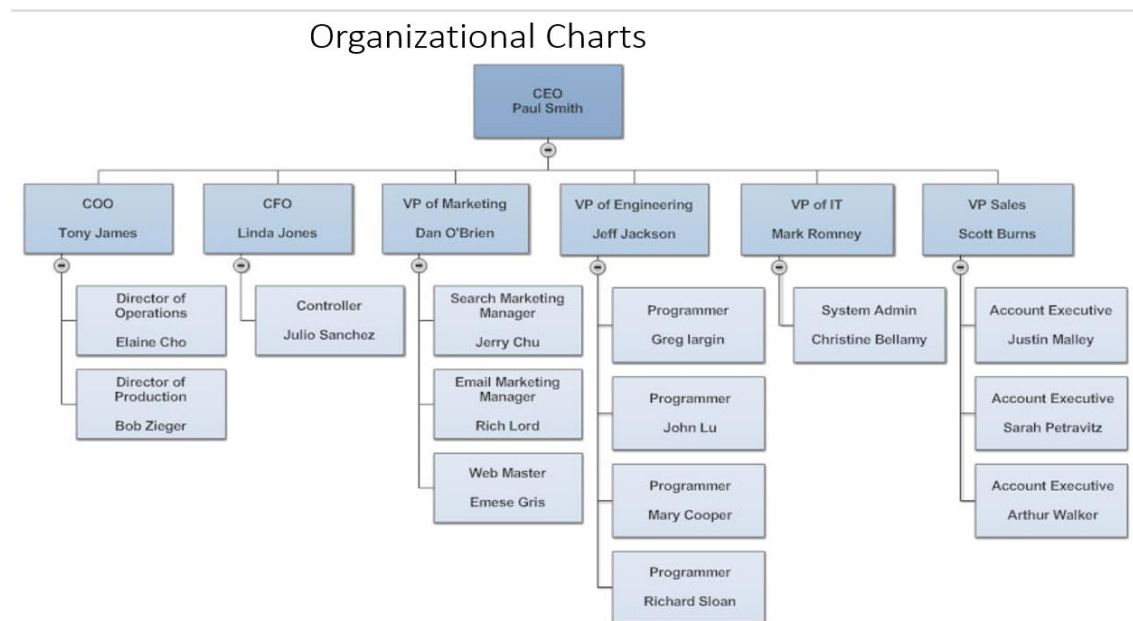
Advantages of FLAT STRUCTURE

- Flat organization is *less costly*.
- *Quick decision and action can be taken*.
- Fast and clear communication .
- Subordinates are free from close and strict supervision and control.

- Superior may not be too dominating because of large number of subordinates

Disadvantages of FLAT STRUCTURE

- There are *chances of loose control* because there are many subordinates under one managers.
- The *discipline In the organization may be bad.*
- The relation between the superior and subordinate may be bad.
- Close and informal relation may not be possible.
- Due to the above, the quality of performance may be bad.



In simple terms, Organizational chart depicts the organization in a pictorial way.

Organization Chart shows the *structure of the organization* including the title of each manager's position and, by means of connecting lines, who is accountable to whom and who has authority for each area.

In short organizational chart consists of the following,

- The lines of command.
- Interrelationship and position of each department of the company.
- Relationship between different managers.
- Kinds of managerial relationships which exists.
- Sometimes names of the managers with no. of persons that they supervise.

Advantages of Organization chart

- Quickly shows who is responsible for a particular function.
- It pinpoints weakness of the organization.
- It helps in expansion and training programs.
- It shows the nature and modifications if any, in the organization.

Limitations of Organizational charts

- It needs frequent updating.
- It's a static picture of dynamic business.

Types of managerial relationships in an organization

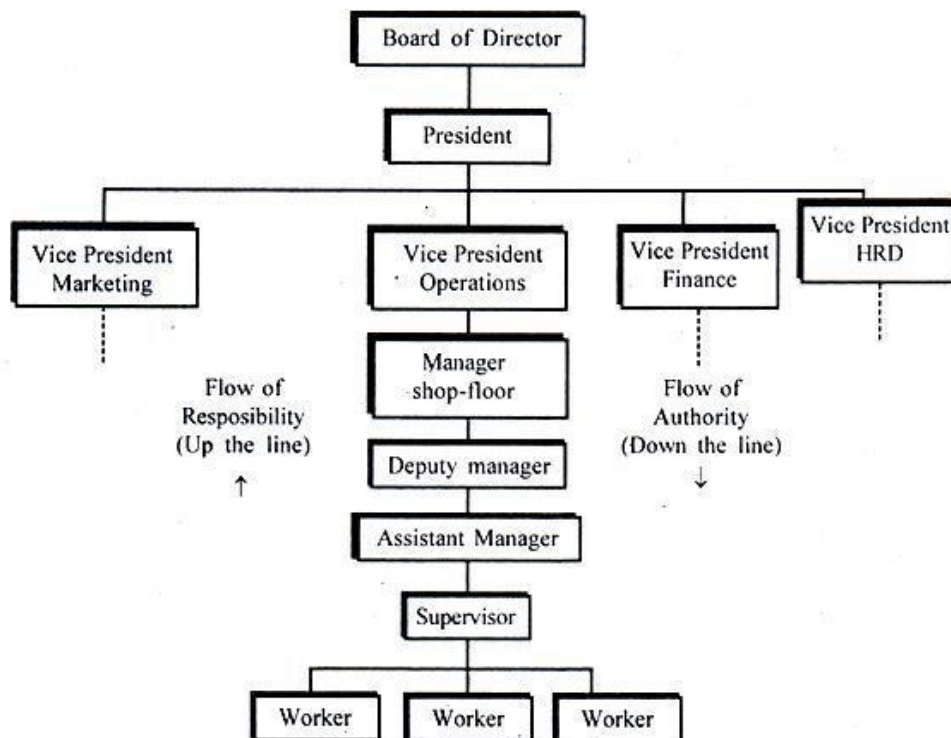
- Line organization.
- Line and staff organization.
- Functional organization.

Line organization

Characteristics of line organization

- It consists of direct vertical relationships.
- Authority flows from top-level to level to bottom level.
- Departmental heads are given full freedom to control their departments.

- Each member knows from whom he would get orders and to whom he should give his orders.
- A senior member has direct command over his subordinates.
- Operation of this system is very easy.
- Existence of direct relationship between superiors and subordinates.
- The superior takes decisions within the scope of his authority.



Advantages of line organisation	Disadvantages of line organisation
1. Simplicity	1. Neglects specialists.
2. Division of authority and responsibility	2. Over loading at higher levels of management
3. Unity of control	3. Lack of initiative of bottom level management
4. Speedy action	4. Scope for favoritism
5. Discipline is easier to maintain	5. Dictatorial type of governance.
6. Economical	6. Limited communication between top and low level management
7. Direct communication	7. Instability in the organization.
8. Flexibility	8. Lack of co-ordination

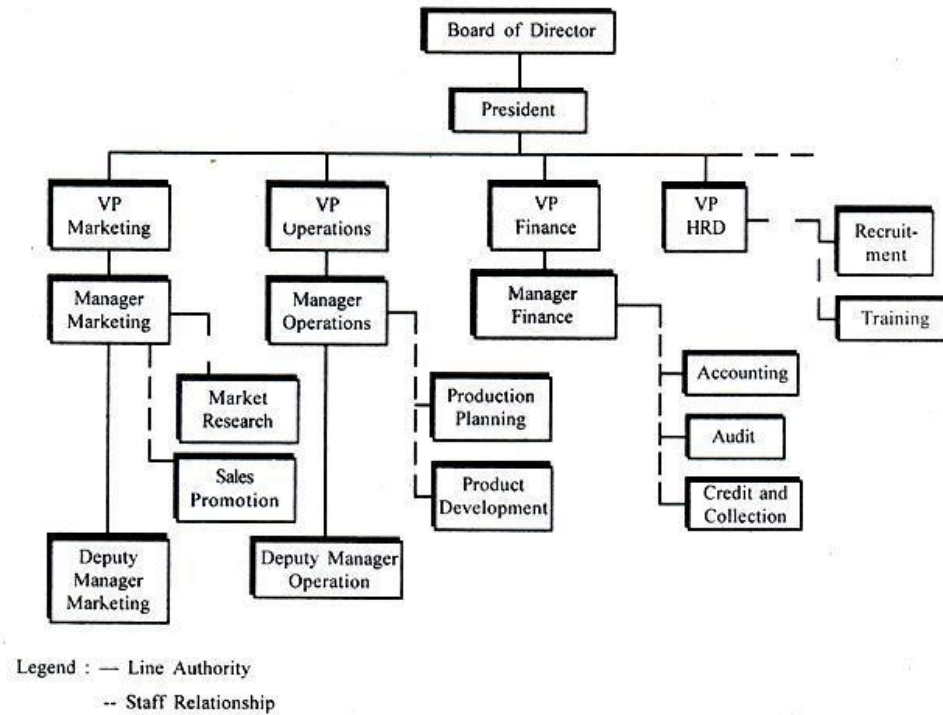
Suitability

- This type of organization is suitable to small size business units.
- Where the activities are of routine nature or machine based.
- If the business activities are service minded.
- Where the number of persons working is small
- The business operation is simple in nature.
- A business unit which has straight methods of operations.

Line and staff organization

- Staff authority is used to support the line authority. Line authorities are more involved in the core activities of the business. They have little time to analyze all information for many decisions. They do not have expertise in all technical areas. Staffs are specialists, who help line authority in discharging their duties.
- For example, a production manager (a line authority) does not have enough time and experience to handle labor relation problems. Staffs (who are specialists) help them in doing so.

- Line and staff organizations have both line and staff executives. Line executives are assisted by staff specialists in R & D, planning, distribution, quality, legal, audit, public relations, etc.
- The job of staff is mainly advisory and guidance. Line executives maintain the supervisory power and control over the execution of work.



Characteristics of Line and Staff organisation

1. **Planning and execution:** There are two aspects of administration in this organization, viz., planning and execution.
2. **Combining line and staff:** Planning function is entrusted to staff specialists who are 'thinkers' while execution function is given to line executives who are 'doers'. The staff is supportive to line.
3. **Role of authority:** The line managers have authority to take decisions as they are concerned with actual production. The staff officers lack such authority.
4. **Guidance from staff:** The staff provides guidance and advice to line executives when asked for. Moreover, line executives may or may not act as per the guidance offered.
5. **Exercising control:** The staff manager has authority over subordinates working in his department.

6. **Scope for specialization:** There is wide scope for specialization in this organization as planning work is given to staff and execution work is given to line executives.

7. **Possibility of conflicts:** Conflicts between line and staff executives are quite common in this organization but can be minimized through special measures.

8. **Suitability:** Line and staff organization structure is suitable to large-scale business activities.

Merits of Line and Staff organization

1. **Less burden on executives:** Line executives get the assistance of staff specialists. This reduces the burden of line executives. This raises overall efficiency and facilitates the growth and expansion of an enterprise.

2. **Services of experts available:** The benefits of services of experts are provided to line managers. Highly qualified experts are appointed and they offer guidance to line executives.

3. **Sound decision-making:** Line and staff organization facilitates sound management decisions because of the services of experts and specialists. The decisions are also taken in a democratic method i.e. in consultation with the experts.

4. **Limited tension on line managers:** The pressure of work of line bosses is brought down as they are concerned only with production management.

5. **Benefits of specialization:** There is division of work and specialization in this organization. Naturally, the benefits of division of work and specialization are easily available.

6. **Training opportunities to employees:** Better opportunities of advancement are provided to workers. The scope for learning and training for promotions are available.

Demerits of Line and Staff organization

1. **Delay in decision-making:** The process of decision-making is delayed, as line executives have to consult staff experts before finalizing the decisions. The decisions of line managers are likely to be delayed due to this lengthy procedure.

2. **Buck passing among executives:** The line bosses are concerned with actual execution of work. However, they depend on staff experts for guidance. If something goes wrong, the attempt is made to pass on the blame by one party to the other. Thus, there is shifting of responsibility or buck-passing.

3. **Conflicts between line and staff executives:** In this organisation, quarrels and conflicts between line managers and staff specialists are quite common. The line managers are generally not interested in the advice offered by experts. Secondly, specialists feel that the line bosses lack knowledge of new ideas. Such conflicts lead to bitterness.

4. **Costly organization:** Line and staff organization is a costly organization as the line executives are supported by highly paid staff executives who are experts. All this adds to the overhead expenses and the cost of production increases.

5. **Complicated operation:** This organization is too complicated in actual operation because of dual authority, division of functions and too much dependence on staff. The unity of command principle is violated.

6. **Internal discipline is affected adversely:** The internal discipline is likely to be affected adversely due to decentralization and division of loyalty of subordinates.

Functional Organization

Foremen at Planning Level (Planning Dept.)

1. **Time and Cost Clerk:** He is concerned with preparing standard time for the completion of certain piece of work and compiling the cost of that work.

2. **Instruction Card Clerk:** He lays down the exact method of doing the work. He specifies the tools to be used for conducting the production and also gives other instructions on the instruction cards prepared by him.

3. **Route Clerk:** The route clerk lays down the exact route through which each and every piece of work should move through various stages till completion. He decides the production schedule and the sequence of steps by which the production process is to move.

4. **Shop Disciplinarian:** He is concerned with the discipline, insubordination, violation of rules of discipline and absenteeism. All cases relating to these matters will be managed by the shop disciplinarian.

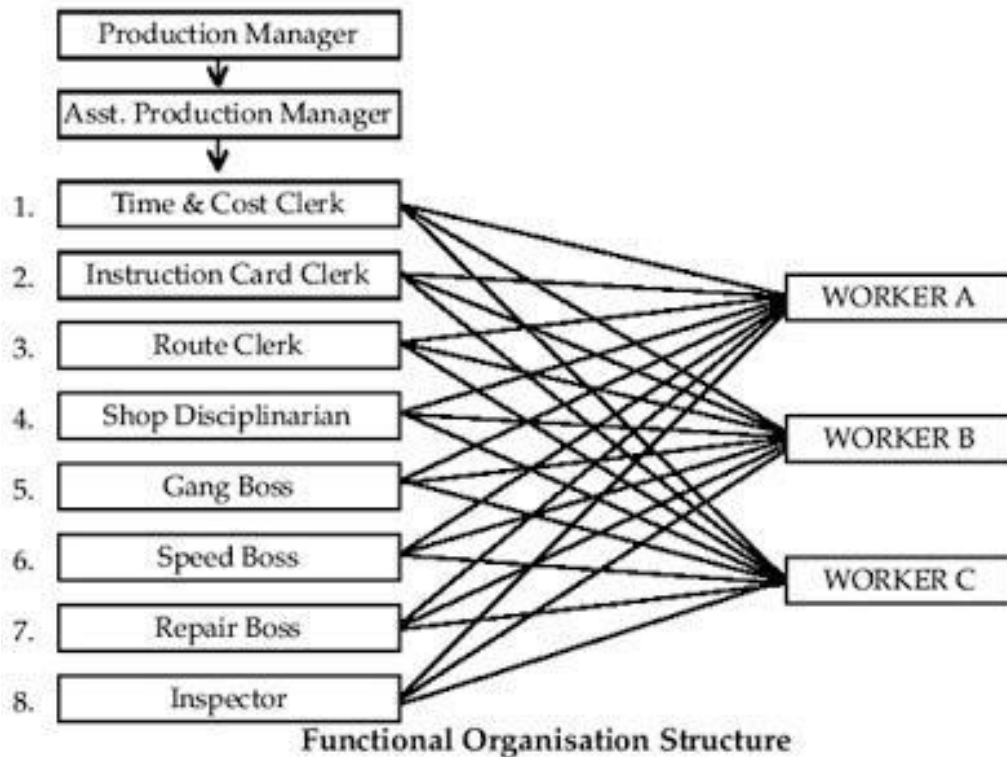
Foremen At Shop Floor Level (Shop Floor)

1. **Gang Boss:** He assembles and sets up various machines; and tools for a particular piece of work. He is in-charge of assembling line of production.

2. **Speed Boss:** He is concerned with the speeding of machines used for production. He keeps proper speed of the machines and see that workers complete the production work as per the schedule time.

3. **Repair Boss:** The repair boss looks after the proper maintenance of machines, tools and equipment required during the production process.

4. **Inspector:** The inspector controls quality of the products by keeping adequate check/control when the production work is in progress.



Merits of Functional Organisation Structure

1. **Facilitates specialization:** Functional organisation structure facilitates division of work and specialization. Each boss has specialized knowledge of his functional area. He is in a better position to guide and help the workers.
2. **Benefits of large-scale operations:** Functional organisation offers the benefit of economy of large-scale operation. In this organisation, one administrative unit manufactures all products. The available machinery, equipment and facilities are used fully for large-scale production.
3. **Facilitates effective coordination:** Functional organisation facilitates effective coordination within the function. This is possible as one boss is in-charge of a particular function and he looks after all activities, which come within that function.
4. **Operational flexibility:** Functional organisation possesses operational flexibility. Necessary changes can be introduced easily to suit the needs of the situation without any adverse effect on the efficiency.
5. **Ensures effective supervision:** Functional organisation facilitates effective supervision by the functional heads and foremen. Due to specialization, they concentrate on the specific functional area and also keep effective supervision on their subordinates.

Demerits of Functional Organization Structure

1. **Absence of unity of command:** Unity of command is absent in the functional organization as each worker gets orders and instructions from several bosses.
2. **Fixing responsibility is difficult:** In functional organization, responsibility is difficult to fix on a specific person. This is because the responsibility itself is divided among many.
3. **Unsuitable to non-manufacturing activities:** Functional organization can be introduced in the case of manufacturing activities. However, its application to non-manufacturing activities such as marketing, etc. has not been successful.
4. **Costly:** Functional organization is costly, as more specialists are required to be appointed.
5. **Creates confusion among workers:** Functional organization is based on specialization as function is taken as a base for dividing the work. The authority is overlapping the responsibility is divided. This confuses workers.
6. Conflicts among foremen, delays in decision-making and limited discipline within the departments are some more demerits of functional organization.

Leadership

Definitions of leadership

- Leadership is the knack of getting other people to follow a person and to do willingly the things that person wants them to do.
- Leadership means to inspire confidence and trust so that there is maximum cooperation from the employees within the control of a manager.
- Leadership is the ability to persuade others to seek defined objectives enthusiastically.
- Leadership may also be defined as the process of influencing a group in a particular situation at a given point of time in a specific set of circumstances that stimulate people to strive willingly to attain company objectives.
- Leadership means to inspire confidence and trust so that there is maximum cooperation from the employees within the control of a manager.

Authoritarian leadership

- It is felt that this technique is old fashioned, but it works well in many cases.
- The leader makes all the decisions and demands obedience from the people he supervises.

- All policies are determined by the leader without consulting the subordinates.
- The leader dictates to the subordinates, the techniques and activity steps, he/she tells them what has to be done next, no future plans are discussed therefore the future steps always remains uncertain to a large extent.
- The leader decides the particular work task for a person and the work companion of each worker.
- The leader tends to be personal in his praise and criticism of the work of each member.
- The leader remains aloof from active group participation except when demonstrating.
- Authoritarian leadership is negative because the subordinates remain uninformed, they feel insecure and remain afraid of the leader.
- This kind of leadership, there is a tighter control and supervision over the persons (subordinates).

Authoritarian leadership succeeds where,

- Subordinates shirk work but want security.
- Subordinates do not want to take initiative.

The advantages of authoritarian leadership is that

- Decisions can be taken quickly.
- Some people who simply work for fear of punishment remain disciplined and devoted towards the tasks given to them.

The downside of autocratic leadership includes:

- Viewed as bossy, controlling and dictatorial, which can lead to resentment among group members.
- Group may dislike that they are unable to contribute ideas
- Lack of feedback from group members
- Lack of initiative from group members

Democratic leadership

It is most popular type of leadership.

- The leader discusses and consults with his subordinates. He draws ideas from them, supervises and lets them help set policy.

- A democratic leader promotes participation of subordinates and develops strong team work.
- All policies come out of group discussions, the subordinates being constantly encouraged and assisted by the leader.
- The leader gives the decision only after consulting his subordinates. Actually, the decision emerges from the subordinate group.
- Subordinates know the long-term plans on which they are supposed to work, thus they are kept well informed.
- Division of tasks is left upon the group, individuals are free to work with whomsoever they choose.
- A democratic leader is objective or fact-minded in his praise and criticism, the leader tries to be a regular group member in spirit without doing too much work.

Democratic leadership implications,

- Motivates subordinates to work and improves their attitude towards work.
- Promotes healthier relations between workers and management.
- Minimizes employee grievances.
- Raises the employee morale.
- Democratic leadership works very well if the subordinates feel their responsibility, tend to be reasonable and do not take undue advantage of the democratic leadership.

The downside of Democratic leadership includes:

- Can lead to communication failures and uncompleted projects during unclear times.
- Group members may not have the necessary knowledge or expertise to make quality contributions to the decision-making process.

Free rein or laissez-faire leadership

- This is the most difficult of leadership.
- The leader acts as an information center and exercises minimum of control.
- The leader depends upon subordinate's sense of responsibility and good judgment to get work done.
- There is a complete freedom for group or individual decision, with minimum of leader participation.

- The leader supplies various materials, gives information when asked but takes no other part in work discussion.
- The leader makes no attempt to appraise or regulate the course of events.
- A free reign leader doesn't lead the subordinates but leaves them entirely to themselves.
- The subordinate group establishes its own goals and solves its own problems.
- Free reign leadership can work only if the subordinates are highly educated, brilliant and they possess good sense of responsibility.

The downside of Free-rein leadership includes:

- Not ideal in situations where group members lack the knowledge or experience they need to complete tasks and make decisions.
- Some people are not good at setting their own deadlines, managing their own projects and solving problems on their own.
- Lack of feedback
- Miscommunication among managers and group members

Qualities of good leadership

- A sense of mission.
- Accomplishment.
- Education.
- Acceptability.
- Self-denial.
- Acuteness.
- High intelligence and character.
- Administration.
- Maturity.
- Job competence.
- Analysis and judgment.
- Initiative and drive.
- Approachability.

- Open-mindedness.
- Self-confidence.
- Cheerfulness and socialness.
- Verbal ability and communication.
- Good poise and bearing.
- Vision.
- Energy and attitude.
- Personal compliance.
- Constructive, creative and independent thinking.
- Dependability.
- Group spirit.
- Flexibility.
- Knowledge of industrial psychology and human relations