

# MODULE III : ORGANISING

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- **DELEGATION OF AUTHORITY**
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# ORGANISING

**According to Louis Allen, ‘the process of identification and grouping of the work to be performed, defining and delegating responsibility and authority and relationship for the purpose of enabling people to work most effectively together in accomplishing the objectives.’**

Organization involves the following functional aspects:

- 1) Identifying the resources and activities which are required to achieve organizational objectives.
- 2) Grouping of those activities into workable units.
- 3) Assigning duties and responsibilities to subordinates in order to achieved the task assigned.
- 4) Delegating authority necessary and useful for the accomplishment of tasks assigned.
- 5) Establishing superior-subordinate relationship.
- 6) Providing a system of coordination for integrating activities of individuals and department.

## **STEPS IN ORGANISING**

- 1 Defining organizational goals
- 2 Identifying activities to achieve goals:
- 3 Grouping of activities
- 4 Making arrangement of resources
- 5 Defining Authority
- 6 Delegating Authority
- 7 Establishing superior-subordinate relationships
- 8 Provision of coordination

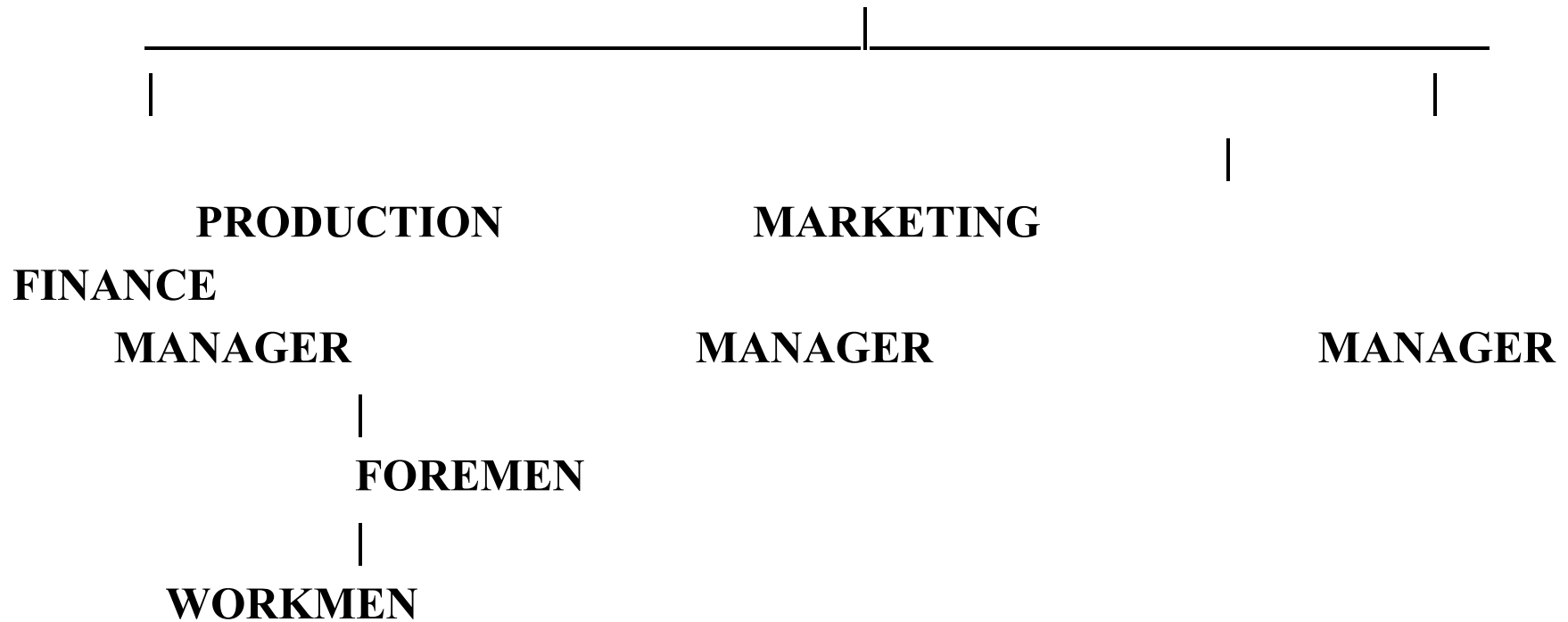
## **ORGANISATION STRUCTURES**

Organisation structure refers to a pattern of relationships among individuals and departments in an organization. It is the framework through the organization operates.

### **FACTORS DETERMINING ORGANISATION STRUCTURE**

- |                          |               |
|--------------------------|---------------|
| 1) Management philosophy | 5) Strategy   |
| 2) Nature of business    | 6) Size       |
| 3) Environment           | 7) Workforce  |
| 4) Goal                  | 8) Technology |

**LINE ORGANISATION**  
**GENERAL MANAGER**



## **LINE ORGANISATION**

It is also referred to as scalar organization. In this type line of authority flow from top level to lower level of management hierarchy. Line of authority is straight and vertical. All major decisions and orders are given by top management are passed down to their immediate subordinate, who in turn do the same.

### **Features:**

- 1 Direct flow of Authority
- 2 Unity of command
- 3 Clear Responsibilities
- 4 Suitability
- 9 Burden on executives

- 5 Coordination
- 6 Relationships
- 7 Quick decision making
- 8 Lacks specialization

# LINE & STAFF ORGANISATION

CHIEF EXECUTIVE OFFICER

|

Company Secretary ----- R&D Manager

|

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|

|

|

PRODUCTION  
MANAGER

MARKETING  
MANAGER

FINANCE  
MANAGER

|

FOREMEN

|

WORKMEN

## LINE & STAFF ORGANISATION

This type of organization structure combines the activities of the executives and that of staff experts. The **line executives** are the “**decision makers**” whereas the **staffs** are the “**advisors or planners**” the staff concentrates their attention on the research and planning aspects of business activities, while the line executives concentrate on the implementation of the plans. There are three main types of staff – personal staff (private secretary), specialized staff (legal advisor, financial advisor) and general staff (assistant to general manager)



# LINE & STAFF ORGANISATION

## Features

- |                                   |   |
|-----------------------------------|---|
| 1 Specialization                  | 8 Overdependence on the staff           |
| 2 Systematic planning and control | 9 Misinterpretation of Advice           |
| 3 Sound Decisions                 | 10 Shifting of responsibilities         |
| 4 Suitability                     | 11 Staff lacks authority                |
| 5 Crisis management               | 12 Confusion                            |
| 6 Authority and Responsibility    |   |
| 7 Conflicts:                      | a) Line complains against the staff     |
|                                   | b) The staff complains against the line |

**MATRIX ORGANISATION**

<div><div>DEPTS.</div><div>PROJECTS</div></div>	DEPT. A MANAGER	DEPT. B MANAGER	DEPT. C MANAGER	DEPT. D MANAGER
PROJECT A MANAGER				
PROJECT B MANAGER				
PROJECT C MANAGER				
PROJECT D MANAGER				

## **MATRIX ORGANISATION**

This type of organization was first developed in the United States in early 1960's to solve management in aerospace industry. The matrix organization uses two or more co-existing structures. For instance, it can combine project organization with functional structure. In this type of organization structure, the product manager works in close cooperation with functional (departmental) heads. In the above diagram, the authority of departmental heads flows downwards, and the authority of the project manager flows across, thereby, forming a grid or rectangle array, and that is why it is called matrix organization. It is clear from above diagram that the matrix members have the dual assignments. They have to report to two bosses – their functional head as well as the project manager.

# MATRIX ORGANISATION

## Features:

- 1 Hybrid structure:** It is a combination of two or more organization structures. It can combine project organization and functional structure.
- 2 Responsibility of Project Manager:** The project manager are entrusted with the administrative tasks relating to the projects, planning of the activities, coordinates the activities scheduling of the projects etc.
- 3 Responsibility of Functional Manager:** They have authority over functional aspects of the projects, how the work is to be done, assign duties and responsibilities etc.
- 4 Problem of unity of command:** Subordinates who are deputed on special projects, receives order from two bosses – project manager and functional manager. Problem of unity of command may create problems in project implementation

## **MATRIX ORGANISATION**

- 5 Suitability:** It is suitable for multi project organization.
- 6 Specialization:** Matrix organization facilitates specialization
- 7 Development of skills:** Employees handle challenging tasks relating to various projects. As a results employees can improve their knowledge and skills.
- 8 Interdepartmental cooperation:** Important personnel from various departments work together in a group on a particular project.
- 9 Top management concentrates on strategic planning as projects are looked after by the project manager.**

## **VIRTUAL ORGANISATION**

Virtual Organization is a temporary network of independent organizations that come together to exploit opportunities. Here, companies can share costs and skills and can have access to global markets with each participating firm contributing its best capabilities. The ultimate goal of VO is to provide innovative, high quality products or services instantly in response to customer demands. VO can be defined as, ‘ a group of individuals or institutions with specialized core competencies, who work spontaneously together with the help of ICT to develop and deliver a product or service to the market to gain competitive edge.’

# **VIRTUAL ORGANISATION**

## **Features:**

- 1 No separate entity:** VO does not create any separate entity, it does not have any head office or an organization chart. There is no any hierarchy in VO. VO operates through virtual teams across participating organizations.
- 2 Interdependence:** The alliance members are entirely dependent on each other during the collaboration process. The participants in a virtual organization complement each other thereby, making it possible to deliver a product or complete a project collaboratively.
- 3 ICT:** It links the alliance members from different parts of the globe to work together right from the start to the completion the specific project.
- 4 Geographical Dispersion of Participants:** The geographical location of alliance members does not matter because of the ICT.
- 5 Temporary in nature:** VO gets disbanded once the project is completed.
- 6 Excellences:** each alliance member brings its core competence, it is possible that the alliance may provide the best possible product or service.
- 7 Mutual Trust and respect:** The essence of VO is the mutual trust and respect of members to each other. Trust and mutual respect enhances the efficacy of the VO. (Efficacy is the capacity to produce an effect)
- 8 Support from top management is must for success of the VO.**

## **FORMAL V/S INFORMAL ORGANISATION:**

**FORMAL ORGANISATION:** It refers to the organization structure **deliberately created** by management for achieving the objective of the enterprise. Such organization structure contains patterns of activities, processes, human relations and roles carefully planned and structured in order to achieve organizational objectives. It is carefully prepared, rational structure with reasonable stability.

**INFORMAL ORGANISATION:** It refers to the pattern of activities, interactions, and human relationships **developed spontaneously** (not officially as in case of formal organization) due to social and psychological forces operating at the work place. This organization structure develops in a natural way and is based on procedures and regulations. Common language or common habits may also create such formal groups. It exists within a formal organization and reflects human relationships. It is unwritten and develops unconsciously. It uses grapevine as a means of communication.



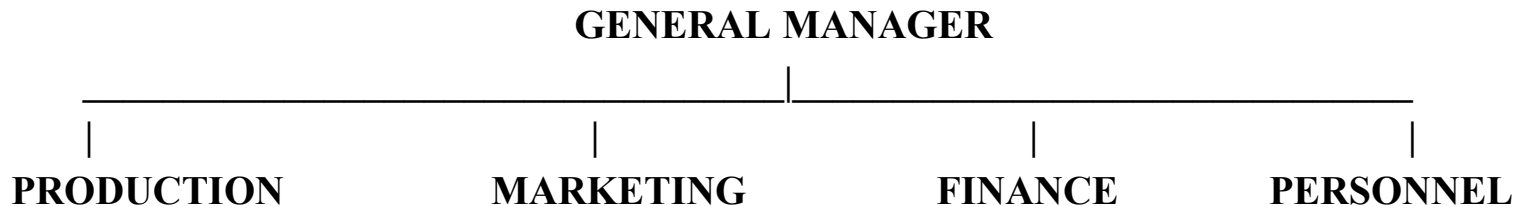
## **DEPARTMENTATION:**

It is the process of grouping activities into units for the process of affective management. Each unit is called department.

According to **Pearce and Robinson**, 'Departmentation is the grouping of jobs, processes and resources into logical units to perform some organizational task'

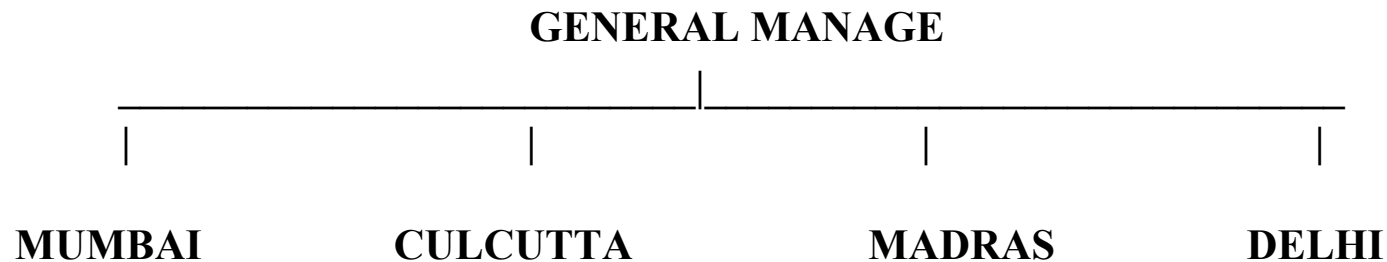
## **BASES OF DEPARTMETATION:**

### **1 Departmentation by Functions**



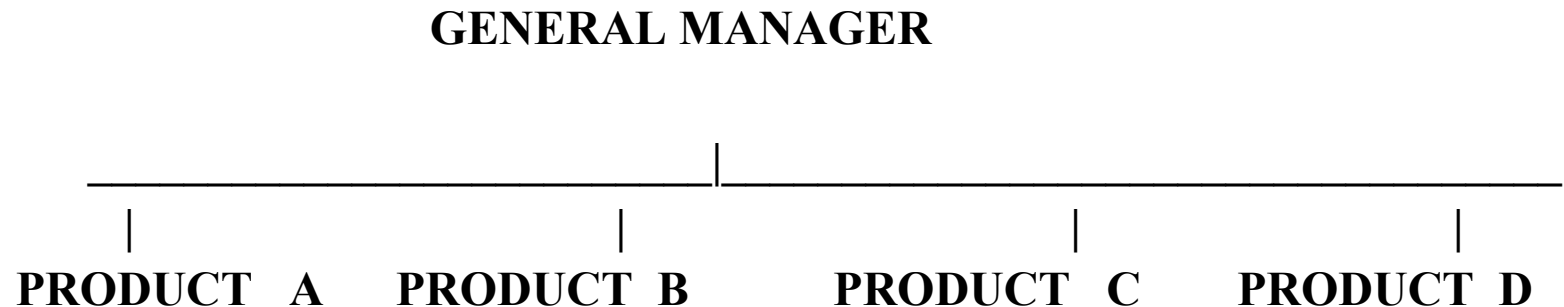
In this type similar or related activities are grouped in separate units such as production, marketing, finance etc. it brings benefits of specialization, facilitates effective control etc.

## 2 Departmentation by Area



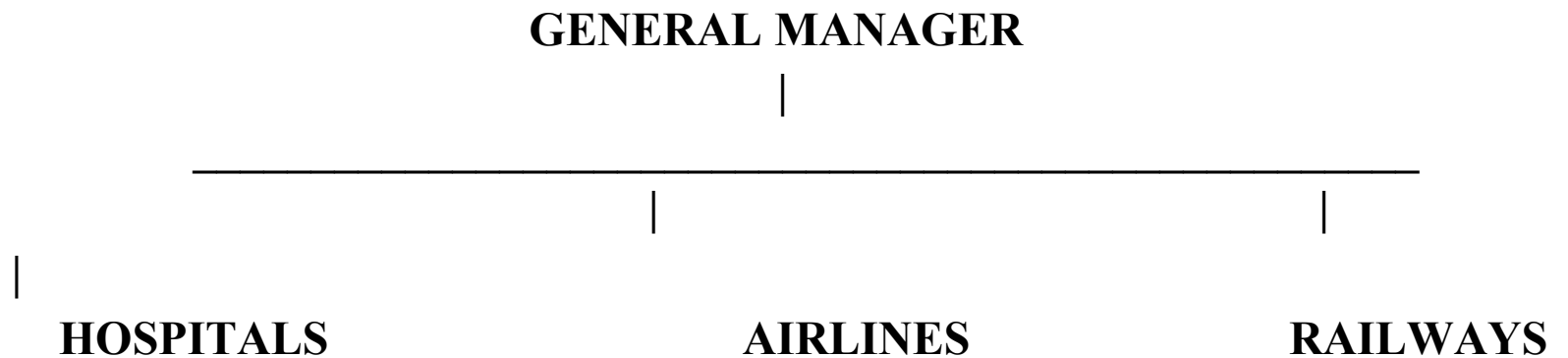
This method is followed where nearness to the local area appears to offer advantages such as low cost of operation, better service to the customers etc. insurance companies, banks, marketing organizations are organized on this basis. It enables the firm to take advantages of local conditions; it provides better service to the customers etc.

### 3 Departmentation by Product



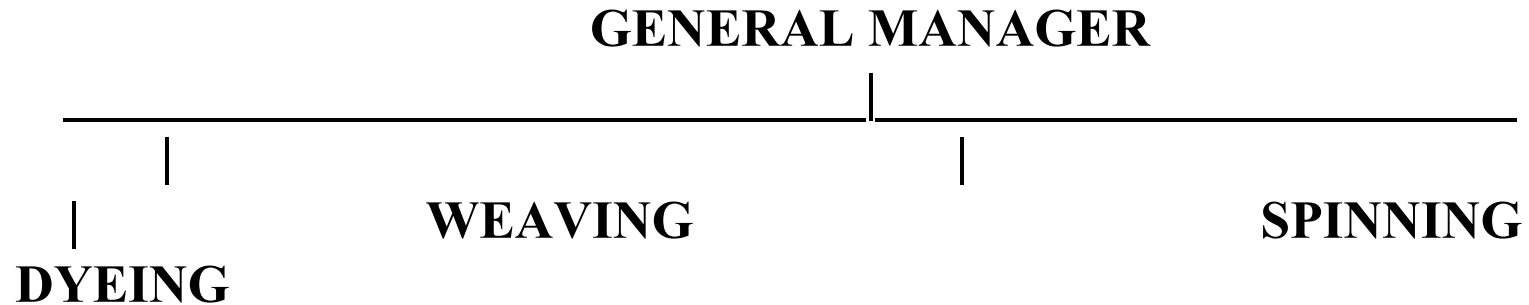
Companies dealing with varied product lines or brands may have this type of departmentation. There will be separate manager for separate product or brand. It can generate intra competition. It helps to concentrate marketing efforts on vital [products or brands].

## 4 Departmentation by Customer



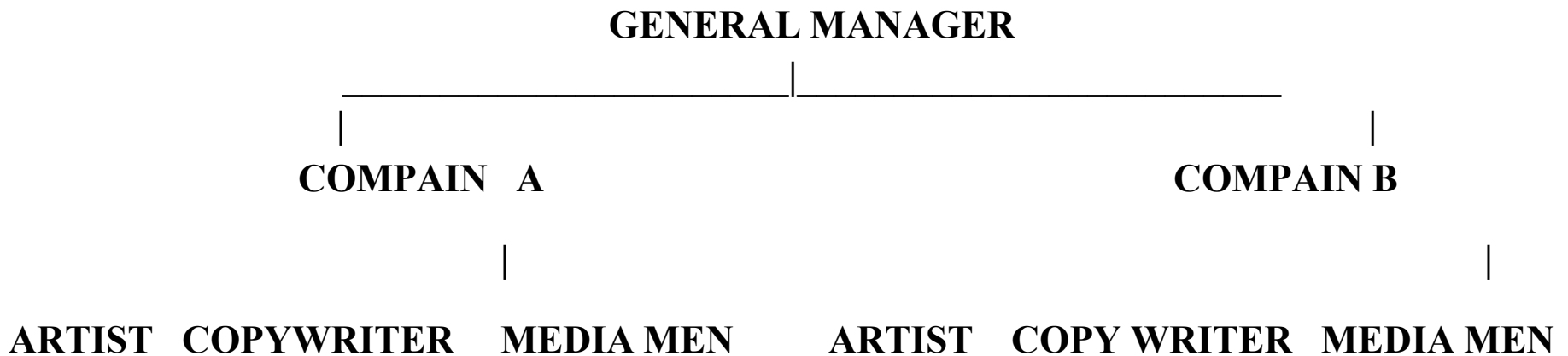
Depending on the nature of customers there can be departmentation. It helps to develop appropriate mix for a particular customer group. It generates customer satisfaction, and higher returns to the firm.

## 5 Departmentation by Process



Here, organization is divided on the basis of the process performed in the manufacturing units. For example, in textile mill, the process can be spinning, weaving, dyeing, bleaching, printing etc. it leads to specialisation. It generates higher efficiency.

## 6 Departmentation by Task Force



This departmentation involves the assigning of a specific task or a project to a particular group of employees. The group of employees known as the task force. Members of the task force may be selected from the various departments who are specialized in certain activities. Each task force has its own leader.

## **7 Departmentation by Time:**

Here, activities are grouped on the basis of time. Morning shifts, day shifts, night shifts etc.

## **8 Departmentation by Numbers:**

Here, subunits consist of certain number of workforce. This method helps to attain the benefits of appropriate span of control.

## **SPAN OF MANAGEMENT**

Introduced by Sir Ian Hamilton and later popularized by V. A. Graicunas and Lyndall Urwick. It refers to the number of subordinates that can be supervised and managed effectively.

### **FEATURES**

- 1 Principle of organizing
- 2 Global applications
- 3 All pervasive
- 4 Applicable to all levels of management
- 5 Time tested principle



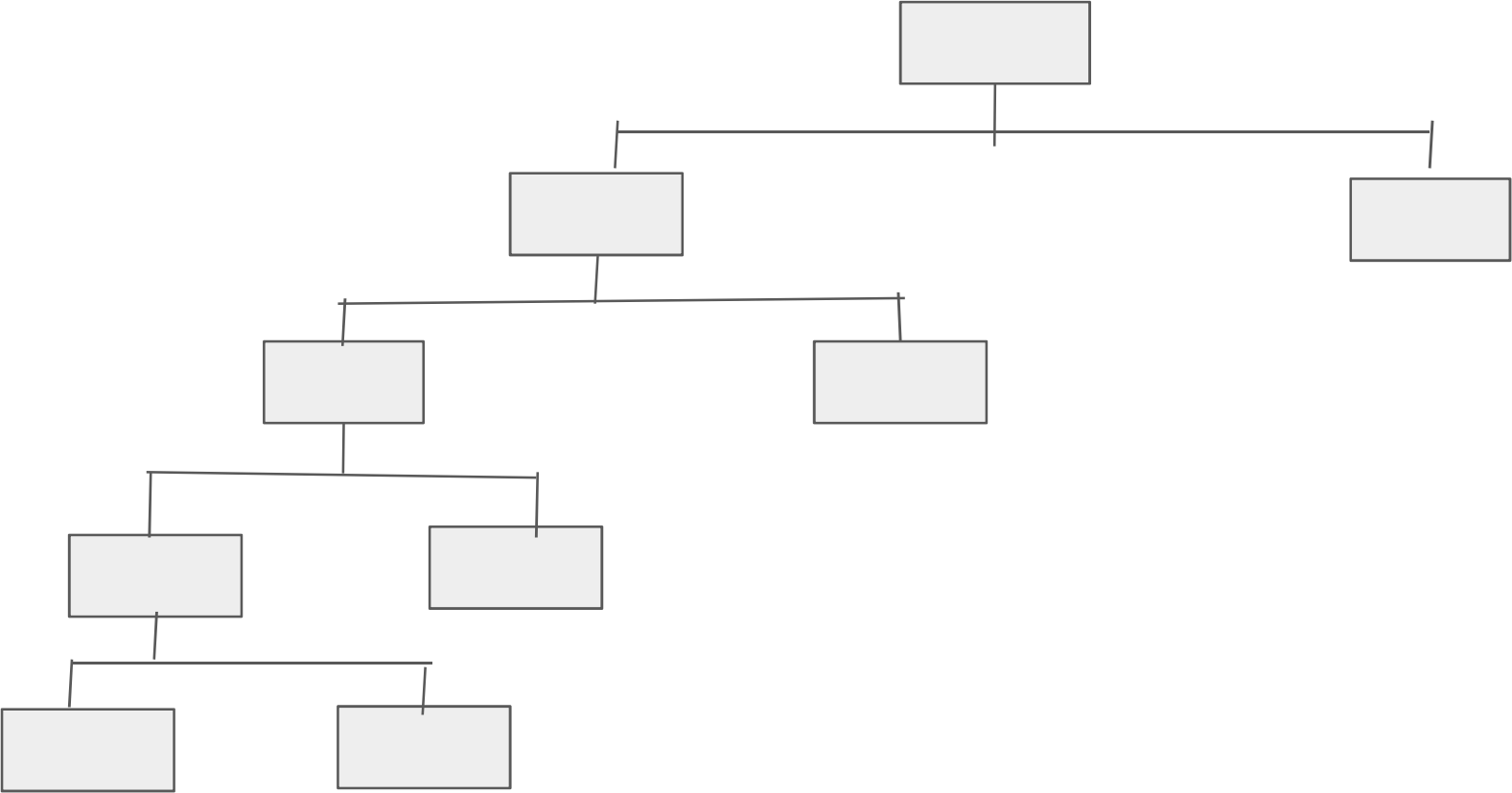
## **FACTORS INFLUENCING SPAN OF MANAGEMENT**

- 1 Nature of work: Complex – less, Routine - more
- 2 Experience of Superior: more experience - more
- 3 Subordinates Attitude: trained subordinates - less
- 4 Time devoted in supervision: less time – more, more time - less
- 5 Faith in subordinates: more faith - more
- 6 Incentives offered: more
- 7 Type of organization: clear plans & policies - more
- 8 Extend of delegation: clear & adequate delegation – more

## **BENEFITS OF SPAN OF MANAGEMENT**

- 1 Improvement in superior-subordinate relationship
- 2 Committed and dedicated subordinates
- 3 Optimum utilization of resources
- 4 Improvement in corporate image
- 5 Reductions in Absenteeism

# TALL ORGANISATION



In tall organization there is less subordinates under one superior. Therefore, it increases no. of levels in the organization.

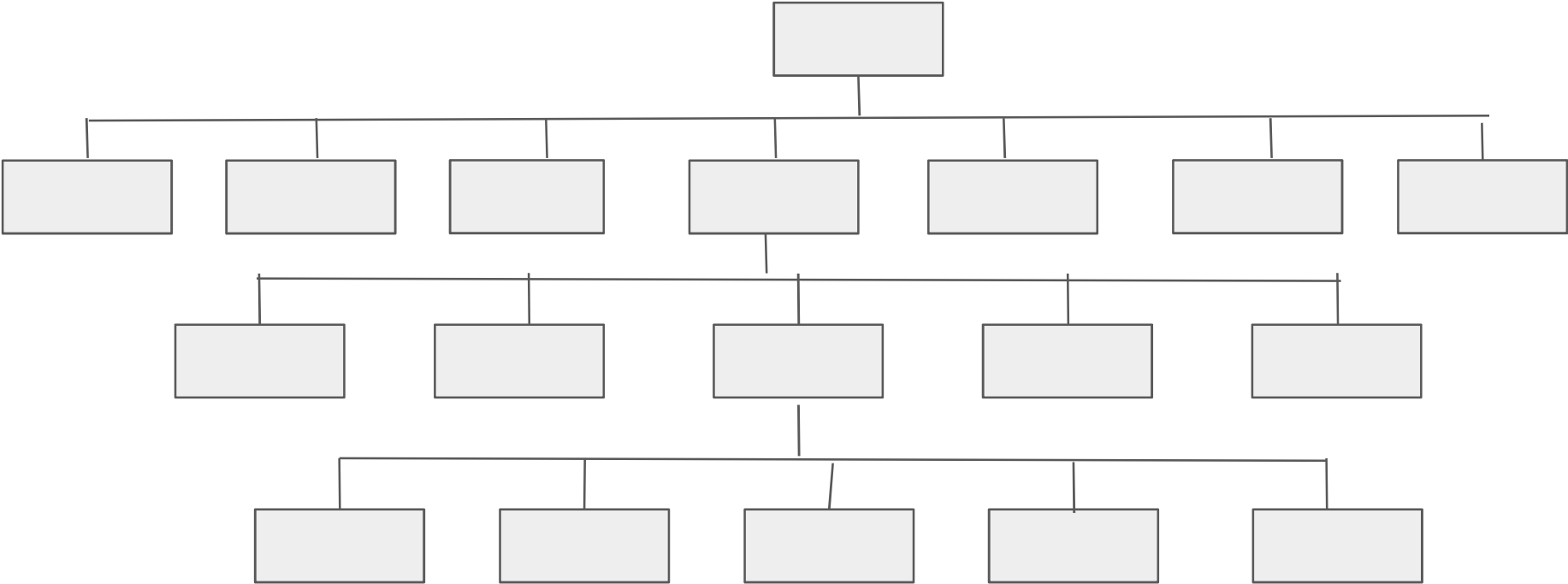
**Merits:**

- 1 Quality of performance is likely to be improved due to close supervision.
- 2 It develops better and closer superior and subordinate relations.
- 3 Control and supervision become easier and convenient.
- 4 Good discipline at all levels because of fewer subordinates.
- 5 There is less distortion in communication between superior and subordinates.

**Demerits:**

- 1 There is often delay and distortion in communication between levels.
- 2 It becomes difficult to coordinate activities of the various levels.
- 3 It is expensive as more number of supervisors/managers are required at different levels.
- 4 There is strict supervision and as such subordinates lack freedom, supervisors may become dominant.

**FLAT ORGANISATION**



In this type of organization there are more subordinates under one superior. Therefore, there are less number of levels in the organization.

**Merits:**

- 1 Less expensive, as few managers are required. Therefore, there are fewer overheads.
- 2 Quick actions can be taken involving various levels in the organization.
- 3 Quick communication, among the various levels in the organization.
- 4 Coordination in undertaking the various activities among the various levels.
- 5 It creates fewer levels of management
- 6 Subordinates are free from close and strict supervision and control

## **Demerits:**

- 1 There are chances of loose control as there may be more number of subordinates under one manager.
- 2 Problem of discipline due to lose control
- 3 Close and informal relations may not be possible between superior and subordinates.
- 4 Since there are several subordinates under one manager, there may be problem of team work and coordination.
- 5 It requires more ability and experience on the part of the superior to handle a large number of subordinates.

Now a day's organizations are becoming more flatter due to – there is need to reduce overheads, non availability of competent managers, tendency to centralize certain important matters, computerization in the organization, professionalism in managing subordinates.

## **DELEGATION OF AUTHORITY**

It is a process by which a superior transfers formal authority to his subordinate.

### **PROCESS:**

Assign Duties → Transfer of Authority →  
Acceptance Condition → Creation of responsibilities

## **BARRIERS OF DELEGATION**

### ***Difficulties on the part of Superior***

- 1) **Fear of being exposed**
- 2) **Fear of losing control**
- 3) **Fear of subordinates excellence**
- 4) **Lack of confidence in subordinates**
- 5) **Desire to dominate**
- 6) **Fear of being exposed**
- 7) **Fear of losing control**
- 8) **Fear of subordinates excellence**
- 9) **Lack of confidence in subordinates**
- 10) **Desire to dominate**



## **BARRIERS OF DELEGATION**

### ***Difficulties on the part of Subordinates***

- 1) Fear of criticism**
- 2) Fear of being exposed**
- 3) Fear of losing job**
- 4) Lack of information and resources**
- 5) Lack of self confidence**
- 6) Lack of incentives**
- 7) Poor relationship**

# PRINCIPLES OF DELEGATIONS

Some of the essential principles for overcoming barriers of effective delegation:

**Principle of functional clarity:** The subordinates should know the importance of the job delegated to him. The delegate must know exactly what is expected of him.

**Principle of Authority and Responsibility:** There should be a proper balance between authority and responsibility. The delegate should know how much authority he will have in completing the assigned task and he will be responsible for the same.

**Principle of Exception:** When authority is delegated to subordinates, there should not be unnecessary interference on the part of superior.

**Principle of Unity of Command:** The subordinates should receive orders from only one superior to undertake the delegated work. Reporting to more than one superior will create confusion.

# **PRINCIPLES OF DELEGATIONS**

**Principle of Scalar chain:** There should be clear lines of authority from the superior to subordinates. The subordinate must know who delegates authority to him and to whom matters beyond his authority must be referred.

**Principle of Absoluteness of responsibility:** By delegating authority to subordinates, the superior cannot escape responsibility. The responsibility of the superior for the acts of his subordinates is absolute. The overall responsibility lies with the superior.

**Selection of right subordinates**

**Provision training**

**Provision of Incentives**

**Establishment of necessary controls**

## **DECENTRALISATION**

Decentralization is the tendency to disperse decision-making authority in an organization structure. In large scale organization, there is need to have a proper balance between centralization and decentralization. No organization can be completely centralized or decentralized.

### **Factors affecting decentralization:**

- 1 Costliness of decision:** The more costly or important the decision is, the greater is the possibility that the decision will be made at upper level, so there is less centralization of costly decisions.
- 2 Desire for uniformity:** The more the desire to obtain uniformity, the more will be the centralization and less would be decentralization.
- 3 History of enterprise:** The organizations which expand from within show a market tendency to keep authority centralized.

## **DECENTRALISATION**

**4 Availability of managers:** Decentralization requires more number of managers at various levels. However, shortage of competent managers would restrict the extend of decentralization of authority.

**5 Management philosophy:** The philosophy of top management also influences whether authority is to be centralized or not. Sometime, top management tolerate no interference with their authority.

**6 Size of the organization:** The larger the size of the organization, there can be more decentralization in large companies. More decisions to be made and the more the places in which they may be made.

**7 Control Techniques:** Absence of proper control techniques may prevent decentralization.

**8 Decentralized performance:** It refers to the situation where the operations of a company are spread over a geographic area. Authority tends to be decentralized when performance is decentralized. If a firm operates in a limited market area, the top management may adopt centralisation.