Organization – Meaning, Definition, Importance and Principles

Meaning of Organization

Organization is the foundation upon which the whole structure of management is erected. Organization is associated with developing an outline where the overall work is divided into manageable components in order to facilitate the achievement of objectives or goals. Thus, organization is the structure or mechanism that enables living things to work together. In a static sense, an organization is a structure or machinery manned by group of individuals who are working together towards a common goal. Examples of organization are Corporations, governments, non-government organizations, armed forces, non-profit organizations etc.

The term organization has been used in four different senses;

1. **Organization as Framework of Relationships:** Organization refers to the structure and interactions among various job positions which are created to realize certain objectives.

2. **Organization as a process:** Organization is viewed as a dynamic process and a managerial activity which is vital for planning the utilization of company's resources.

3. **Organization as a System:** Organization is also viewed as a system. System concepts recognize that organizations are made up of components, each of which has exclusive properties, abilities and reciprocated associations. The constituent elements of a system are linked together in such complex ways that actions taken by one individual have far reaching effects on others.

4. **Organization as a Group of Persons:** Organization is very often viewed as a group of persons contributing their efforts towards certain goals.

Definitions of Organization

- "Organizations may be defined as a group of individuals large or small that are cooperating under the direction of executive leadership in accomplishment of certain common object." – Keith Davis

- "Organization is a system of cooperative activities of two or more persons." – Chester Barnard

- "Organization is the form of every human association for the attainment of a common purpose." – Mooney and Reily

- "Organization is a harmonious adjustment of specialized parts for the accomplishment of some common purpose or purposes." – Haney

- "In its broadest sense, organization refers to the relationship between the various factors present in the given endeavor. Factory organization concerns itself primarily with the internal relationships within the factory such as responsibilities of personnel arrangement and grouping of machines and material control. From the standpoint of enterprise as a whole, organization is the structural relationship between various factors in an enterprise."- Spriegel

Need / Importance of Organization

A renowned industrialist of U.S.A, <u>Andrew Carnegie</u> when sold his company 'United States Steel Corporation', showed his confidence in organization by saying "Take away our factories, take away our plants, our avenues of transportation, our money, leave nothing but our organization and we shall establish better factories." Since ages and all walks of life, organization has been playing a significant role. The importance of organization is as stated below.

1. **A tool for achieving objectives:** Organization is an important tool in the hands of management for accomplishing the objectives of an enterprise.

2. **It facilitates administration and management:** A sound organization increases efficiency, avoids duplication of work, avoids delay in work, improves managerial skills and motivates employees to perform their duties.

3. **It ensures optimum use of human resource:** Good organization establishes individuals with interests, knowledge, skills, abilities and viewpoints.

4. **It enhances creativity:** A well-conceived and comprehensive organization is the source of creative thinking and initiation of new ideas.

5. **Prevents Corruption:** Enterprises which lack sound organization most of the times have problem of corruption. Sound organization helps to prevent corruption by raising morale of the employees. As a result of which employees are encouraged to work with higher efficiency, commitment and honesty.

6. **Fosters growth of enterprise:** Good organization plays a key role not only in growth but also in the expansion and diversification of an enterprise.

7. **Eliminates overlapping and duplication of efforts:** In a situation, where the distribution of work is not clearly identified and the work is performed in a haphazard manner there will be duplication and overlapping of efforts. As a good organization requires that the work be clearly assigned amongst employees, such overlapping and duplication is to be eliminated.

8. **Coordination:** Various jobs and positions are linked together by structural relationship of the organization. The organizational process exercises its due and balanced emphasis on the coordination of different activities.

Classification of Organizations

Organizations are basically clasified on the basis of relationships. There are two types of organizations formed on the basis of relationships in an organization

1. **Formal Organization** - This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure. This kind of organization is an arbitrary set up in which each person is responsible for his performance. Formal organization has a formal set up to achieve pre- determined goals.

2. **Informal Organization** - It refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations. There is no conscious effort made to have informal organization. It emerges from the

formal organization and it is not based on any rules and regulations as in case of formal organization.

Relationship between Formal and Informal Organizations

For a concerns working both formal and informal organization are important. Formal organization originates from the set organizational structure and informal organization originates from formal organization. For an efficient organization, both formal and informal organizations are required. They are the two phase of a same concern.

Formal organization can work independently. But informal organization depends totally upon the formal organization.

Formal and informal organization helps in bringing efficient working organization and smoothness in a concern. Within the formal organization, the members undertake the assigned duties in co-operation with each other. They interact and communicate amongst themselves. Therefore, both formal and informal organizations are important. When several people work together for achievement of organizational goals, social tie ups tends to built and therefore informal organization helps to secure co-operation by which goals can be achieved smooth. Therefore, we can say that informal organization emerges from formal organization.