Management

Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims. This basic definition needs to be expanded:

- As managers, people carry out the managerial functions of planning, organizing, staffing, leading, and controlling.
- Management applies to any kind of organization.
- It applies to managers at all organizational levels.
- The aim of all managers is the same: to create a surplus.
- Managing is concerned with productivity, which implies effectiveness and efficiency.

Organization

All do manage organizations. We define an **organization** as a group of people working together to create a surplus. In business organizations, this surplus is profit. In nonprofit organizations, such as charitable organizations, it may be satisfaction of needs. Universities also create a surplus through generation and dissemination of knowledge as well as providing service to the community or society.

Functions of Management

Many scholars and managers have found that the analysis of management is facilitated by a useful and clear organization of knowledge. In studying management, therefore, it is helpful to break it down into five managerial functions—planning, organizing, staffing, leading, and controlling—around which the knowledge that underlies those functions can be organized. Thus, the concepts, principles, theories,

Management Essential for orgnization

Managers are charged with the responsibility of taking actions that will enable individuals to make their best contributions to group objectives. Management thus applies to small and large organizations, to profit and not-for-profit enterprises, to manufacturing as well as service industries. The term **enterprise** refers to a business, government agency, hospital, university, and any other type of organization, since almost everything said in this book refers to business as well as nonbusiness organizations. Effective management is the concern of the corporation president, the hospital administrator, the government first-line supervisor, the Boy Scout leader, the church bishop, the baseball manager, and the university president.

Time Spent in carrying out Managerial functions

"The Job(s) of Management," *Industrial Relations* (February 1955) pp. 97–110.
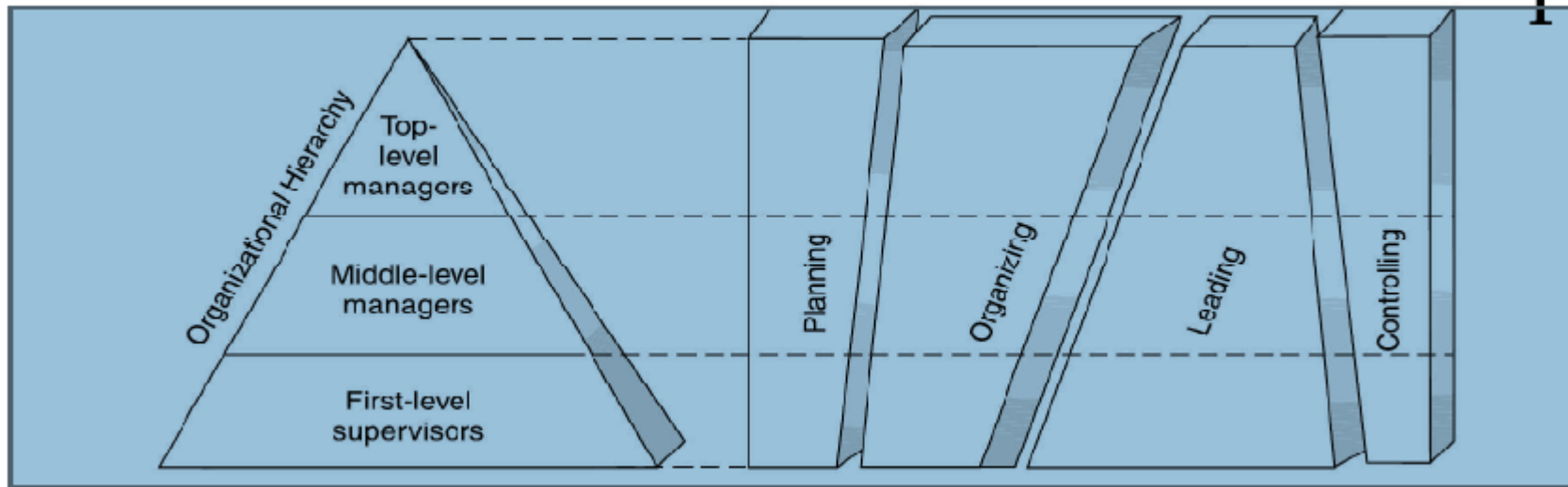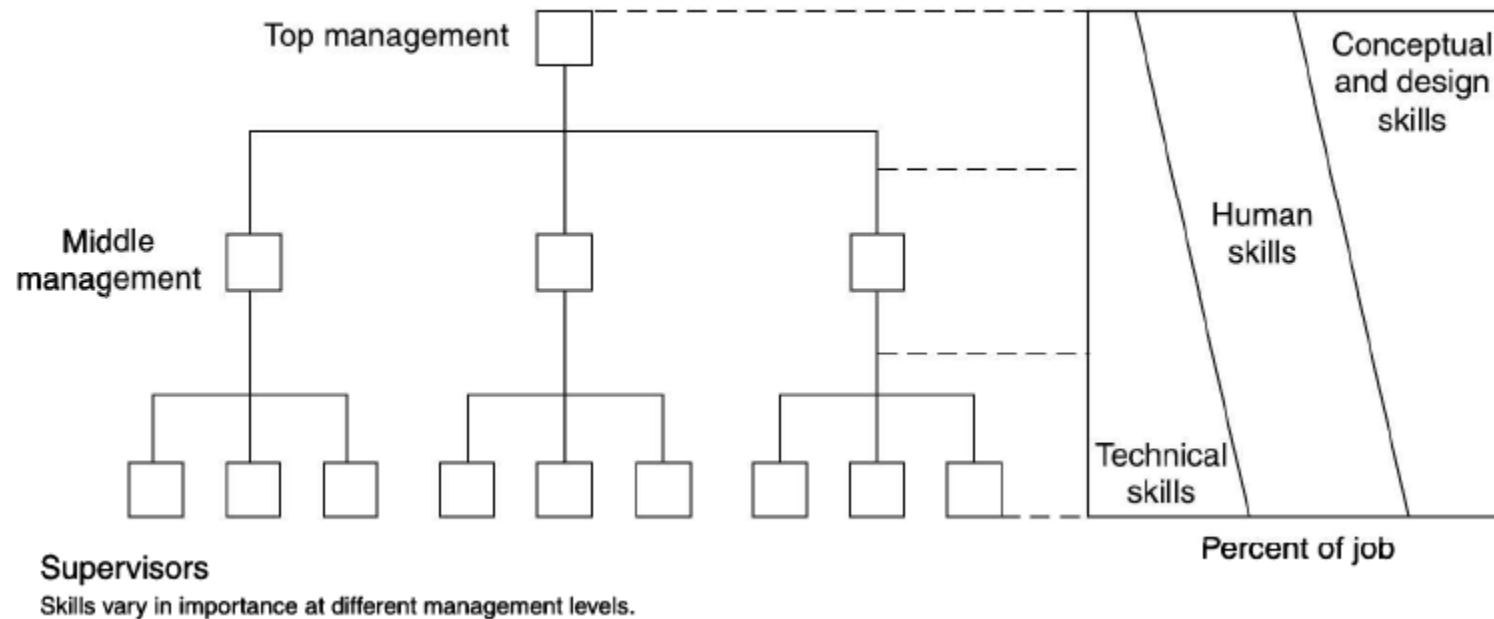
Managerial skills and organizational hierarchy

Skills vary in importance at different management levels.

Goals Of All managers and organizations

Nonbusiness executives sometimes say that the aim of business managers is simple—to make a profit. But profit is really only a measure of a surplus of sales receipts over expenses. For many businesses, an important goal is the long-term increase in the value of their common stock. Michael Porter at Harvard is critical about the emphasis of shareholder value when he wrote that "we lost sight of profitability as the goal and substituted shareholder value measured by stock price."[2] This, Porter suggests, has destroyed many enterprises. In a very real sense, in all kinds of organizations, whether business or nonbusiness, the logical and publicly desirable aim

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of all managers should be a *surplus.* Thus, managers must establish an environment in which people can accomplish group goals with the least amount of time, money, materials, and personal dissatisfaction, or in which they can achieve as much as possible of a desired goal with available resources. In a nonbusiness enterprise such as a police department, as well as in units of a business that are not responsible for total business profits (such as the accounting department), managers still have goals and should strive to accomplish them with the minimum of resources or to accomplish as much as possible with available resources.

Characteristics of Excellent and most admired companies

In the United States, profitability is an important measure of company excellence. At times, however, other *success* criteria are also used that frequently coincide with financial performance. In their book *In Search of Excellence*, Thomas Peters and Robert Waterman identified 43 companies that they regarded as excellent.[5] In choosing the firms, they considered factors such as growth of assets and equity, average return on total capital, and similar measures. They also asked industry experts about the innovativeness of the companies.

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The authors identified eight characteristics of excellent enterprises. Specifically, these firms:

1. were oriented toward action
2. learned about the needs of their customers
3. promoted managerial autonomy and entrepreneurship
4. achieved productivity by paying close attention to the needs of their people
5. were driven by a company philosophy often based on the values of their leaders
6. focused on the business they knew best
7. had a simple organization structure with a lean staff
8. were centralized as well as decentralized, depending on appropriateness

Advances in technology, Trends in globalization and focus on Entrepreneurship for 21st century

To be successful in the 21st century, companies must take advantage of the new information technology—especially the Internet—globalization—and entrepreneurship.

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Technology[10] Technology, and especially information technology (IT) has a pervasive impact on both organizations and individuals. The World Wide Web and the Internet connects people and organizations through a global network. Electronic commerce (e-commerce) is increasingly used for transactions between individuals and companies (B2C) as well as between businesses (B2B). The number of people connecting to the Internet varies among countries. The United States, Canada, the Nordic countries in Europe, and Australia have high network access rates, and so do many Asian countries. For example, Shanghai, China, has a population of 18 million and over 16 million cell phone subscribers.[11] But other countries, including developing countries, are rapidly connecting to the global network.

Another trend is the use of m-commerce, that is, mobile or wireless commerce for buying and selling goods using, for example, cellular telephones or personal digital assistants. Increasingly, people can communicate without computers by using wireless devices. In Japan, for example, NTT DoCoMo has developed an Internet service called i-mode, which already has many million subscribers.[12] These services will increase as

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Globalization[13] The second major trend is globalization. Most major corporations have an international presence. The World Trade Organization (WTO), an umbrella organization, was established in 1995 to govern international trade. Despite street protests at WTO meetings, globalization continues. The gains from globalization not only benefit Western corporations but also result in higher incomes for people in other countries, such as China. Clearly, managers must develop an international perspective. Chapter 3 will address several global issues in detail. In addition, international topics are discussed in the international perspectives shown throughout the book.

Entrepreneurship

- An increasing focus on entrepreneurship as a national and organizational imperative has become more
- and more evident. Entrepreneurship is seen by governments as a means to increase employment and
- prosperity among their populations, while organizations – large and small – find that entrepreneurial
- innovation and expansion into new customer segments are essential to their success and survival in
- increasingly competitive markets.
- Entrepreneurship is a creative process that is centred in the notion of identifying market opportunities
- and unmet needs. It is building solutions that meet these needs and bring value to customers.
- Entrepreneurs build organizations that provide products that alleviate people's pain (e.g.,
- pharmaceutical companies) or provide the means for people to enhance their own lives through
- sophisticated telecommunications (e.g., information technology companies) while creating economic
- surplus. Venkatramen (1997) asserted that "Entrepreneurship as a scholarly field seeks to understand
- how opportunities to bring into existence 'future' goods and services are discovered, created and
- exploited, by whom and with what consequence."13

Productivity,Effectiveness,Efficiency

Definition of productivity Successful companies create a surplus through productive operations. Although there is no complete agreement on the true meaning of **productivity**, let us define it as the output–input ratio within a time period with due consideration for quality. It can be expressed as follows:

$$\text{Productivity} = \frac{\text{Outputs}}{\text{Inputs}} \text{ (within a time period, quality considered)}$$

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Definitions of effectiveness and efficiency Productivity implies effectiveness and efficiency in individual and organizational performance. **Effectiveness** is the achievement of objectives. **Efficiency** is the achievement of the ends with the least amount of resources. Managers cannot know whether they are productive unless they first know their goals and those of the organization, a topic that will be discussed in Chapter 4.

Managing Science or ART

Managing, like all other practices—whether medicine, music composition, engineering, accountancy, or even baseball—is an art. It is know-how. It is doing things in light of the realities of a situation. Yet managers can work better by using the organized knowledge about management. It is this knowledge that constitutes a science. Thus, managing as practice is an *art*; the organized knowledge underlying the practice may be referred to as a *science*. In this context, science and art are not mutually exclusive; they are complementary.

As science improves, so should art, as has happened in the physical and biological sciences. To be sure, the science underlying managing is fairly crude and inexact because the many variables that managers deal with are extremely complex. Nevertheless, such management knowledge can certainly improve managerial practice. Physicians without the advantage of science would be little more than witch doctors. Executives who attempt to manage without management science must trust luck, intuition, or do what they did in the past.

In managing, as in any other field, unless practitioners are to learn by trial and error (and it has been said that managers' errors are their subordinates' trials), there is no place they can turn to for meaningful guidance other than the accumulated knowledge underlying their practice.

Patterns of Management Analysis

- Although academic writers and theorists contributed notably little to the study of management until
- the early 1950s (previous writings having come largely from practitioners), the past several decades
- have seen a veritable deluge of writing from the academic halls. The variety of approaches to management
- analysis, the amount of research, and the great number of differing views have resulted
- in much confusion as to what management is, what management theory and science are, and how
- managerial events should be analyzed. As a matter of fact, Harold Koontz many years ago called
- this situation "the management theory jungle."27 Since that time, the vegetation in this jungle has
- changed somewhat—new approaches have developed and older approaches have taken on some new
- meanings with some new words attached, but the developments of management science and theory
- still have the characteristics of a jungle.
- The various approaches to management analysis are summarized in Figure 1.3 where they are
- grouped in 14 categories. The characteristics, contributions, and limitations of each approach are
- shown in the figure. We will focus here on the managerial roles approach and the management process
- (or operational) approach.

Managerial Roles approach

- EMPIRICAL, OR CASE, APPROACH*
- MANAGERIAL ROLES APPROACH
- CONTINGENCY, OR SITUATIONAL, APPROACH
- MATHEMATICAL, OR "MANAGEMENT SCIENCE," APPROACH
- DECISION THEORY APPROACH
- REENGINEERING APPROACH
- SYSTEMS APPROACH
- SOCIOTECHNICAL SYSTEMS APPROACH
- COOPERATIVE SOCIAL SYSTEMS APPROACH
- GROUP BEHAVIOR APPROACH
- INTERPERSONAL BEHAVIOR APPROACH
- MCKINSEY'S 7-S FRAMEWORK
- TOTAL QUALITY MANAGEMENT APPROACH
- MANAGEMENT PROCESS, OR OPERATIONAL, APPROACH

Contd..

- Interpersonal roles
- 1. The figurehead role (performing ceremonial and social duties as the organization's representative)
- 2. The leader role
- 3. The liaison role (particularly with outsiders)
- Informational roles
- 4. The recipient role (receiving information about the operation of an enterprise)
- 5. The disseminator role (passing information to subordinates)
- 6. The spokesperson role (transmitting information to those outside the organization)
- Decision roles
- 7. The entrepreneurial role
- 8. The disturbance handler role
- 9. The resource allocator role
- 10. The negotiator role (dealing with various persons and groups of persons)

Contd..

- Mintzberg's approach has also been criticized. In the first place, the sample of five CEOs used in
- his research is far too small to support so sweeping a conclusion. In the second place, in analyzing
- the actual activities of managers—from CEOs to supervisors—any researcher must realize that all
- managers do some work that is not purely managerial; one would expect even presidents of large
- companies to spend some of their time in public and stockholder relations, in fund-raising, and perhaps
- in dealer relations, marketing, and so on. In the third place, many of the activities Mintzberg
- found are in fact evidence of planning, organizing, staffing, leading, and controlling. For example,
- what is resource allocation but planning? The entrepreneurial role is certainly an element of planning.
- And the interpersonal roles are mainly instances of leading. In addition, the informational roles can
- be fitted into a number of functional areas.

The Management Process

- The process, or operational, approach to management theory and science

- draws together the pertinent knowledge of management by relating it to

- the managerial job—what managers do. Like other operational sciences,

- it tries to integrate the concepts, principles, and techniques that underlie

- the task of managing

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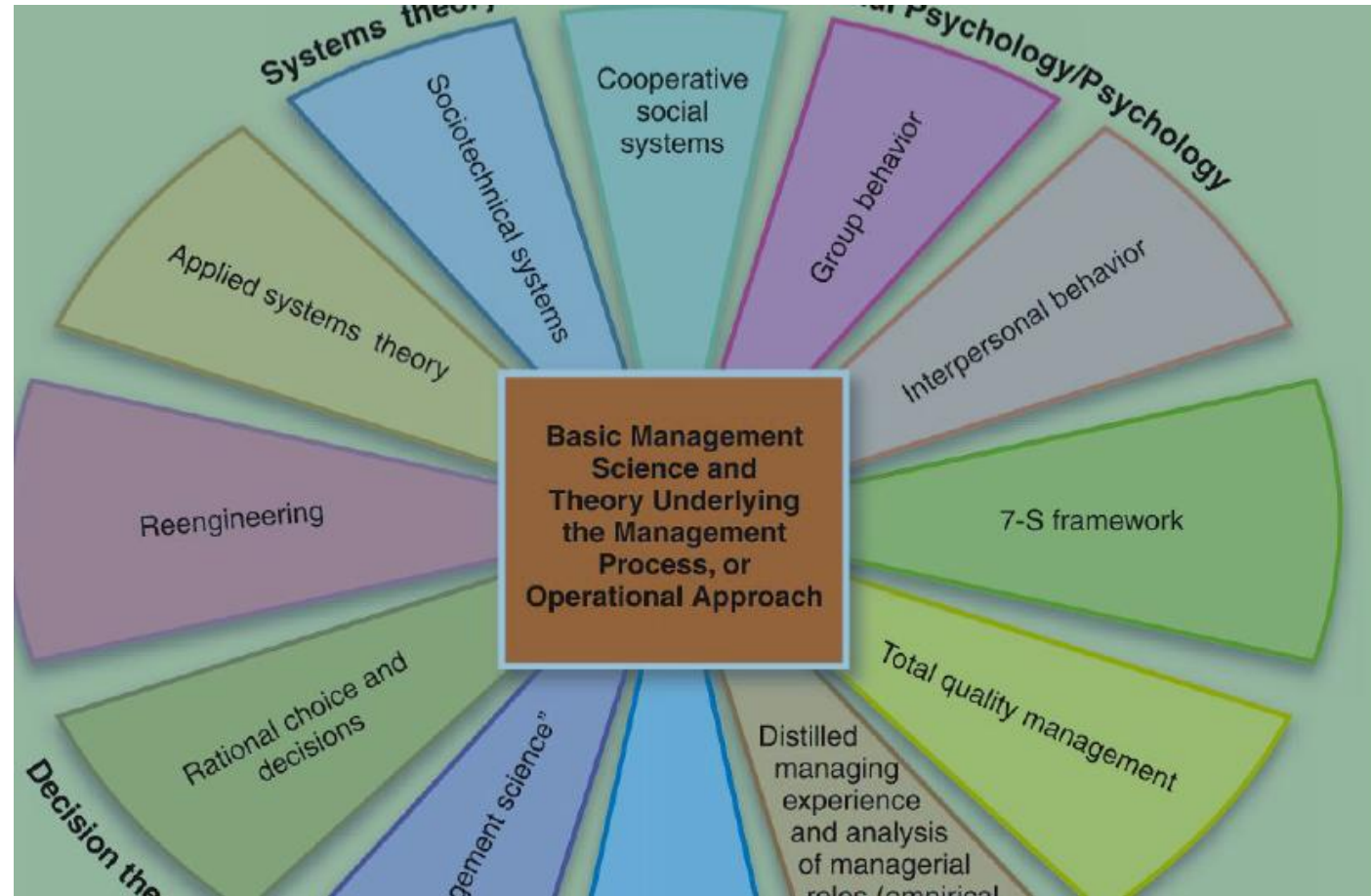
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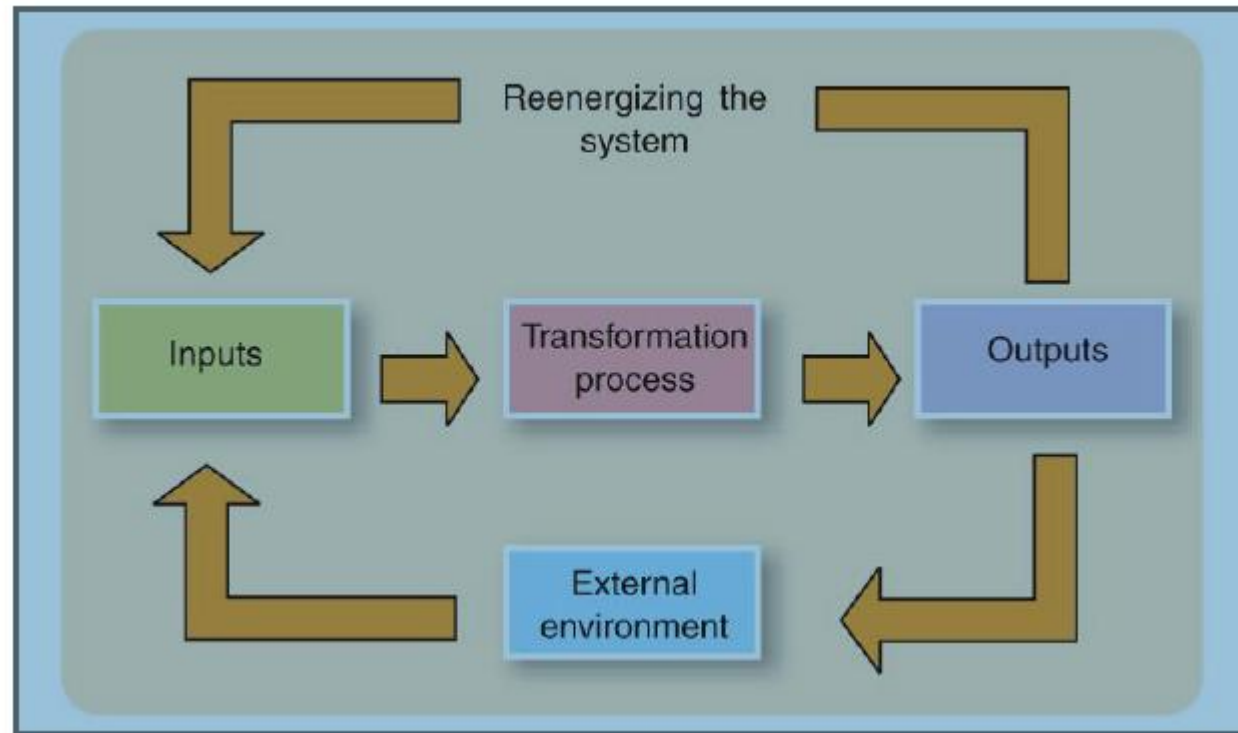
Inputs and Claimants

- The inputs from the external environment (see Figure 1.6) may include
- people, capital, managerial skills, as well as technical knowledge and skills.
- In addition, various claimants make demands on the enterprise. For
- example, employees want higher pay, more benefits, and job security.
- Consumers demand safe and reliable products at reasonable prices.
- Suppliers want assurance that their products will be bought. Stockholders
- want not only a high return on their investment, but also security for their
- money. Federal, state, and local governments depend on taxes paid by the enterprise, but they also
- expect the enterprise to comply with their laws. Similarly, the community demands that enterprises
- be "good citizens," providing the maximum number of jobs with a minimum of pollution. Other
- claimants to the enterprise may include financial institutions and labor unions; even competitors
- have a legitimate claim for fair play. It is clear that many of these claims are incongruent, and it is
- the manager's job to integrate the legitimate objectives of the claimants. This may need to be done
- through compromises, trade-offs, and denial of the manager's own ego.

Managerial transformation process

- It is the task of managers to transform the inputs, in an effective and efficient
- manner, into outputs. Of course, the transformation process can be
- viewed from different perspectives. Thus, one can focus on such diverse
- enterprise functions as finance, production, personnel, and marketing. Writers
- on management look at the transformation process in terms of their
- particular approaches to management. Specifically, writers belonging to the
- human behavior school focus on interpersonal relationships, social systems
- theorists analyze the transformation by concentrating on social interactions, and those advocating
- decision theory see the transformation as sets of decisions. However, the most comprehensive and
- useful approach for discussing the job of managers is to use the managerial functions of planning,
- organizing, staffing, leading, and controlling as a framework for organizing managerial knowledge.
- Therefore, this is the approach used as the framework of this book

Communication system

- Communication is essential to all phases of the managerial process for two reasons. First, it integrates

- the managerial functions. For example, the objectives set in planning are communicated so that the

- appropriate organization structure can be devised. Communication is essential in the selection, appraisal,

- and training of managers to fill the roles in this structure. Similarly, effective leadership and

- the creation of an environment conducive to motivation depend on communication. Moreover, it

- is through communication that one determines whether events and performance conform to plans.

- Thus, it is communication that makes managing possible.

External variables

- Effective managers will regularly scan the external environment. It is true that managers may have

- little or no power to change the external environment, yet they have no alternative but to respond

- to it. The forces acting in the external environment are discussed in various chapters,

Outputs

- It is the task of managers to secure and utilize inputs to the enterprise to
- transform them through the managerial functions—with due consideration
- for external variables—into outputs. Although the kinds of outputs will
- vary with the enterprise, they usually include many of the following: products,
- services, profits, satisfaction, and integration of the goals of various
- claimants to the enterprise. Most of these outputs require no elaboration,
- and only the last two will be discussed.

Reenergizing system

- Finally, it is important to note that, in the systems model of the management process, some of the

- outputs become inputs again. Thus, the satisfaction and new knowledge or skills of employees become

- important human inputs. Similarly, profits, the surplus of income over costs, are reinvested in

- cash and capital goods, such as machinery, equipment, buildings, and inventory. You will see shortly

- knowledge. But, let us first look closer at the managerial functions.

Functions of Managers

- Planning
- Organizing
- Staffing
- Leading
- Controlling
- Coordination

Unit2:- Planning

- Planning involves selecting missions and objectives and deciding on the

- actions to achieve them; it requires decision-making; that is, choosing a course of action from among

- alternatives. Plans, thus, provide a rational approach to achieving preselected

- objectives

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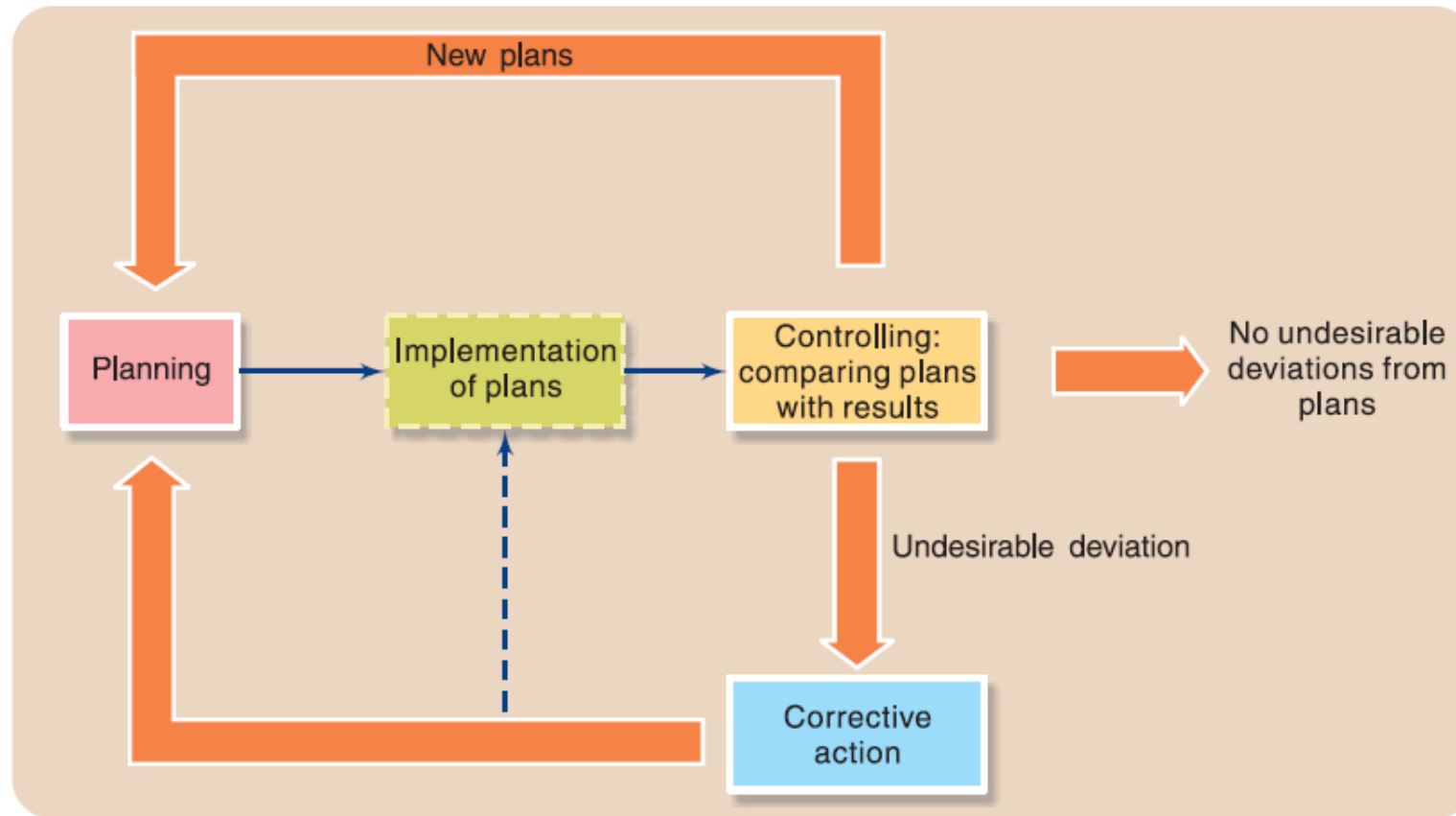
Types of Plans

- Plans can be classified as (1) missions or purposes, (2) objectives or goals, (3) strategies, (4) policies,
- (5) procedures, (6) rules, (7) programs, and (8) budgets.
- Mission:-
- The mission, or purpose (the terms are often used interchangeably),
- identifies the basic function or tasks of an enterprise or agency or any
- part of it

Contd

- Objectives, or goals (the terms are used interchangeably in this book), are the ends toward which
- activity is aimed.
- Strategies
- For years, the military used the word strategies to mean grand plans made
- in light of what it was believed an adversary might or might not do.
- Policies
- Policies also are plans in that they are general statements or understandings
- that guide or channel thinking in decision-making

Contd

- Procedures
- Procedures are plans that establish a required method of handling future
- Activities
- Rules
- Rules spell out specific required actions or nonactions, allowing no discretion.
- Programs
- Programs are a complex of goals, policies, procedures, rules, task assignments,
- steps to be taken, resources to be employed, and other elements
- necessary to carry out a given course of action
- Budget
- A budget is a statement of expected results expressed in numerical terms.
- It may be called a "quantified" plan.

Decision Making

- Decision-making is defined as the selection of a course of action from
- among alternatives; it is at the core of planning. A plan cannot be said
- to exist unless a decision—a commitment of resources, direction, or
- reputation—has been made. Until that point, there are only planning
- studies and analyses. Managers sometimes see decision-making as their
- central job because they must constantly choose what is to be done, who
- is to doDecision-making is, however, only a step in planning. Even when it is done quickly and with little
- thought or when it influences action for only a few minutes, it is a part of planning. It is also a part
- of everyone's daily life. it, and when, where, and, occasionally even, how it will be done.

Contd..

- the process leading to making a
- decision might be thought of as (1) premising, (2) identifying alternatives, (3) evaluating alternatives
- in terms of the goal sought, and (4) choosing an alternative, that is, making a decision.
- Although this chapter emphasizes the logic and techniques of choosing a course of action, the
- discussion will show that decision-making is really one of the steps in planning.

Contd..

- It is frequently said that effective decision-making must be rational. But what is rationality? When is
- a person thinking or deciding rationally?
- Suzy Welch wrote a book with this eye-catching title. What does it mean? Do you make decisions that
- have consequences within ten minutes from now? Ten months from now? Or ten years from now?
- The answers to those questions may be quite different.
- A manager must settle for limited or "bounded," rationality. In other words, limitations of information,
- time, and certainty limit rationality, even if a manager tries earnestly to be completely rational.

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- A limiting factor is something that stands in the way of accomplishing

- a desired objective.

- Sometimes when there seem to be too many alternatives to choose from, managers rely on their own

- decision rules. These decision rules are called heuristics, and they allow complex judgments to be

- made more simply.

Contd..

- When selecting from among alternatives, managers can use three basic approaches: (1) experience,
- (2) experimentation, and (3) research and analysis
- A programmed
- decision, is applied to structured or routine problems
- Non programmed decisions are used for unstructured, novel, and ill defined
- situations of a nonrecurring nature.
- Virtually all decisions are made in an environment of at least some uncertainty. However, the degree
- varies from relative certainty to great uncertainty. There are certain risks involved in making decisions.
- In a situation involving certainty, people are reasonably sure about what will happen when they
- make a decision. The information is available and is considered to be reliable, and the cause and
- effect relationships are known.

Organization

- organization implies a
- formalized intentional structure of roles or positions.
- What does intentional structure of roles mean? In the first place, as already implied in the definition
- of the nature and content of organizational roles, people working together must fill certain roles.
- In the second place, the roles people are asked to fill should be intentionally designed to ensure
- that required activities are done and that activities fit together so that people can work smoothly,
- effectively, and efficiently in groups. Certainly, most managers believe they are organizing when they
- establish such an intentional structure.

Formal and Informal Organization

- Many writers on management distinguish between formal and informal organization. Both types are

- found in organizations

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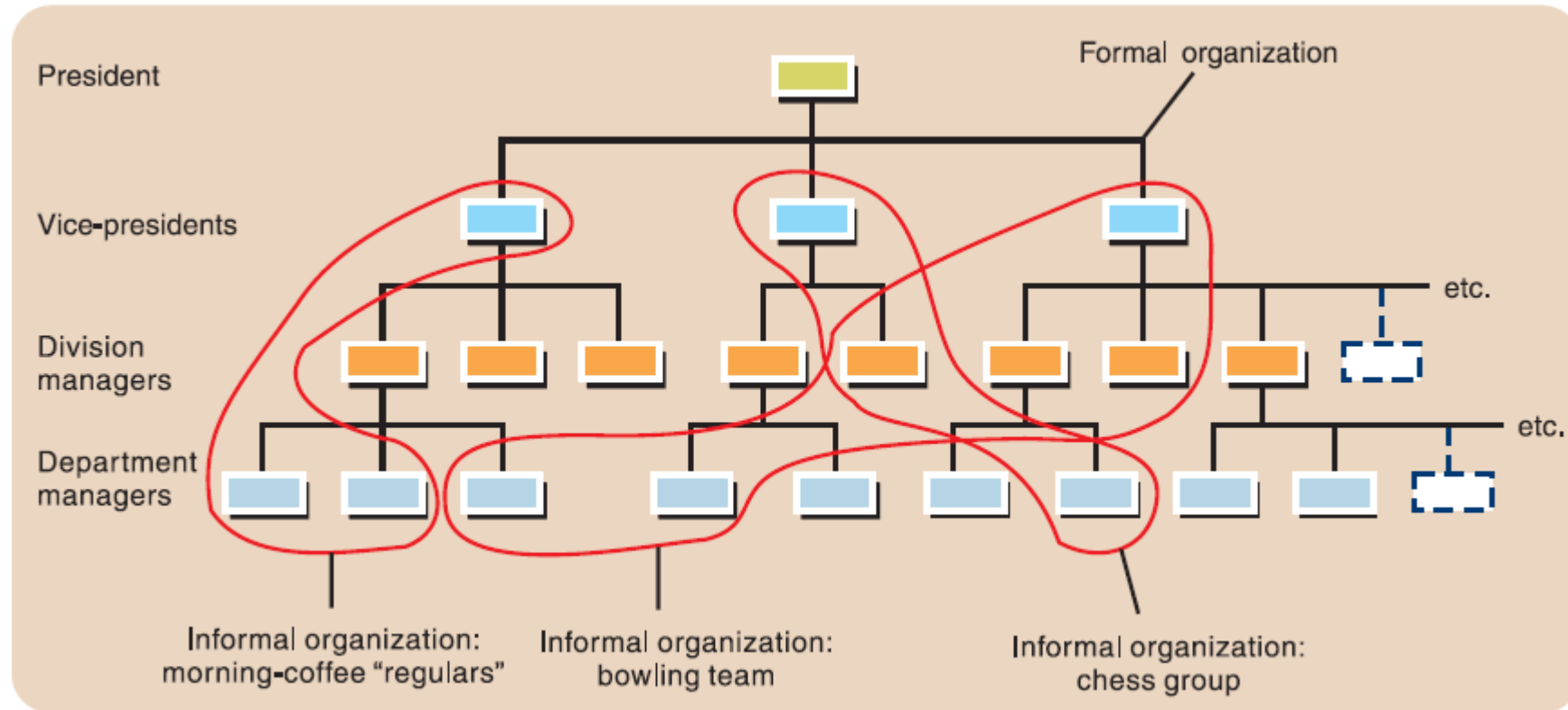
Figure 7-1 Formal and informal organizations

Formal organization

- formal organization means the intentional structure
- of roles in a formally organized enterprise. Describing an organization
- as formal, however, does not mean there is anything inherently inflexible
- or unduly confining about it. If a manager is to organize well, the structure
- must furnish an environment in which individual performance, both present
- and future, contributes most effectively to group goals

Informal Organization

- The informal
- organization is a network of interpersonal relationships that arise when
- people associate with each other. Thus, informal organizations—relationships
- not appearing on an organization chart—might include the machine
- shop group, the sixth floor crowd, the Friday evening bowling gang, and
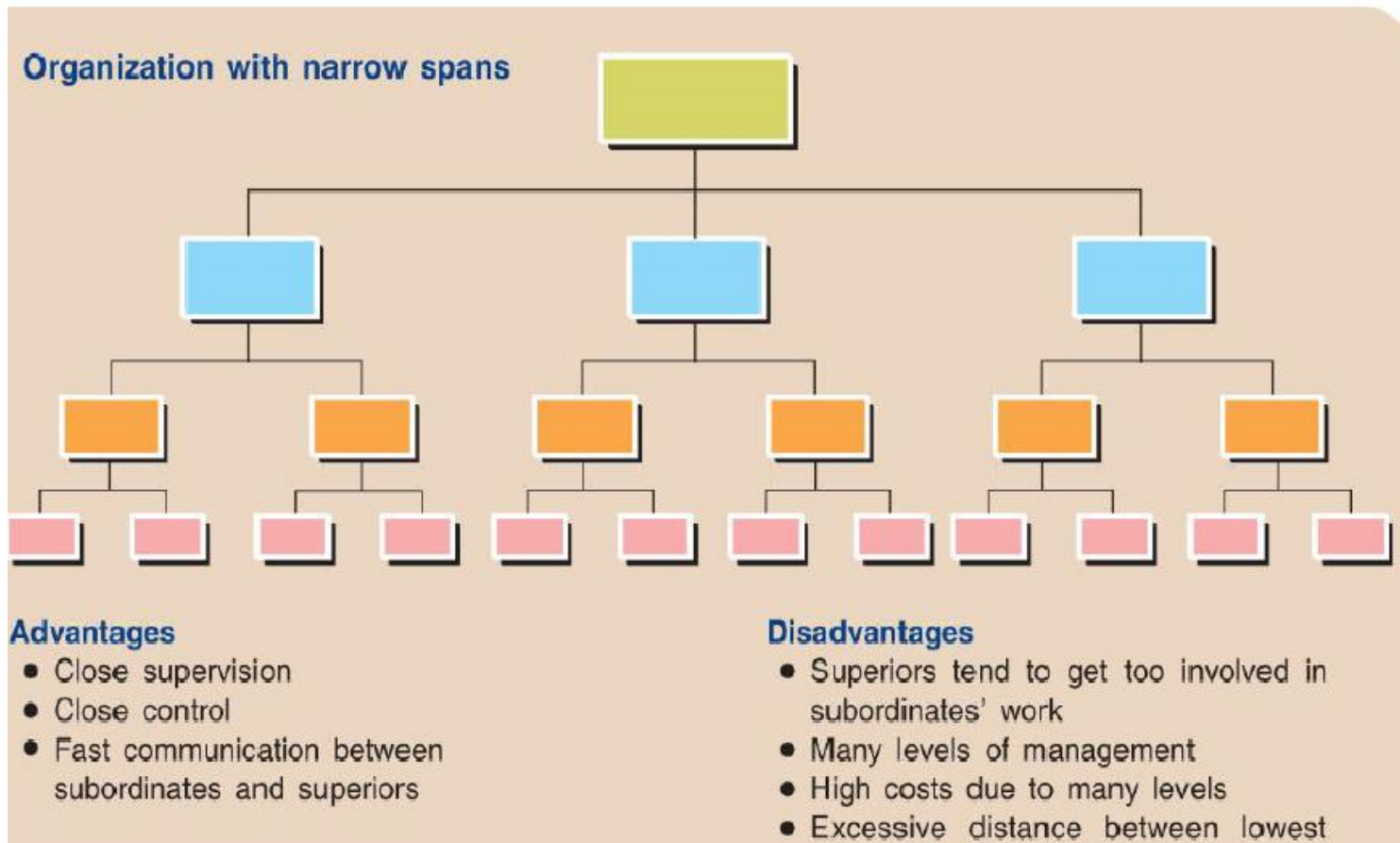- the morning coffee "regulars."

Organizational Division:-Department

- One aspect of organizing is the establishment of departments. The word department designates a
- distinct area, division, or branch of an organization over which a manager
- has authority for the performance of specified activities. A department,
- as the term is generally used, may be the production division, the sales
- department,
- In some enterprises, departmental terminology
- is loosely applied; in others, especially large ones, a stricter terminology
- indicates hierarchical relationships. Thus, a vice president may head a
- division; a director, a department; a manager, a branch; and a chief, a
- section.

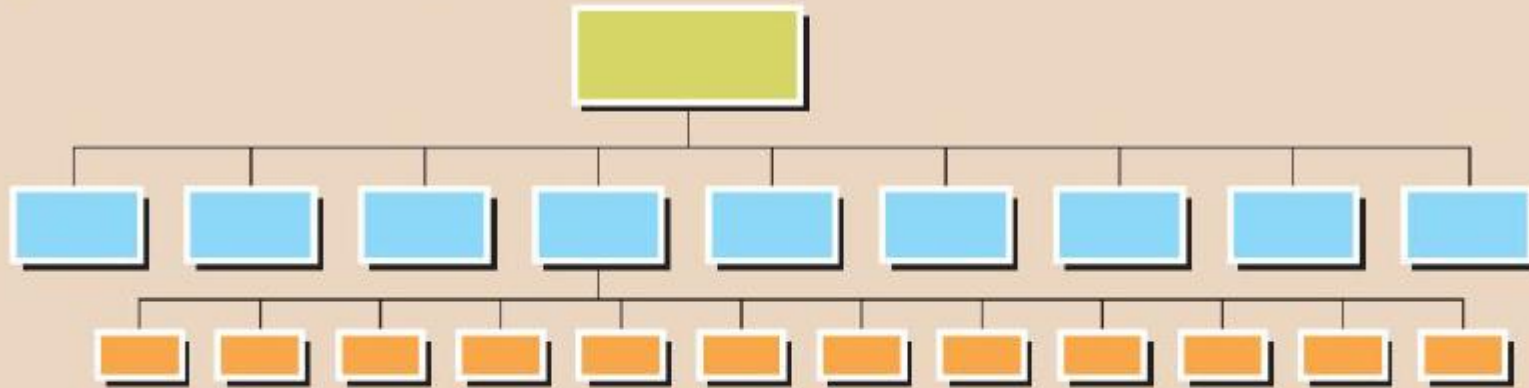# Organizational Levels and the span of management

- While the purpose of organizing is to make human cooperation effective, the reason for levels of

- organization is the limitation of the span of management. In other words, organizational levels exist

- because there is a limit to the number of persons a manager can supervise effectively, though

- this limit varies depending on situations.

Contd…

Organization with narrow spans

Advantages
- Close supervision
- Close control
- Fast communication between subordinates and superiors

Disadvantages
- Superiors tend to get too involved in subordinates' work
- Many levels of management
- High costs due to many levels
- Excessive distance between lowest

Contd..

Organization with wide spans

Advantages
- Superiors are forced to delegate
- Clear policies must be made
- Subordinates must be carefully selected

Disadvantages
- Tendency of overloaded superiors to become decision bottlenecks
- Danger of superior's loss of control
- Requires exceptional quality of managers

Reengineering the organization

- Some time ago, a managerial concept called reengineering entered management literature. It is
- sometimes called "starting over"
- Let us briefly consider these key aspects. First, hardly anyone would disagree on the need for a fundamental
- rethinking of what the organization is doing and why. One of the authors, while working as a
- systems analyst, found that systems and procedures were often outdated, inefficient, and completely
- unnecessary. Seldom did systems users question why the procedures were necessary and the purpose
- they served. So a fresh look, especially by a "systems outsider," can indeed reveal many inefficiencies.
- New thinking about management may provide a new perspective at what is being done and why.

Contd…

- The second key aspect in the definition is radical redesign of the business processes. In the original

- publication, the authors suggested that "radical" meant precisely—not a modification, but a reinvention.

- They also suggested that this is the most important aspect of their approach. Hammer and

- Champy, in a later paperback edition of the book, admit that they may have been wrong in suggesting

- that the most important key aspect is radical redesign.14 Radical redesign often results in radical

- downsizing with detrimental effects on organizations.

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- Downsizing or "rightsizing" is not the primary purpose of reengineering, although in many cases
- it does result in fewer people being needed. Unfortunately, reengineering has primarily been used in
- a reactive way by managers intent on reducing costs, without necessarily addressing customer needs
- and expectations. Another result of radical redesigning is a business system based primarily on the
- engineering model without due considerations given to the human system. While radical redesign,
- accompanied by downsizing, may indeed result in short-term cost savings, it may also negatively affect
- the remaining workforce. Teamwork has become increasingly important in the modern organization.
- But team efforts are built on trust, and trust has to be built over a long period of time. With radical
- redesign, trust can be destroyed.

Contd…

- The third key term calls for dramatic results. Examples are often given to support this key aspect
- in the definition of reengineering that calls for dramatic improvements. Union Carbide cut $400
- million from its fixed costs in three years. GTE, the Baby Bell telephone company, developed onestop
- shopping; customers, who once had to deal with various departments, can now deal with one
- person, or they can connect directly with the department providing the specific service sought. But
- dramatic improvements are moderated by failures

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- The fourth key word in the reengineering definition is processes. The need for carefully analyzing and

- questioning business processes is indeed important. However, the process analysis must go beyond

- operations and must include the analysis and integration of technical systems, human systems, and

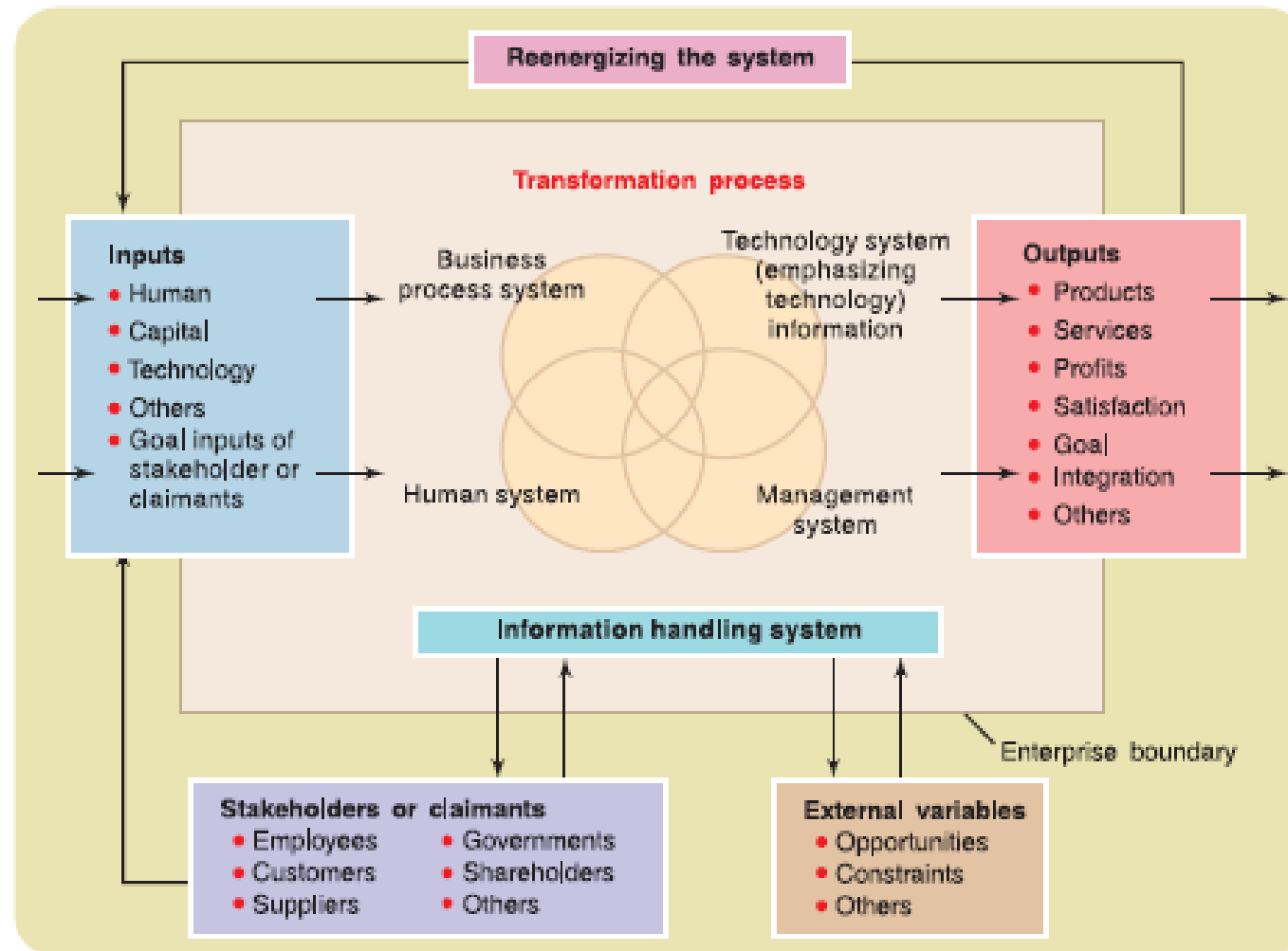- the total management process including the linkage of the enterprise to the external environment.

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Figure 2.2 Management by processes

Structure and process of organizing

- Looking at organizing as a process requires that several fundamentals be considered. In first place, the

- structure must reflect objectives and plans because activities derive from them. In the second place, it

- must reflect the authority available to an enterprise's management. Authority in a given organization

- is a socially determined right to exercise discretion; as such, it is subject to change.

- In third place, an organization structure, like any plan, must reflect its environment. Just as the

- premises of a plan may be economic, technological, political, social, or ethical, so may be those of

- an organization structure. It must be designed to work, to permit contributions by members of a

- group, and to help people achieve objectives efficiently in a changing future. In this sense, a workable

- organization structure can never be static. There is no single organization structure that

Contd..

- In the fourth place, since the organization is staffed with people, the grouping of activities and

- the authority relationships of an organization structure must take into account people's limitations

- and customs. This is not to say that the structure must be designed around individuals instead of

- around goals and accompanying activities. But an important consideration is the kinds of people

- who are to staff it.

Logic of organizing

- There is a fundamental logic to organizing, The organizing process consists
- of the following six steps, although steps 1 and 2 are actually part of planning:
- 1. Establishing enterprise objectives
- 2. Formulating supporting objectives, policies, and plans
- 3. Identifying, analyzing, and classifying the activities necessary to accomplish these objectives
- 4. Grouping these activities in light of the human and material resources available and the best
- way, under the circumstances, of using them
- 5. Delegating to the head of each group the authority necessary to perform the activities
- 6. Tying the groups together horizontally and vertically, through authority relationships and information
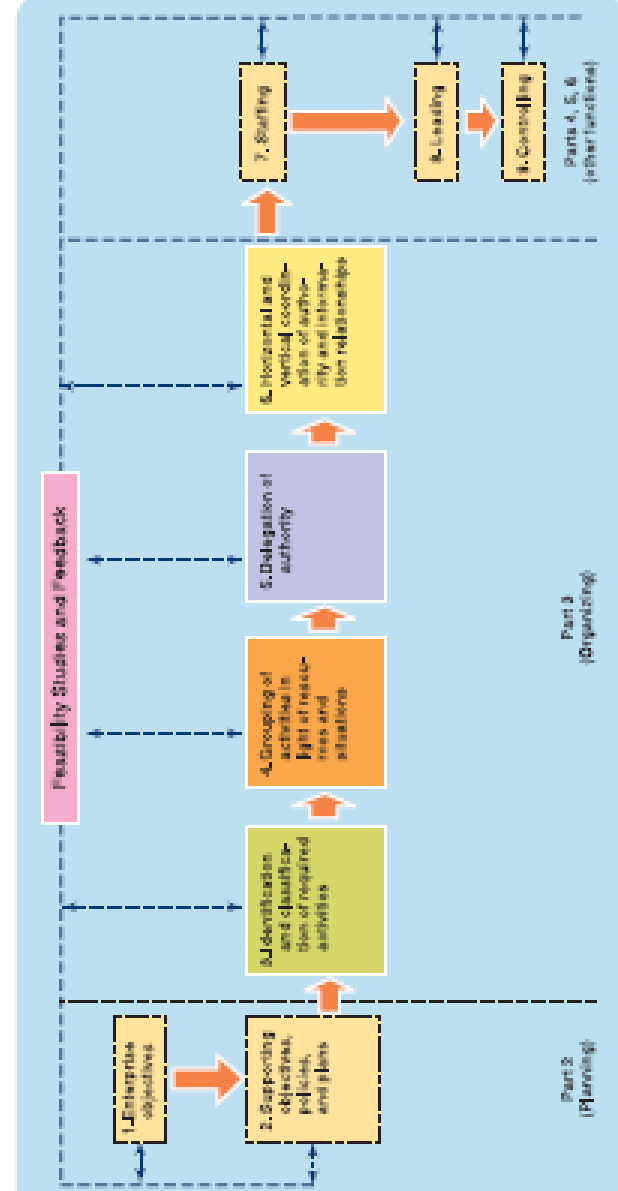- flows

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Figure 7.4 The organizing process

Line/Staff Authority, Empowerment and Decentralization.

- Power, a much broader concept
- than authority, is the ability of individuals or groups to induce or
- influence the beliefs or actions of other persons or groups.
- Authority
- in organization is the right in a position (and, through it, the right of the
- person occupying the position) to exercise discretion in making decisions
- affecting others. It is of course one type of power, but power in an organizational
- setting.

Different type of power

- Legitimate
- Knowledge
- Referrent
- Reward
- Coercieve

Empowerment

- Empowerment means that employees, managers, or teams at all levels
- in the organization are given the power to make decisions without asking
- their superiors for permission. The notion underlying empowerment is that
- those closest to the task are best able to make the decision — provided
- that they have the required competencies. Actually, the notion of empowerment
- is historically based on suggestion schemes, job enrichment, and
- worker of delegation

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- Line authority gives a superior a line of authority over a subordinate. It exists
- in all organizations as an uninterrupted scale or series of steps. Hence,
- the scalar principle in organization: the clearer the line of authority from
- the ultimate management position in an enterprise to every subordinate
- position, the clearer will be the responsibility for decision-making and
- the more effective will be organizational communication. In many large
- enterprises, the steps are long and complicated; but even in the smallest,
- the very fact of organization introduces the scalar principle

Contd..

- line authority
- is that relationship in which a superior exercises direct supervision
- over a subordinate — an authority relationship in a direct line or steps.
- The nature of staff relationship is advisory. The function of people
- in a pure staff capacity is to investigate, research, and give advice to line
- managers.
- Staff relationship
- Scalar principle The clearer the line of authority, the clearer will be the responsibility for decision-making and the
- more effective will be
- organizational communication.

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- Functional authority is the right delegated to an individual or a department to control specified
- processes, practices, policies, or other matters relating to activities undertaken by persons in other
- departments. One can better understand functional authority by thinking of it as a small slice of the
- authority of a line superior. If the principle of unity of command were followed without exception,
- authority over these activities would be exercised only by the relevant line
- superiors. However, numerous reasons — including a lack of specialized
- knowledge, a lack of ability to supervise specified processes, and the danger
- of diverse interpretations of policies — explain why these managers
- are occasionally not allowed to exercise this authority. In such cases, line
- managers are deprived of some authority, which is delegated by their common
- superior to a staff specialist or to a manager in another department.
- For example, a company controller is ordinarily given functional authority
- to prescribe the system of accounting throughout the company, but this
- specialized authority is really a delegation from the chief executive.

Nature of Decentralization

- Organizational authority is merely the discretion conferred on people
- to use their judgment to make decisions and issue instructions. Decentralization
- is the tendency to disperse decision-making authority in an
- organized structure. It is a fundamental aspect of delegation, to the extent
- that authority that is delegated is decentralized. How much should authority be concentrated in or
- dispersed throughout the organization? There could be absolute centralization of authority in one
- person, but that implies no subordinate managers and, therefore, no structured organization. Some
- decentralization exists in all organizations. On the other hand, there cannot be absolute decentralization;
- for if managers delegated all their authority, their status as managers would cease, their position
- would be eliminated, and there would, again, be no organization.

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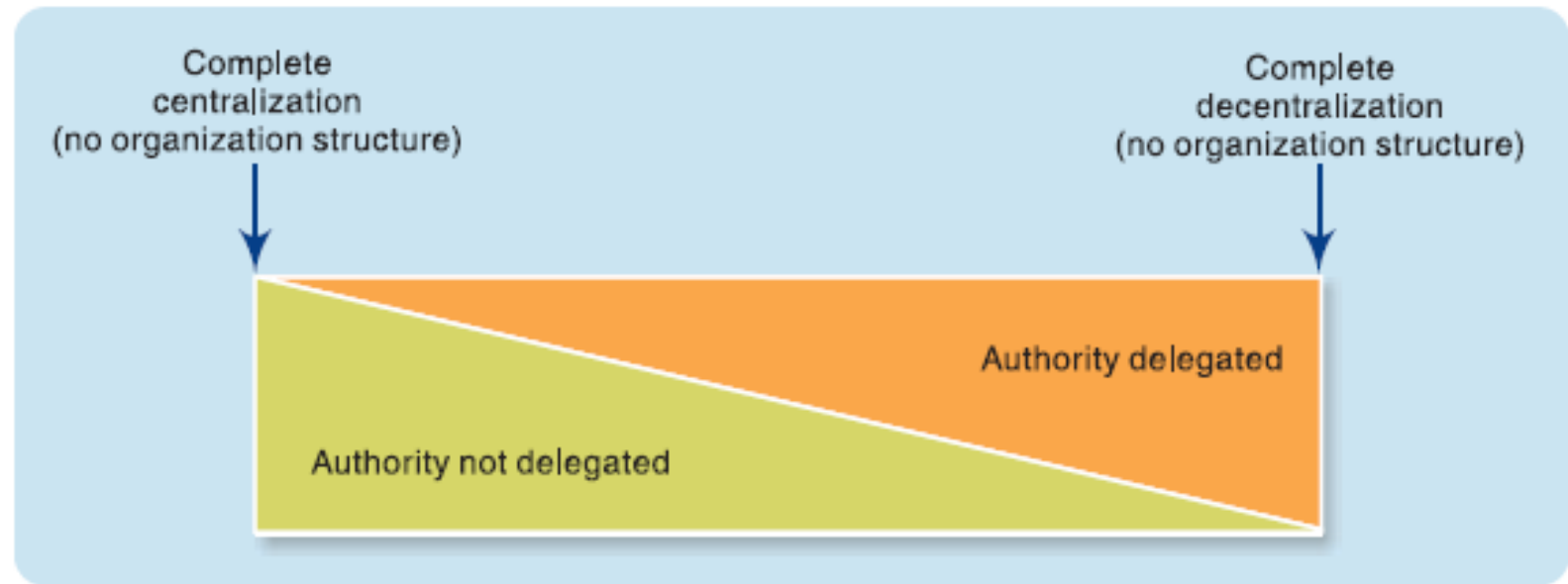
Figure 9.1 Centralization and decentralization as tendencies

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- The term centralization has several meanings:
- ■ Centralization of performance pertains to geographic concentration; it characterizes, for example,
- a company operating in a single location
- ■ Departmental centralization refers to concentration of specialized activities, generally in one department.
- For example, maintenance for a whole plant may be carried out by a single department
- ■ Centralization of management is the tendency to restrict delegation of decision-making. A high
- degree of authority is held by managers at or near the top of the organizational hierarchy