Module III:
Organization Design And Structure

Meaning and Concept of Organization

- The word organization is used and understood widely in our daily lives and the organizing function is an important managerial function. It is the primary mechanism with which managers activate their plans.

- **Organizing** is the function of gathering resources, establishing orderly uses for such resources and structuring tasks to fulfil organizational plans.

- It includes the determination of what tasks are to be done, how the tasks are to be grouped, who is going to be responsible to do these tasks and who will make decisions about these tasks.

Meaning and Concept of Organization

- **Organization** has been defined in a number of ways by psychologists, sociologists, management theorists as well as practitioners.

- An organization is 'a system of consciously coordinated activities or efforts of two or more persons'.

- The key element in this rather simplistic definition is 'conscious coordination' and it implies a degree of formal planning, division of labour, leadership and so on.

Meaning and Concept of Organization

- In other words, a formal organization is a cooperative system in which people gather together and formally agree to combine their efforts for a common purpose.

- Organization is a group of people, who are cooperating under the direction of leadership for the accomplishment of common end.

Meaning and Concept of Organization

- Organization is treated as a mechanism to achieve certain objectives by division of work, authority and responsibility among its members and coordinating their activities.

- It is a structural framework within which the various efforts are coordinated and related to each other.

Organization – Process

- The process of organizing has the following steps:

  1. **Determination of Objectives**
  2. **Determining Activities**
  3. **Grouping Activities**
  4. **Assigning Duties**
  5. **Developing Relationships**

Organization – Process

1. **Determination of Objectives**: The first step in the organizing process is to determine the organizational goals and objectives.

- It is necessary to state in clear terms what the objectives are.

2. **Determining Activities**: Next, managers prepare and analyse the activities needed to accomplish the objectives.

- There may be specific activities, which are unique to the type of business that an organization is in.

- In a restaurant, the two major activities or tasks are cooking food and serving customers.

Organization – Process

3. **Grouping Activities**: Once the tasks have been determined, these tasks must be classified into manageable work units.

- This is usually done on the basis of similarity of activities.

- The major categories of tasks can be subdivided into smaller units to facilitate operations and supervision.

- There may be different persons for taking beverage orders, for food orders and for clearing the tables in the area of serving customers in the restaurant.

Organization – Process

4. **Assigning Duties**: After grouping the various activities into manageable units, suitable persons are selected to be assigned the duty or responsibility for each group of activities.

- Some restaurants employ a food and beverage manager to manage inventory and may also be put in charge of some dining room responsibilities, such as creating schedules for servers. Servers play an essential role in any restaurant – taking orders in a friendly manner, reporting orders to the kitchen, and calculating the bill. Runners make servers' jobs easier by delivering the food from the kitchen to the table both quickly and safely.

Organization – Process

5. **Developing Relationships**: It is necessary to define the relationships among the employees, when two or more people work together.

- Everyone should clearly know – who is his superior, from whom he has to take orders, and to whom he will be answerable.

- This will help the smooth working of the enterprise by facilitating the delegation of responsibility and authority.

Principles of Organization

1. **The Lines of Authority should be clearly stated and should run from Top to Bottom of the Organization**:

- This principle is known as the scalar principle and the line of authority is referred to as chain of command.

- The major decisions are made and policies are formulated at the top management level and they filter down through the various management levels to the workers.

- The line of authority should be clearly established so that each person in this chain of command knows his/ her authority and its boundaries.

Principles of Organization

2. **Each person in the Organization should report to only one boss**:

- This is the principle of 'unity of command'. Each person knows whom he reports to and who reports to him.

- This process eliminates ambiguity or confusion that can result when a person has to report to more than one superior.

Principles of Organization

3. **The Responsibility and Authority of each Supervisor should be established clearly and in writing**:

- This will clarify the exact role of the supervisor and the limits to his authority.

- With clearly defined authority and responsibility it will be easier for the supervisor to trace and handle problems and make quick decisions when necessary.

Principles of Organization

4. **The Higher Managers are responsible for the acts of their subordinates**:

- The manager or the supervisor cannot dissociate himself from the acts of his subordinates.

- He must be accountable for the acts of his subordinates.

Principles of Organization

5. **The Authority and Responsibility should be delegated as far down the Hierarchical Line as objectively possible**:

- This principle is known as **'Decentralisation of power'** as against centralized power where all decisions are made at the top.

- This will place the decision making power near the actual operations and would give the top management more free time to devote into strategic planning and overall policy making.

- This is especially necessary in large complex organizations.

Principles of Organization

6. **The number of levels of authority should be as few as possible**:

- This would make the communication easier and clear and the decision making faster.

- A longer chain of command generally results in 'run around', because the responsibilities are not clearly assigned and hence become ambiguous.

Principles of Organization

7. **The Principle of Specialisation should be applied wherever possible**:

- Precise division of work facilitates specialisation.

- Every person should be assigned a single function wherever possible.

- This rule applies to individuals as well as departments.

- The specialised operations will lead to efficiency and quality.

- But, each area of specialization must be interrelated to the total integrated system by means of coordination of all activities of all departments.

Principles of Organization

8. **The Line Function and the Staff Function should be kept separate**:

- The line functions are directly involved with the operations that result in the achievement of the company objectives.

- Staff functions are auxiliary to the line function and offer assistance and advice.

- Legal, Public Relations and Promotional functions are all staff functions.

- The activities of line and staff managers should be coordinated so as to achieve synergetic results.

Principles of Organization

9. **The Span of Control should be reasonable and well established**:

- The **'span of control'** determines the number of positions that can be coordinated by a single executive.

- The span of control could be narrow where there are relatively few individuals who report to the same manager or it could be wide where many individuals are under the supervision of the same manager.

- However, a span of control would depend upon the similarity or dissimilarity of the subordinate positions and how interdependent these positions are.

- It is advisable to have no more than five or six subordinates working under any one executive.

Principles of Organization

10. **The Organization should be simple and flexible**:

- It should be simple because it is easier to manage and it should be flexible because it can quickly adapt to changing conditions.

- It should be such that it can easily be expanded or reduced, as the times demand.

- Furthermore, simplicity would make the communication much easier, fast and accurate, which is necessary for successful organizations.

Organization Structure

- In simple terms, 'structure' is the pattern in which various parts or components are inter-related or inter-connected.

- Organization Structure is the framework that provides a set of relationships among various components or parts of the enterprise.

- This prescribes the relationships among various activities and positions.

- Since these positions are held by various persons, the structure is the pattern of relationships between and among individuals and groups in the enterprise.

- The set of inter-personal relationships which operates in the context of position, procedure, process, technology and social environment, comprises what is known as Organization Structure.

Organization Structure

- Organizing is a facilitating function and structure is its mechanism.

- The structure depends upon the needs of the enterprise.

- The concepts of organization and its structure, and inter-personal relationships are extremely complex.

- It is desirable to build up a suitable organization structure which will assist economical and effective attainment of objectives avoiding the complexities as far as possible.

- Good structure is indispensable. Unsound structural framework will seriously impair good business performance and may even destroy it.

- It should be the task of the managers to establish a structure best suited for the enterprise.

Determinants of Organization Structure

The establishment of an Organization Structure requires careful consideration of a number of factors.

1. **Nature of the Objectives**: The objectives of an enterprise determine the basis of the organization structure.

- An organization structure of an industrial concern cannot be the same as that of a religious or governmental or educational Institution.

- The objectives also govern the selection of persons with appropriate skills, capable of delivering those objectives.

Determinants of Organization Structure

2. **Operative Activities**: The operative activities and the inter-relations that exist among different tasks have an important bearing on the structure of an Organization.

- An individual in an enterprise may negotiate a sale to a customer; another may be engaged in assembling the parts of a motor car; and a third may be collecting market data or cost information.

Determinants of Organization Structure

3. **Technology**: Technology is also a factor for consideration in determining the structure of an organization.

- The Organization structure of an enterprise depends upon the type and nature of technological process adopted for the production.

4. **Sequence of Tasks**: The sequence of tasks also acts as a major determinant to influence the structure of the organization.

- The nature of technology often dictates the sequence of tasks to be performed and human relationships are required to be adjusted according to this sequence of tasks.

Determinants of Organization Structure

5. **Limitations of Skill and Working Capacity**: Individuals in an enterprise differ in their skills and abilities.

- These individual differences affect the tasks to be assigned to an individual and, as such, the structure is required to be adjusted taking into account the limitations of human skill and ability.

6. **Managerial Functions**: The managerial functions at one level or department may be different from that of other levels or departments.

- Therefore, the structure of organization is to be devised to maximise effective inter-relationships at different management levels so that it can facilitate the attainment of objectives by the effective efforts of the subordinate employees.

Determinants of Organization Structure

7. **Size and Scope**: The size of the enterprise and its scope of performance have an effective influence on the organization structure.

- The smaller the firm, the more informal and loose becomes the inter-personal contacts and relationships. But, this will be different in the case of big concerns.

8. **Strategy**: Strategy also plays a special role in determining the outline of authority and flow of communication in an organization.

Determinants of Organization Structure

9. **Social Needs**: The structure of an Organization cannot ignore the social needs.

- The social needs of an individual such as – status, recognition, sense of belongingness, opportunity for development of abilities or the satisfaction of ego needs – require that they should be given due weight for their fulfilment within the organization.

Forms of Organization Structure

- If sound practices are followed in setting up the departments within an organization, the resulting structure takes on features of one or more of the following types: *Line, Functional, Line and Staff, Project, Matrix* and *Committee*.

- Most organizations have hybrid organizational structures, with variations to adjust for personalities and to fit specific operating conditions.

- Organizational planners should know the chief features of each basic structure type, and its respective merits and limitations.

Forms of Organization Structure

- Line authority carries the power to require execution of orders by those lower in the organizational hierarchy.

- Line executives make decisions on the need, place, and time of action over a wide range of matters.

Forms of Organization Structure

- Functional authority enables specialists in particular areas to enforce their directives within a specific and limited field.

- Functional executives are specialists – experts in some aspect of the business – who assist executives holding general line authority.

Forms of Organization Structure

- Staff authority is the power to suggest to those holding line authorities the method of implementation of an order.

- Staff executives advise line executives about methods but have no formal power to require or enforce the execution of their recommendations.
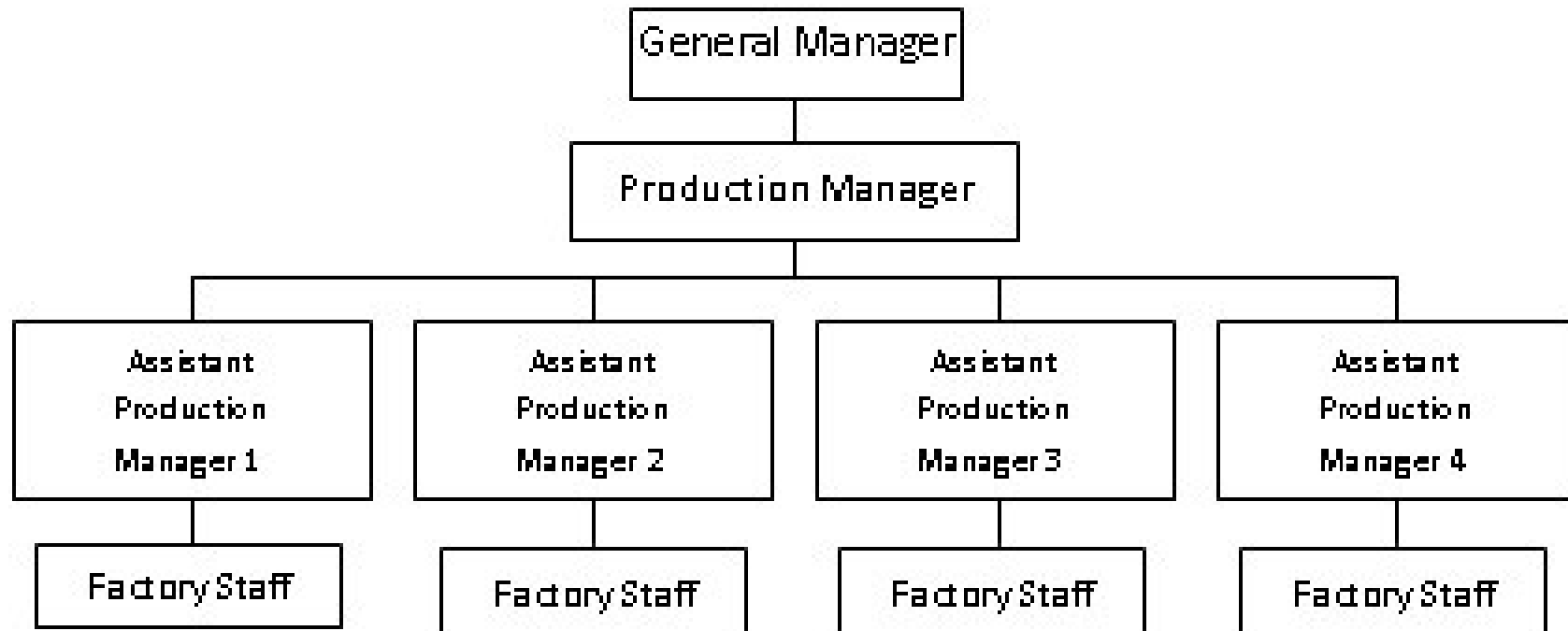
Line Organization

- It is also known as Scalar organization or Military form of organization.

- The line organization is the oldest and simplest organizational structure.

- It is widely used in smaller firms with small numbers of personnel.

- Under this method, authority flows in a vertical manner from top to bottom.

- Each position in the structure has an authority over a lower position.

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Line Organization

- Line executives are directly involved in the performance of the activities of an enterprise and are called the 'doers'.

- All executives exercise line authority, and each subordinate is responsible only to one person on the next higher level.

- Responsibility is fixed and those charged with it also make decisions and take action.

- Lines of authority run vertically through the structures and all persons on any one organizational level are independent of all others on that level.

Line Organization – Example

General Manager

Production Manager

| Assistant Production Manager 1 | Assistant Production Manager 2 | Assistant Production Manager 3 | Assistant Production Manager 4 |

Factory Staff | Factory Staff | Factory Staff | Factory Staff

Line Organization

- In this example, the production manager reports to the general manager, assistant production managers report to the production manager, and factory staff report to assistant managers immediately above them.

- Theoretically, there is no cross-communication between persons on the same level.

- Contacts between persons on the same level are indirect and are affected through the next higher level.

- The assistant production manager of one Division, for example, may arrange to confer with the assistant production manager of any other Division through the production manager.

Line Organization – Strengths

- The basic simplicity of line organization is the main reason for its use.

- Problems of discipline and control are small because each member reports to only one superior.

- Lines of authority and responsibility are clear and logical.

- Definite placement of authority and responsibility saves time in making policy changes, in deciding new plans, and in converting plans into action.

- It is easier for executives to develop close relations with salespersons. Administrative expenses are low because there, usually, are a few levels.

Line Organization – Weaknesses

- The greatest weakness of the line organization is that so much depends upon the department head.

- Even if the head is well versed in all phases of management, there is insufficient time for policy making and planning, since great deal of attention needs to be given to direction of operations.

- The line organizational structure is inappropriate for rapidly growing concerns and for those with large number of employees.

- As the department grows, new layers of executives need to be added to retain control. Managerial effectiveness becomes impaired as directions become more and more distorted at each succeeding level.

Functional Organization

- This structure is derived from the management theory developed by F. W. Taylor and is based on the functional foremanship.

- The principle of specialisation is utilised to the fullest extent.

- Duty assignments and delegations of authority are made according to function.

- The structure of the enterprise is classified into different functional areas.

- Each functional area is headed by a specialist who has full control of that function over the organization and gives instructions direct to the personnel, rather than through the chain of command.

Functional Organization

- Provision for coordinating the functional executives is made only at the top of the structure.

- Executives at lower levels do not have coordinating responsibilities.

- All specialists in a functional organization have line authority of a sort – or more appropriately, they all have functional authority.

- Instructions can be put into effect even without prior approval of top level executive.

- It is suitable to all kinds of organization provided applied at higher levels.

- At lower levels too many cross relationship creates confusion throughout the organization.

Functional Organization – Strengths

- It helps to reap the benefits of specialization.
- Subordinates can make use of the expertise of functional experts.
- The burden of top executive is reduced as each expert looks after only one function.
- It leads to joint supervision by different experts.
- There is expert and better control can be exercised by functional experts.
- It provides better scope for expansion and diversification.

Functional Organization – Weaknesses

- It is against the principle of unity of command as the subordinate is responsible to a number of superiors.

- Lower level people are not given an opportunity for all round experience and hence they do not fit into top level positions.

- The complex nature of functional organization with its cross relationship creates a confusion among workers.

- The decision making is very slow as involvement of many experts is required.

- There is a scope of lack of coordination as each specialist thinks of only his function and ignores other functions.

Line and staff Organization

- Line and staff organization is a combination of functional and line structure.

- Line authority flows from top to bottom and the line executive is directly concerned with the accomplishment of primary objectives.

- They are the actual doers and generally do not possess specialized knowledge to solve complex problems.

- To provide specialized assistance to line mangers, staff positions are created.

- A 'staff' means a stick in the hand for support. Thus, staffs help the line executives in their work. They play the role of an advisor.

Line and staff Organization

- The line and staff department structure is mostly found in large and medium-sized firms, employing substantial numbers of personnel.

- The line and staff organization provides the top executive – such as the Vice-President in Charge of Marketing – with a group of specialists – experts in dealer and distributor relations, sales analysis, sales organization, sales personnel, sales planning, sales promotion, sales training, service, traffic and warehousing, and the like.

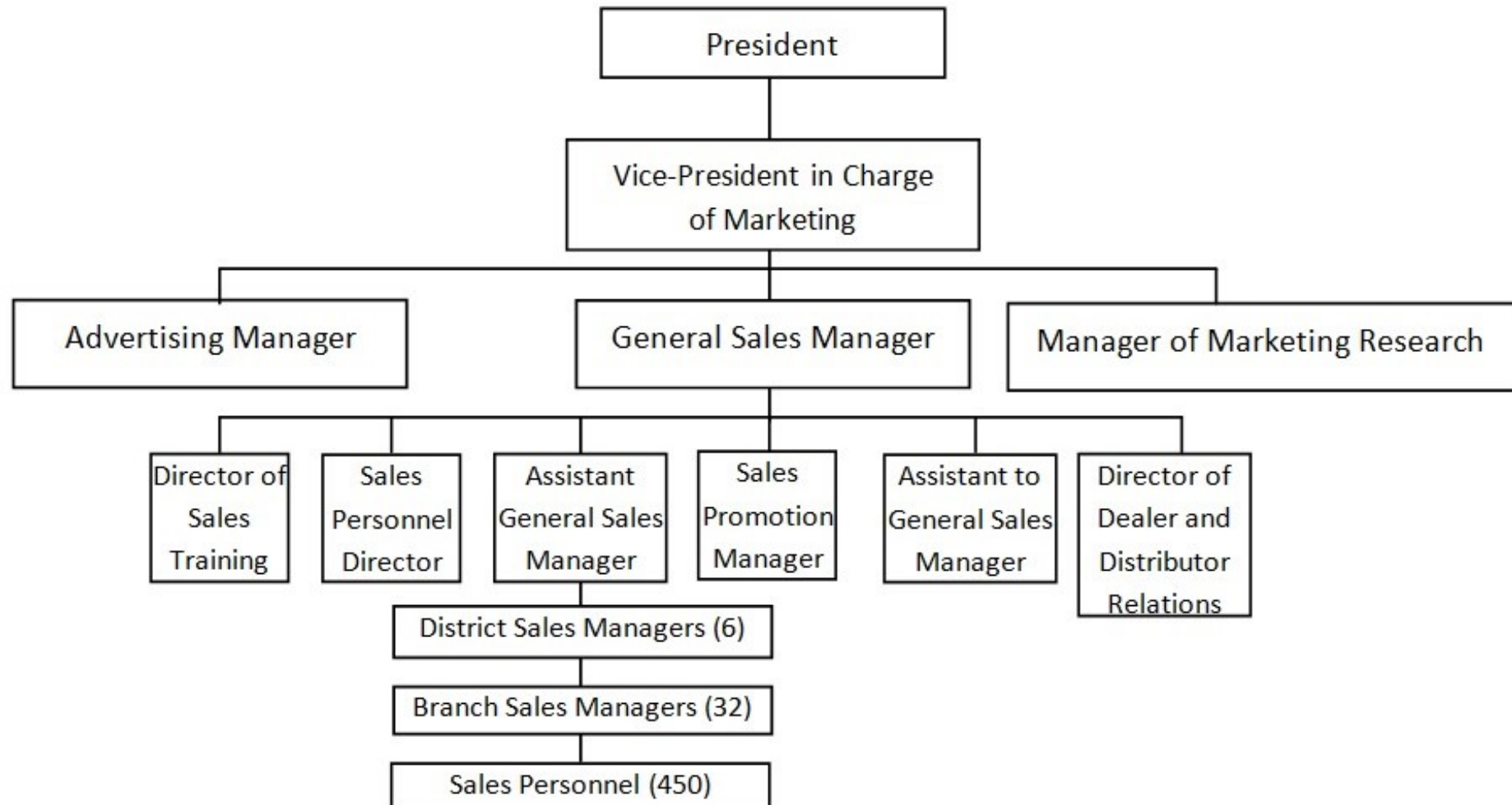- These staffs help to conserve the top sales executives' time and frees them from excessive detailed work.

Line and staff Organization

- By delegating problems involving considerable study or detailed analysis to staff executives, the top sales executive has more time for planning and for dealing with higher-priority matters.

- Staff executives do not have authority to issue orders or directives.

- Recommendations are submitted to the top executive for approval and necessary instructions are transmitted by them to the line organization.

- Sometimes, staff members may be authorised to deal directly with line executives but this requires prior management approval.

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Line and staff Organization – Example

Line and staff Organization

- In this example, the general sales manager reports to the vice-president in charge of marketing as do the advertising manager and the manager of marketing research.

- Six subordinates report to the general sales manager, but only one – the assistant general sales manager – is a line executive.

- The other five are staff executives out of which four have responsibilities in specialised fields.

- The fifth – the assistant to the general sales manager – is given more general assignments.

Line and staff Organization

- The 'assistant' has general line authority delegated by the superior, whereas the 'assistant to' is a staff executive who is given a broader operating area than the other staff specialists with more descriptive titles. The assistant general sales manager is an understudy of the general sales manager and performs assignments of a line nature in the name of the superior. The assistant to the general sales manager carries part of the general administrative load that would otherwise be borne by the general sales manager.

Line and staff Organization – Strengths

- The main advantage of line and staff organization is that of specialisation.

- The chief executive, relieved from detailed work, can take a broader view of the department.

- Problems can be seen in clearer perspective.

- A pool of experts provides advice and assistance in specialised fields.

- Planning activities are subdivided and apportioned to staff members.

- Decisions and policies rest on a sounder base than in the line organization.

- Top sales executive can concentrate on control and coordination of subordinates.

Line and staff Organization – Weaknesses

- Specialisation made possible by line and staff organization is also the source of its weakness. Work of the staff specialists must be coordinated, and this is costly.

- Other departmental expenses may also increase.

- Close control over staff-line relations is essential. If staff people issue instructions directly to line executives, it is difficult to prevent some persons from evading unwanted responsibilities.

- The time between problem recognition and corrective action tends to widen.

Project Organization

- The use of the project organization has increased in the last few years.

- It is currently being employed in numerous undertakings engaged in the execution of construction activities, turnkey projects and research and development projects.

- The project organization can take various forms, but the characteristic that distinguishes it from other forms is once the project is completed the organization is disbanded or phased out.

Project Organization

- By definition, project management involves, 'the gathering of the best available talent to accomplish a specific and complex undertaking within time, cost and quality parameters, followed by the disbanding of the team upon completion of the undertaking'.

- The group members then go on to another project, return to their permanent home department in the organization, are given jobs elsewhere in the organization, or, in some cases, are phased entirely out of the firm.

Project Organization – Strengths

- It allows maximum utilization of specialization.

- It is tailor-made to meet specific needs of a particular project.

- It provides more flexibility in handling resources by allocating them when they are needed.

Project Organization – Weaknesses

- It has a limited time and creates a feeling of uncertainty and insecurity among people in the organization.

- Lack of proper vertical authority makes the job of a project manager difficult. He is responsible for the completion of the project but without authority over people in the project.

- Undue influence of specialists from diverse field makes the decision making very difficult.

Matrix Organization

- It is a combination of project organization and functional organization.

- It is seen in any organization that employs a multiple command system that includes not only multiple command structure but also related support mechanism and an associated organization culture and behaviour pattern.

- Matrix organization leads in overlapping of command, control and behaviour pattern.

Matrix Organization – Strengths

- It focuses attention on a single project and facilitates better control.

- It is more flexible than traditional organization.

- It provides motivation for the people engaged in a project.

- It leads to better utilization of services of professionals.

Matrix Organization – Weaknesses

- People receive instructions and order both from functional and project managers. Thus, it violates unity of command.

- The complex relationship leads to confusion and makes coordination difficult.

- In the absence of mutual trust and confidence, in sharing the resources and in taking joint decisions, conflicts arise.

- As people are drawn from various departments, there is a lack of commitment and morale is low.

Committee Organization

- A committee, consisting of a group of persons, is consciously and deliberately formed to discuss a problem and provide solutions to overcome it.

- They meet on an organized basis to discuss and deal with the matter placed before it.

- It is a method of organising the executive group for planning and policy.

Committee Organization

- Many firms have a personnel training committee (comprised of the general manager, his assistants, the training manager, and representative divisional or regional managers) that meets periodically to draft training plans and formulate training policies.

- Implementation of these plans and policies, however, is the responsibility of the sales training manager or other executives responsible for sales training.

- Other committees found in organizations include customer relations committee, operations committee etc.

Committee Organization – Strengths

- Important problems are deliberated by committee members and are measured before policies are made and action is taken.

- Diverse opinions are presented and ideas are interchanged in committee meetings.

- Committee meetings promote greater coordination and cooperation among members of the executive team.

Committee Organization – Weaknesses

- It is not possible to fix responsibilities on any particular individual.

- Committees tend to consume large amounts of time to sit down and discuss a problem and finally come up with any suggestion.

Formal and Informal Organization

- An organization is a collection of people who work together to attain specified objectives.

- There are two types of organization structure – formal organization and informal organization.

- An organization is said to be *formal organization* when two or more persons come together to accomplish a common objective, and they follow a formal relationship, rules; policies are established for compliance, and there exists a system of authority.

Formal and Informal Organization

- An organization or a relationship existing within the organization will be considered to be formal if the job and the nature thereof is well-defined as well as there is a well-grounded system of hierarchy and authority that is being followed.

- The employees have been delegated tasks and objectives and they endeavour to follow and achieve the goals, each person is held accountable for his or her job performance.

- In such a setting, rules and regulations are in place, and employees are supposed to follow them formally and unconditionally.

- The authority is well-rooted here. In fact, authority and hierarchy are the cornerstones of any formal Organization.

Formal and Informal Organization

- On the other hand, there is an *informal organization* which is formed under the formal organization as a system of social relationship, which comes into existence when people in an organization, meet, interact and associate with each other.

- An informal organization exists within a formal organization.

- It develops due to friendly relations that spring up when people work together and develop common interests.

- The common interests bring them together as a group.

Formal and Informal Organization

- It is not necessary that there is supposed to be just one informal group within an otherwise formal group.

- Any number of informal groups may spring up within a formal group.

- It is also not necessary that informal groupings may work against the interests of the organization.

Departmentation – Meaning

- The span of control, that is the limitation on the number of subordinates that can be directly managed, would restrict the size of the enterprise.

- Therefore, the work and people should be divided and grouped to facilitate expansion of the firm.

- Dividing the work and people, and grouping them on some logical basis is called Departmentation.

- Departmentation is the process which is used to group activities into units for purpose of administration at all levels.

Departmentation – Meaning

- By this process, the personnel and functions of an enterprise are departmentalized by division into separate units.

- Dividing the work naturally means the identification of individual activities which have to be undertaken for attaining the objectives of the enterprise.

- But once the various activities have been identified, it is necessary to group them together on some logical basis.

- This process of grouping is known as departmentation.

Departmentation – Meaning

- The administrative units so created may be called as divisions, units, branches or by some other name.

- Each department or division is a distinct area of activities over which a manager will be given authority and for which he is responsible.

- The departments are agencies of management and simplify the tasks of the management within a workable span.

Departmentation – Meaning

- There is no single best way of departmentation applicable to all organizations or to all situations.

- The pattern that will be used will depend on the given situation and what managers believe will yield the best result for them in the situation they face.

- However, there are a few basic methods for dividing responsibilities within an organization.

Departmentation – Bases

1. **Departmentation by Function**: The most commonly accepted practice is the grouping of the activities in accordance with the functions of an enterprise.

- The basic enterprise functions generally consist of production, marketing, finance, etc.

- This method is more logical and hence present in almost all enterprises at some level.

2. **Departmentation by Territories**: When the organization is large and geographically dispersed, departmentation on territorial basis is the best.

- This is also considered suitable where the branches produce the same goods or perform similar services at various locations.

Departmentation – Bases

3. **Departmentation by Process**: Activities can also be grouped according to the process involved or the equipment used.

- This form of departmentation is often employed in manufacturing enterprises.

- It is also called equipment departmentation.

- Large retail or marketing enterprises may also have process departments for receiving goods in stores, transportation, wrapping and delivery.

Departmentation – Bases

- 4. **Departmentation by Product**: This type of departmentation is desirable for large undertakings which deal with a variety of products or product lines.

- To departmentalise on product basis means to establish each product or group of closely related products in a product line as a relatively autonomous integrated unit within the overall framework of the company.

- Under this method, an executive will be in charge of and responsible for all the activities relating to a particular product from production to distribution.

Departmentation – Bases

5. **Departmentation by Customer**: Departmentation can also be made on the basis of customers served.

- The firm shows its paramount interest in the welfare of the customers and attention given to them.

- The customers are divided into separate categories – such as distributors, retailers and consumers – and the task of satisfying the needs of different categories of customers are assigned to specific departments.

Departmentation – Bases

6. **Departmentation by Time**: It is a common practice to departmentalize activities on time basis.

- Enterprise engaged in continuous process can follow this pattern.

- Under this method, the activities performed in each shift – say the day shift & night shift – are similar and almost identical.

- But they are departmentalized on time basis.

- This kind of departmentation is generally found in public utilities and manufacturing establishments.

Departmentation – Bases

7. **Departmentation by Number**: In case of departmentation by number, activities are grouped on the basis of their performance by certain number of persons.

- For instance, in the army, soldiers are grouped into squadron, battalions, companies, brigades and regiments based on the number prescribed for each unit.

- However, this type of departmentation is not found in business concerns.

Span of Control – Meaning

- Span is the length between starting point and the end. So span of control indicates the length of supervisory control.

- Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization.

- It suggests how the relations are designed between a superior and the subordinates.

- It is believed that the number of subordinates under the supervision and control of one person must be limited, so that he may easily, effectively and successfully control their activities.

- Span of control is also known as the span of supervision and span of responsibilities.

Span of Control – Meaning

- Effective span of control needs a balance as it affects the organization in different ways.

- The availability of time with a supervisor and number of subordinates reporting to him decides the span of control and its effectiveness.

- Wide span of control permits only general control and fewer levels of supervision.

- Narrow span of control provides for more level of supervision and provides for attention to details and timely remedial corrective steps.

- Span of control is also dependent on skills of people, nature of work and quality of work.

Factors Influencing Span of Control

1. **The Ability of Officers:** Different ability and capacity of leadership, and communication affect management of subordinates.

- If the officers are very efficient and capable, they can control a large number of subordinates.

- On the contrary, if they are less efficient they would not be able to control that much number of subordinates.

2. **Communication Techniques:** Pattern of communication, its means, and media affect the time requirement in managing subordinates and consequently span of management.

Factors Influencing Span of Control

3. **Availability of time for supervision:** Availability of time with the managers of higher cadre for supervision also affects the span of control.

- If they have less time for supervision, they would not be able to control a large number of subordinates.

4. **Nature of work:** Different types of work require different patterns of management.

- If the work is simple and routine in nature, managers can control a large number of persons.

- But, if the work is more complicated, managers can have effective control over a small number of employees only.

Factors Influencing Span of Control

5. Plans for the Enterprise: If plans can provide detailed rules and procedures of doing the work, higher would be the degree of span of management.

- If the plans of the enterprise are clear and stable, the managers feel it easy to control the activities of their subordinates.

- If the plans of the enterprise are not stable, it becomes very difficult for the managers to control the activities of a large number of subordinates.

6. Ability and efficiency of subordinates: Efficient and trained subordinates affect the degree of span of management.

- If the subordinates are able and efficient and they are willing to coordinate with their higher officers, managers can control a large number of subordinates.

Factors Influencing Span of Control

7. Techniques of control: If the techniques of control are effective the managers can control a large number of subordinates.

- But, if the technique of individual supervision is used, the managers will not be able to maintain effective control of many employees.

- If a subordinate receives supervision form other personnel besides his direct supervisor, the work load of the direct superior is reduced and he can supervise more number of persons.

Factors Influencing Span of Control

8. **Degree of decentralization:** Degree of centralization or decentralization affects the span of management by affecting the degree of involvement of the superior in decision making.

- If there is an adequate decentralization of power in the enterprise, the managers can control a large number of subordinates because their burden of work will be light.

- On the contrary, if the decentralization is not so much adopted, managers will be able to have effective control over a small number of subordinates only.

Factors Influencing Span of Control

9. Service of Experts: Use of Staff assistance in reducing the work load of managers enables them to manage more number of subordinates.

- If the services of experts are available in an enterprise, the number of subordinates under the control of one official may be more.

Authority, Responsibility and Accountability

- Authority, responsibility and accountability are three key terms in the process of delegation.

- Prior to delegating any task, it is essential to understand how delegation is affected by one's ability to manage.

- A manager must have the ability to delegate the authority, responsibility and accountability.

- When delegating, authority, responsibility and accountability are all interrelated.

- A manager is responsible for all actions of employees under his leadership even if there are a number of layers in the organization.

Authority, Responsibility and Accountability

- **Authority** always flows downwards.

- It is the power given to a manager or leader to act and make decisions within designated boundaries and achieve organizational objectives.

- It indicates the power of making decisions, giving orders and instructions to subordinates.

- Ordinarily, the authority is shared between the manager and the person receiving the delegation.

- It is expected that this individual will exercise the full scope of his authority to properly, profitably, and professionally manage the task.

- Without authority, a manager ceases to be a manager.

- An organization cannot exist without authority.

Authority, Responsibility and Accountability

- **Responsibility** refers to the act of carrying out the specific task.

- The essence of responsibility is the obligation of a subordinate to perform the duty assigned.

- In an organization, responsibility is the duty as per the guidelines issued.

- When delegating a task, both the manager and the person receiving the delegation share the responsibility of completing the work.

- The manager has the responsibility of providing instructions on what work needs to be done, while the person receiving the delegation is responsible for figuring out how the task should be completed.

- Therefore, a leader is responsible and has responsibility for the operation for which they have been given authority.

Authority, Responsibility and Accountability

- **Accountability** always flows upwards.
- It is the act of being liable for actions and decisions. Accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility.
- It is the answerability for the performance of the assigned duties and any positive or negative consequences associated with their performance.
- Every employee should be held accountable for jobs assigned to them and be able to complete that job as per the standards set by the superior.
- During delegation of a task, the accountability of the task transfers from the manager to the person receiving the delegation and actually completing the work.
- Accountability means that the subordinate should explain any factors that are responsible for poor performance.
- However, the manager is ultimately responsible for the overall performance of the employee.

Delegation – Meaning

- The process of delegation enables a person to assign work/ task to his subordinates and give them necessary authority to accomplish it successfully.

- It helps in completing the work in time, reduces the workload of managers and motivates and develops subordinates.

- Delegation is the downward transfer of formal authority from one person to another.

Delegation – Meaning

- The process of delegation starts from the chief executive of an organization who has the total responsibility for the achievement of goals.

- In order to share the responsibility of accomplishing goals, he further delegates the work to his subordinates.

- These subordinates assign a portion of their works to their own subordinates.

- This process continues till all the tasks and activities are assigned to those who have the appropriate physical, psychological and professional abilities to do it.

Process of Delegation

- The step, which is followed when delegating authority, is the process of delegation.

- Normally four steps are used in the process of delegation.

1. Assignment of Tasks

2. Delegation of Decision making Authority

3. Creation of Obligation

4. Creation of Accountability

Process of Delegation

1. Assignment of Tasks:

- Determine clearly what the subordinates are supposed to do.
- Then the capabilities of each subordinate should be considered to match them with the assigned duties.
- The tasks should be distributed in such a manner that the subordinates are not unnecessarily overburdened and that each one is capable of efficiently completing the assigned task.
- The total task can divided into identifiable parts so that the manager can handle some parts himself and other parts can be given to skilled subordinates.
- This way the coordination and supervision would become easier.

Process of Delegation

2. Delegation of Decision making Authority:

- Give authority to subordinates to make and implement decisions regarding procurement of resources and supervision of activities that are relevant to the duties assigned to them.

- This authority must be clearly stated, if possible in writing, so that there is no ambiguity regarding making necessary decisions.

- Any matter not falling within the domain of delegated authority must be referred to the superiors.

Process of Delegation

3. Creation of Obligation:

- Create obligation on the part of the subordinates to perform their duties satisfactorily.

- The person assigned the task is morally responsible to do his best since he has willingly accepted these tasks.

- Obligation is a personal concern for the task.

- Even if the subordinate gets part of the task done through other people, he must accept responsibility for timely completion of the task as well as the quality of the output.

Process of Delegation

4. Creation of Accountability:

- Being answerable to someone for your actions create accountability – an obligation to accept the consequences, good or bad.

- By accepting an assignment, a subordinate in effect gives his superiors a promise to do his best in carrying out his duties.

- Having taken a job, he is morally bound to complete it. He can be held accountable for results.

Principles of Delegation of Authority

1. Principle of delegation by results expected: The authority delegated to individual managers should be adequate to assure their ability to accomplish expected results.

- First, look at the goals to be achieved and then determine how much discretion is necessary to achieve them.

2. Principle of a functional definition: The more a position or a department has clear definitions of results expected, and activities to be undertaken, the more adequately the individuals responsible can contribute towards accomplishing enterprise objectives.

- To define a job and delegate authority to do it requires patience, intelligence, and clarity of objectives and plans.

Principles of Delegation of Authority

3. Scalar principle: The chain of direct authority relationships flow from superior to subordinate throughout the organization.

- Decision-making and communication will be more effective if line of authority from the top manager to the subordinate position is clear.

- A clear understanding of the scalar principle is necessary.

- Subordinates must know who delegates authority to them and to who matters beyond their own authority must be referred to.

Principles of Delegation of Authority

4. Authority-level principle: Functional definition plus the scalar principle give rise to the authority level principle.

- At some organization level, authority exists for making a decision within the power of an enterprise.

- Managers at each level should make whatever decisions they can in the light of their delegated authority, and only matters that authority limitations keep them from deciding should be referred to superiors.

Principles of Delegation of Authority

5. Principle of unity of command: There will be less problem of conflict in instructions and greater feeling of personal responsibility for results if an individual has a reporting relationship to a single superior.

- The practical difficulties of serving two or more masters are obvious although it is possible for a subordinate to receive authority from two or more superiors and logically possible to be held responsible by them.

- Authority delegation by more than one person to an individual is likely to result in conflicts in both authority and responsibility.

Principles of Delegation of Authority

6. The principle of absoluteness of responsibility: No superior can escape, through delegation, responsibility for the activities of subordinates, for it is the superior who has delegated authority and assigned duties.

- Likewise, the responsibility of subordinates to their superiors for performance is absolute, once they have accepted an assignment and the right to carry it out.

Principles of Delegation of Authority

7. The principle of parity of authority and responsibility: Authority is the discretionary right to carry out assignments and responsibility is the obligation to accomplish them.

- Thus, authority should correspond to responsibility.

- Responsibility for an action cannot be greater than that implied by authority delegated, nor should it be less.

- The president of a firm may, for example, assign duties to the manufacturing vice-president, such as buying raw materials and machine tools and hiring subordinates in order to achieve certain goals.

- The vice-president will be unable to perform these duties unless given enough discretion to meet this responsibility.

Centralization and Decentralization

- Centralization of authority refers to the concentration of decision making power at the top level of management.
- The concentration of decision making is in a few hands.
- All important decisions are taken at the top level.
- Centralization is the systematic and consistent reservation of authority at central points within the organization.
- Everything which goes to reduce the importance of subordinate is called centralization.
- All the important decision and actions at the lower level, all actions at the lower level are subject to the approval of top management.

Centralization and Decentralization

- The implications of centralization are:
    1. Reservation of decision making power at top level.
    2. Reservation of operating authority with the middle level managers.
    3. Reservation of operation at lower level at the directions of the top level.

- For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people.

- Therefore in this case, decision making power remain in the hands of father & son.

Centralization and Decentralization

- Decentralization refers to the dispersal of decision making power to the lower levels of the organization.

- It is the diffusion of authority throughout the organization – a systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points.

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

- In a decentralized concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole concern.

- Rest of the authority may be delegated to the middle level and lower level of management.

Degree of Decentralization

- The degree of centralization and decentralization will depend upon the amount of authority delegated to the lowest level.

- It indicates the extent to which an organization wants to decentralize.

- How does the organization decide upon the degree of decentralization depends upon many factors.

Factors determining the extent of decentralization

1. The costliness of the Decision: The overriding factor determining the extent of decentralization is the criterion of costliness.

- As a general rule, the more costly the action to be decided is, the more probable it is that the decision will be made at the upper levels of management.

- This is not necessarily based on the assumption that top managers make fewer mistakes than subordinates since they are probably better trained and in possession of more facts. But, the controlling reason is the weight of responsibility.

- Managers typically prefer not to delegate authority for crucial decisions.

Factors determining the extent of decentralization

2. **Uniformity of policy:** Those who value consistency above all are invariably in favour of centralized authority since this is the easiest road to such a goal.

- They may wish to ensure that the same policies will be followed in dealing with suppliers; or that public relations policies will be standardized.

Factors determining the extent of decentralization

   3. Size: The larger the organization, the more decisions are to be made.

- The complexities of the organization may require policy questions to be passed up the line and discussed not only with many managers in the chain of command but also with many managers at each level.

- Slow decisions—slow because of the number of specialists and managers who must be consulted—are costly.

- To minimize this cost, the authority should be decentralized wherever feasible.

Factors determining the extent of decentralization

3. Size:

- The costs of a large size may be reduced by organizing an enterprise into a number of units.

- Considerable increases in efficiency are likely to result from making the units small enough for its top executives to be near the point where decisions are made.

- This makes possible speedy decisions, keeps executives from spending time coordinating their decisions with many others, reduces the amount of paperwork, and improves the quality of decisions by reducing their magnitude to manageable proportions.

Factors determining the extent of decentralization

4. History of the enterprise: Whether or not authority will be frequently decentralized depends upon the way the organization has been built or established.

- Enterprises that represent mergers and consolidations are likely to show, at least at first, a definite tendency to retain decentralized authority, especially if the unit acquired is operating profitably.

- A full managerial generation may have to pass before the chief executive of the consolidated company dares materially to reduce the degree of decentralization.

Factors determining the extent of decentralization

5. Management philosophy: The character of top executives and their philosophy have an important influence on the extent to which authority is decentralized.

- Sometimes top managers are authoritarian, tolerating no interference with the authority and information they jealously hoard. At other times, top managers simply cannot give up the activities and authorities they enjoyed before they reached the top or before the business expanded.

- Conversely, some people find decentralization a means to make the big business work. So, top managers may see decentralization as a way of organizational life that takes advantage of the innate desire of people to create, to be free, and to have status.

Factors determining the extent of decentralization

6. Desire for independence: It is a characteristic of individuals and of groups to desire a degree of independence.

- Individuals may become frustrated by the delay in getting decisions, by long lines of communication, and by the great game of passing the buck.

7. Availability of managers: A real shortage of managerial manpower would limit the extent of decentralization of authority, as a delegation of decision-making assumes the availability of trained managers.

- Thus the key to safe decentralization is adequate training of managers.

Factors determining the extent of decentralization

8. Control techniques: Another factor affecting the degree of decentralization is the state of development of control techniques.

- One cannot expect a good manager at any level of the organization to delegate authority without having some way of knowing whether it will be used properly.

- Improvements in statistical devices, accounting controls, and other techniques have helped make possible the current trend towards considerable managerial decentralization. **To decentralize is not to lose control.**

9. Decentralized performance: This is basically a technical matter depending upon such factors as the economics of division of labour, the opportunities for using machines and the nature of the work to be performed.

Factors determining the extent of decentralization

10. The pace of change: The fast-moving character of an enterprise also affects the degree to which authority may be decentralized.

- If a business is growing fast and facing the complex problems of expansion, its managers, particularly those responsible for top policy, may be forced to make a large share of the decision.

- In order to avoid relegation to untrained subordinates, close attention is given to the rapid formation of policies.

Factors determining the extent of decentralization

11. Environmental influences: The factors determining the extent of decentralization are largely internal in nature.

- However, there are definite external forces affecting the extent of decentralization.

- Among the most important of these are governmental controls, national unionism, and tax policies.

Difference between Delegation and Decentralization

Basis	Delegation	Decentralization
Meaning	Managers delegate some of their function and authority to their subordinates.	Right to take decisions is shared by top management and other levels of management.
Scope	Scope of delegation is limited as superior delegates the powers to the subordinates on individual bases.	Scope is wide as the decision making is shared by the subordinates also.
Freedom of Work	Freedom is not given to the subordinates as they have to work as per the instructions of their superiors.	Freedom to work can be maintained by subordinates as they are free to take decision and to implement it.
Nature	It is a routine function.	It is an important decision of an enterprise.
Need or purpose	Delegation is important in all concerns whether big or small. No enterprises can work without delegation.	Decentralization becomes more important in large concerns and it depends upon the decision made by the enterprise, not compulsory.
Grant of Authority	The authority is granted by one individual to another.	It is a systematic act which takes place at all levels and at all functions in a concern.
Grant of Responsibility	Responsibility of the managers remains. It cannot be delegated.	Authority with responsibility is delegated to subordinates.
Degree	Degree of delegation varies from concern to concern and department to department.	Decentralization is total by nature. It spreads throughout the organization i.e. at all levels and all functions.
Process	Delegation is a process which explains superior-subordinates relationship.	It is an outcome which explains relationship between top management and all other departments.
Essentiality	Delegation is essential for all kinds of concerns.	Decentralization is a decision function by nature.
Significance	Delegation is essential for creating the organization.	Decentralization is an optional policy at the discretion of top management.
Withdrawal	Delegated authority can be taken back.	It is considered as a general policy of top management and is applicable to all departments.
Freedom of Action	Very little freedom to the subordinates.	Considerable freedom.