



# PRINCIPLES OF MANAGEMENT ORGANIZING

Planning

**Organizing**


Staffing

Directing

Controlling

# ORGANIZATION




- A formalized **intentional structure** of roles or positions.
  - A group of people working together to create a surplus.
  - People working together must fill certain roles.
  - 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.
  - Most managers believe they are organizing when they establish an intentional structure.
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# ORGANIZING



- Designing and maintaining a system of roles is the function of organizing.

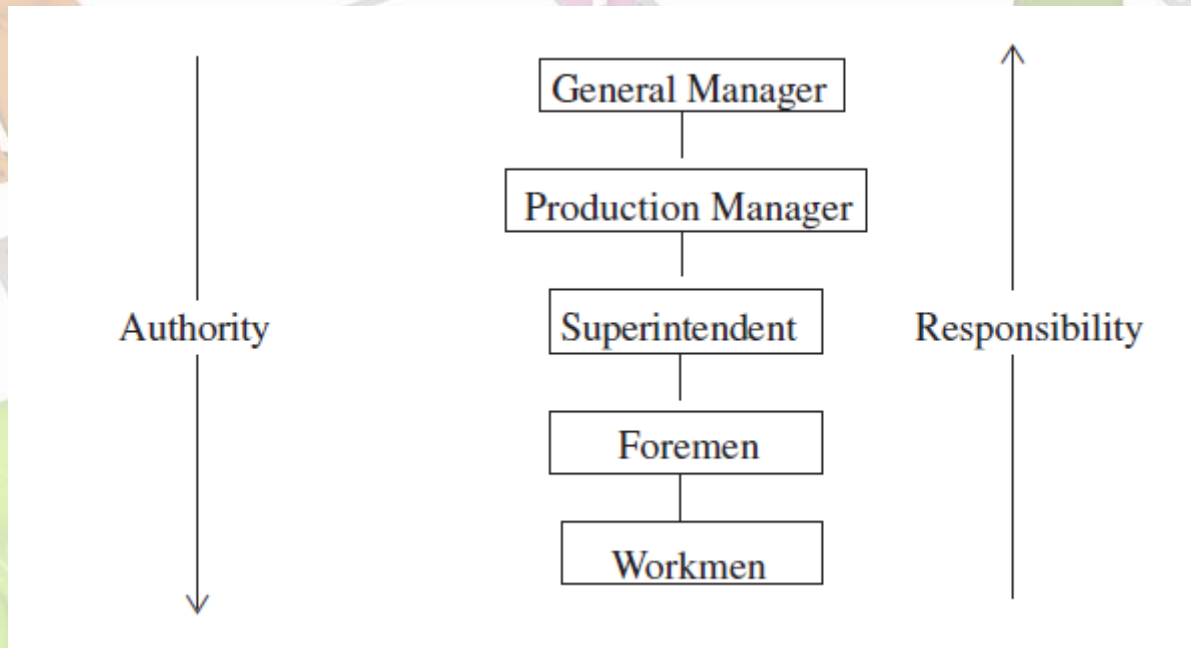
For an organizational role to exist and be meaningful to people, it must incorporate;

- Verifiable objectives
  - A clear idea of the major duties or activities involved
  - An understood area of discretion or authority so that the person filling the role knows what he or she can do to accomplish goals
  - Provision for supplying needed information and necessary tools
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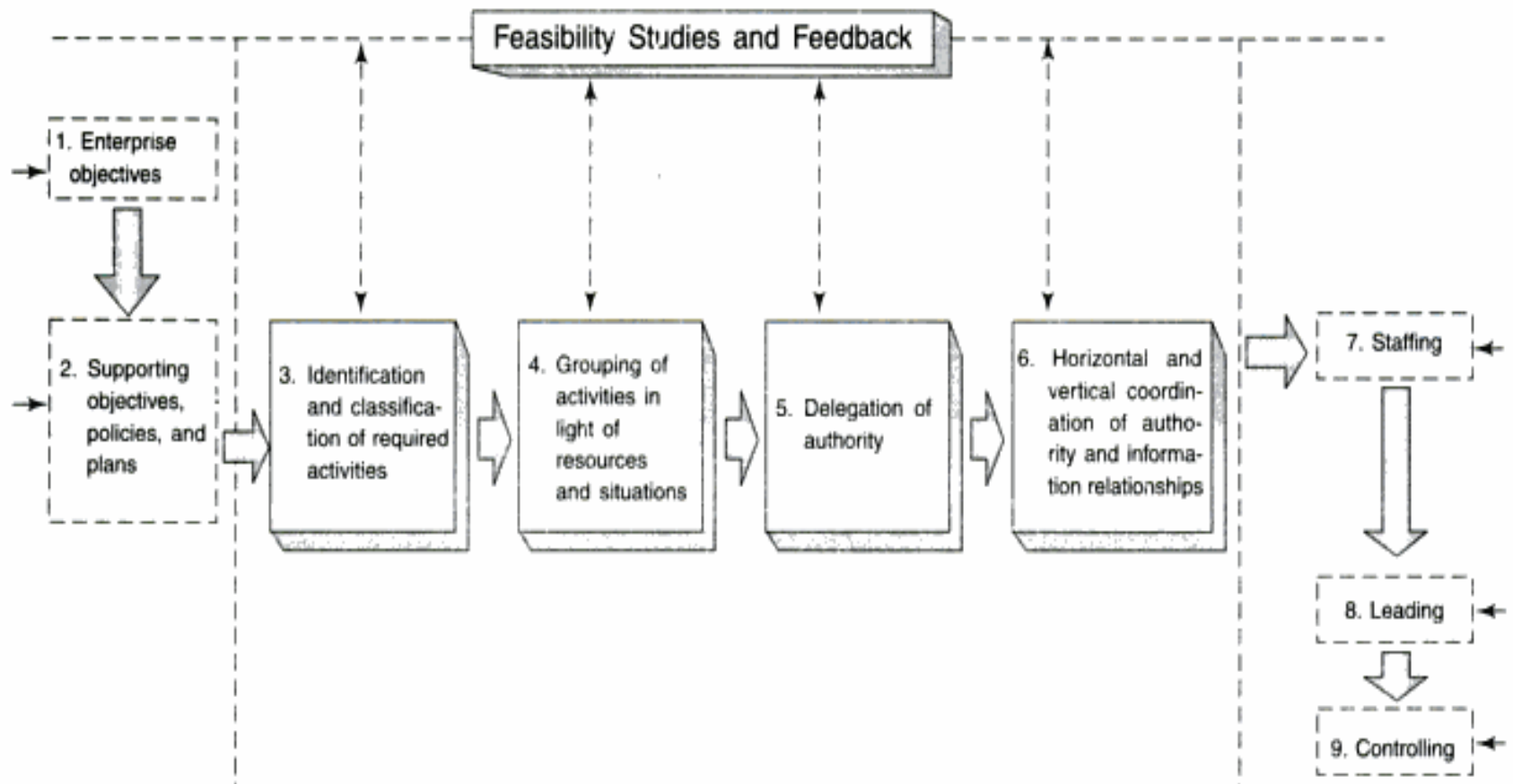
# ORGANIZING

- The steps involved in organizing are;
- The identification and classification of required activities.
- The grouping of activities necessary for attaining objectives.
- The assignment of each group to a manager with authority (delegation) necessary to supervise it.
- The provision for coordination horizontally and vertically in the organization structure.



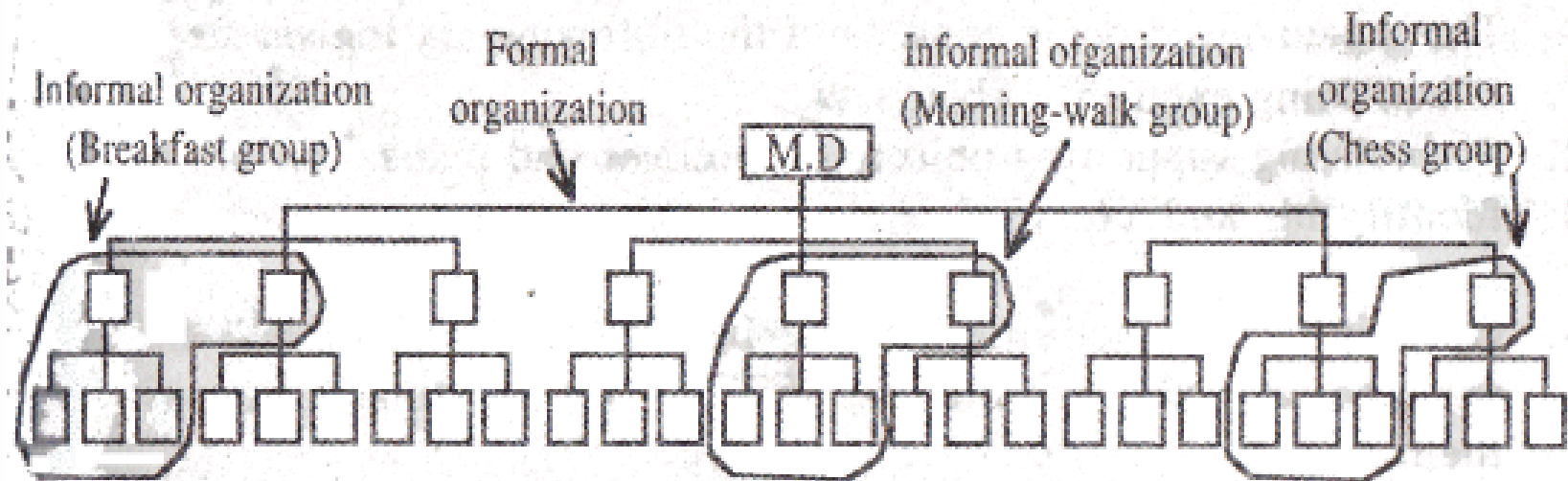


# THE LOGIC OF ORGANIZING





# FORMAL AND INFORMAL ORGANIZATION



**Organogram Showing Formal and Informal Organization**

# FORMAL ORGANIZATION

- The intentional structure of roles in a formally organized enterprise.
- It refers to the organization structure deliberately created by management for achieving the objectives of enterprise.
- It is a network of official authority, responsibility, relationships and communication.
- It must be flexible.





# INFORMAL ORGANIZATION

- A network of interpersonal relationships that arise when people associate with each other.
- The social and informal relationships constitute the informal organization
- Informal organization consists of groups of people who may work in the same department or in different departments of the organization
- The members of informal organization informally elect someone as their leader and provide him the needed support.



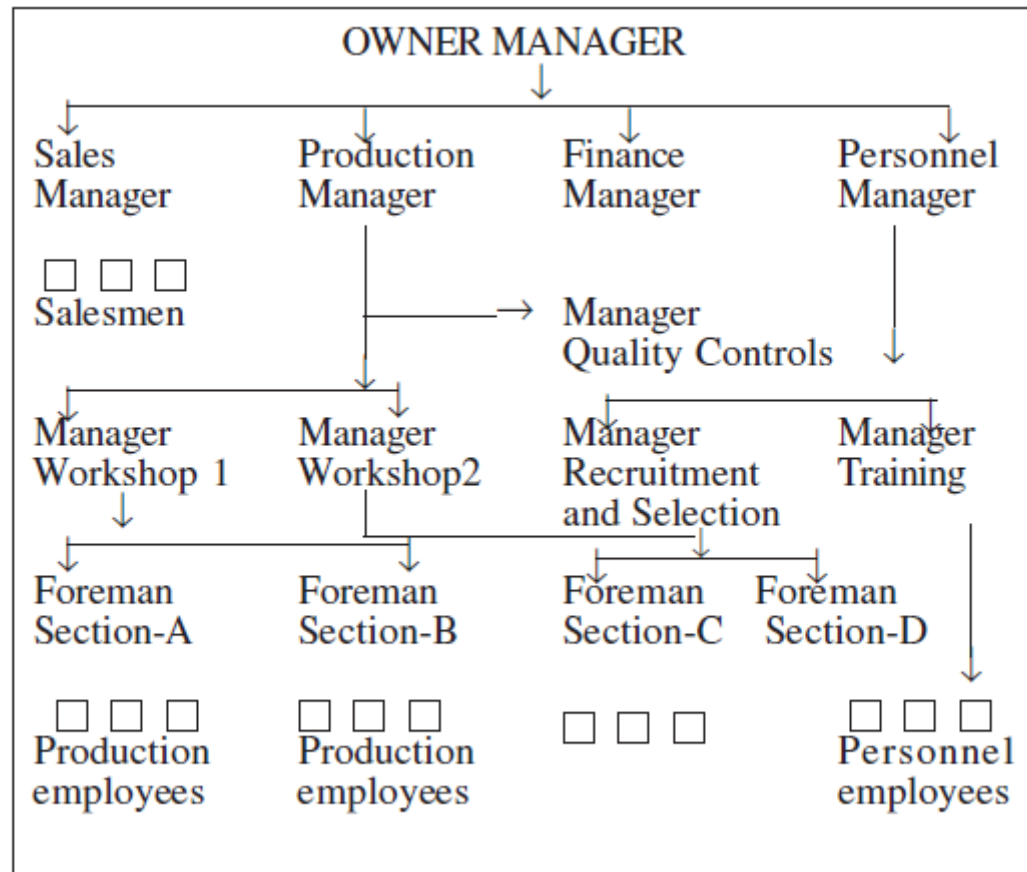
# DIFFERENCE BETWEEN FORMAL AND INFORMAL ORGANIZATIONS

Formal Organisation	Informal Organisation
1. It is created by the top management.	It is not created by top management. It arises out of the natural desire of the people to associate.
2. It is created to get the jobs of an organisation performed in a planned and systematic manner.	It is formed to satisfy those needs of members which can not be satisfied through formal organisation.
3. It is managed by officially appointed managers.	Members of the informal group select some one as their leader to take care of the interests of the group members.
4. Managers of formal organisation have formal authority.	The authority of the leader of the informal group depends upon the combined support of group members.
5. Formal organisation is permanent and stable.	Informal organisation is of temporary nature. It changes its size and membership from time to time.

# ORGANIZATIONAL DIVISION: THE DEPARTMENT

- Department designates a distinct area, division or branch of an organization over which a manager has authority for the performance of specialized activities.
- Example:- production division, dept. of chemical engg.,





# ORGANIZATIONAL LEVELS AND THE SPAN OF MANAGEMENT

- **Span of management:** refers to the number of subordinates that a manager can efficiently manage.
- Number of subordinates directly reporting to a manager is known as span.

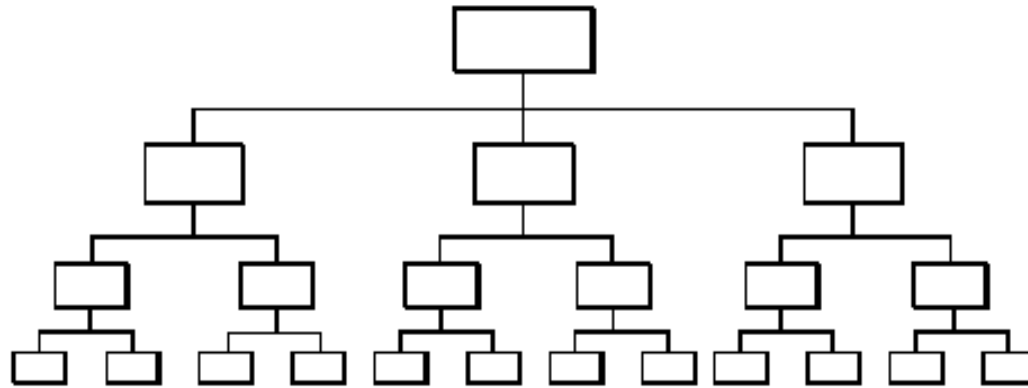
Span of management is important for:

- Determining the complexity of an individual manager's job
- Determining shape and structure of the organization.
- Fewer the number of subordinates reporting to a manager larger the number of managers required. Therefore span of control should be limited.





# ORGANIZATION WITH NARROW SPAN



## Advantages:

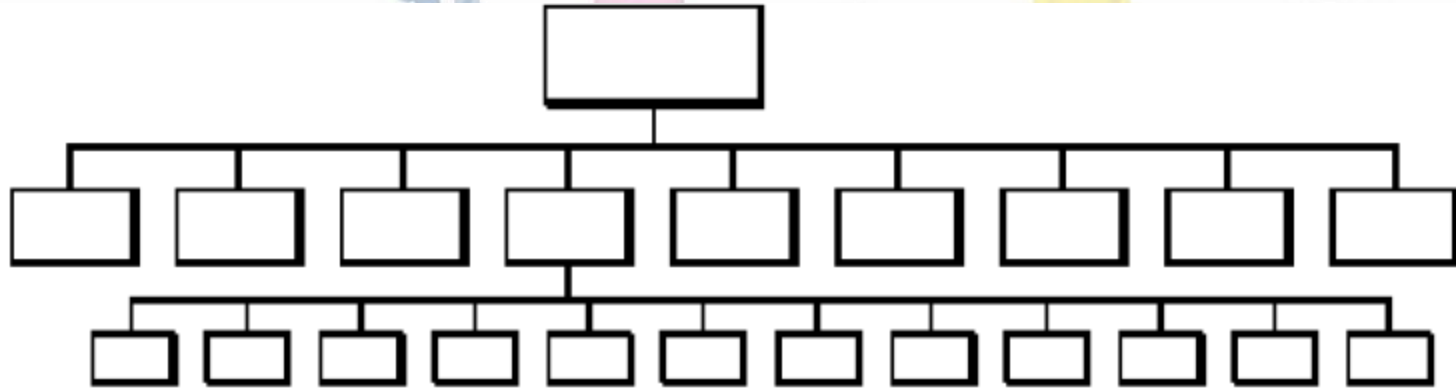
- Close supervision
- Close control
- Fast communication between subordinates and superiors
- Effective

## Disadvantages:

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



# ORGANIZATION WITH WIDE SPAN



## Advantages:

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

## Disadvantages:

- Tendency to overload superiors to become decision bottlenecks
- Danger of superiors loss of control
- Requires exceptional quality of managers

## PROBLEMS WITH ORGANIZATIONAL LEVELS

- **Levels are expensive:**
- More effort and money are devoted to managing.
- Cost of the additional managers, the staff to assist them, coordinating the departmental activities, facilities for the personnel etc., are overheads.
- It is desirable to eliminate indirect labor.
- **levels complicate planning and control:**
- Loses coordination and clarity of plans at lower levels.
- It makes it to control difficult.



# PROBLEMS WITH ORGANIZATIONAL LEVELS

- **Levels complicate communication:**
- Great difficulty in communicating objectives, plans and policies downward through the organization structure.
- Omissions and misinterpretations occur as information passes down the line.
- Levels are filters of information



# THE OPERATIONAL MANAGEMENT POSITION: A SITUATIONAL APPROACH

- **Principle of span of management:** there is a limit to the number of subordinates a manager can effectively supervise, but the exact number will depend on the impact of underlying factors.
- Current guideline is to look for causes of limited span in individual situations rather than to assume that there is a widely applicable numerical limit.
- Examine what consumes the time of managers in their handling of superior-subordinate relationships and ascertain devices that can be used to reduce these time pressures.



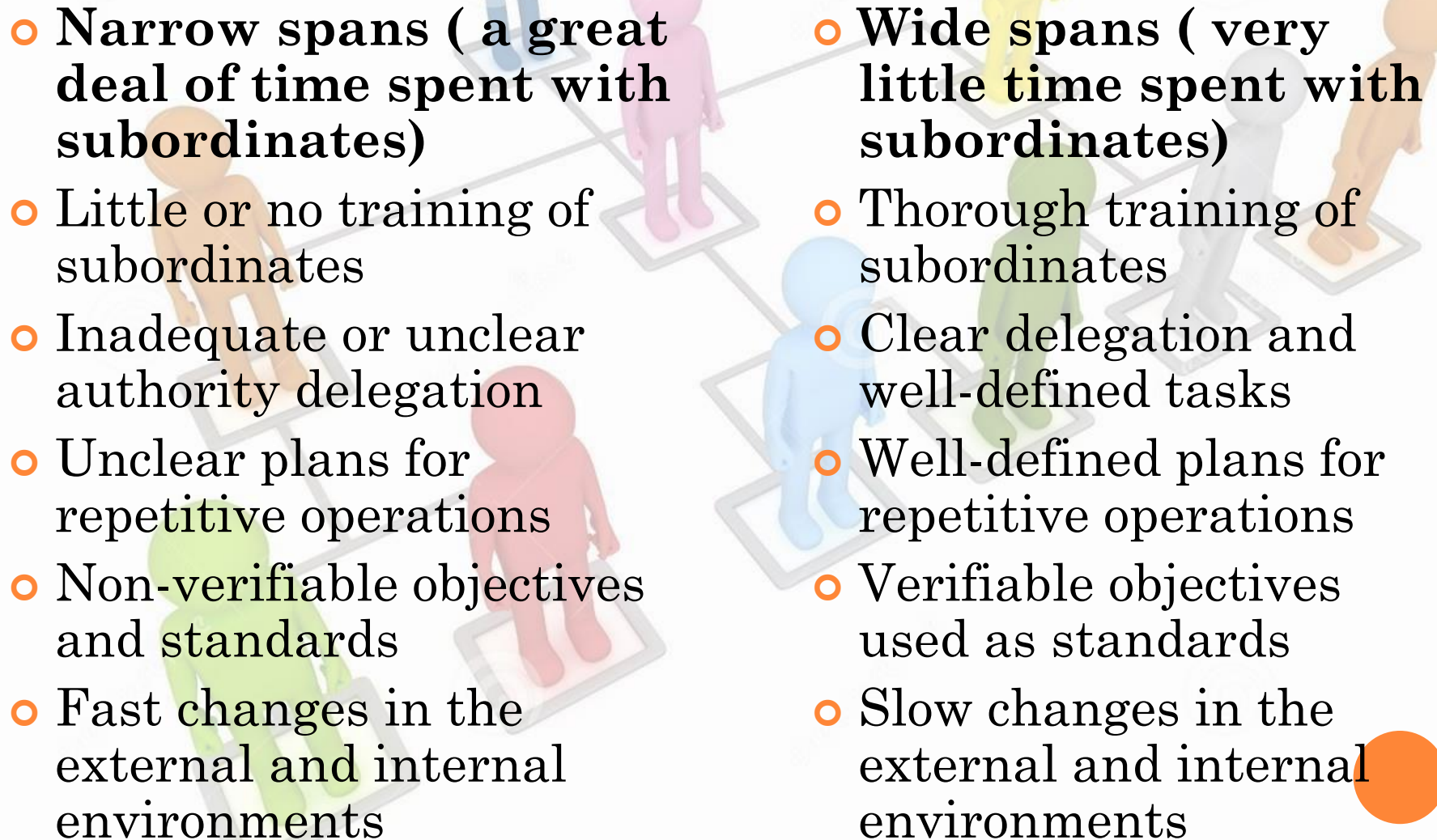
# FACTORS DETERMINING AN EFFECTIVE SPAN

- The number of subordinates a manager can effectively manage depends on the impact of the underlying factors.
- Personal capacities like comprehending quickly, getting along with the people, commanding loyalty and respect etc., influence the span.
- Most important determinant is the manager's ability to reduce the time he or she spends with the subordinates.
- Some factors that influence the time a manager has to spend with the subordinates are:





## FACTORS DETERMINING AN EFFECTIVE SPAN

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- **Narrow spans ( a great deal of time spent with subordinates)**
  - Little or no training of subordinates
  - Inadequate or unclear authority delegation
  - Unclear plans for repetitive operations
  - Non-verifiable objectives and standards
  - Fast changes in the external and internal environments
- **Wide spans ( very little time spent with subordinates)**
  - Thorough training of subordinates
  - Clear delegation and well-defined tasks
  - Well-defined plans for repetitive operations
  - Verifiable objectives used as standards
  - Slow changes in the external and internal environments



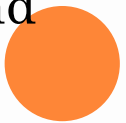
# FACTORS DETERMINING AN EFFECTIVE SPAN

## ○ **Narrow spans**

- Use of poor or inappropriate communication techniques, including vague instructions
- Ineffective interaction of superior and subordinate
- Ineffective meetings
- Greater no of specialties at lower and middle levels
- Incompetent and untrained manager
- Complex task
- Subordinate's unwillingness to assume responsibility and reasonable risks
- Immature subordinates

## ○ **Wide spans**

- Use of appropriate techniques such as proper organization structure and written and oral communication
- Effective interaction of superior and subordinate
- Effective meetings
- Greater no of specialties at upper levels
- Competent and trained manager
- Simple task
- Subordinate's willingness to assume responsibility and reasonable risks
- Mature subordinates



# PRINCIPLES OF ORGANIZATION

- The function of organization can be carried effectively with the help of mentioned principles:
  1. Division of work
    - It is an established fact that group of individuals can secure better results by having division of work.
    - while designing the organization we should aim at making suitable grouping
    - This is also called the principle of specialization.



## 2. Attention to objectives

- An organization is a mechanism to accomplish certain goals or objectives.
- The objectives of an organization play an important role in determining the type of structure which should be developed.
- Clearly defined objectives facilitate grouping of activities, delegation of authority and consequently effective coordination.



### 3. Span of Management

- Span of management also refers to span of control signifying the number of subordinates reporting directly to any executive.
- It is an established fact that larger the number of subordinates reporting directly to the executive, the more difficult it tends to be for him to supervise and coordinate them effectively.



#### 4. Unity of Command

- Organization structure should also be designed in such a way that there exists unity of command in the sense that a single leader is the ultimate source of authority.
- This facilitates consistency in directing, coordinating and controlling to achieve the end objectives.





## 5. Flexibility

- Organizational structure should not be regarded as static.
- Every organization is a living entity in a living environment which is fast changing .
- There must be sufficient room for changing and modifying the structure in the light of environmental changes so that the ultimate objective of the organization is achieved





## 6. Proper Balance

- It is important to keep various segment or departments of an organization in balance.
- The problem of balance basically arises when an activity or a department is further divided and subdivided into smaller segments.
- One must balance all costs of adopting a narrow or wide span, not only financial but also costs in morale, personal development and attainment of enterprise objectives.





## 7. Management by Exception

- This principle signifies that problems of unusual nature only should be referred upward and decided by higher level executives in the managerial hierarchy
- The routine problems should be passed on to lower levels and resolved there.
- Application of this principle as such, certainly requires adhering to the principle of delegation of authority.
- The principle of exception is thus of significant practical utility and applies to all levels in the organization structure

## 8. Decentralization

- Decentralization implies selective dispersal of authority to help departments and units to run effectively and efficiently without frequent interruptions from the top of the enterprise.
- It requires very careful selection of what decisions to push down into the organization, of what to hold at or near the top specific policy making to guide the decision-making, selection and training of people and adequate control.



## 9. Departmentation

- Departmentation is the process of grouping activities into units for purposes of administration.
- It denotes grouping of related jobs and activities and an executive has authority to exercise and assert.
- The main advantages of departmentation are that it enables individual executive to manage his subordinates effectively since a manageable number of persons are brought under the direct supervision of individual executive.



## 10. Efficiency

- The organization should be able to attain the predetermined objectives at the minimum cost.
- From the point of view of an individual, a good organization should provide the maximum work satisfaction.
- Similarly, from the social point of view, an organization will be efficient when it contributes the maximum towards the welfare of the society.





## 11. Scalar Principle

- Scalar chain refers to the vertical placement of superiors starting from the chief executive at the top through the middle level to the supervisory level at the bottom.
- Proper scalar chain or line of command is prerequisite for effective organization.





## 12. Unity of Direction

- This means that each group of activities having the same objectives should have one plan and one head.
- There should be one plan or program for each segment of work which is to be carried under the control and supervision of one head or superior.
- If different plans or policies are followed in one department by the subordinates, confusion is bound to occur.



### 13. Continuity

- The form of organization structure should be such which is able to serve the enterprise to attain its objectives for a long period of time.



## 14. Co-ordination

- The principal of coordination underlines that there should be proper cooperation between different departments and units of work.
- Unity of efforts for the accomplishment of desired objectives is the main aim of organization. This can be achieved through the principle of coordination.



## 15. Authority and Responsibility

- Authority should commensurate with responsibility.
- While assigning the responsibility, authority should also be assigned.
- If authority is not granted, the subordinates cannot discharge their responsibility properly



# THE STRUCTURE AND PROCESS OF ORGANIZING

- The structure must reflect objectives and plans because activities derive from them.
- It must reflect the authority available to an enterprise's management.
- The structure must reflect the environment (economic, technological, political, social or ethical) factors.
- It must be designed to work, to permit contributions by members of a group and to help people to achieve objectives efficiently in a changing future.





# THE STRUCTURE AND PROCESS OF ORGANIZING

- Effective organization structure depends on the situation.
- Grouping of activities and the authority relationships of an organization structure must take into account people's limitations and customs.





# ORGANIZATION STRUCTURE: DEPARTMENTATION

- Department designates a distinct area, division or branch of an organization over which a manager has authority for the performance of specialized activities.
- Grouping of activities and people into departments makes it possible to expand organizations.
- Departments differ with respect to basic patterns used to group activities.



# DEPARTMENTATION BY ENTERPRISE FUNCTION

- Grouping of activities according to the functions of an enterprise – functional departmentation
- Production (creating utility or adding utility to a product or service)
- Sales (finding customers, patients, clients, students or members who will agree to accept the product or service at a price or for a cost)
- Financing (raising and collecting, safeguarding and expending the funds of the enterprise)
- Often these particular functional designations do not appear in the organization chart.



# DEPARTMENTATION BY ENTERPRISE FUNCTION

- There is no generally accepted terminology: a manufacturing enterprise employs the terms production, sales and finance; a wholesaler is concerned with activities as buying, selling and finance; railroad is involved with operations, traffic and finance.
- Basic activities often differ in importance: hospitals have no sales departments
- This does not mean that certain activities are not undertaken, rather they are unspecialized or narrower in scope that they are combined with other activities.
- Some organizations may be using other methods of departmentation based on product, customer, territory or marketing channel.

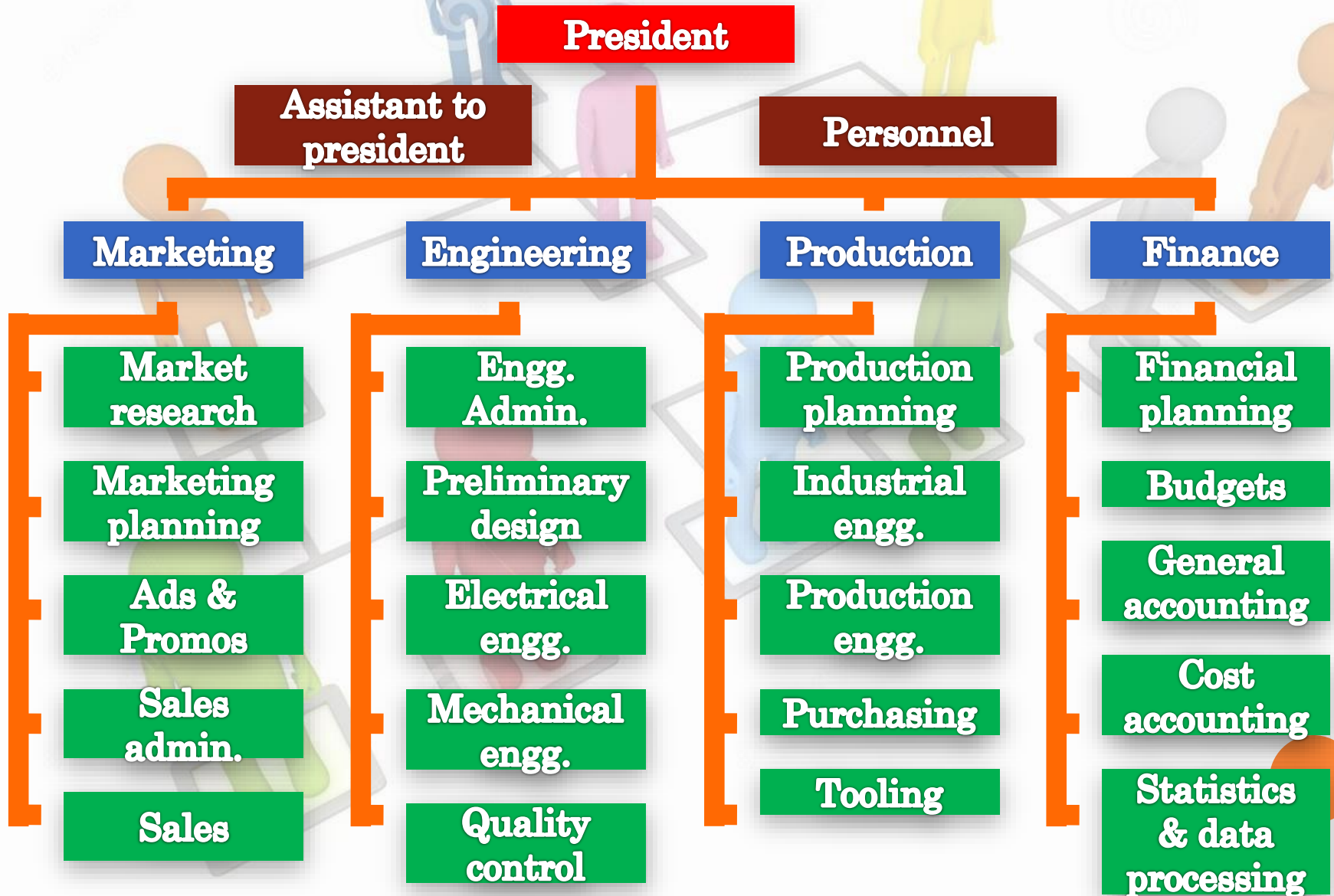
# DEPARTMENTATION BY ENTERPRISE FUNCTION

- Functional departmentation is the most widely used basis for organizing activities and is present in almost every enterprise at some level in the organization structure.
- Coordination of activities among departments may be achieved through rules and procedures, various aspects of planning (goals, budgets.), the organizational hierarchy, personal contacts and liaison departments.





# FUNCTIONAL ORGANIZATION (MANUFACTURING COMPANY)





# FUNCTIONAL ORGANIZATION- ADVANTAGES

- Logical reflection of functions
- Maintains power and prestige of major functions
- Follows principle of occupational specialization
- Simplifies training
- Furnishes means of tight control at top



# FUNCTIONAL ORGANIZATION- DISADVANTAGES

- De-emphasis of overall company objectives
- Overspecializes and narrows viewpoints of key personnel
- Reduces coordination between functions
- Responsibility for profits is at the top only
- Slow adaptation to changes in the environment

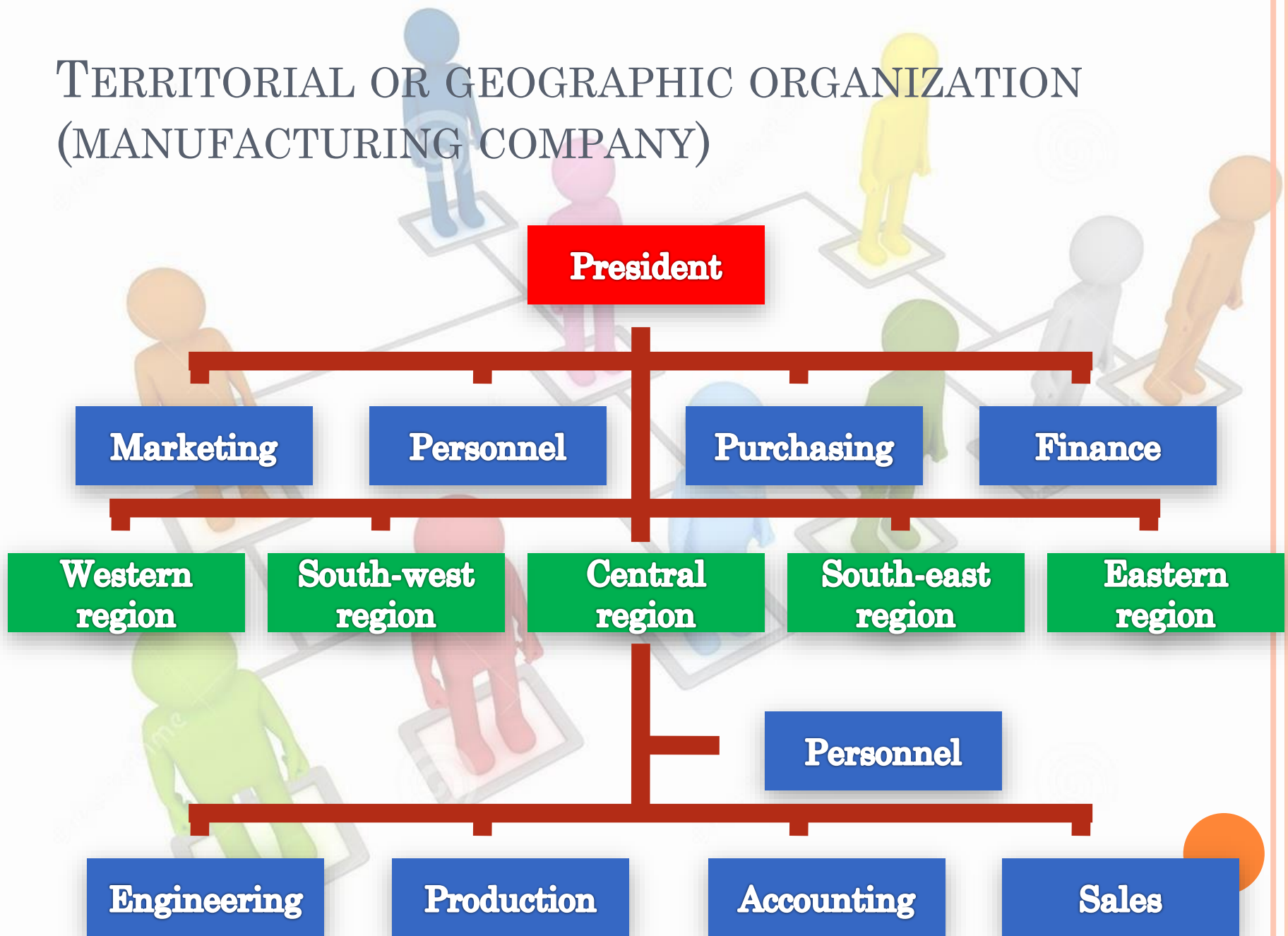


# DEPARTMENTATION BY TERRITORY OR GEOGRAPHY

- Grouping of activities by area or territory is common in enterprises operating over wide geographic areas.
- Business firms resort to this method when similar operations are undertaken in different geographic areas, as in automobile assembling and oil refining.
- Govt. agencies like the tax dept., the central bank, the courts and the postal service adopt this basis of organization in their efforts to provide like services simultaneously across the nation.



# TERRITORIAL OR GEOGRAPHIC ORGANIZATION (MANUFACTURING COMPANY)



# TERRITORIAL ORGANIZATION - ADVANTAGES

- Places responsibility at a lower level
- Places emphasis on local markets and problems
- Improves coordination in a region
- Takes advantage of economies of local operations
- Better face-to-face communication with local interests





# TERRITORIAL ORGANIZATION - DISADVANTAGES

- Requires more persons with general manager abilities
- Tends to make maintenance of economical central services difficult and may require services such as personnel or purchasing at the regional level
- Increases problem of top management level

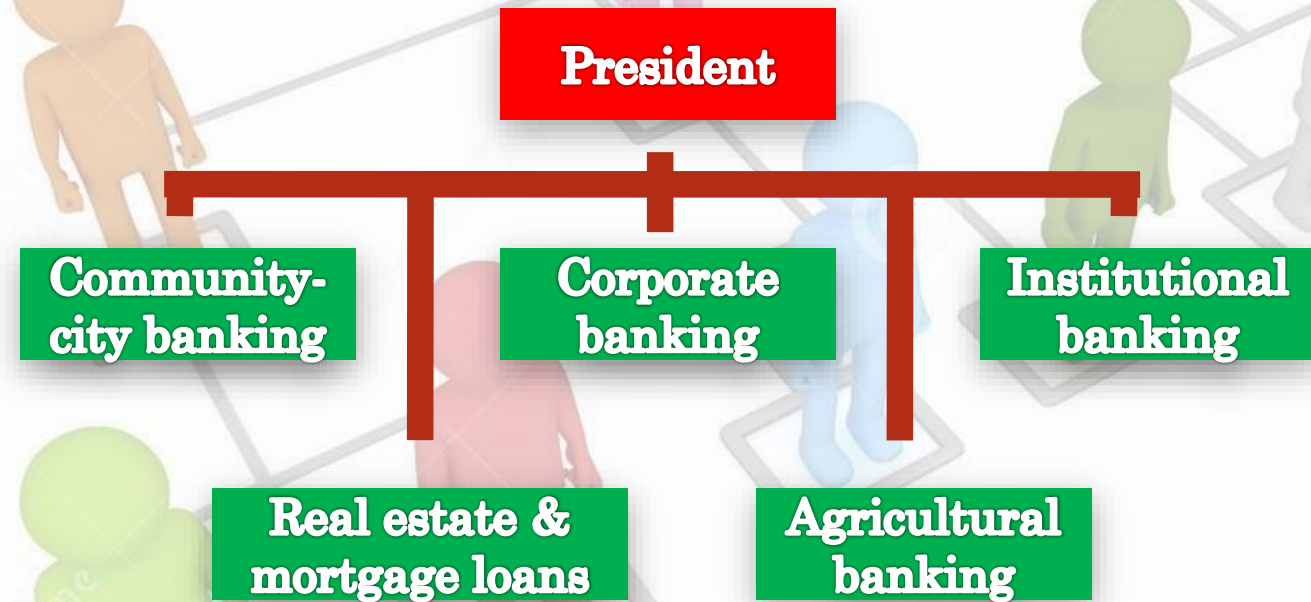


# DEPARTMENTATION BY CUSTOMER GROUP

- Grouping of activities that reflects a primary interest in customers.
- Customers are the key to the way activities are grouped when each customer group is managed by one department head.
- Helps to cater to the requirements of clearly defined customer groups.
- Example:- sales dept. of a wholesaler, banks, IT companies.



# CUSTOMER DEPARTMENTATION (BANK)



# CUSTOMER DEPARTMENTATION- ADVANTAGES

- Encourages concentration on customer needs
- Gives customers feeling that they have an understanding supplier (banker)
- Develops expertness in customer area



# CUSTOMER DEPARTMENTATION- DISADVANTAGES

- Maybe difficult to coordinate operations between competing customer demands
- Requires managers and staff expert in customer problems
- Customer groups may not always be clearly defined



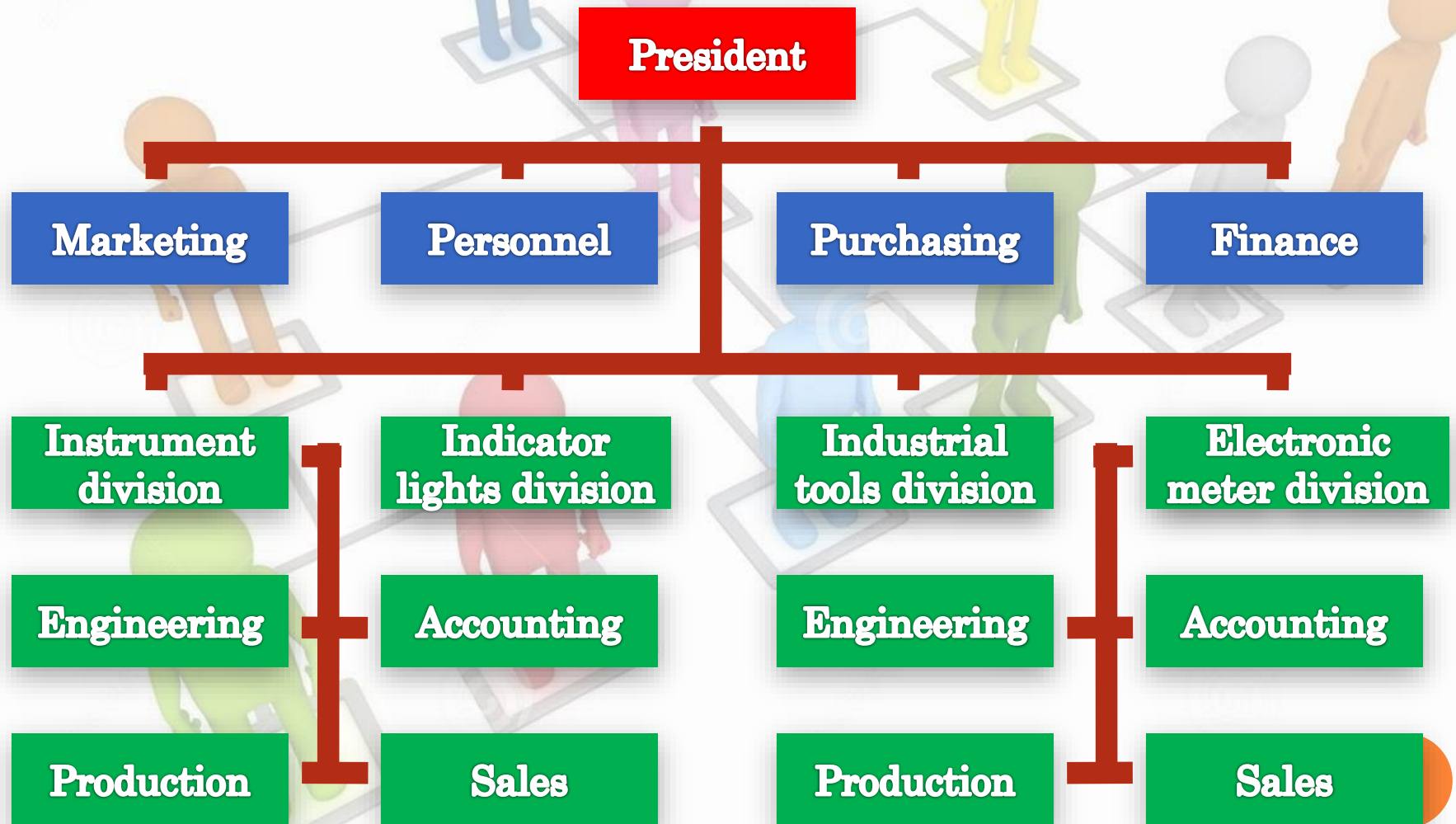


# DEPARTMENTATION BY PRODUCT

- Grouping of activities according to products or product lines, especially in multiline, large enterprises.
- This structure permits top management to delegate to a division executive extensive authority over the manufacturing, sales, service and engineering functions that relate to a given product or product line and to exact a considerable degree of profit responsibility from each of these managers.
- This method originated because of the growth of firms and limited span of management.



# PRODUCT ORGANIZATION (MANUFACTURING COMPANY)



# PRODUCT ORGANIZATION- ADVANTAGES

- Places attention and effort on product line
- Facilitates use of specialized capital, facilities, skills and knowledge
- Permits growth and diversity of functional activities
- Places responsibility for profits at the division level
- Furnishes measurable training ground for general managers



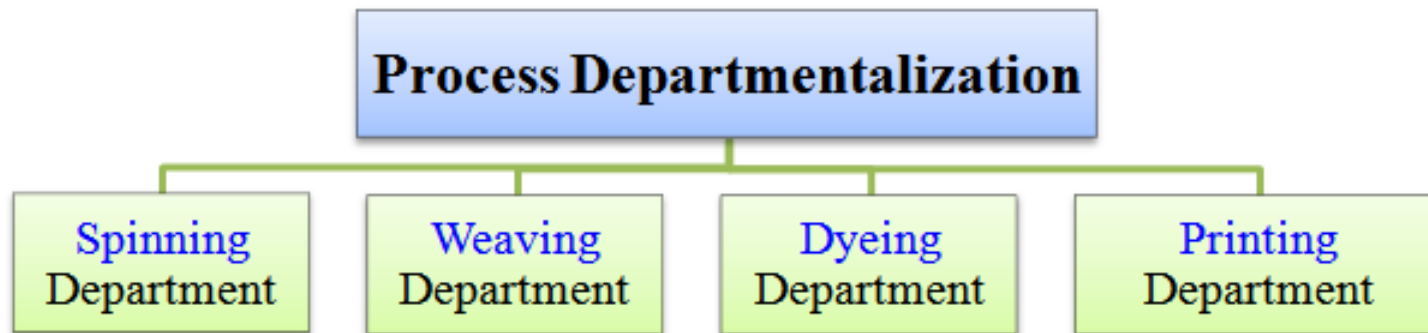
# PRODUCT ORGANIZATION- DISADVANTAGES

- Requires more persons with general manager abilities
- Presents increased problem of top management control



# PROCESS ORGANIZATION

- Manufacturing activities are subdivided on the basis of their process of production
- Based on operations, the departmentation can be done



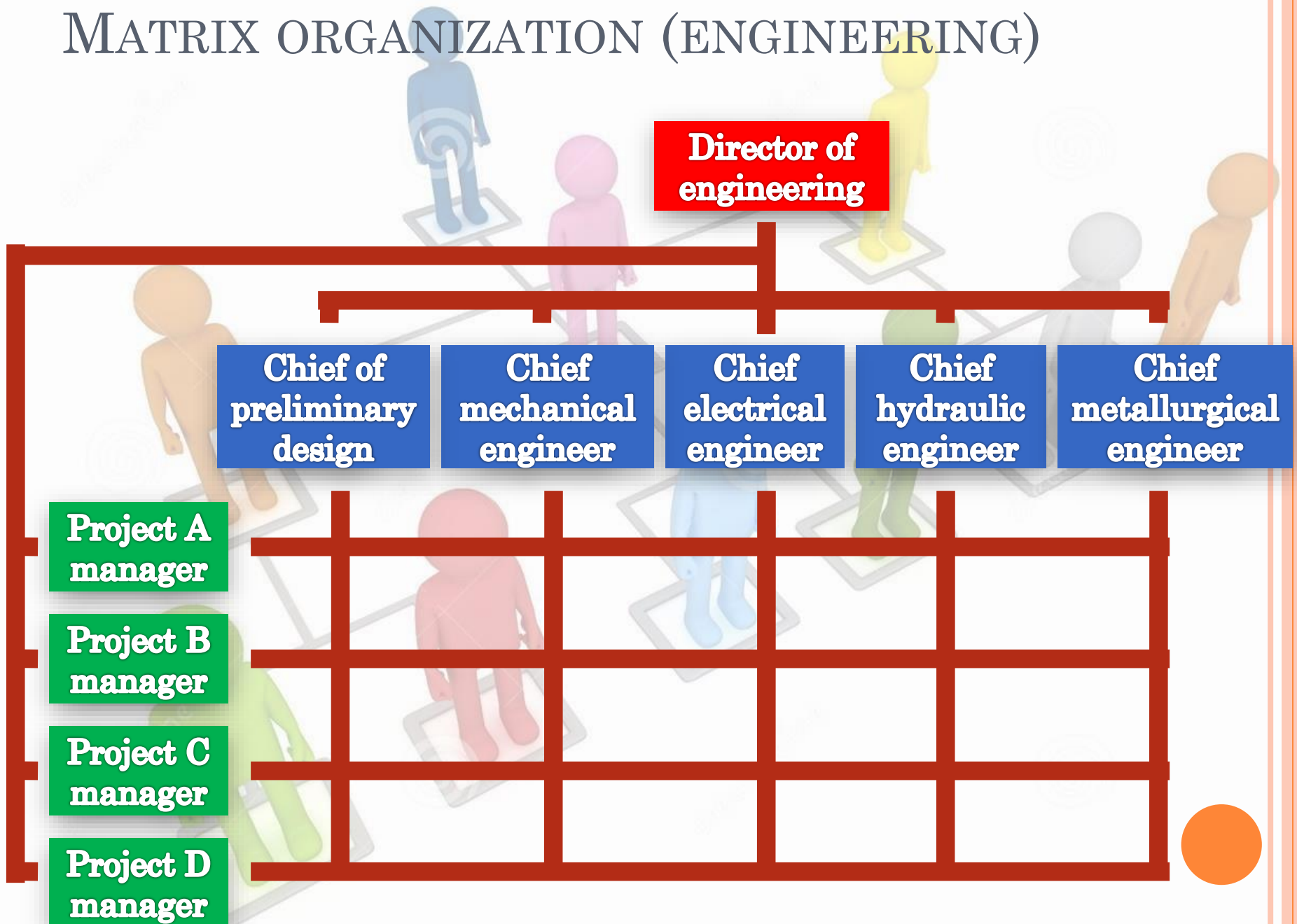


# MATRIX OR GRID ORGANIZATION

- Combining functional and project or product patterns of departmentation in the same organization structure.
- Used in engineering, research & development and product marketing organizations.
- Used in construction, aerospace, installation of an electronic data processing system, management consulting firms.,



# MATRIX ORGANIZATION (ENGINEERING)



# MATRIX ORGANIZATION- ADVANTAGES

- Oriented toward end results
- Professional identification is maintained
- Pinpoints product-profit responsibility



# MATRIX ORGANIZATION- DISADVANTAGES

- Conflict in organization authority exists
- Possibility of disunity of command exists
- Requires manager effective in human relations





The background of the slide features a complex organizational chart. It consists of 11 3D human figures in various colors (blue, pink, yellow, orange, grey, green, red, light blue, dark green, light green, and orange) standing on small square platforms. These platforms are interconnected by a network of grey lines, forming a hierarchical structure. The central figure is a pink one, with lines radiating outwards to other figures, some of which are further connected to others, creating a web-like pattern. The text 'LINE/STAFF CONCEPTS AND FUNCTIONAL AUTHORITY' is overlaid on this background.

# LINE/STAFF CONCEPTS AND FUNCTIONAL AUTHORITY



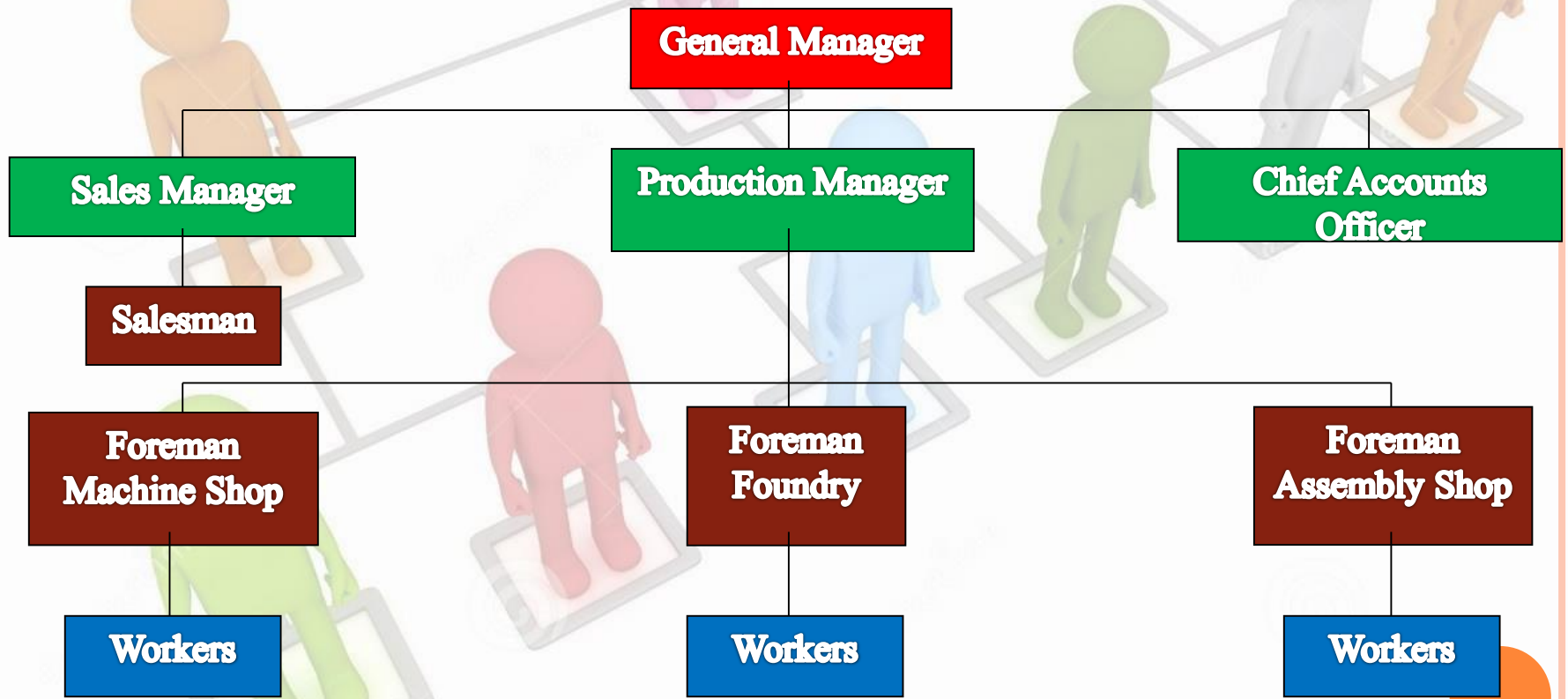


# LINE AUTHORITY

- Line authority gives a superior a line of authority over a subordinate.
- **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.
- **Line authority:** the relationship in which a superior exercises direct supervision over a subordinate.
- Also known as Military, Vertical, Departmental and hierarchical

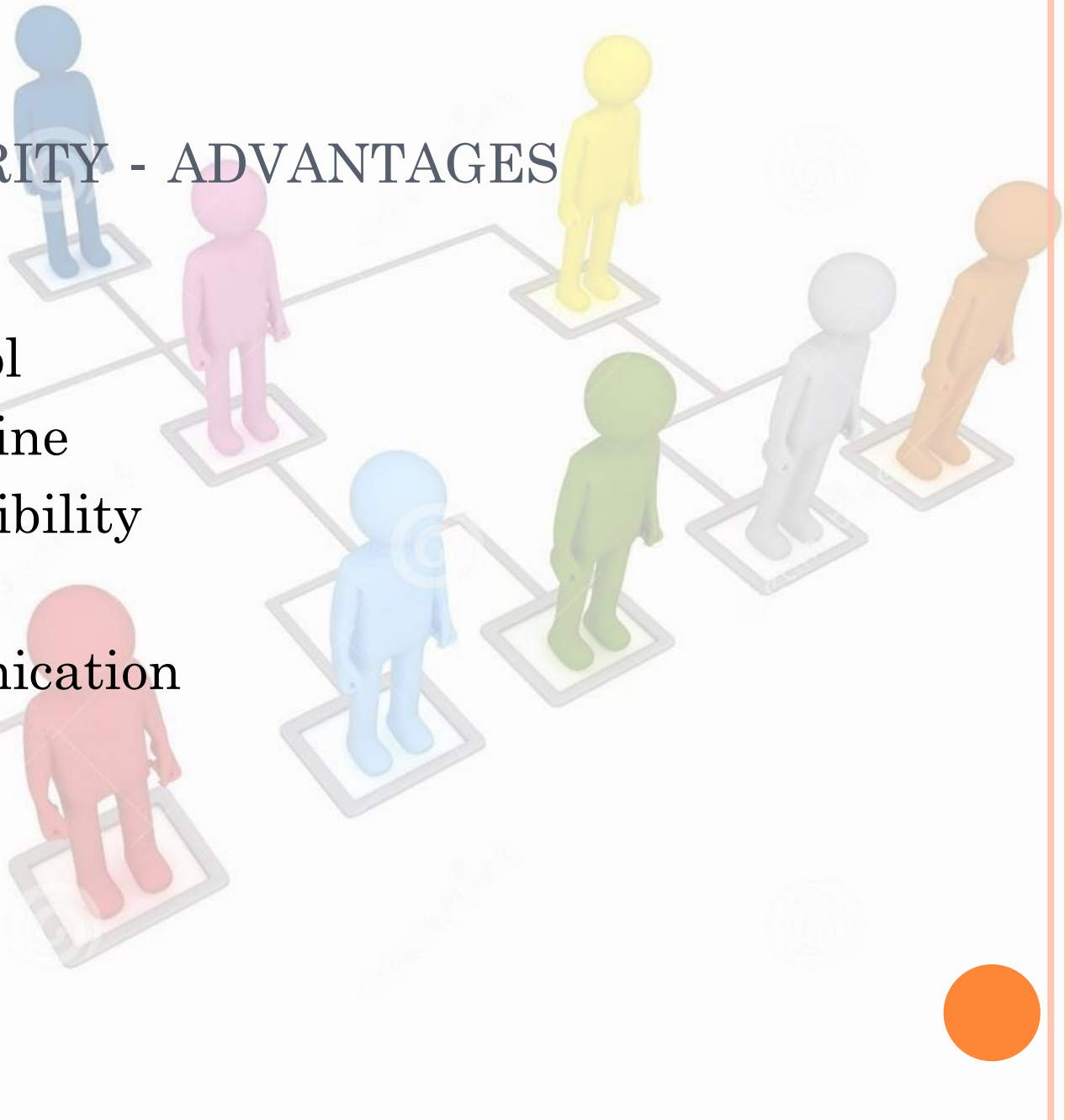


# LINE AUTHORITY



# LINE AUTHORITY - ADVANTAGES

- Simplicity
- Unified control
- Strong discipline
- Fixed responsibility
- Flexibility
- Clear communication
- Speedy action



# LINE AUTHORITY - DISADVANTAGES

- Overloading
- Lack of specialization
- In-adequacy of communication
- Large and complex enterprises can not adopt this system



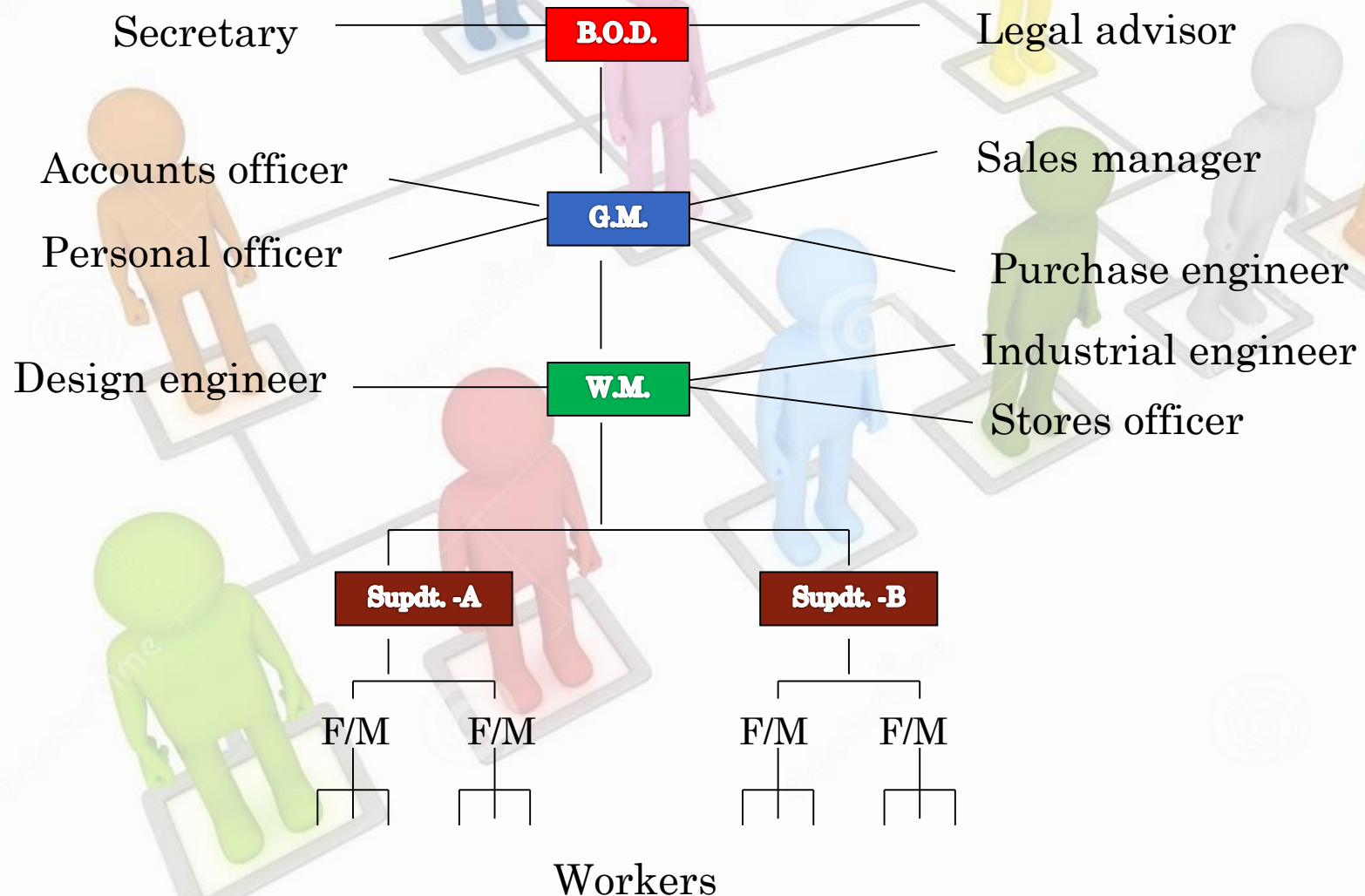
# LINE/STAFF AUTHORITY

- The nature of staff relationship is advisory.
- The function of people in a pure staff capacity is to investigate, research and give advise to line managers.
- The staff can be personal staff, specialized staff or general staff.





# LINE/STAFF AUTHORITY



# LINE/STAFF AUTHORITY - ADVANTAGES

- Expert advice to the line management
- Line executives are relieved of some of their loads and are thus able to devote more attention towards production
- Less wastage of material, man and machine hours
- Quality of product is improved



## LINE/STAFF AUTHORITY - DISADVANTAGES

- Product cost will increase because of high salaries of staff executives
- Friction and jealousy if developed between the line and staff executives may cause harm to the enterprise
- Line executives if they start depending too much on staff executives may lose their initiative drive and ingenuity

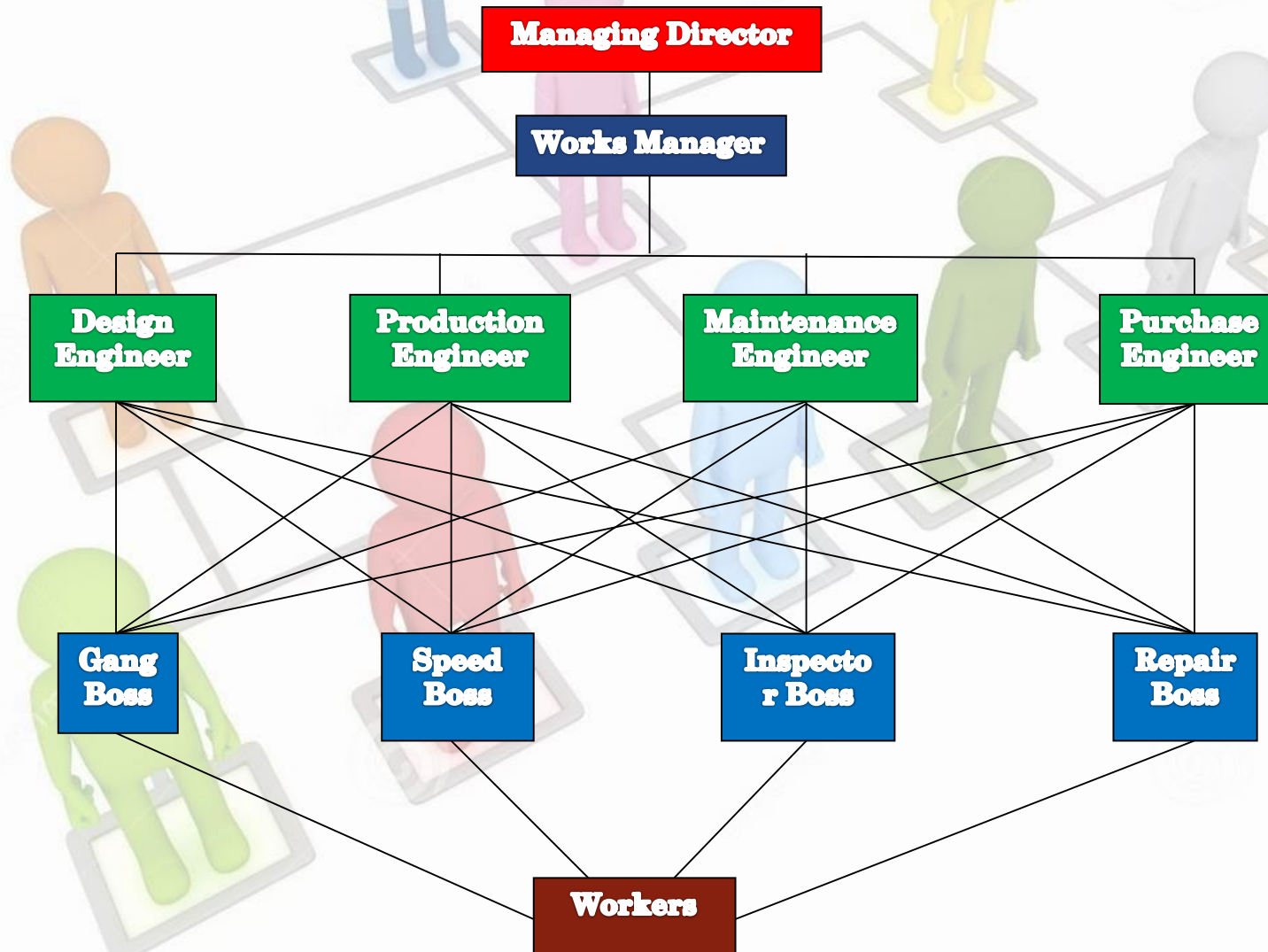


# FUNCTIONAL AUTHORITY

- 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.
- If the principle of unity of command is followed without exception, authority over particular activities would be exercised by the relevant line superiors.
- Reasons like lack of specialized knowledge, lack of ability to supervise specified processes and danger of diverse interpretations of policies limit the authority of a line executive in some cases.



# FUNCTIONAL AUTHORITY





# FUNCTIONAL AUTHORITY - ADVANTAGES

- Separation of work
- Specialization
- Narrow range with high depth
- Easy in selection and training
- Standard operations
- Reduction in prime cost
- Scope for growth and development of business




# FUNCTIONAL AUTHORITY - DISADVANTAGES

- Indiscipline
- Shifting of responsibility
- Kills the initiative of workers
- Overlapping of authority
- Lack of coordination between functions
- Increase in costs



# DELEGATION OF AUTHORITY



- Delegation means devolution of authority on subordinates to make them to perform the assigned duties or tasks.
  - It is that part of the process of organization by which managers make it possible for others to share the work of accomplishing organizational objectives.
  - Delegation consists of granting authority or the right to decision-making in certain defined areas and charging the sub-ordinate with responsibility for carrying through the assigned tasks
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# DELEGATION OF AUTHORITY

- Authority is delegated when a superior gives a subordinate discretion to make decisions.
- Superiors can not delegate authority they do not possess.
- The process of delegation involves;
  - Determining the results expected from a position
  - Assigning tasks to the position
  - Delegating authority for accomplishing these tasks
  - Holding the person in that position responsible for the accomplishment of the tasks



# PERSONAL ATTITUDES TOWARDS DELEGATION

- Most failures in effective delegation occur not because managers do not understand the nature and principles of delegation but because they are unable or unwilling to apply them.
- Certain personal attitudes underlie real delegation.
  - Receptiveness
  - Willingness to let go
  - Willingness to allow mistakes by subordinates
  - Willingness to trust subordinates
  - Willingness to establish and use broad controls

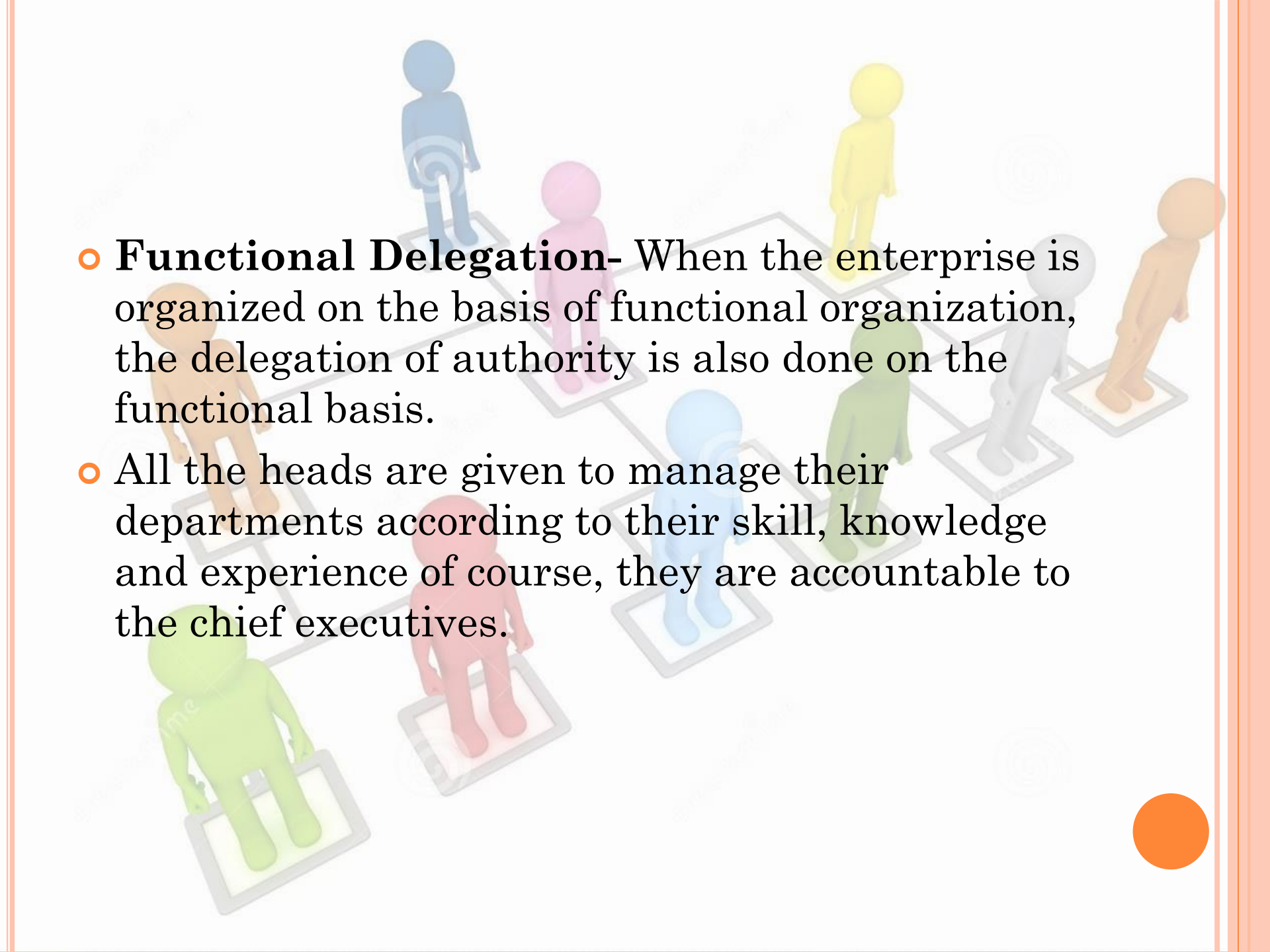





# METHODS OF DELEGATION

- **Administrative Delegation** – When a few of the administrative functions are delegated to sub-ordinate staff it is called administrative delegation
- **Geographical Delegation**- When the work of enterprise is located at different distant places, it is difficult to manage by a single person. Thus he will delegate the authority to different subordiantes those who are posted there.



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- **Functional Delegation-** When the enterprise is organized on the basis of functional organization, the delegation of authority is also done on the functional basis.
  - All the heads are given to manage their departments according to their skill, knowledge and experience of course, they are accountable to the chief executives.



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- **Technical Delegation-** This method of delegation of authority is based on technical knowledge and skill.
  - Here the authority is delegated in order to get the advantages of expert and experienced hands and their technical skill




# TYPES OF DELEGATION

## 1. General and Specific Delegation

- **General Delegation-** It is that delegation in which the authority is given to perform general managerial functions, like planning, organizing, directing etc.
- The sub-ordinate managers perform these functions and enjoy the authority required to carry out these responsibilities



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- **Specific Delegation** - Specific Delegation relates to a particular function or an assigned task.
  - Eg. The authority delegated to the production manager for carrying out this function will be a specific delegation.
  - Various departmental managers get specific authority to undertake their department duties.



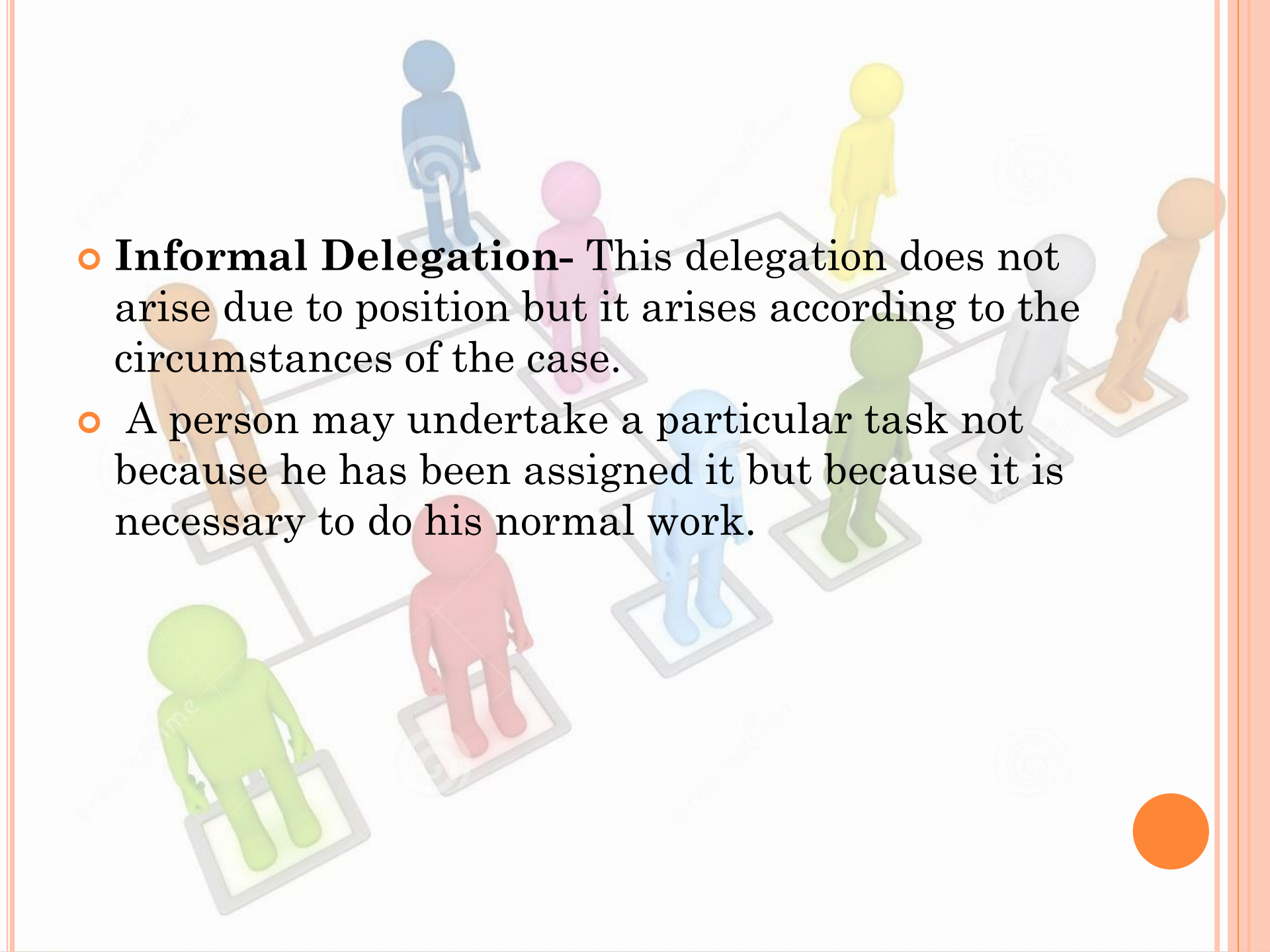




## 2. Formal or Informal Delegation

- **Formal Delegation-** Formal delegation has been considered as a part of organizational structure.
- Whenever a task is assigned to a person, the required authority is also given to him.
- Every person is automatically given authority as per his duties.
- Eg. When production manager gets powers to increase production



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- **Informal Delegation-** This delegation does not arise due to position but it arises according to the circumstances of the case.
  - A person may undertake a particular task not because he has been assigned it but because it is necessary to do his normal work.



### 3. Written or Unwritten Delegation-

- **Written Delegation-** Written delegation is normally given through letters, instructions, circulars etc. Whatever has been delegated it must be in writing.
- **Unwritten Delegation-** Unwritten delegation is given to the person concerned not in any particular way but through conventions, customs and usages the other party has to do work accordingly

#### 4. Downward or Upward Delegation

- **Downward Delegation-** Downwards delegation is a common type of delegation. This delegation has been considered as a superior's delegation of authority to his immediate subordinate.
- **Upward Delegation-** This type of delegation takes place when a subordinate assigns some of his tasks to his superiors. This is an uncommon type of delegation and its instances are very rare.

