

Chapter 14 - TM-Functions – Organizing

Course Contents: TM-Functions – Organizing: Nature of Organizing, Traditional Organization Theory, Technology and Modern Organization Structures, Teams, Staffing, Technical Organizations, Authority and Power, Delegation, Committees and Meetings, Teams. [TB2: Ch. 5]

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Introduction

Organizing in a general sense means systematic arrangement of activities. In this sense, organizing is done by each individual. However, organizing as a process of management essentially relates to sub-dividing and grouping of activities.

Organizing becomes necessary when two or more persons work together to achieve some common objectives. When a player is playing alone, there is perhaps no need of organizing. But organizing becomes important when players are playing in a team. In that case, it is important to determine the role of each player and for the team as a whole to attain victory over the rival team. Similarly, in a one-man business, all the activities are performed by the owner himself. But when the owner employs someone to assist him, he has to determine the work to be done by the employee and give him the right to use materials, machinery, equipment, etc. This is the point when organizing becomes necessary.

As more people are appointed, there has to be further division and sub-division of work among them. When an organization becomes large, separate departments are created to perform different functions. Each department has to be divided into a number of smaller units. Ultimately, the work of the organization is divided into a number of positions of employees and managers. Relationships are then established among the different positions in the organization. The outcome of the organizing process is a set of formal relationships which is known as organization structure. In this lesson, we shall study about the process of organizing which leads to the setting up of an organization structure.

Meaning and Process of Organizing

Organizing refers to the way in which the work of a group of people is arranged and distributed among group members. The function of organizing includes the determination of the activities to be performed; creation of departments, sections and positions to perform those activities; and establishing relationships among the various parts of an organization. The purpose is to create a framework for the performance of the activities of an organization in a systematic manner. It is important to note that the term organization should not be used in the same sense as organizing. Organizing is a function of management, while organization refers to a group of persons who have come together to achieve some common objectives.

The process of organizing refers to identifying and grouping of activities to be performed, defining and delegating authority, casting responsibility and establishing relationships to enable people to work together effectively in accomplishing objectives.

Steps in the process of organizing

The process of organizing consists of the following steps:

- Determining the activities to be performed to achieve the objectives of the organization.
- Identification of major functions to which these activities relate.
- Grouping and sub-dividing the activities within each function on the basis of similarity or relatedness.
- Establishing relationship among individuals and groups.

Determining the activities to be performed to achieve the objectives of the organization: Business organizations undertake economic activities with a view to earning profit. They may perform manufacturing, trading or service activity. In a manufacturing organization, production and sales are the two major activities. In a trading organization, purchases and sales are the two main activities. Service organizations provide services such as transportation to their customers. In carrying out these major activities, business units have to perform a number of other activities such as producing, financing, marketing, accounting, recruiting employees, etc. Since the objectives of different organizations are different, it is therefore, necessary to determine the activities of each organization separately.

Identification of major functions to which these activities relate: The next step is to identify the major functions to which these activities relate. In a manufacturing organization, production, selling, finance and personnel are the major functions. If the amount of work to be done in connection with each of these functions is large, separate departments may be created for each

of these functions. Managerial positions will have to be created to supervise the activities of these departments. At this stage, a list of activities relating to each function must be prepared.

Grouping and sub-dividing the work within each function

In this step, it is decided how best the activities can be grouped on the basis of similarity or relatedness. The activities of a production department, for example, can be divided into a number of workshops where production will actually take place. Besides, separate sections may be created for such production related activities as quality control and repairs. The activities of other departments can similarly be sub-divided. This division and sub-division of activities goes on till individual positions have been created for performing all types of work in an organisation. The reasons of dividing and sub-dividing functions and activities are as follows—

The total work may be so large that it cannot be done by a single individual or by a few persons.

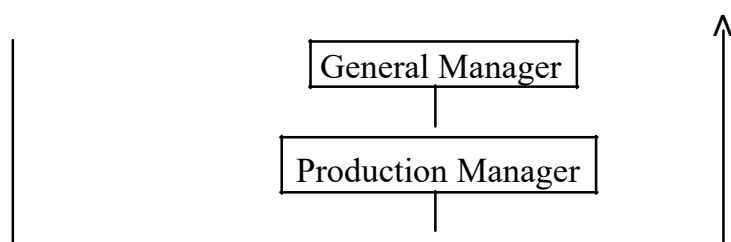
If the work is divided into smaller units, it becomes easy to assign work to individuals who have the necessary skill and knowledge to perform the work efficiently.

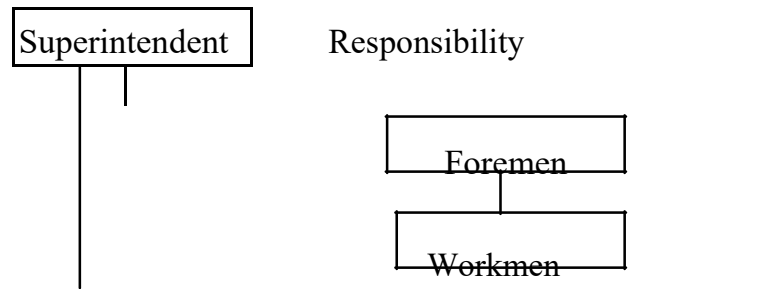
Establishing relationship among individuals and groups

Managers divide activities to increase efficiency and to ensure that work is properly done. The activities which are performed by persons holding different positions must be related. The responsibility, authority and accountability of each person must be well defined. This is necessary to avoid conflict and confusion and to ensure that work is performed as planned. Establishing relationships among individuals and groups is, therefore, an important aspect of the organising process. It would be useful at this stage to explain the meaning of responsibility, authority, and accountability.

Responsibility: Responsibility is the obligation of a subordinate to perform the assigned duties. When a subordinate accepts duties, he has to perform those duties in the manner desired by the superior. Duties are assigned to subordinates when a manager has to share the work with them.

Authority: When a person is given certain duties to perform, he must be given necessary authority also. Otherwise, he will not be able to do the work. A typist, for example, cannot do the typing job if he is not given the right to use facilities such as a place to sit in, a table, a chair, a typewriter, typing and carbon papers. etc. Authority includes the right to take decision, right to issue orders and the right to take action if orders are not carried out. An engineer responsible for the construction of a bridge has the authority to command his subordinates, procure the needed material, seek assistance of architects and other experts in the completion of the project. No person should be given any authority unless certain duties have been assigned to him. Authority should always follow responsibility.





(iii) **Accountability:** After assigning duties and granting authority, one more relationship becomes necessary. This is the relationship of accountability. Accountability means answerability. That is, each person has to report to his superior how the work has been done and how authority has been used. Accountability is always upward. Each subordinate is accountable to his superior who in turn is accountable to his own superior. In this way, every person becomes accountable to top management. Accountability ensures that the work is done as planned and authority is properly used. An important principle of accountability is the principle of single accountability. A person should be accountable to one superior only. If a person is accountable to two or more persons, he may avoid the work or he may be in difficulty to decide whom to obey first.

Meaning of Organization Structure

You must have noted that in the organizing process, work is arranged and distributed among the members of a group. The end-result of organizing is a framework of formal relationships among different departments and positions. This framework of formal relationships is known as **organization structure**. The term **structure** refers to the arrangement of parts and inter-relationships among activities and people. For example when we refer to the structure of a building, following things immediately come to our mind. What is the total area in which the building has been constructed? How many floors are there? The number of rooms in each floor? The number of doors, windows and ventilators in each room. For what specific purpose, each room will be used. How is one room connected with the other and how is one floor connected with another and so on.

Similarly, the organization structure of a business unit consists of the following elements:

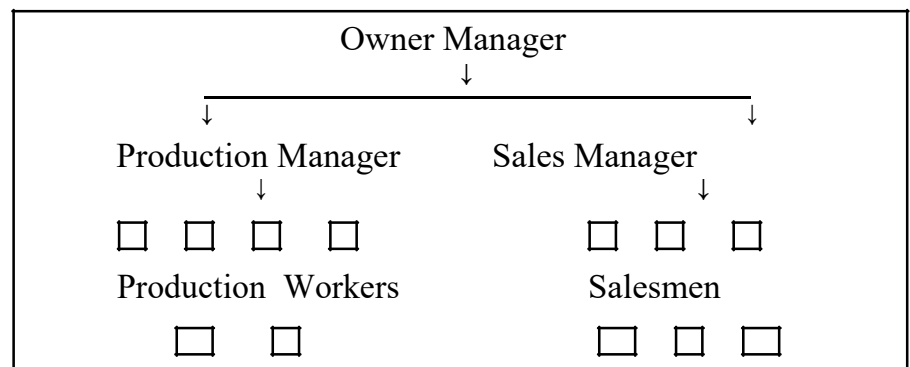
- The number of departments
- The number of sections, units and positions in each department
- The function of each department, section and position
- The number of levels of management
- The responsibility, authority and accountability relationships
- The channels of communication, i.e., the paths through which information travels from one position to another and from one level to the other.

The structure of an organization is created by top management and the structure so created is known as formal structure. The purpose of having a formal structure is to perform the activities in a planned and systematic manner.

How an organization structure is created

In most organizations, the structure is created on the basis of functions. In one-man business, all the functions are carried out by the owner himself. The same person produces and sells. As the amount of work increases, he has to appoint some people to assist him. When the work further increases, he will need more people to perform the production and selling functions. The owner may now be forced to create separate departments for production and selling and appoint managers for each of these two departments. This is necessary because he has limited capacity and time. He cannot supervise the activities of more than a few subordinates. In other words, the owner is guided by the principle of span of management. According to this principle, there is a limit to the number of subordinates who can be effectively supervised by a single manager.

The decision of the owner-manager to create separate departments for production and selling gives rise to one level of management. The structure of the organisation at this stage would appear as follows

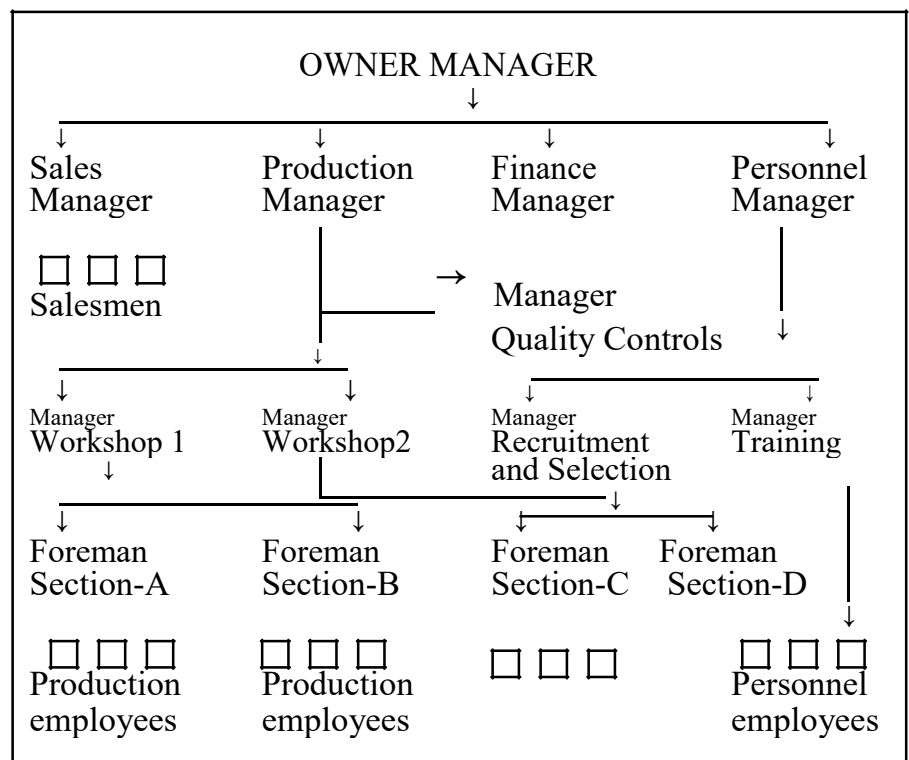


The structure of a small manufacturing organization is based on two functions, viz., production and selling. These functions are known as **primary, basic or line functions**. **Line functions** are those which directly contribute to the objectives of the organization. With further growth in the size of business unit, the work of raising money, keeping accounts and making payments may increase. The owner will now have to appoint some people to help him in these matters. After some time, he may create a separate department, Finance Department to deal with financial matters. The organisation is now divided into three departments. The managers of all these departments will have to do a number of related activities. For example, they will have to hire and train people. As the business grows in size, it will no longer be possible for the managers of these departments to efficiently perform the function of hiring and training people.

A separate department may be created for this purpose. The job of this department will be to assist the managers of production, sales and finance departments to efficiently perform the function of hiring and training people. This department may be called **personnel department**. It is important to remember that personnel function is not a basic or line function of a manufacturing organization. The main job of a manufacturing organization is not to hire and train people. The main job is to produce and sell. Personnel function is, therefore, called **secondary or staff function** and personnel department is a staff department. The job of a staff department is to assist line and other staff departments. Personnel department has been created at the first level. Staff departments can, however, exist at any level. Let us now see how this happens in the production department.

When the volume of work increases further, it will be necessary to divide the production department into two or more workshops and one more level of management will be created. Managers of these

workshops will have to perform a number of production related activities such as quality control and repairs. These functions require special knowledge and skill. Therefore, these functions may be taken out of workshops and grouped separately into staff departments. As the number of employees in each workshop increases, each workshop may be divided into two sections and supervisors (or foremen) may be appointed for each of these two sections. Similarly, there may be further downward division of activities in sales, personnel and finance departments. The structure of organization may now be as shown below.



Principles of Organization

The organizing function is carried out on the basis of guidelines given by experts. These are known as **principles of organization**. These principles have been developed by management experts from time to time. The principles of organization developed by Lyndall Urwick are briefly stated below. You have already read about the principles of management given by Henry Fayol. Since organizing is a part of management, you will find some of the principles at both the places.

- (i) **Purpose:** All organisations and each part of any undertaking should be the expression of a purpose, either explicit or implied — *the principle of objective*.
- (ii) **Authority and responsibility:** Formal authority and responsibility must be co-terminus and equal — *the principle of correspondence*.
- (iii) **Responsibility of supervision:** The responsibility of higher authority for the acts of its subordinates is absolute — *the Principle of responsibility*.
- (iv) **Scalar Principle:** There must be a clear line of formal authority running from top

to the bottom of every organization — *the scalar Principle*.

- (v) **Span of control:** No supervisor can supervise directly the work of more than five, or at the most, six subordinates whose work interlocks — *the Principle of Span of Control*.
- (vi) **Specialization of functions:** The work of every person in the organization should be confined as far as possible to the performance of a single leading function — *the Principle of specialization*
- (vii) **Coordination of Effort:** The final object of all organizations is smooth, effective coordination — *the Principle of co-ordination*
- (viii) **Definition:** Every position in every organization should be clearly described in writing — *the Principle of definition*.

Line, Staff and Functional Authority Relationships

Till now, we have discussed how departments, sections and levels of management are created. We now turn our attention to authority relationships. These are of three types:

1. Line Authority
2. Staff Authority
3. Functional Authority

Line Authority

Line authority is the authority of a manager over his immediate subordinates. In figure on page 38, the owner manager has line authority over production manager and production manager has line authority over managers of workshops. Line authority is not the right of managers of line departments only. Managers of staff departments also enjoy line authority over their subordinates.

Line authority is the right of a manager to issue orders and to see that these orders are carried out. If the orders are not obeyed, managers have a right to take action. A manager gets this authority from his superior and shares it with his subordinates. In the figure referred to above, the owner manager gives his authority to production manager. The production manager shares his authority with workshop managers who in turn share it with the foremen. Foremen exercise this authority over the workers. Similarly, authority flows from top to bottom in other line as well as staff departments. This chain of authority from top to bottom is known as **Scalar Chain**. Every order must pass through this scalar chain. This scalar chain also acts as the line of accountability. Subordinates report to their superiors about their performance through this scalar chain. The scalar chain gives rise to a series of superior-subordinate relationships in an organization.

Staff Authority

Managers of line as well as staff departments have line authority over their subordinates. When the work of line managers increases, staff officers are appointed to help them. The job of staff is to give advice, information, suggestion and guidance. For example, personnel manager is appointed to help the managers in hiring and training people. He does not have the final authority to appoint people. Final authority is that of line managers. Staff people can only advise. Their advice can be accepted or rejected by line managers.

Functional Authority

Functional authority is similar to line authority, but it is exercised over a person who is not the immediate subordinate of a manager. The purchasing manager, for example, has functional authority relating to procedures to be used in purchasing goods for various production departments. The purchasing manager may be given this authority to ensure that goods purchased are of right quality and are suitable for the purpose for which they have been purchased. Consider another example. Production is a line activity. Security is a staff function. Normally, production manager takes decisions relating to production. But in the event of fire, manager of security would be given functional authority to handle the emergency situation. He will exercise this authority till the crisis is over.

The main reason for using functional authority is to take advantage of the special knowledge and skill of functional specialists such as purchasing or personnel manager. In practice, however, functional authority is restricted to specialized persons. If too much functional authority is used, the position of line managers becomes weak and they are not able to perform their managerial duties properly.

Informal Organization

Formal organization lays down authority, responsibility and work relationships. These are not the only relationships in the organization. When people work together, they develop certain social and informal relationships. These social and informal relationships constitute the informal organization.

Informal organization comes into being out of the desire of people to associate with one another. People associate in groups to gossip, to exchange information and views, to share difficulties and happiness. Informal organization consists of groups of people who may work in the same department or in different departments of the organization. These informal groups are formed on the basis of emotional attachment and the purpose is to satisfy those needs which cannot be satisfied by formal organization. The informal organization keeps its members informed of all matters affecting their job and positions in the organization.

The members of informal organization informally elect someone as their leader and provide him the needed support. The informal leader does not have any formal authority. His authority depends upon the combined support of group members. Organizing becomes easy if managers are able to identify the leaders of informal groups and gain their cooperation for the betterment of the formal organization.

We have just now studied about formal and informal organizations. Let us now compare them.

Difference between Formal and Informal Organizations

Formal Organization	Informal Organization
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 organization performed in a planned and systematic manner.	It is formed to satisfy those needs of members which can not be satisfied through formal organization.

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 organization have formal authority.	The authority of the leader of the informal group depends upon the combined support of group members.
5. Formal organization is permanent and stable.	Informal organization is of temporary nature. It changes its size and membership from time to time.

Committees

Committee is a group of people who take on the responsibility of managing a specific topic for an organization that is too complicated to be handled by the larger group to which they belong. Some committees are formed to solve short-term problems or issues, while standing committees meet on an ongoing basis to manage a recurring or regular issue. When committees are efficient, they effectively reach consensus and solve problems. When inefficient, they waste time and energy and fall short of their goals.

Types of Committees

Short-term, or ad hoc, committees are created to deal with a specific issue and are disbanded after the task is completed. Topics might include elections, programs and events, nominations or fundraising. Standing committees discuss such issues as finance, personnel, public relations or program evaluation. Advisory committees are standing committees formed to provide direction in a specific area. For complex topics, the committee might form smaller groups -- called sub-committees, task forces or working groups -- to concentrate on one area and report back to the executive committee or board.

Leadership

Committees have a designated leader or chairman who manages meetings and follows established protocol to make sure objectives are met. The chair also represents the committee and reports results to the board or individuals to whom they are accountable. Standing committees often appoint a co-chair to step in when the chair is unavailable, a secretary to handle administrative duties such as agendas, minutes and logistics and sometimes a treasurer to manage finances. Because of the short-term nature of ad hoc committees, they may not assign other roles aside from the chair.

Meetings

Committees meet on a regular basis, the frequency depending on the urgency of the issue. An ad hoc committee might come together weekly or biweekly to meet a deadline. Standing committees usually meet every one, two or three months. Some committees may be disbanded during summer or vacation

breaks or until another issue arises that requires committee action. Effective committees include members who stick to an established protocol, including arriving on time, not holding side discussions, staying on the agenda and participating in discussions.

Procedures

Effective committees issue an agenda for every meeting. The agenda should include meeting logistics, unfinished business from the previous meeting and new topics for discussion. It notes the allotted time for each topic, speakers and required materials or information to bring to the meeting. The secretary or note taker records minutes and shares them with the committee following the meeting. Formal committees may require a vote on issues for the permanent record, as defined in the committee charter created when the group was formed.

A Typical Meeting

Effective committees distribute an agenda several weeks before the meeting. The chair arrives early to set up the room and equipment and then connects anyone joining by phone or Web conference. The chair calls the meeting to order, reviews the agenda and reminds members of the established protocol. The meeting proceeds with presentations and discussion. At the end of the meeting, the chair reviews decisions made, any action items -- including deadlines and those responsible -- as well as logistics and agenda for the next meeting.