



SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

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SCHOOL OF COMPUTING

DEPARTMENT OF COMPUTER SCIENCE AND ENGINEERING

UNIT – 2 – PRINCIPLES OF MANAGEMENT AND PROFESSIONAL ETHICS

UNIT 2 PLANNING, DECISION MAKING AND ORGANISING: Nature and purpose of Planning, types of Planning, objectives, setting objectives, policies, Strategic Management, Planning Tools and Techniques, Decision making steps and processes. Nature and purpose of Organizing, formal and informal organization, organization structure, types, line and faculty authority, departmentalization, delegation of authority, centralization and Decentralization, job design.

PLANNING

- **Planning** is deciding in advance what to do, how to do it, when to do and who is to do. it bridges the gap from where we are to where we want to go – Knootz O Donnel
- **Planning** is deciding the best alternative among others to perform different managerial operations in order to achieve the predetermined goal--- Henry Fayol
- **Planning** is the process of thinking through and making explicit the strategy, actions, and relationship necessary to accomplish an overall objective or purpose. --- Cleland and King

NATURE OF PLANNING: (CHARACTERISTICS OR FACTORS OF PLANNING)

- **Planning is the primary function of management:** planning is the starting point of management, which gives meaning to all other managerial activities. For Eg. : Organization set 10,000 no to produce products.
- **It is goal oriented:** planning helps to attain the goal is the most effecting and efficient manner.
- **It is all pervasive:** planning is done everywhere in all the levels all the managers and departments.
- **It is an intellectual activity:** planning is a mental activity. It involves application of mind and intelligence to attain.
- **It is future oriented:** planning is required to attain the future goals of an organization.
- **It requires an integrated approach:** planning links between the plans of different departments.
- **It is a continuous process :** planning is required as long as we live in the world

IMPORTANCE OF PLANNING (MERITS OR ADVANTAGES)

- It focuses on objective: once the objective of the business has been fixed the next step is to prepare plan for its effective accomplishment. E.g. the annual target of the production

department of a business cannot be achieved in a week. It should be divided into monthly, quarterly and half weekly targets etc.

- It helps to avoid no work or work pressure situations – planning helps to distribute work evenly throughout the year.
- It helps to avoid wastage of resources: by planning employees and executives know beforehand what they have to do.
- It ensures efficiency as well as effectiveness doing right things.
- It reduces risk and uncertainty – planning is for future and future is uncertain . But in planning the future uncertainties are anticipated and adequate provisions are made to overcome.
- It provides for co-ordination
- It facilitates control planning without control is useless and control without planning is meaningless
- Planning provides scope for decentralization

PROCESS OF PLANNING (STEPS INVOLVED IN PLANNING / STAGES INVOLVED IN PLANNING)

1. **Identifying business opportunities:** it is necessary to make an analysis of both the internal and external environment to know the trends in the near future. Business activities are influenced by internal as well as external factors, regulations, technological changes, competition etc. the businessmen therefore have to look for opportunities always by observing the business environment.
2. **Establishment of objectives:** planning process is to establish the organization objectives in tune with the opportunities identified, taking into account the resources available. The overall objective of the organization must be stated along the specific objectives of departments
3. **Determination of Planning Premises:** planning premises are the assumptions about the future happenings. As planning is for future and future is uncertain, certain assumptions about the future become necessary Eg. Employee attitude technology uses, managerial decisions making process etc. are some of the factors influencing the internal

environment of business. The external environment is like demand, buyer behavior, competitors action, government regulations, suppliers actions

4. **Identifying the alternative course of action:** there are always alternative ways of carrying out any task just as here are different routes to reach a destination point. To attain the objective of a business different course of action may be available.

Eg. To maximize profits any of the following method used.

1. large scale production
 2. curtailing the cost of production and distribution
 3. maximizing sales
 4. Increasing the market share and so on.
5. **Evaluating alternative courses of action:** once the alternative courses of action are identified, the next step is to evaluate the same. Evaluating means studying the merits and demerits of each alternative should be examined carefully to decide on its suitability.
 6. **Selecting the best course of action:** once the alternative course of action has been evaluated the next step is to select the best. The one finally selected should help the organization in making an optimum use of the available resources and help to attain the objective.
 7. **Formulation of derivative plans:** after the basic plan of the organization has been determined the next step is to prepare the subsidiary plans to support the basic plan.
 8. **Periodic evaluation and review:** once the implementation of the plan starts it becomes necessary to evaluate performance of periodic intervals to ensure that the activities of the organizations precede in the right direction and as laid down in the plan.

TYPES OF PLANS

CLASSIFICATION OF PLANS ACCORDING TO TIME

1) **long term planning:** this plan is usually 5 to 15 years. It is also called as strategic planning. It prepares the business to face the effects of long term changes.

- a) Introduction of a new product
- b) entering a new market
- c) changing the technique of production
- d) increasing the scale of production

II). **Medium term planning:** it is known as tactical planning, the period covered by the medium term plan is usually 1 – 5 years.

The plan is needed for

1. Making additions to an Existing plant.
2. Expanding the factory
3. appointment if additional staff to cope with the volume of work

III). **Short term planning:** it is known as operational planning
the period covered is less than one year.

- purchase of raw materials
- Arranging for employee training etc.

LIMITATIONS OF PLANNING

1. Uncertain Nature: future happenings cannot be accurately foreseen. Eg. natural calamities, floods earthquake etc.
2. Expensive: preparation and implementation of plan is expensive.
3. Rigidity: strictness and lack of flexibility leads to monotony.
4. loss of initiative :
5. Ignorance of subordinates interests

STEPS TO MAKE PLANNING EFFECTIVE

1. The success of planning depends upon the effectiveness of the forecast. If the forecast is accurate the plan will be success.
2. Flexibility must be introduced in the plan whenever necessary so that the employees will work with interest.
3. All the members' ideas and views taken into consideration for making the plans then the employees will be interested.
4. The plan should not be prepared to focus on the financial goal alone. There should be for development of employees.
5. The plan must be realistic. It should take into account the capabilities of employees.
6. The plan must be communicated to subordinates.

METHODS OF PLANNING

Repeated use plans	Single use plans
a) Objectives b) Policies c) Procedures d) Rules e) Strategies	a) Programmes b) Budgets

1. **OBJECTIVES:** aims, goals, targets, missions, etc. objective is the destination point. The important are,

- profit maximization
- a higher market share
- customer satisfaction
- Product diversification

Advantages of Objectives

- Objectives give focus to the activities of the organization.
- Planning depends on the objectives of an organization
- Integration of the activities of an organization is based on objectives
- Objectives provide the necessary yardstick for measurement of performance.

Disadvantages of objectives:

- Certain objectives cannot be measured quantitatively Eg. employee attitude
- In the name of objective there may be a tendering to exploit its workers this results frustration among the workers.

MANAGEMENT BY OBJECTIVES (MBO)

It is a technique by which the superior and the subordinate jointly identify the objectives desired to be achieved by the subordinate in tune with the overall results expected.

Stages involved in the process of MBO

1. Define organization goals

Setting objectives is not only critical to the success of any company, but it also serves a variety of purposes. It needs to include several different types of managers in setting goals. The objectives set by the supervisors are provisional, based on an interpretation and evaluation of

what the company can and should achieve within a specified time.



2. Define employee objectives

Once the employees are briefed about the general objectives, plan, and the strategies to follow, the managers can start working with their subordinates on establishing their personal objectives. This will be a one-on-one discussion where the subordinates will let the managers know about their targets and which goals they can accomplish within a specific time and with what resources. They can then share some tentative thoughts about which goals the organization or department can find feasible.

3. Continuous monitoring performance and progress

Though the management by objectives approach is necessary for increasing the effectiveness of managers, it is equally essential for monitoring the performance and progress of each employee in the organization.

4. Performance evaluation

Within the MBO framework, the performance review is achieved by the participation of the managers concerned.

5. Providing feedback

In the management by objectives approach, the most essential step is the continuous feedback on the results and objectives, as it enables the employees to track and make corrections to their actions. The ongoing feedback is complemented by frequent formal evaluation meetings in

which superiors and subordinates may discuss progress towards objectives, leading to more feedback.

6. Performance appraisal

Performance reviews are a routine review of the success of employees within MBO organizations.

Advantages of MBO

- It promotes better communication relationship between the superior and subordinates.
- It gives the subordinate an opportunity to fix his target, in consultation with his superior.
- Subordinate fix the target based on his own potentials.
- They feel they are motivated and take lot of effort to achieve the target.
- Periodical review helps him to go on his right direction.

Disadvantages of MBO

- The superior and subordinates have to meet several times to set the objectives.
- Periodical review of the performance consumes more time and paper work.
- MBO has not much to do with the lower levels of management.

POLICIES

A policy serves as a valuable guide to the managers when they take certain important decisions, policies provide ready answers to question pertaining to certain issues. They prescribe the limits within which the decisions have to be made.

Eg: employee promotion whether seniority or merit or both.

Essentials if a good policy

- It should be clear and definite; it should not give scope for misinterpretation.
- The policy should be logical.
- The policy based on ethical and moral values.
- Should be fair to all the employees.
- policy should be revised periodically

Factors determining the formulation of policies

- The beliefs and value of the owners of business
- Government regulations, Availability of funds

- Technology to adopted, Market trends
- Reactions of trade unions, General business environment

Merits of policies

- Policy guide managers to take bold decisions
- They save time by providing a ready solution to certain problems
- They ensure consistency in decision making
- Policies prevent the managers from misusing their authority

Limitations of policies

- Policies cannot provide solutions to all organizational problems
- Policies provide guidelines not solutions.
- It is necessary to review the policy periodically otherwise it becomes outdated.
- We cannot blindly apply the policies.
- Policies do not allow the managers to think originally

TYPES OF POLICIES

1. **Formulated Policy:** A formulated policy is one which is specified by the organization for providing guidelines to its members. Every organization formulates various policies on different aspects. This policy flows from higher level to lower levels in an origination.
2. **Implied Policy:** sometimes policies may not be clearly stated and the actions of managers particularly at the higher levels provide guidelines for actions at lower levels. These actions might constitute the policy. Sometimes the organization has clearly expressed policies for its image, but it is not able to enforce these. In such a case the action of a decision maker depends on his own guidelines and prejudices.
3. **Imposed Policy:** This arises from the influence of some outsider agencies. Such agencies may be government which provides policies for all public sector organizations. These agencies may either provide complete guidelines on a subject matter or provide a broad framework for devising specific policies. For Eg. in public sector commercial banks recruitment and selection is done by banking service commission and individual banks do not have and control.
4. **Appealed Policy:** An appealed policy arises from the appeal made by a subordinate a manger to his superior for deciding an important case. The need for such an appeal may arise because the particular case has not been covered by any policy. The appeal is then taken

upward and the decision is made on the case sets precedent which becomes policy providing guidelines for deciding similar cases in future.

PROCEDURES

A procedure will lay down the manner in which certain work has to be performed. It prescribes sequence of operations to be carried out to complete a given task.

Advantages

1. It prescribes the sequence of operations to be performed.
2. They facilitate systematic performance of the work.
3. They ensure that the work proceeds in the right direction.
4. Procedures ensure consistency and uniformity of action
5. It secures proper coordination.

Disadvantages

1. The procedural formalities make delay in the performance of the work.
2. A few procedures result in confusion.

RULES

Rules are the do's and don'ts. They are always rigidly enforced. There is always a fine or penalty for the violation of rules. Eg. no smoking in the workplace, Wear uniform while in the factory.

STRATEGIES

Strategies means plan of action to counter the opponents attack. It is a tactics adopted to counter competitor's actions. Organization adopts strategy when they are in crisis.

1. Fall in sales.
2. Competitive pressures
3. Trade union demands etc.

SINGLE USE PLANS

These plans are meant for a specific purpose as soon as that purpose has been served the plan becomes useless and given up.

PROGRAMMES

it specifies the date and time by which the activities of the organization will be carried out.

Eg: To produce 5000 color television sets by 31st march 2010. To sell 10000 motorcycle before 31 Dec 2009

Advantages

- It ensures commitment
- No wastage of time
- Employees work with motivation
- They coordinate the work

BUDGETS

A budget is the financial plan of a business. It is expressed in numerical terms. A budget is a statement of projected activities of a business in the near future.

Advantages

- It helps to determine its future course of action.
- A budget is always prepared for a specific period of time.
- Before preparing the budget the past happenings the present needs and future trends are taken into account.

DECISION MAKING

DEFINITION OF DECISION-MAKING

A decision may be defined as "a course of action which is consciously chosen from among a set of alternatives to achieve a desired result." It represents a well-balanced judgment and a commitment to action.

According to Trewatha & Newport, "Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem".

CHARACTERISTICS OF DECISION MAKING

- **Decision making implies choice:** Decision making is choosing from among two or more alternative courses of action. Thus, it is the process of selection of one solution out of many available. For any business problem, alternative solutions are available. Managers have to consider these alternatives and select the best one for actual execution. Continuous activity/process: Decision-making is a continuous and dynamic process. It pervades all organizational activity. Managers have to take decisions on various policy and administrative matters. It is a never ending activity in business management.
- **Mental/intellectual activity:** Decision-making is a mental as well as intellectual

activity/process and requires knowledge, skills, experience and maturity on the part of decision-maker. It is essentially a human activity.

- **Based on reliable information/feedback:** Good decisions are always based on reliable information. The quality of decision-making at all levels of the Organisation can be improved with the support of an effective and efficient management information system (MIS).
- **Goal oriented process:** Decision-making aims at providing a solution to a given problem/ difficulty before a business enterprise. It is a goal-oriented process and provides solutions to problems faced by a business unit.
- **Means and not the end:** Decision-making is a means for solving a problem or for achieving a target/objective and not the end in itself.
- **Time-consuming activity:** Decision-making is a time-consuming activity as various aspects need careful consideration before taking final decision. For decision makers, various steps are required to be completed. This makes decision-making a time consuming activity.
- **Pervasive process:** Decision-making process is all pervasive. This means managers working at all levels have to take decisions on matters within their jurisdiction.

ADVANTAGES OF DECISION MAKING

- **Decision making is the primary function of management:** The functions of management starts only when the top-level management takes strategic decisions. Without decisions, actions will not be possible and the resources will not be put to use. Thus decision-making is the primary function of management.
- **Decision-making facilitates the entire management process:** Decision-making creates proper background for the first management activity called planning. Planning gives concrete shape to broad decisions about business objectives taken by the top-level management. In addition, decision-making is necessary while conducting other management functions such as organizing, staffing, coordinating and communicating.
- **Decision-making is a continuous managerial function:** Managers working at all levels will have to take decisions as regards the functions assigned to them. Continuous decision making is a must in the case of all managers/executives. Follow-up actions are not possible unless

decisions are taken.

- **Decision-making is essential to face new problems and challenges:** Decisions are required to be taken regularly as new problems, difficulties and challenges develop before a business enterprise. This may be due to changes in the external environment. New products may come in the market, new competitors may enter the market and government policies may change. All this leads to change in the environment around the business unit. Such change leads to new problems and new decisions are needed.

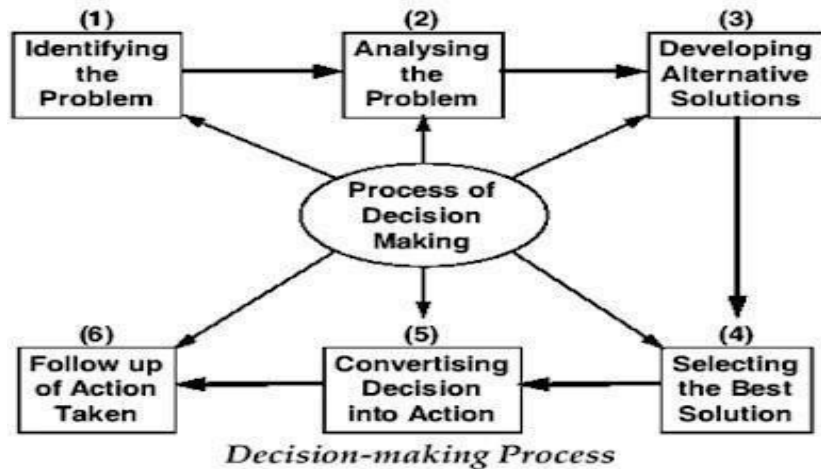
- **Decision-making is a delicate and responsible job:** Managers have to take quick and correct decisions while discharging their duties. In fact, they are paid for their skill, maturity and capacity of decision-making. Management activities are possible only when suitable decisions are taken. Correct decisions provide opportunities of growth while wrong decisions lead to loss and instability to a business unit.

STEPS INVOLVED IN DECISION MAKING PROCESS

Decision-making involves a number of steps which need to be taken in a logical manner. The scientific method of decision-making involves the following six steps:

- a. Defining / Identifying the managerial problem,
- b. Analyzing the problem,
- c. Developing alternative solutions,
- d. Selecting the best solution out of the available alternatives,
- e. Converting the decision into action, and
- f. Ensuring feedback for follow-up.

The figure given below suggests the steps in the decision-making process:-



- **Identifying the Problem:** Identification of the real problem before a business enterprise is the first step in the process of decision-making. It is rightly said that a problem well- defined is a problem half-solved. Information relevant to the problem should be gathered so that critical analysis of the problem is possible. This is how the problem can be diagnosed.
- **Analyzing the Problem:** After defining the problem, the next step in the decision-making process is to analyze the problem in depth. This is necessary to classify the problem in order to know who must take the decision and who must be informed about the decision taken. Here, the following four factors should be kept in mind: (i) Futurity of the decision, (ii) the scope of its impact, (iii) number of qualitative considerations involved, and (iv) uniqueness of the decision.
- **Collecting Relevant Data:** After defining the problem and analyzing its nature, the next step is to obtain the relevant information/ data about it. There is information flood in the business world due to new developments in the field of information technology. All available information should be utilized fully for analysis of the problem. This brings clarity to all aspects of the problem.
- **Developing Alternative Solutions:** After the problem has been defined, diagnosed on the basis of relevant information, the manager has to determine available alternative courses of action that could be used to solve the problem at hand. Only realistic alternatives should be considered. It is equally important to take into account time and cost constraints and psychological barriers that will restrict that number of alternatives
- **Selecting the Best Solution:** After preparing alternative solutions, the next step

in the decision-making process is to select an alternative that seems to be most rational for solving the problem. The alternative thus selected must be communicated to those who are likely to be affected by it. Acceptance of the decision by group members is always desirable and useful for its effective implementation.

- **Converting Decision into Action:** After the selection of the best decision, the next step is to convert the selected decision into an effective action. Without such action, the decision will remain merely a declaration of good intentions. Here, the manager has to convert 'his decision into 'their decision' through his leadership.
- **Ensuring Feedback:** Feedback is the last step in the decision-making process. Here, the manager has to make built-in arrangements to ensure feedback for continuously testing actual developments against the expectations. It is like checking the effectiveness of follow-up measures. Feedback is possible in the form of organized information, reports and personal observations. Feedback is necessary to decide whether the decision already taken should be continued or be modified in the light of changed conditions.

TYPES OF DECISIONS

- **Programmed and Non-programmed Decisions**

Programmed or structured are those decisions, which are well defined and some specified procedure or some decision rule might be applied to reach a decision. Such decisions are routine and repetitive and require little time for developing alternatives in the design phase. Programmed or structured decisions have traditionally been made through habit, by operating procedures or with other accepted tools. Whereas, **Non-programmed Decisions**, which are not well defined and have not pre-specified procedures decision rule are known as unstructured or non-programmed decisions.

- **Routine and Strategic Decisions**

These decisions are also known as **Operating Decisions**. They occur repetitively and are regular in nature. These decisions are made to govern the day-to-day operations of the businesses. These decisions are generally taken at lower levels of the management whereas **strategic decisions** are also known as Policy decisions. These are not repetitive in nature nor follow a routine manner. These are related to the long-term functioning of the company. The making of these decisions is guided by policy manuals but require

high expertise and strategic knowledge. Since their impact is organization-wide they are taken at a higher level of management.

- **Organizational and Personal Decisions**

Organizational decisions are made to further the interests of the organization. Such decisions are made by managers in their official capacity. These decisions are based on rationality, judgment and experience whereas **Personal Decisions** while making personal decisions, personal interests are kept in mind. Such decisions are made by managers on their own behalf. There is no scope for delegation of such decisions in management.

- **Individual or Group Decisions**

Individual Decision Making: without a group's input or a decision made regardless of the group's opinion is, naturally, an individual decision. This is the more traditional decision making approach and can work effectively for a manager when the group's input is not required or in certain cases, desired.

Group Decision Making: There are several models of group decision making that you can put to use. Two examples are consensus and consultation. Consensus decision making involves posing several options to the group and using the most popular option to make a decision. Consultation takes the opinions of the group into consideration when making a decision. Both methods require the group's participation and call for a manager who respects the opinions and input of the group in the decision making process.

ADVANTAGES OF GROUP DECISION MAKING:

An individual can make a decision quicker than group can, of course, since only one person needs to be consulted. Group decision making, though it can be an arduous process, can help cement the group by allowing input from all members of the group.

DISADVANTAGES OF GROUP DECISION MAKING:

There are times when each decision making method is not appropriate. Avoid individual decision making if the decision directly affects the group. For example, making a blanket decision that everyone must work weekends will meet with opposition for reasons ranging from religious to other personal obligations.

PROBLEMS INVOLVED IN DECISION MAKING:

- **Information overload.** Having a lot of information is often viewed as beneficial, but if that information is not collated properly or only available via a multitude of methods, processing it all can become overwhelming. You should be accustomed to accessing the kind of data that

is key to your decision-making options, or you might feel misguided and confused.

- **Not having enough information.** Of course, extremes are never good: not having enough information to support your decision is not good either; and you should definitely be up to speed with all the relevant information in order to come up with the best solution for any issue.
- **Misidentifying the problem.** In many cases, the issues surrounding your decision will be obvious. However, there will be times when the decision is complex and you aren't sure where the main issue lies, as the actual cause may be elusive. Being able to conduct thorough research, receive useful data and speak with internal experts could be ways to mitigate this situation.
- **Overconfidence in the outcome.** We are not by any way devaluing the importance of positive thinking, but rather that you should identify realistic, viable, achievable options rather than ones that are overly optimistic and unrealistic.
- **Impulsiveness.** Stress, time constraints or any other circumstance such as the pressure to decide upon a course of action can compromise the desired results if decisions are taken too quickly. You might inadvertently skip important data or forget about the impact of some action or other on the team.
- **Opinions and objectivity.** It is natural to involve other people in the decision-making process, but you need to avoid falling for something similar to the halo effect (preconceived ideas and prejudices based solely upon appearances). Try and be coolly objective in your decision-making—compliance, safety and the business should be the priority—that's something you can only achieve with objective data.

- ORGANIZING

Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

PROCESS OF ORGANIZING

1. **Division of work:** first step in organising is to divide the work to be done into specific activities which are grouped into jobs that consist of certain tasks.
2. **Grouping Jobs & departmentalization:** is to combine or group similar jobs into larger units called departments, divisions or sections.

3. **Assignment of Duties:** once the departments have been formed each employee is placed under the charge of an individual.
4. **Establishing Authority Relationships:** The various members of the organisation who performs the job, are linked by authority responsibility relations.

IMPORTANCE OF ORGANIZING

1. Benefits of specialization
2. Role clarity
3. Clarifies Authority and Responsibility
4. Avoiding Duplication of work
5. Coordination

ORGANISATION

According to Allen, “Organization is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.”

IMPORTANCE OF ORGANISATION

- Vital for implementing plans
- Specialization
- Optimum use of resources
- Team work
- Communication relationship
- Creativity
- Coordination
- Continuity

TYPES OF ORGANISATION

- Formal Organisation
 - Formal organisation is a well-defined structure of authority and responsibility that defines delegation of authority and relationships amongst the organisational members. It works along pre-defined set of policies, plans, procedures, schedules and programmes.
- Informal Organisation
 - Keith Davis defines informal organisation as “a network of personal and social

relations not established or required by formal organisation but arising spontaneously as people associate with one another.”

DIFFERENCE BETWEEN FORMAL AND INFORMAL ORGANISATION

Formal Organization	InFormal Organization
<ol style="list-style-type: none">1. It is consciously and deliberately created.2. Authority and responsibility are vital for its functions.3. Rules and regulations are important4. It can be shown an organization chart.5. Authority flows downwards and responsibilities flow upwards.6. It is created only to attain the organization objectives.7. Designations and official positions are very important.8. It is permanent and stable	<ol style="list-style-type: none">1. It arises spontaneously2. It is only personal factors such as friendship , trust , confidence that are important.3. Personal relationship between individuals is more important.4. It cannot be shown5. There is no flow of authority6. It is created to fulfill the social needs of an individual7. Designation and official positions are unimportant8. It is unstable.

ORGANISATION STRUCTURE

An organization structure explains the position and official relationships between the various individuals working in an organization. It helps to understand an organization better.

FORMS OF ORGANISATION STRUCTURE

Designing of the organisation structure is ordinarily considered to be a matter of choice among a large number of alternatives. There are three traditional forms: line, line and staff, and functional organisation, and two newer forms-committee and matrix organisations. In fact, no particular form is the best and, in practice, an admixture of all these or of some is found. The various types of Organisation Structure are

- Line Organization Structure
- Line and staff Organization structure
- Functional Organization structure
- Committee Organization structure
- Project Organization structure
- Matrix Organization structure

LINE ORGANISATION

This is also known as scalar, military, departmental, or vertical organisation and perhaps is the oldest form. This concept holds that in any organisation or hierarchy derived from a scalar

process, there must be a single head who commands it.

It is perhaps the oldest and the simple's organisational structure. In this kind of structure every manager exercises a direct authority over his subordinate who in turn directly reports to their superiors.

- There is a hierarchical arrangement of authority.
- Each department is self-contained and works independently of other departments.
- Lines of authority are vertical i.e. from top to bottom.
- There are no staff specialists.



Fig 3.1 Line Organisation Structure

Advantages of Line Organisation

- There is no complicated relationship in this organization . it can easily be understood by anyone.
- It clearly defines the authority and responsibility of each individual.
- Each person knows clearly whom he should report to and who should report to him.
- There is unity of command i.e. a subordinate gets orders from one superior only.
- It provides scope for better supervision. This ensures greater discipline.

Disadvantages of Line Organisation

- It lacks specialization.
- The line managers are overburdened with lot of work. Eg. the marketing manager has to monitor sales and assess the performance of the sales man.
- It is always downward communication as result the subordinates may loose initiative.
- The line managers enjoy monopoly in the matter of decision making.

LINE AND STAFF ORGANISATION

It is a combination of line and functional structures. In this organisation a structure, the authority flows in a vertical line and get the help of staff specialist who are in advisory. When the line executives need advice, information about any specific area, these staff specialists are consulted.

For example Chief accountant has command authority over accountants and clerks in the accounts departments but he has only advisory relationship with other departments like production or sales.

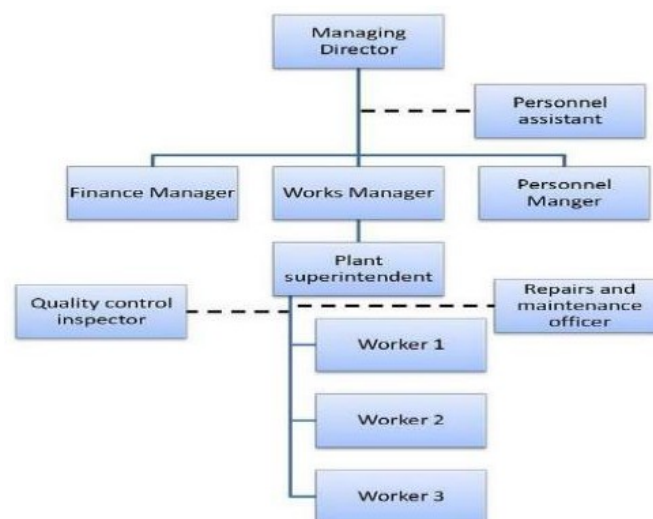


Fig 3.2 Line and Staff Organisation

Advantages of Line and Staff Organisation

- Staff experts provide support to the line personnel. This provides line executives to perform well.
- The line executive gets relief from work burden.
- The suggestion given by the staff experts helps to take better decisions.

Disadvantages of Line and Staff Organisation

- Conflicts often arise between the line and staff executives.
- The staff experts do not have the authority to make decisions they can only

FUNCTIONAL ORGANISATION STRUCTURE

Functional organisation structure is where “authority rests with the functional heads; the structure is sectioned by departmental groups”. The organisation is divided into a number of functional areas. This organisation has grouping of activities in accordance with the functions of an organisation such as production, marketing, finance, human resource and so on. The specialist in charge of a functional department has the authority over all other employees for his function.

It is a kind of Formal Organisation whose structure is based on organising resources to perform specialized tasks or activities in order to attain the goals of organisation.

This structure emerges from the idea that the organisation must perform certain functions in order to carry on its operations.

Functional structure is created by grouping the activities on the basis of functions required for the achievement of organisational objectives. For this purpose, all the functions required are classified as shown below: -

Characteristics of Functional Organisation

1. Functional authority relationship
2. Limited span of management
3. Line and staff division
4. Organisation growth through emphasis on sub goals
5. Specialisation on functional areas

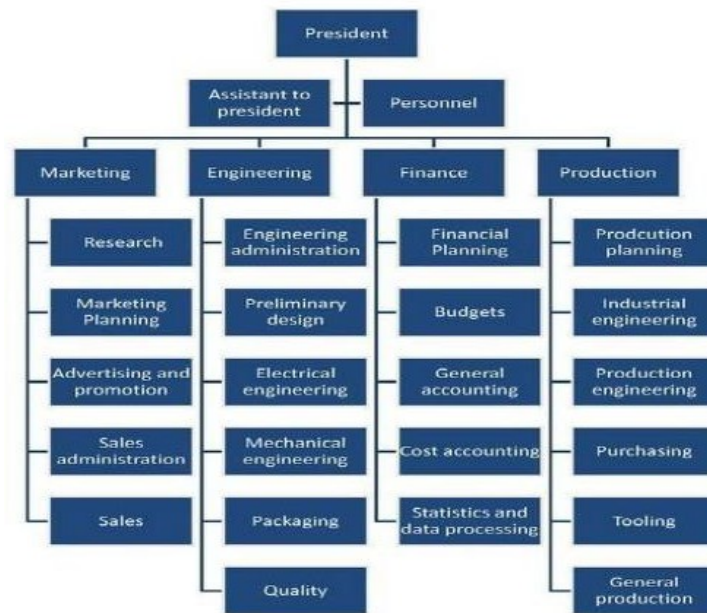


Fig: 3.3 Functional Organisation Structure

Advantages of functional organisation structure

- It promotes specialization, each department specialize in a particular line of work
- Each functional head looks after specific activities so no burden.
- Better control.
- Each individual concentrates on a particular task so maximum efficiency

Disadvantages of functional organisation structure

- More number of departments and divisions
- Difficult to control and co-ordinate
- Delay in arriving in decisions

However, it is much suitable for large organisations where there is ample scope for specialization. Once harmony and proper coordination among different functions is achieved, it could lead to sure success for an organisation.

COMMITTEE ORGANISATION STRUCTURE

Organisation committees are quite popular at different levels for various functions. The board of directors is a committee.

Similarly, there may be executive committee, finance committee, audit committee, bonus committee, planning committee, grievance committee, etc. Exact definition of a committee is difficult because there are many different kinds of committees and the concept of a committee

may be defined as a group of persons in an organization to another. However, a committee may be defined as a group of persons in an organization for taking or recommending certain decisions.

CHARACTERISTICS OF COMMITTEE ORGANISATION

On the basis of the definition, following broad characteristics of a committee may be spelled out.

- A committee is a group of persons there should be at least two persons. There is no limitation on the maximum number of persons. However, if number of persons rises above seven, communication tends to become centralized because committee members do not have adequate opportunity to communicate directly with one another.
- A committee is charged with dealing with specific problems and it cannot go in for actions in all spheres of activities. There are strictly defined jurisdictions within which a committee is expected to justify its existence. Beyond these limited spheres a committee is doomed to fail as an organ of action.
- Members of the committee have authority to go into details of the problems. This authority usually is expressed in terms of one vote for each member.
- A committee has the authority either to take a final decision or it may merely decide or it may merely deliberate on problems without authority to decide.
- A committee may be constituted at any level of organisation. Moreover, the members of a committee may be drawn from various levels. Usually in such a case, all the members of the committee enjoy equal authority.

TYPES OF COMMITTEES

- **Standing Committee:** Is never dissolved, there may be changes in membership. The committee remains always. Eg. The board of directors in a company.
- **Temporary Committee:** This is created for a specific purpose. As soon as the purpose has been accomplished the committee stands dissolved. Eg. if there is a strike in the organization, then a committee is formed
- **Executive Committee:** Executive committee is one that has power to make important decisions for the enterprise. Eg. board of directors.

- **Advisory Committee:** This committee can only make suggestions. It does not have the powers to make decisions.
- **Formal committee:** This is one that is constituted as per the values and policies of the organization. It has hierarchy. It functions according to the lines of authority.
- **Informal committee:** This is the one that is not constituted as per the rules and policies of the organization. Such a committee is the outcome of informal meetings of the workers to discuss their work related problems.

Advantages of Committee Organisation:

- Scope for group judgment
- Committee members feel motivated when they participate in the discussion
- Problems that cannot be solved by individual will have to be referred to a committee.

Disadvantages of Committee Organisation:

- Expensive
- More time for discussions
- Sometimes compromise decision made.

MATRIX ORGANISATION STRUCTURE

- Matrix organisation combines two structures – functional departmentation and project structure.
- Functional department is a permanent feature of the matrix structure and retains authority for overall operation of the functional units.
- Project teams are created whenever specific projects require a high degree of technical skill and other resources for a temporary period.
- Project team form the horizontal chain and functional departments create a vertical chain of command.
- Members of a particular team are drawn from the functional departments and are placed under the direction of a project manager who has the overall responsibility of a particular project.

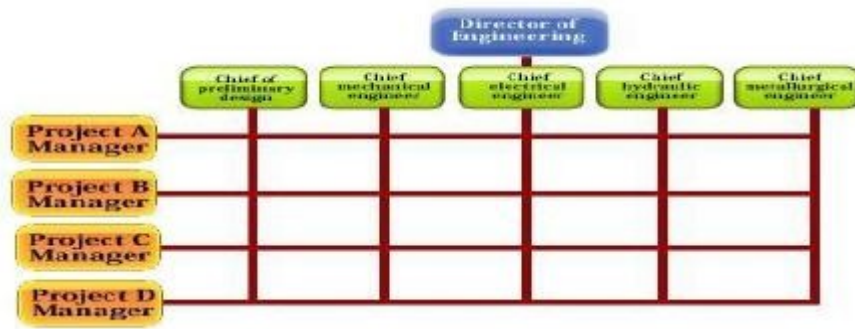


Fig 3.4 Matrix Organisation Structure

Advantage of Matrix Organisation

- It gives motivation for the personnel.
- It promotes communication.

Disadvantages

- It goes against the principles of unity of command
- Dual command may result in confusion.
- Quick decisions may not be possible.

PROJECT ORGANISATION STRUCTURE

The project structure consists of a number of horizontal organisational units to complete projects of a long duration. A team of specialists from different areas is created for each project. Usually this team is managed by the project manager. The project staff is separate from and independent of the functional departments.

Advantages of Project Organisation Structure

- It can be designed to suit individual projects
- It makes use of specialized knowledge and skill whenever required.
- It fixes responsibility on individuals on the work done by them.

Disadvantages of Project Organisation Structure

- The project manager may have tough time dealing with specialists from different fields.
- Decision making is difficult.
- The time within which the project has to be completed will put pressure on every individual.

SPAN OF CONTROL

Span of management refers to the number of subordinates a manager can effectively handle, manage. A manager will be able to perform his basic work of guiding his subordinates and making them work only if he has the right number of such subordinates under him. The more people under the control of one manager - the wider the span of control. Less means a narrow span of control. Span of Management is also known as span of control.

Eg. Class teacher– students, family–children

TYPES OF SPAN OF CONTROL

NARROW SPAN OF CONTROL

Example of a Narrow Span of Control

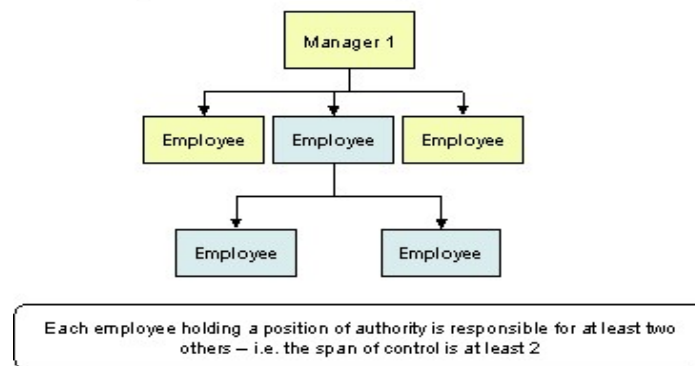


Fig 3.5 Narrow Span of control

The advantages of a narrow span of control :

- A narrow span of control allows a manager to communicate quickly with the employees under them and control them more easily.
- Feedback of ideas from the workers will be more effective

WIDER SPAN OF CONTROL

Example of a Wide Span of Control

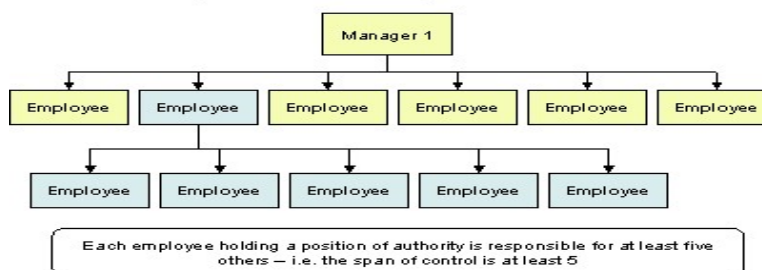


Fig 3.6 Wider Span of control

Advantages of wide span of control

- There are less layers of management to pass a message through, so the message reaches more employees faster.
- It costs less money to run a wider span of control because a business does not need to employ as many managers

SPAN OF CONTROL WITH ORGANISATION STRUCTURE

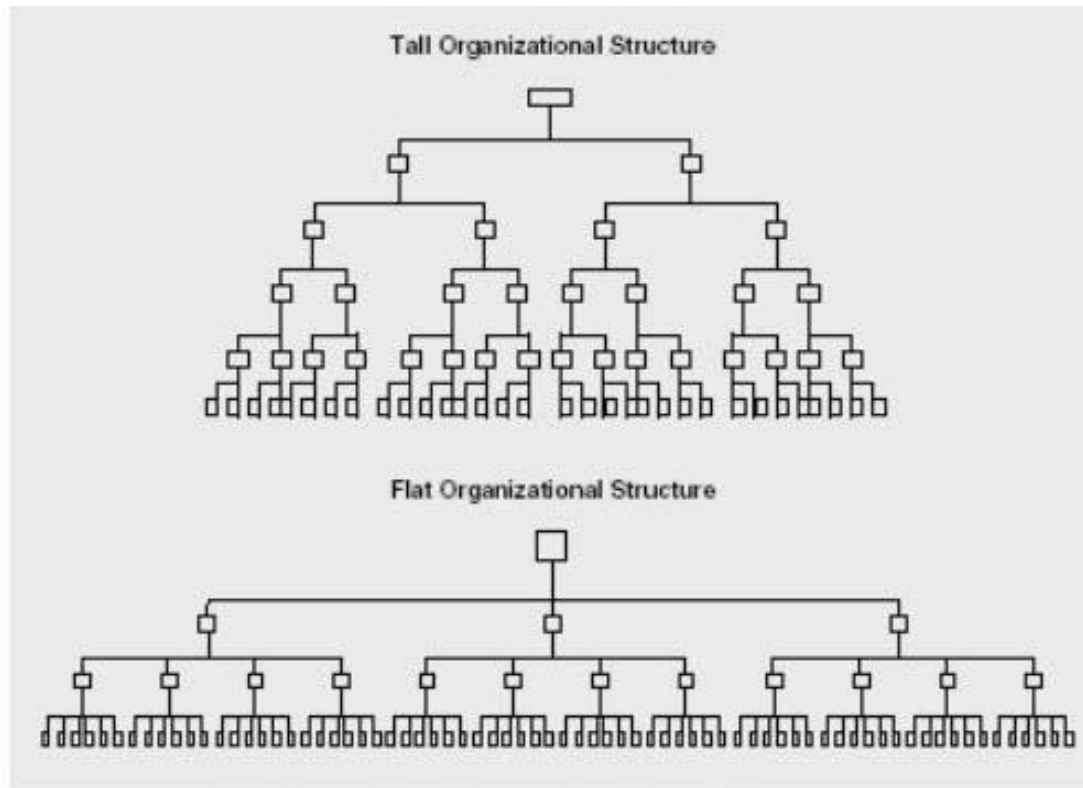


Fig 3.7 Flat and tall Organisation structure

FACTORS DETERMINING SPAN OF MANAGEMENT

- **Capacity of Superior:** Here the capacity means the ability of a superior to comprehend the problems quickly and get up with the staff such that he gets respect from all. Also, the communication skills, decision-making ability, controlling power, leadership skills are important determinants of supervisory capacity. Thus, a superior possessing such capacity can manage more subordinates as compared to an individual who lack these abilities.
- **Capacity of Subordinate:** If the subordinate is trained and efficient in discharging his functions without much help from the superior, the organization can have a wide span.

This means a superior can manage a large number of subordinates as he will be required just to give the broad guidelines and devote less time on each.

- **Nature of Work:** If the subordinates are required to do a routine job, with which they are well versed, then the manager can have a wider span. But, if the work is complex and the manager is required to give directions, then the span has to be narrower. Also, the change in the policies affects the span of management. If the policies change frequently, then the manager needs to devote more time and hence the span would be narrow whereas if the policies remain stable, then a manager can focus on a large number of subordinates. Likewise, policies technology also plays a crucial role in determining the span.
- **Degree of Decentralization:** If the manager delegates authority to the subordinates, then he is required to give less attention to them. Thus, higher the degree of decentralization, the wider is the span of management. But in case, subordinates do not have enough authority, then the manager is frequently consulted for the clarifications, and as a result superior spends a lot of time in this.
- **Planning:** If the subordinates are well informed about their job roles, then they will do their work without consulting the manager again and again. This is possible only because of the standing plans that they follow in their repetitive decisions. Through a proper plan, the burden of a manager reduces manifold and can have a wider span of management.
- **Staff Assistance:** The use of staff assistance can help the manager in reducing his workload by performing certain managerial tasks such as collecting information, processing communications and issuing orders, on his behalf. By doing so, the managers can save their time and the degree of span can be increased
- **Supervision from Others:** The classical approach to the span of management, i.e., each person should have a single supervisor is changing these days. Now the subordinates are being supervised by other managers in the organization such as staff personnel. This has helped the manager to have a large number of subordinates under him.
- **Communication Techniques:** The mode of communication also determines the span of management. If in the manager is required to do a face-to-face communication with each subordinate, then more time will be consumed. As a result, the manager cannot have a wider span. But in case, the communication is in writing and is collected through a staff personnel; the manager can save a lot of time and can have many subordinates under him.

DEPARTMENTATION

- It is the process of dividing and grouping the activities and employees of an enterprise into departments. E.g. production department will look after.
- Departmentation is process of grouping activities and people onto department make it possible to expend organization. After reviewing the plan, usually the first step in the organization process is departmentalization. Once job have been classified through work specialization, they are grouped so those common tasks can be coordinated. Departmentation is the biases on which work or individuals are grouped into manageable units. There are five traditional methods for grouping work activities.

TYPES OF DEPARTMENTATION

- Departmentation by function
- Departmentation by products
- Departmentation by Territory
- Departmentation by Process
- Departmentation by customers
- Departmentation by Time and Numbers

DEPARTMENTATION BY FUNCTION

It is grouping activities on the basis on function of an enterprise. The basic enterprise functions are production, selling, and financing functional departmentation is bases for organizing activities and in organizational structure. It organizes by function to be performed. The function reflects the nature of the business. The advantage of this type of grouping is obtaining efficiencies from consolidating similar specialties and people with common skills, knowledge and orientations together in common units

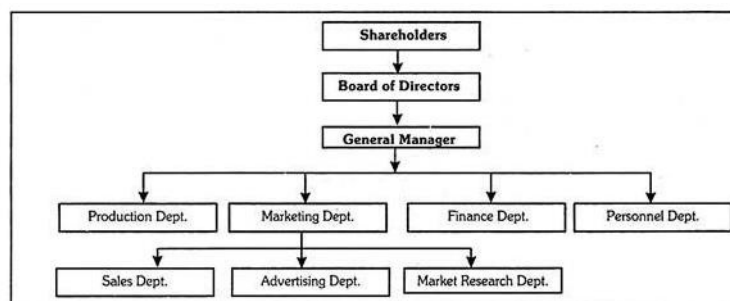


Fig 3.8 Departmentation by Functions

- **ADVANTAGES**

- It is logical reflection of function.
- Maintains power of major functions.
- Simplifies training.

- **DISADVANTAGES**

- De-emphasis of overall company objectives.
- Reduces coordination between function.
- Slow adoption to change in environment.

- **DEPARTMENTATION BY PRODUCT**

This type of departmentation used in organization where more than one product is producing. In this department all the sources and authority are placed under the control of one manager. Departmentation by product assembles all functions needed to make and market a particular product are placed under one executive. For instance, major department stores are structured around product groups such as home accessories, appliances woman's clothing, men's clothing and children clothing.

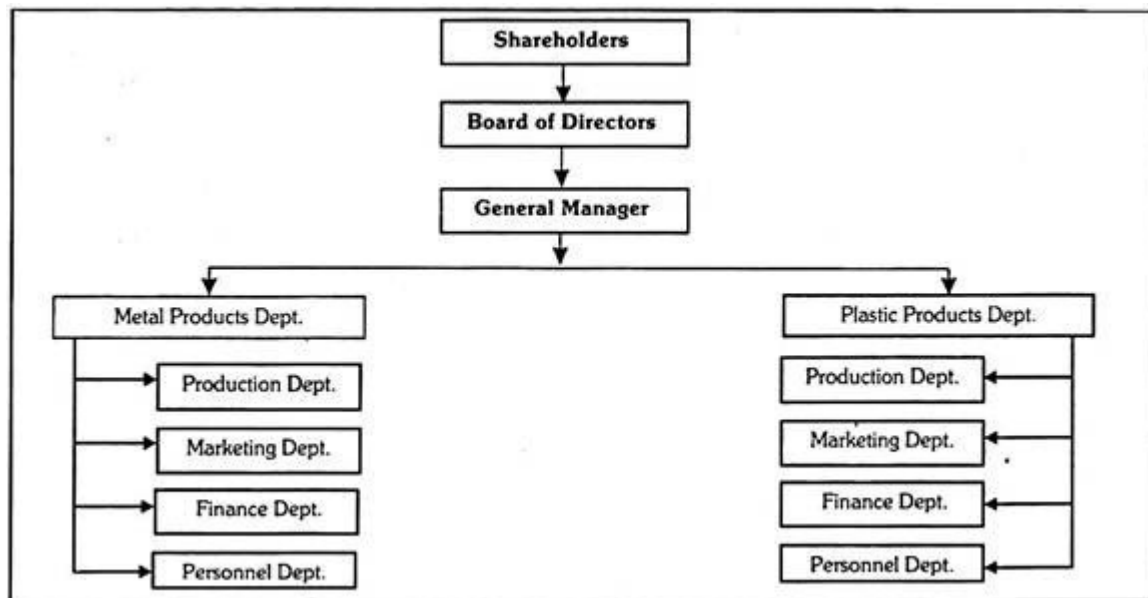


Fig 3.9 Departmentation by Products

- **ADVANDTAGES**

- Places attention on production.

- Increase growth of product.
- Places responsibility for profit at division level.
- **DISADVANTAGES**
- Requires more persons with general manager abilities.
- Presents problems of top management control

DEPARTMENTATION BY PROCESS

This type of departmentation is found in production and operative levels. Such type of departmentation can be found in paint or electroplating process. Departmentalization by process groups jobs on the basis of product or customer flow. Each process requires particular skills and offers a basis for homogeneous categorizing of work activities. A patient preparing for an operation would first engage in preliminary diagnostic tests, and then go through the admitting process, undergo a procedure in surgery, receive post operative care, be discharged and perhaps receive out-patient attention. These services are each administered by different departments.

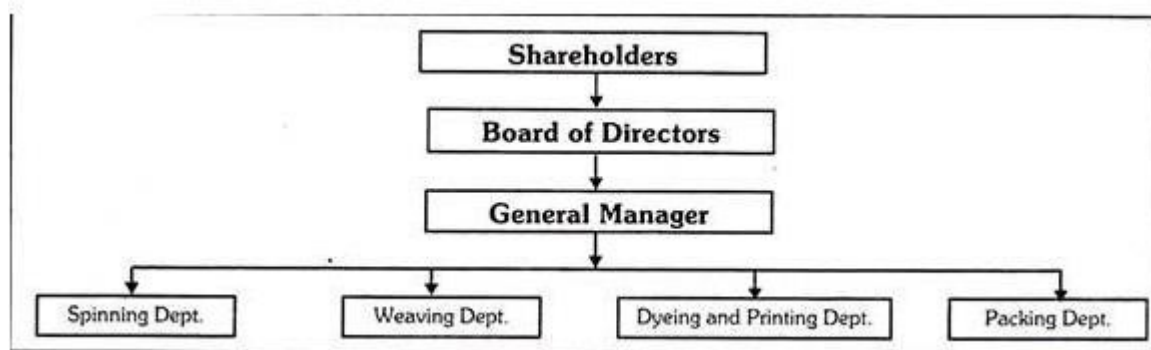


Fig 3.10 : Departmentation by Process

ADVANTAGES

- It simplifies training.
- Achieve economic advantage.
- Uses specialized technology.

DISADVANTAGES

- Coordination of departments is difficult.
- Responsibility for profit is at the top.

DEPARTMENTATION BY TERRITORY

Departmentation by geography is followed where geographic marked appear to offer advantages. Geographic department most often use in sales and production, it is not use in finance. Departmentalization by geographical regions groups jobs on the basis of territory or geography. For example Merek, a major pharmaceutical company, have its domestic sales departmentalized by regions such as Northeast, Southeast, & Northwest

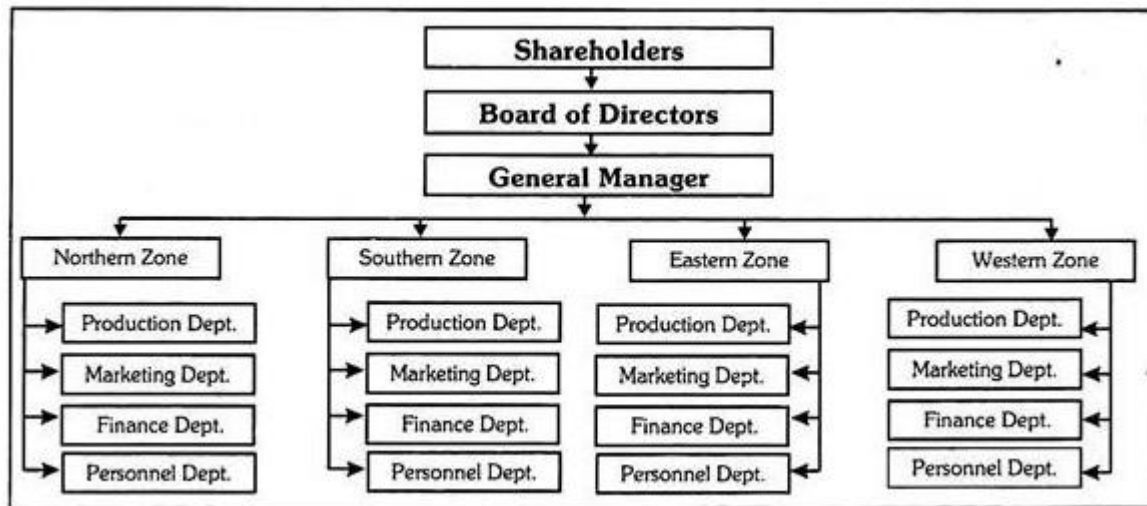


Fig 3.11 Departmentation by territory

ADVANTAGES

- It emphasis on local markets and problems.
- Improves coordination in a region.
- Better face to face communication.

DISADVANTAGES

- Increases problem of top management control.
- Requires more persons with general manager abilities.

DEPARTMENTATION BY CUSTOMER

Departmentalization by customer groups jobs on the basis of a common set of needs or problems of specific customers. For instance, a plumbing firm may group its work according to whether it is serving private sector, public sector, government, or not- for-profit organizations. A current departmentalization trend is to structure work according to customer, using cross-functional teams. This group is chosen from different functions to work together across various departments

to interdependently create new products or services. For example, a cross-functional team consisting of managers from accounting, finance and marketing is created to prepare a technology plan.

There is different difficult decision to be made in separating some type of customer departments from product departments. Business owners and managers arrange activities on the basis of customer requirements.



Fig 3.12 Departmentation by customers

ADVANTAGES

- Departmentation by customer emphasis on customer needs.
- It develops experience in customer area.

DISADVANTAGES

- It may be difficult to analysis customer demands.
- It requires managers and staff expert in customer problems.
- Customer groups may not always be clearly defined.

DEPARTMENTATION BY NUMBERS

Departmentation by number is telling off persons who are to perform the same duties and putting them under the superior of a manager the essential fact is not what these people do, where they work? Or what they work with, it is that the success of the understanding depends only on the number of persons include in it. This method is rapidly applying in army.

DISADVANTAGES

- There are many reason of decline of departmentation by numbers.
- It has declined due to advance technology and demand of specialized and different skills.

- A second reason is groups composed of specialized personnel are more efficient than those based on number.
- Departmentation by number is useful only at the lowest level of the organization.
- Departmentation by number fails to produce good results

DEPARTMENTATION BY TIME

It is grouping activities on the basis of time. It is oldest form of departmentation and it is generally used in low level of departmentation. It is particularly applied in hospitals and steel manufacturing enterprise where continue process of service and manufacturing is used.

ADVANTAGES

- It is process of working and services throughout 24 hours.
- It is continuing service process.
- Expensive machinery is used in shifts.

DISADVANTAGES

- There is lacking supervision at night.

DELEGATION

Delegation is commonly defined as the shifting of authority and responsibility for particular functions, tasks or decisions from one person to another.

ELEMENTS OF DELEGATION

- **Authority** is the power to give orders and get it obeyed or in other words it is the power to take decisions.
- **Responsibility** means state of being accountable or answerable for any obligation, trust, debt or something or in other words it means obligation to complete a job assigned on time and in best way.
- **Accountability** means giving explanations for any variance in the actual performance from the expectations set. Accountability can not be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable.

STEPS IN DELEGATION OF AUTHORITY

1. Assignment of duties
2. Granting of authority

3. Creating Responsibility and Accountability

DIFFERENCE BETWEEN AUTHORITY AND RESPONSIBILITY

Basis	Authority	Responsibility
Meaning	It means the right to take decisions and command subordinates	It means the obligation to perform the assigned task
Origin	It originates from job position in the scalar chain	It arises from delegated authority
Flow	It flows downward i.e., from superior to subordinate	It flows upward i.e., from subordinate to superior
Delegation	It can be delegated	It cannot be delegated entirely

CENTRALISATION

Centralisation is the systematic and consistent reservation of authority at central point within the organisation

Benefits of Centralisation

This system results in certain advantages to the organization

- **Facilitating Personal Leadership.** Personal leadership can be a potent influence in the success of a small organisation and during its early growth stages. The success and survival of the small, young enterprise in the competitive market depends upon aggressiveness, singleness of purpose, and flexibility. Under a talented and dynamic leader, centralisation in small organisation may result in quick decisions, enterprising and imaginative action, and high mobility
- **Providing Integration.** Certain amount of centralisation is necessary to unify and integrate the total operation of the enterprise. Some sort of central direction is required to keep all parts of the organisation moving harmoniously together towards a common objective. Thus, it acts as a binding force on the various parts of the organisation.
- **Uniformity of Action** Centralisation brings uniformity in all actions in the organisation. Thus, to the extent that the organisation wishes all its units to do the same thing in the same way or the same time, there must be centralisation of appropriate decisions.

- **Handling Emergencies.** When emergency decisions affecting all the units of the organisation are to be taken, centralisation is necessary. The more acute emergency or the more acute competition requires greater centralized decision-making.
- **Other Benefits.** Besides, centralisation minimizes duplication of work and wastages require easier control, and makes communication easier.

However, these advantages of centralisation are limited in certain circumstances and particularly in smaller organisations. A stage comes when decentralisation becomes desirable to achieve its advantages and where the limitations of centralisation come in the way of successful organisational functioning.

DECENTRALISATION

Decentralisation has become the prevailing philosophy for organising activities on the part of large organisations.

Benefits of Decentralisation

Many organisations, which were centralized at earlier stages, have been forced to go for decentralisation simply because they could not cope up with the situation under centralized authority. This shows the benefits of decentralisation which are as follows:

- **Reducing Burden to Top Executives.** Decentralisation is necessary for solving the problems of expanding organisations. It is the means by which the chief executive can extend his leadership over a giant organisation, when the chief executive makes operating decisions and with problems of immediate urgency, he finds it almost impossible to adopt the relaxed and contemplative point of view necessary for planning and thinking ahead. Decentralisation relieves this pressure on the chief executive and provides him time to think for the future and to make plans accordingly.
- **Facilitating Diversification.** Decentralisation can facilitate the growth and diversification of product lines. For under decentralisation, each product line is treated as separate unit and proper emphasis on all important matters such as present position, future prospects, a comparative efficiency, can be given.
- **Ensuring Marketing Innovations.** Customers require satisfaction in respect of supply of qualitative products, regularity of supply, and at cheaper rates. Marketing innovations ensure better customer satisfaction. Each organisation has to carry on these marketing innovations for its existence and growth. In decentralized organisation structure, higher

level people get much time for the creativity and innovations. The impact of decentralisation on both product and market has proved by the various organisations.

- **Motivating Mangers.** Various research studies have shown that we organisation structure itself can influence the people within the organisation. The extent to which the organisation facilities participation, communication, delegation, mutual interaction, and interdependence, motivates people for higher productivity. Decentralization tends to emphasise those desirable characteristics in whatever type of structure it is found.
- **Encouraging Development of Managers.** Managers are made, not born and decentralisation is one of the best methods of developing managers in the organisations. Other methods of management development have their own contributions in this field. However, giving manager's management jobs to do and to delegate authority for decision-making make them more mature and competent and broad-based. The problem of succession is overcome this way and the future growth and success of the organisation are ensured as most organisations find lack of managerial talent a limiting factor in growth. Perhaps, the necessity of management development is one of the compelling reasons for decentralisation.