

Unit: I

Management Science

What is Management?

Resources by their nature are generally scarce, thus there is a compelling need of ensuring caution in utilization of resources. The organization resources consist of five M's — Man, Material, Money, Machine and Methods. Organizational leaders or top management i.e. the Managers are involved in the effective and efficient utilization of these scarce resources.

So in simpler terms, the act/process of an efficient and effective coordination of the activities of organization's employees and optimum utilization of scarce resources with a view to achieving a wide range of goals is called as management.

The term management is being loosely understood by a wide variety of people even those in business. Peter Drucker explains, "Even the people in business often do not know what management does and what it is supposed to be doing, how it acts and why, whether it does a good job or not". He went on to attest that we will only understand management by analyzing the functions of management.

According to Peter Drucker, "Management is a multi-purpose organ that manages business and manages managers and manages workers and work." In simple words, "Management is the art of getting things done through people."

Management is an individual or a group of individuals that accept responsibilities to run an organization. They plan, organize, direct and control all the essential activities of the organization. Management does not do the work themselves. They motivate others to do the work and co-ordinate (i.e. bring together) all the work for achieving the objectives of the organization.

The nature, main characteristics or features of management:

1. Continuous and never ending process.
2. Getting things done through people.
3. Result oriented.
4. Multidisciplinary in nature.
5. A group and not an individual activity.
6. Follows established principles or rules.
7. Aided but not replaced by computers.
8. Situational in nature.
9. Need not be an ownership.
10. Both an art and science.
11. Management is all pervasive.
12. Management is intangible.
13. Uses a professional approach in work.
14. Dynamic in nature.

1. Continuous and never ending process

Management is a Process. It includes four main functions, viz., Planning, Organizing, Directing and Controlling. The manager has to Plan and Organize all the activities. He had to give proper

Directions to his subordinates. He also has to Control all the activities. The manager has to perform these functions continuously. Therefore, management is a continuous and never ending process.

2. Getting things done through people

The managers do not do the work themselves. They get the work done through the workers. The workers should not be treated like slaves. They should not be tricked, threatened or forced to do the work. A favorable work environment should be created and maintained.

3. Result oriented

Management is result oriented because it gives a lot of importance to "Results". Examples of Results like, increase in market share increase in profits, etc. Management always wants to get the best results at all times.

4. Multidisciplinary in nature

Management has to get the work done through people. It has to manage people. This is a very difficult job because different people have different emotions, feelings, aspirations, etc. Similarly, the same person may have different emotions at different times. So, management is a very complex job. Therefore, management uses knowledge from many different subjects such as Economics, Information Technology, Psychology, Sociology, etc. Therefore, it is multidisciplinary in nature.

5. A group and not an individual activity

Management is not an individual activity. It is a group activity. It uses group (employees) efforts to achieve group (owners) objectives. It tries to satisfy the needs and wants of a group (consumers). Nowadays, importance is given to the team (group) and not to individuals.

6. Follows established principles or rules

Management follows established principles, such as division of work, discipline, unity of command, etc. These principles help to prevent and solve the problems in the organization.

7. Aided but not replaced by computers

Now-a-days, all managers use computers. Computers help the managers to take accurate decisions. However, computers can only help management. Computers cannot replace management. This is because management takes the final responsibility. Thus Management is aided (helped) but not replaced by computers.

8. Situational in nature

Management makes plans, policies and decisions according to the situation. It changes its style according to the situation. It uses different plans, policies, decisions and styles for different situations. The manager first studies the full present situation. Then he draws conclusions about the situation. Then he makes plans, decisions, etc., which are best for the present situation. This is called Situational Management.

9. Need not be an ownership

In small organizations, management and ownership are one and the same. However, in large organizations, management is separate from ownership. The managers are highly qualified professionals who are hired from outside. The owners are the shareholders of the company.

10. Both an art and science

Management is result-oriented. Therefore, it is an Art. Management conducts continuous research. Thus, it is also a Science.

11. Management is all pervasive

Management is necessary for running a business. It is also essential for educational, charitable and religious institutions. Management is a must for all activities, and therefore, it is all pervasive.

12. Management is intangible

Management is intangible, i.e. it cannot be seen and touched, but it can be felt and realized by its results. The success or failure of management can be judged only by its results. If there is good discipline, good productivity, good profits, etc., then the management is successful and vice-versa.

13. Uses a professional approach in work

Managers use a professional approach for getting the work done from their subordinates. They delegate (i.e. give) authority to their subordinates. They ask their subordinates to give suggestions for improving their work. They also encourage subordinates to take the initiative. Initiative means to do the right thing at the right time without being guided or helped by the superior.

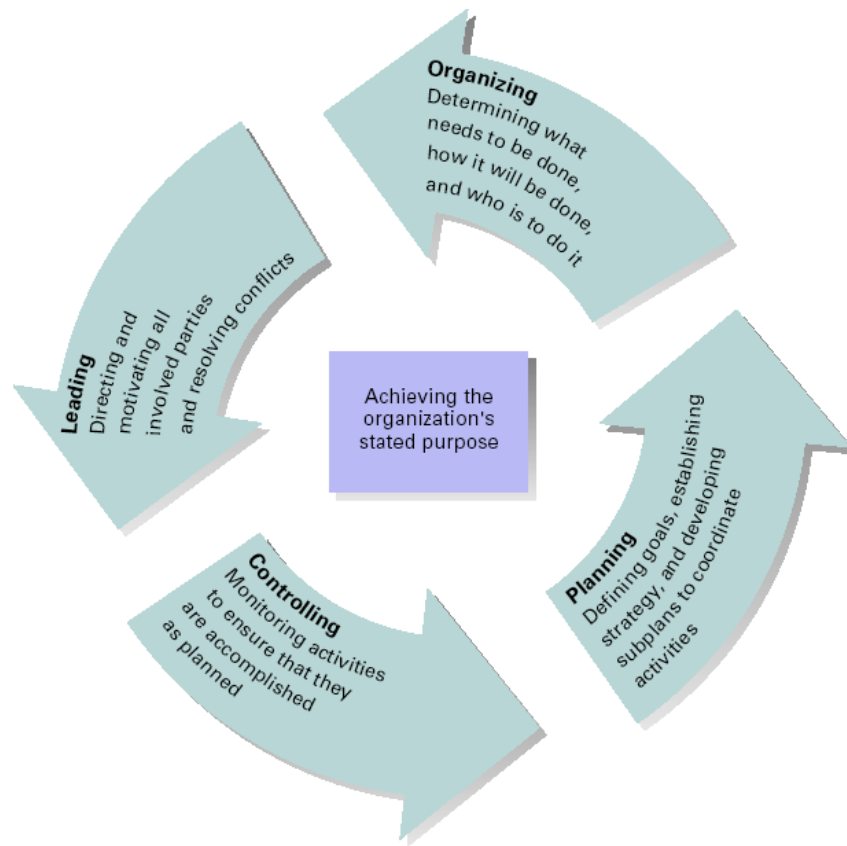
14. Dynamic in nature

Management is dynamic in nature. That is, management is creative and innovative. An organization will survive and succeed only if it is dynamic. It must continuously bring in new and creative ideas, new products, new product features, new ads, new marketing techniques, etc.

Management Process Activities

Management process involves four activities:

1. Planning
2. Organizing
3. Staffing/Leading
4. Coordinating
5. Controlling



Role of Manager

- Interpersonal: Coordinate and interact with employee and provide direction to the organization.
 - Figurehead
 - Leader
 - Liaison
- Informational
 - Monitor
 - Disseminator
 - Spokesperson
- Decisional
 - Entrepreneur
 - Disturbance handler
 - Resource allocator
 - Negotiator

Management Principle: AUTHORITY AND RESPONSIBILITY

Authority

Authority is the right or power assigned to an executive or a manager in order to achieve certain organizational objectives. Authority is the power to give orders and get it obeyed or in other words it is the power to take decisions.

A manager will not be able to function efficiently without proper authority. Authority is the genesis of organizational framework. It is an essential accompaniment of the job of management. Without authority, a manager ceases to be a manager, because he cannot get his policies carried out through others. Authority is one of the founding stones of formal and informal organizations. An Organization cannot survive without authority. It indicates the right and power of making decisions, giving orders and instructions to subordinates. Authority is delegated from above but must be accepted from below i.e. by the subordinates. In other words, authority flows downwards.

Definitions of Authority

According to Henri Fayol, "Authority is the right to give orders and the power to exact obedience." According to Mooney and Reily, "Authority is the principle at the root of Organization and so important that it is impossible to conceive of an Organization at all unless some person or persons are in a position to require action of others."

Authority is the kind of right and power through which it guides and directs the actions of others so that the organizational goals can be achieved. It is also related with decision making. It is vested in particular position, not to the person because authority is given by an institution and therefore it is legal.

Responsibility

Responsibility means state of being 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. Responsibility indicates the duty assigned to a position. The person holding the position has to perform the duty assigned. It is his responsibility. The term responsibility is often referred to as an obligation to perform a particular task assigned to a subordinate. In an organization, responsibility is the duty as per the guidelines issued.

According to Davis, "Responsibility is an obligation of individual to perform assigned duties to the best of his ability under the direction of his executive leader." In the words of Theo Haimann, "Responsibility is the obligation of a subordinate to perform the duty as required by his superior".

Characteristics of Responsibility

- ✓ The essence of responsibility is the obligation of a subordinate to perform the duty assigned.
- ✓ It always originates from the superior-subordinate relationship.
- ✓ Normally, responsibility moves upwards, whereas authority flows downwards.
- ✓ Responsibility is in the form of a continuing obligation.
- ✓ Responsibility cannot be delegated.
- ✓ The person accepting responsibility is accountable for the performance of assigned duties.
- ✓ It is hard to conceive responsibility without authority.

Authentic body of an organization is top level management, top level management direct the subordinates. Departmental managers and other personnel take the direction from top level management to perform the task. Authority is necessary to perform the work .only authority is not provided to the people but obligation is also provided. So the obligation to perform the duties and task is known as responsibility.

Authority and responsibility are closely related and this principle states that these two must go hand in hand. It means that proper authority should be delegated to meet the responsibilities.

A match should be there between these two because of two main reasons:--

- ✓ Firstly, if a person is given some responsibility without sufficient authority he can't perform better, and also could not accomplish the desired goal.
- ✓ Secondly, if there is excess authority being delegated to an individual without matching responsibility then the delegated authority will be misused in one way or the other.

This is an important and useful principle of management because if adequate authority is not delegated to the employees they cannot discharge their duties with efficiency and this in turn will hamper the achievement of the organizational goal. Sometimes the relation between management and employees is also badly effected by non-delegation of proper authority.

Positive impacts of this principle:

- ✓ No misuse of authority.
- ✓ Helps to complete job effectively and efficiently.
- ✓ Individuals can be held accountable.
- ✓ Systematized and effective achievement of organizational objectives.

Consequences of violation of this principle:

- ✓ Misuse of authority.
- ✓ Responsibility can't be discharged effectively.
- ✓ No one can be held accountable.
- ✓ Conflicts between management and employees.

Accountability

Every employee/manager is accountable for the job assigned to him. He is supposed to complete the job as per the expectations and inform his superior accordingly. Accountability is the liability created for the use of authority. It is the answerability for performance of the assigned duties.

Definition of Accountability

According, to McFarland, "accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility."

Subordinates receive the authority from top level of the organization and they also receive the command and direction to perform the work. In other words, they are authorized and responsible for a specific function. Sometimes the task may not be performed effectively the subordinates may not be performed effectively. The subordinates must report to boss about the assigned task. S/he must answer his/her performance which is known as accountability.

Authority, Responsibility and Accountability

When authority is delegated to a subordinate, the person is accountable to the superior for performance in relation to assigned duties. If the subordinate does a poor job, the superior cannot evade the responsibility by stating that poor performance is the fault of the subordinate. A superior is normally responsible for all actions of groups under his supervision even if there are several layers down in the hierarchy. Simply stated, accountability means that the subordinate should explain the factors responsible for non-performance or lack of performance.

Authority, Responsibility and Accountability are inter-related. They need proper consideration while introducing delegation of authority within an Organization. In the process of delegation, the superior transfers his duties/responsibilities to his subordinate and also give necessary authority for performing the responsibilities assigned. At the same time, the superior is accountable for the performance of his subordinate.

Functions of Management

Effective management involves creative problem solving, motivating employees and making sure the organization accomplishes objectives and goals. There are five functions of management: planning, organizing, staffing, coordinating and controlling.

Planning

Deciding in advance what to do, how to do, why to do, where to do and who will be responsible for doing is planning. Determination of the objectives of business, splitting of objectives into goals for each department of the organization and formulating policies, programs, procedures rules and regulations and budget are the important steps involved in planning. Planning involves defining a goal and determining the most effective course of action needed to reach that goal. A manager acts as a planner and must have complete knowledge of the company's resources. A plan should be well coordinated with the future objectives of the business.

Organizing

Division of work into functions and sub-functions, grouping of activities that are closely related in their nature, assigning of duties and responsibilities to the employees and finally delegation of authority and power to each employee or the group to discharge their duties accordingly are the processes come under the function of management organizing. The organizational structure is the foundation of a company; without this structure, the day-to-day operation of the business becomes difficult and unsuccessful. Organizing involves designating tasks and responsibilities to the employees taking organizational structure and their specific skill sets into consideration. Organizing is necessary to maintain the chain of command within the company.

Directing

Directing is nothing but guiding and leading the people in an organization. It is not just giving instructions by a superior to the sub-ordinates but also is a process of supervising, guiding and motivating the latter to achieve the organizational goals. It is a complex function of management that ensures the employees work effectively and efficiently. From top executive to supervisor performs the function of directing and it takes place accordingly wherever superior – subordinate relations exist. Directing is a continuous process initiated at top level and flows to the bottom through organizational hierarchy.

Staffing

The process of making out, assessing, appointing, evaluating and developing the employees at work in an organization is staffing. The staffing function of management controls all recruitment and personnel needs of the organization. The main purpose of staffing is to hire the right people for the right jobs to achieve the objectives of the organization. But staffing is more than just recruitment; it also encompasses training and development, performance appraisals, promotions and transfers.

Coordinating

The coordinating function of leadership controls all the organizing, planning and staffing activities of the company and ensures all activities function together for the good of the organization. Coordinating involves communication, supervision and direction by management. It typically takes place in meetings and other planning sessions with the department heads of the company to ensure all departments are on the same page in terms of objectives and goals.

Controlling

It is the process that ensures whether the resources are obtained and used efficiently in achieving the organizational objectives. Controlling function of management is closely linked with the planning function because, it includes checking the performance of employees to see whether the planned performance is being achieved by them or not. Controlling involves establishing performance standards and monitoring the output of employees to ensure each employee's performance meets those standards. The controlling process often leads to the identification of situations and problems that need to be addressed by creating new performance standards. The level of performance affects the success of all aspects of the organization.

Role of Manager

Mintzberg published his Ten Management Roles in his book, "Mintzberg on Management: Inside our Strange World of Organizations," in 1990.

The ten roles are:

1. Figurehead.
2. Leader.
3. Liaison.
4. Monitor.
5. Disseminator.
6. Spokesperson.
7. Entrepreneur.
8. Disturbance Handler.
9. Resource Allocator.
10. Negotiator.

The 10 roles are then divided up into three categories, as follows:

Category	Roles
Interpersonal	Figurehead Leader Liaison
Informational	Monitor Disseminator Spokesperson
Decisional	Entrepreneur Disturbance Handler Resource Allocator Negotiator

Interpersonal Category: — the roles in this category involve providing information and ideas.

Figurehead – As a manager, you have social, ceremonial and legal responsibilities. You're expected to be a source of inspiration. People look up to you as a person with authority, and as a figurehead.

Leader – This is where you provide leadership for your team, your department or perhaps your entire organization; and it's where you manage the performance and responsibilities of everyone in the group.

Liaison – Managers must communicate with internal and external contacts. You need to be able to network effectively on behalf of your organization.

Informational Category: — the roles in this category involve processing information.

Monitor – In this role, you regularly seek out information related to your organization and industry, looking for relevant changes in the environment. You also monitor your team, in terms of both their productivity, and their well-being.

Disseminator – This is where you communicate potentially useful information to your colleagues and your team.

Spokesperson – Managers represent and speak for their organization. In this role you're responsible for transmitting information about your organization and its goals to the people outside it.

Decisional Category: — the roles in this category involve using information.

Entrepreneur – As a manager, you create and control change within the organization. This means solving problems, generating new ideas, and implementing them.

Disturbance Handler – When an organization or team hits an unexpected roadblock, it's the manager who must take charge. You also need to help mediate disputes within it.

Resource Allocator – You'll also need to determine where organizational resources are best applied. This involves allocating funding, as well as assigning staff and other organizational resources.

Negotiator – You may be needed to take part in, and direct, important negotiations within your team, department, or organization.

Management Theory

Classical Approach — F. W. Taylor (Scientific Principles of Management)

Henri Fayol's Principles of Management

Max Weber Bureaucracy Theory

Behavioral Approach (Hawthorne Experiment and McGregor's theory X and Y)

Contemporary Approach (Ouchi's Z Theory and Contingency Management)

Scientific Principles of Management by F. W. Taylor

One of the earliest theorists of management was developed by Frederick Winslow Taylor. He started the Scientific Management movement, and was the first to recognize and emphasize the need for adopting a scientific approach to the task of managing an enterprise. He and his associates were the first people to study the work process scientifically. They studied how work was performed, and they looked at how this affected worker productivity. Taylor's philosophy focused on the belief that making people work as hard as they could was not as efficient as optimizing the way the work was done.

With a background in mechanical engineering, Taylor was very interested in efficiency. While advancing his career at a U.S. steel manufacturer, he designed workplace experiments to determine optimal performance levels. In one, he experimented with shovel design until he had a design that would allow workers to shovel for several hours straight. With bricklayers, he experimented with the various motions required and developed an efficient way to lay bricks. And he applied the scientific method to study the optimal way to do any type of workplace task. As such, he found that by calculating the time needed for the various elements of a task, he could develop the "best" way to complete that task.

He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management. He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work. He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency.

In 1909, Taylor published "The Principles of Scientific Management." In this, he proposed that by optimizing and simplifying jobs, productivity would increase. He also advanced the idea that workers and managers needed to cooperate with one another.

The scientific method consists essentially of:

- (a) Observation
- (b) Measurement
- (c) Experimentation and
- (d) Inference

He summed up his approach in these words:

- ✓ Science, not rule of thumb
- ✓ Harmony, not discord
- ✓ Co-operation, not individualism
- ✓ Maximum output, in place of restricted output
- ✓ The development of each man to his greatest efficiency and prosperity

Elements of Scientific Management:

The techniques which Taylor regarded as its essential elements or features may be classified as under:

1. Scientific Task and Rate-setting, work improvement, etc.
2. Planning the Task.
3. Vocational Selection and Training
4. Standardization (of working conditions, material equipment etc.)
5. Specialization
6. Mental Revolution.

1. Scientific Task and Rate-Setting (work study): Work study may be defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement.

Work study includes:

(a) Methods Study: The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery. The possibilities of eliminating or combining certain operations may be studied.

(b) Motion Study: It is a study of the movement, of an operator (or even of a machine) in performing an operation with the purpose of eliminating useless motions.

(c) Time Study (work measurement): The basic purpose of time study is to determine the proper time for performing the operation. Such study may be conducted after the motion study. Both time study and motion study help in determining the best method of doing a job and the standard time allowed for it.

(d) Fatigue Study: If, a standard task is set without providing for measures to eliminate fatigue, it may either be beyond the workers or the workers may over strain themselves to attain it. It is necessary, therefore, to regulate the working hours and provide for rest pauses at scientifically determined intervals.

(e) Rate-setting: Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.

2. Planning the Task: Having set the task which an average worker must strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly so that there is no bottle neck and the work goes on systematically.

3. Selection and Training: Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematized. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

4. Standardization: Standardization may be introduced in respect of the following:

(a) Tools and equipment: By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.

(b) Speed: There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in damage to machinery.

(c) Conditions of Work: To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.

(d) Materials: The efficiency of a worker depends on the quality of materials and the method of handling materials.

5. Specialization: Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant. The 'functional foremen' are specialists who join their heads to give thought to the planning of the performance of operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

(a) The Route Clerk: To lay down the sequence of operations and instruct the workers concerned about it.

(b) The Instruction Card Clerk: To prepare detailed instructions regarding different aspects of work.

(c) The Time and Cost Clerk: To send all information relating to their pay to the workers and to secure proper returns of work from them.

(d) The Shop Disciplinarian: To deal with cases of breach of discipline and absenteeism.

(e) The Gang Boss: To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.

(f) The Speed Boss: To ensure that machines are run at their best speeds and proper tools are used by the workers.

(g) The Repair Boss: To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.

(h) The Inspector: To show to the worker how to do the work.

6. Mental Revolution: At present, industry is divided into two groups – management and labor. The major problem between these two groups is the division of surplus. The management wants the maximum possible share of the surplus as profit; the workers want, as large share in the form of wages. Taylor has in mind the enormous gain that arises from higher productivity. Such gains can be shared both by the management and workers in the form of increased profits and increased wages.

Four Principles of Scientific Management

1. Replace working by "rule of thumb," or simple habit and common sense, and instead use the scientific method to study work and determine the most efficient way to perform specific tasks.
2. Rather than simply assign workers to just any job, match workers to their jobs based on capability and motivation, and train them to work at maximum efficiency.
3. Monitor worker performance, and provide instructions and supervision to ensure that they're using the most efficient ways of working.
4. Allocate the work between managers and workers so that the managers spend their time planning and training, allowing the workers to perform their tasks efficiently.

The benefits of scientific management are:-

1. Replacement of traditional rule of thumb method by scientific techniques.
2. Proper selection and training of workers.
3. Incentive wages to the workers for higher production.
4. Elimination of wastes and rationalization of system of control.
5. Standardization of tools, equipment, materials and work methods.
6. Detailed instructions and constant guidance of the workers.

Critiques of Taylor

1. Taylor promoted the idea that there is "one right way" to do something. This approach is at odds with the current approaches. Taylor's approach promotes tightly controlled procedures and

environment and provides no flexibility to the employees. Rigid, rules-driven organizations really struggle to adapt in rapidly changing environment.

2. Taylor breaks tasks down into tiny steps, and focuses on how each person can do his or her specific series of steps best. Modern methodologies prefer to examine work systems more holistically in order to evaluate efficiency and maximize productivity. The extreme specialization that Taylorism promotes is contrary to modern ideals of how to provide a motivating and satisfying workplace.

3. Taylor's approach separates manual from mental work, modern productivity enhancement practices seek to incorporate worker's ideas, experience and knowledge into best practice.

4. Scientific management in its pure form focuses too much on the mechanics, and fails to value the people side of work, whereby motivation and workplace satisfaction are key elements in an efficient and productive organization.

Management Principles developed by Henri Fayol

Henry Fayol: Henri Fayol was a French mining engineer who developed a general theory of business administration based largely on his own management experience that is often called Fayolism.

Henri Fayol was born in Istanbul in 1841. When he was 19, he began working as an engineer at a large mining company in France. He eventually became the director, at a time when the mining company employed more than 1,000 people. Through the years, Fayol began to develop what he considered to be the 14 most important principles of management. Essentially, these explained how managers should organize and interact with staff. In 1916, two years before he stepped down as director, he published his "14 Principles of Management" in the book "Administration Industrielle et Generale." Fayol also created a list of the six primary functions of management, which go hand in hand with the Principles. Fayol's "14 Principles" was one of the earliest theories of management to be created, and remains one of the most comprehensive. He's considered to be among the most influential contributors to the modern concept of management, even though people don't refer to "The 14 Principles" often today. The theory falls under the Administrative Management school of thought (as opposed to the Scientific Management school, led by Fredrick Taylor).

DIVISION OF WORK: Work should be divided among individuals and groups to ensure that effort and attention are focused on special portions of the task. Fayol presented work specialization as the best way to use the human resources of the organization. When employees are specialized, output can increase because they become increasingly skilled and efficient.

AUTHORITY: The concepts of Authority and responsibility are closely related. Authority was defined by Fayol as the right to give orders and the power to exact obedience. Responsibility involves being accountable, and is therefore naturally associated with authority. Whoever assumes authority also assumes responsibility. Managers must have the authority to give orders, but they must also keep in mind that responsibility comes with authority.

DISCIPLINE: A successful organization requires the common effort of workers. Penalties should be applied judiciously to encourage this common effort.

UNITY OF COMMAND: Workers should receive orders from only one manager. That is, employees should have only one direct supervisor.

UNITY OF DIRECTION: The entire organization should be moving towards a common objective in a common direction. Teams with the same objective should be working under the direction of one manager, using one plan. This will ensure that action is properly coordinated.

SUBORDINATION OF INDIVIDUAL INTERESTS TO THE GENERAL INTERESTS: The interests of one person should not take priority over the interests of the organization as a whole. The interests of one employee should not be allowed to become more important than those of the group. This includes managers.

REMUNERATION: Many variables, such as cost of living, supply of qualified personnel, general business conditions, and success of the business, should be considered in determining a worker's rate of pay. Employee satisfaction depends on fair remuneration for everyone. This includes financial and non-financial compensation.

CENTRALIZATION: Fayol defined centralization as lowering the importance of the subordinate role. Decentralization is increasing the importance. The degree to which centralization or decentralization should be adopted depends on the specific organization in which the manager is working. This principle refers to how close employees are to the decision-making process. It is important to aim for an appropriate balance.

SCALAR CHAIN: Managers in hierarchies are part of a chain like authority scale. Each manager possesses certain amounts of authority. The President possesses the most authority; the first line supervisor the least. Lower level managers should always keep upper level managers informed of their work activities. The existence of a scalar chain and adherence to it are necessary if the organization is to be successful. Employees should be aware of where they stand in the organization's hierarchy, or chain of command.

ORDER: For the sake of efficiency and coordination, all materials and people related to a specific kind of work should be treated as equally as possible. The workplace facilities must be clean, tidy and safe for employees. Everything should have its place.

EQUITY: All employees should be treated as equally as possible. Managers should be fair to staff at all times, both maintaining discipline as necessary and acting with kindness where appropriate.

STABILITY OF TENURE OF PERSONNEL: Retaining productive employees should always be a high priority of management. Managers should strive to minimize employee turnover. Personnel planning should be a priority.

INITIATIVE: Management should take steps to encourage worker initiative, which is defined as new or additional work activity undertaken through self-direction. Employees should be given the necessary level of freedom to create and carry out plans.

ESPIRIT DE CORPS: Management should encourage harmony and general good feelings among employees. Organizations should strive to promote team spirit and unity.

Behavioral Approach

As management research continued in the 20th century, questions began to come up regarding the interactions and motivations of the individual within organizations. Management principles developed during the classical period were simply not useful in dealing with many management situations and could not explain the behavior of individual employees. In short, classical theory ignored employee motivation and behavior. As a result, the behavioral school was a natural outgrowth of this revolutionary management experiment.

The behavioral management theory is often called the human relations movement because it addresses the human dimension of work. Behavioral theorists believed that a better understanding of human behavior at work, such as motivation, conflict, expectations, and group dynamics, improved productivity.

Behavioral management theory relies on the notion that managers will better understand the human aspect to workers and treat employees as important assets to achieve goals. Management taking a special interest in workers makes them feel like part of a special group.

Hawthorne Experiment

Elton Mayo's contributions came as part of the Hawthorne studies, a series of experiments that rigorously applied classical management theory only to reveal its shortcomings.

The Hawthorne experiments consisted of two studies conducted at the Hawthorne Works of the Western Electric Company in Chicago from 1924 to 1932. The first study was conducted by a group of engineers seeking to determine the relationship of lighting levels to worker productivity. Surprisingly enough, they discovered that worker productivity increased as the lighting levels decreased — that is, until the employees were unable to see what they were doing, after which performance naturally declined.

A few years later, a second group of experiments began. Harvard researchers Mayo and F. J. Roethlisberger supervised a group of five women in a bank wiring room. They gave the women special privileges, such as the right to leave their workstations without permission, take rest periods, enjoy free lunches, and have variations in pay levels and workdays. This experiment also resulted in significantly increased rates of productivity.

In this case, Mayo and Roethlisberger concluded that the increase in productivity resulted from the supervisory arrangement rather than the changes in lighting or other associated worker benefits. Because the experimenters became the primary supervisors of the employees, the intense interest they displayed for the workers was the basis for the increased motivation and resulting productivity. Essentially, the experimenters became a part of the study and influenced its outcome. This is the origin of the term Hawthorne effect, which describes the special attention researchers give to a study's subjects and the impact that attention has on the study's findings.

The general conclusion from the Hawthorne studies was that human relations and the social needs of workers are crucial aspects of business management. This principle of human motivation helped revolutionize theories and practices of management.

The Needs Theory: Motivating Employees with Maslow's Hierarchy of Needs

Effectively motivating employees has long been one of management's most important and challenging duties. Motivation refers to the psychological processes that stimulate excitement and persistence of voluntary actions aimed at some goal. Because motivation can be highly individualized, managers use a wide range of techniques to keep their employees motivated and happy. Therefore, it is essential for managers to understand the psychological processes involved in motivation so that they can effectively direct employees towards organizational goals. Needs theories attempt to identify internal factors that motivate an individual's behavior and are based on the premise that people are motivated by unfulfilled needs.

1. Maslow's Hierarchy of Needs Theory

One of the most popular needs theories is Abraham Maslow's hierarchy of needs theory. Maslow proposed that motivation is the result of a person's attempt at fulfilling five basic needs: physiological, safety, social, esteem and self-actualization. According to Maslow, these needs can create internal pressures that can influence a person's behavior.

Physiological needs are those needs required for human survival such as air, food, water, shelter, clothing and sleep. As a manager, you can account for physiological needs of your employees by providing comfortable working conditions, reasonable work hours and the necessary breaks to use the bathroom and eat and/or drink.

Safety needs include those needs that provide a person with a sense of security and well-being. Personal security, financial security, good health and protection from accidents, harm and their adverse effects are all included in safety needs. As a manager, you can account for the safety needs of your employees by providing safe working conditions, secure compensation (such as a salary) and job security, which is especially important in a bad economy.

Social needs, also called love and belonging, refer to the need to feel a sense of belonging and acceptance. Social needs are important to humans so that they do not feel alone, isolated and depressed. Friendships, family and intimacy all work to fulfill social needs. As a manager, you can account for the social needs of your employees by making sure each of your employees know one another, encouraging cooperative teamwork, being an accessible and kind supervisor and promoting a good work-life balance.

Esteem needs refer to the need for self-esteem and respect, with self-respect being slightly more important than gaining respect and admiration from others. As a manager, you can account for the esteem needs of your employees by offering praise and recognition when the employee does well, and offering promotions and additional responsibility to reflect your belief that they are a valued employee.

Self-actualization needs describe a person's need to reach his or her full potential. The need to become what one is capable of is something that is highly personal. While I might have the need to be a good parent, you might have the need to hold an executive-level position within your organization. Because this need is individualized, as a manager, you can account for this need by



The five basic human needs

providing challenging work, inviting employees to participate in decision-making and giving them flexibility and autonomy in their jobs.

2. ERG theory (Alderfer)

Alderfer (1972) produced a more convincing and simpler theory, which postulated three primary categories of needs:

1 Existence needs such as hunger and thirst – pay, fringe benefits and working conditions are other types of existence needs.

2 Relatedness needs, which acknowledge that people are not self-contained units but must engage in transactions with their human environment – acceptance, understanding, confirmation and influence are elements of the relatedness process.

3 Growth needs, which involve people in finding the opportunities to be what they are most fully and to become what they can. This is the most significant need.

3. McClelland's achievement motivation

An alternative way of classifying needs was developed by McClelland (1961), who based it mainly on studies of managers. He identified three needs of which the need for achievement was the most important:

1 The need for achievement, defined as the need for competitive success measured against a personal standard of excellence.

2 The need for affiliation, defined as the need for warm, friendly, compassionate relationships with others.

3 The need for power, defined as the need to control or influence others.

4. Herzberg's two-factor model

The two-factor model of motivation developed by Herzberg (1957, 1966) was based on an investigation into the sources of job satisfaction and dissatisfaction of accountants and engineers who were asked what made them feel exceptionally good or exceptionally bad about their jobs.

According to Herzberg, this research established that there were two factors that affected feelings of **satisfaction or dissatisfaction**.

1. **Motivating factors** or 'satisfiers' relate to the job content and consist of the need for achievement, the interest of the work, responsibility and opportunities for advancement. These needs are the intrinsic motivators. He summed this up in the phrase 'motivation by the work itself'.
2. **Hygiene factors** relate to the job context, including such things as pay and working conditions. 'Hygiene' is used in the medical use of the term, meaning preventative and environmental. In themselves hygiene factors neither satisfy nor motivate and they serve

primarily to prevent job dissatisfaction, while having little effect on positive job attitudes. Pay is not a satisfier but if it is inadequate or inequitable it can cause dissatisfaction. However, its provision does not provide lasting satisfaction.

Douglas McGregor: Theory X & Theory Y: Two Types of Managers

Douglas McGregor was heavily influenced by both the Hawthorne studies and Maslow. He believed that two basic kinds of managers exist. One type, the Theory X manager, has a negative view of employees and assumes that they are lazy, untrustworthy, and incapable of assuming responsibility. On the other hand, the Theory Y manager assumes that employees are not only trustworthy and capable of assuming responsibility, but also have high levels of motivation.

McGregor proposed that there were two types of managers: ones who assumed a negative view of their employees, also known as the Theory X managers, and others who assumed a positive view of workers, or the Theory Y managers. So grab your bomb repellent while we explore these two different types of managers by discussing the assumptions of each.

Theory X

Xavier is a Theory X manager. When I say X, I don't mean the type that marks a treasure - in fact, quite the opposite is true. As a Theory X manager, Xavier believes that his workers:

Hate the idea of having to go to work and do so only to earn a paycheck and the security that it offers.

1. Are inherently lazy, lack ambition and prefer to be directed on what to do rather than assume responsibility on their own.
2. Are self-centered and care only about themselves and not the organization (or its goals), making it necessary for the manager to coerce, control, direct or threaten with punishment in order to get them to work towards organizational goals.
3. They also dislike change and tend to resist it at all costs.

Xavier assumes that his employees show up for work for their paycheck and the security that a regular, paying job offers. As soon as that need is satisfied, the employees have no additional motivation for coming to work. Therefore, Xavier believes his role as a manager is to coerce and control his employees to work towards organizational goals.

The typical characteristics of a Theory X manager are:

Results-driven and deadline-driven, to the exclusion of everything else, intolerant, issues deadlines and ultimatums, distant and detached, aloof and arrogant, elitist, short temper, shouts, issues instructions, directions, edicts, issues threats to make people follow instructions demands, never asks, does not participate, does not team-build, unconcerned about staff welfare, or morale, proud, sometimes to the point of self-destruction, one-way communicator poor listener, fundamentally insecure and possibly neurotic, anti-social, vengeful and recriminatory, does not thank or praise, withholds rewards, and suppresses pay and remunerations levels, scrutinises expenditure to the point of false economy, seeks culprits for failures or shortfalls, seeks to apportion blame instead of focusing on learning from the experience and preventing recurrence, does not invite or welcome suggestions, takes criticism badly and likely to retaliate if from below or peer group, poor at proper delegating - but believes they delegate well, thinks giving

orders is delegating, holds on to responsibility but shifts accountability to subordinates, relatively unconcerned with investing in anything to gain future improvements and unhappy.

Theory Y

Yoko is a Theory Y manager, and when I say Y here, think 'why not.' Why not assume the best in people? As a Theory Y manager, Yoko believes her employees:

1. Accept work as a normal part of their day, and it's right next to recreation and rest.
2. They are not lazy at all. In fact, when the proper motivations and rewards are in place, employees are not only willing but purposely driven to seek out responsibility and challenges on their own.
3. They're full of potential, and it's through their own creativity, ingenuity and imagination that organizational goals are met.

Yoko assumes that her employees are full of potential and that it is her role as a manager to help develop that potential so that the employee can work towards a common organizational goal. Yoko must also try to harness the motivational energy of her employees through things such as giving them more autonomy, responsibility, power, trust and feedback and involving them in the decision-making process.

McGregor cautioned both types of managers against what he called **self-fulfilling prophecies**, whereby an employee will act just as the manager assumed he or she would due to the manager's own actions and behaviors. Essentially, if you hold people to a certain expectation - whether that's good or bad - your own actions as a manager will influence those employees to act accordingly. A manager's behavior and expectations are as contagious as the plague. As such, McGregor acknowledged both types of managers as being a legitimate means of motivating employees, but he felt that you would get much better results through the use of Theory Y rather than Theory X.

Contemporary Approach

Theory z - William Ouchi

First things first - Theory Z is not a McGregor idea and as such is not McGregor's extension of his XY theory. Ouchi's theory focuses on increasing employee loyalty to the company by providing a job for life and focusing on the employee's well-being.

Theory Z was developed by not by McGregor, but by William Ouchi, in his book 1981 'Theory Z: How American management can Meet the Japanese Challenge'. William Ouchi is professor of management at UCLA, Los Angeles, and a board member of several large US organisations.

Professor Ouchi spent years researching Japanese companies and examining American companies using the Theory Z management styles . By the 1980s, Japan was known for the highest productivity anywhere in the world, while America's productivity had fallen drastically. The word "Wa" in Japanese can be applied to Theory Z because they both deal with promoting partnerships and group work.

The word "Wa" means a perfect circle or harmony, which influences Japanese society to always come to a solution via teamwork. Promoting Theory Z and the Japanese word "Wa" is how the Japanese economy became so powerful. Because the Japanese show a high level enthusiasm to work, some of the researchers also claim that the "Z" in the Theory Z stands for "Zeal. "

Theory Z essentially advocates a combination of all that's best about theory Y and modern Japanese management and places a large amount of freedom and trust with workers, and assumes that workers have a strong loyalty and interest in team-working and the organization.

Theory Z also places more reliance on the attitude and responsibilities of the workers, whereas McGregor's XY theory is mainly focused on management and motivation from the manager's and organisation's perspective. There is no doubt that Ouchi's Theory Z model offers excellent ideas, albeit it lacking the simple elegance of McGregor's model, which let's face it, thousands of organisations and managers around the world have still yet to embrace. For this reason, Theory Z may for some be like trying to manage the kitchen at the Ritz before mastering the ability to cook a decent fried breakfast.

For Ouchi, Theory Z focused on increasing employee loyalty to the company by providing a job for life with a strong focus on the well-being of the employee, both on and off the job. According to Ouchi, Theory Z management tends to promote:

1. Stable employment
2. High productivity
3. High employee morale and satisfaction

The secret to Japanese success, according to Ouchi, is not technology, but a special way of managing people. "This is a managing style that focuses on a strong company philosophy, a distinct corporate culture, long-range staff development, and consensus decision-making" (Ouchi, 1981). Ouchi claims that the results show:

1. Lower turnover
2. Increased job commitment
3. Dramatically higher productivity

William Ouchi doesn't say that the Japanese culture for business is necessarily the best strategy for the American companies. Instead, he takes Japanese business techniques and adapts them to the American corporate environment.

One of the most important pieces of this theory is that management must have a high degree of confidence in its workers in order for this type of participative management to work. This theory assumes that workers will be participating in the decisions of the company to a great degree.

Ouchi explains that the employees must be very knowledgeable about the various issues of the company, as well as possess the competence to make those decisions. He also points out, however, that management sometimes has a tendency to underestimate the ability of the workers to effectively contribute to the decision-making process (Bittel, 1989). For this reason, Theory Z stresses the need for the workers to become generalists, rather than specialists, and to increase their knowledge of the company and its processes through job rotations and constant training.

Promotions tend to be slower in this type of setting, as workers are given a much longer opportunity to receive training and more time to learn the ins and outs of the company's operations.

The desire, under this theory, is to develop a work force, which has more loyalty toward staying with the company for an entire career. It is expected that once employees do rise to a position of high level management, they will know a great deal more about the company and how it operates, and will be able to use Theory Z management theories effectively on the newer employees.

Contingency Management

Contingency management is based on the principle that behavior is a function of its consequences. That is, what people do – how they behave – is related in a predictable way to the consequences of their behavior. For example, if an action is followed by a positive consequence (positive for that person), then the individual is likely to repeat that action. In contrast, if an action is followed by a negative consequence (negative for that person), then the individual is unlikely to repeat the action. Negative consequences include both no response (e.g., the person's action is ignored) and punishing responses.

Effective management of consequences (contingencies) is important for all children, especially in a school context. Compliance and orderly behavior are critical in creating an effective learning environment. The contingency approach to management holds that management techniques should be dependent upon the circumstances.

Management by Objectives

A management model that aims to improve performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans should ensure better participation and commitment among employees, as well as alignment of objectives across the organization. The term was first outlined by management guru Peter Drucker in 1954 in his book "The Practice of Management."

Management by objectives (or MBO) is a personnel management technique where managers and employees work together to set, record and monitor goals for a specific period of time. Organizational goals and planning flow top-down through the organization and are translated into personal goals for organizational members. The technique was first championed by management expert Peter Drucker and became commonly used in the 1960s.

Key Concepts

The core concept of MBO is planning, which means that an organization and its members are not merely reacting to events and problems but are instead being proactive. MBO requires that employees set measurable personal goals based upon the organizational goals. For example, a goal for a civil engineer may be to complete the infrastructure of a housing division within the next twelve months. The personal goal aligns with the organizational goal of completing the subdivision.

MBO is a supervised and managed activity so that all of the individual goals can be coordinated to work towards the overall organizational goal. You can think of an individual, personal goal as one piece of a puzzle that must fit together with all of the other pieces to form the complete puzzle: the organizational goal. Goals are set down in writing annually and are continually monitored by managers to check progress. Rewards are based upon goal achievement.

Advantage — It provides a means to identify and plan for achievement of goals. If you don't know what your goals are, you will not be able to achieve them. Planning permits proactive behavior and a disciplined approach to goal achievement. It also allows you to prepare for contingencies and roadblocks that may hinder the plan. Goals are measurable so that they can be assessed and adjusted easily. Organizations can also gain more efficiency, save resources and increase organizational morale if goals are properly set, managed and achieved.

Disadvantage — Application of MBO does take some concerted effort. You cannot rely upon a thoughtless, mechanical approach. You should note that some tasks are so simple that setting goals makes little sense and becomes more of a silly annual ritual. For example, if your job is snapping two pieces of a product together on an assembly line, setting individual goals for your work borders on the absurd.

Different Organization Structure

Every organization, to be effective, must have a structure. Organization Structure is the setup that determines the hierarchy and reporting structure in an organization. It is represented by a drawing known as an organizational chart. There are different types of organizational structures that companies follow, depending on a variety of factors like leadership style, type of organization, geographical regions, work flow and hierarchy. To put it simply, an organizational structure is the plan of the hierarchy and arrangement of work.

The typically hierarchical arrangement of lines of authority, communications, rights and duties of an organization. Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management.

A structure depends on the organization's objectives and strategy. In a centralized structure, the top layer of management has most of the decision making power and has tight control over departments and divisions. In a decentralized structure, the decision making power is distributed and the departments and divisions may have different degrees of independence. A company such as Proctor & Gamble that sells multiple products may organize their structure so that groups are divided according to each product and depending on geographical area as well.

Traditional Structures

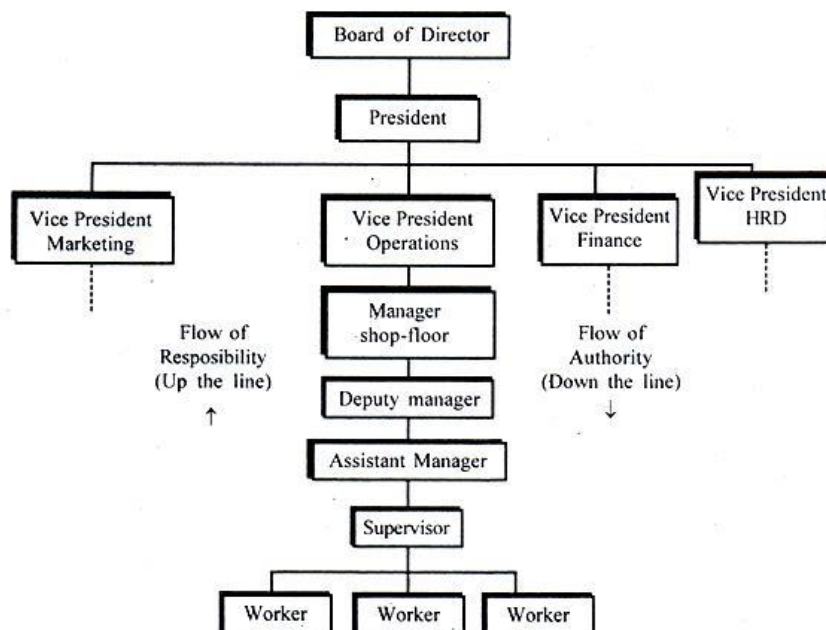
Flat Structure

A flat organizational structure is often used for a small company with 20 or fewer employees. This type of structure has very few levels of management between the Chief Executive Officer (CEO)/president and the lower level employees. In this type of structure, decisions can be made quickly due to the fact there are only a few levels of management. Here is an example of what a flat organizational structure looks like:



Line Structure

This is the kind of structure that has a specific line of command. The approvals and orders in this kind of structure come from top to bottom in a line. Hence it is known as a line structure. This kind of structure is suitable for smaller organizations like small accounting firms and law offices. This structure allows easy decision-making and is informal in nature.



Merits

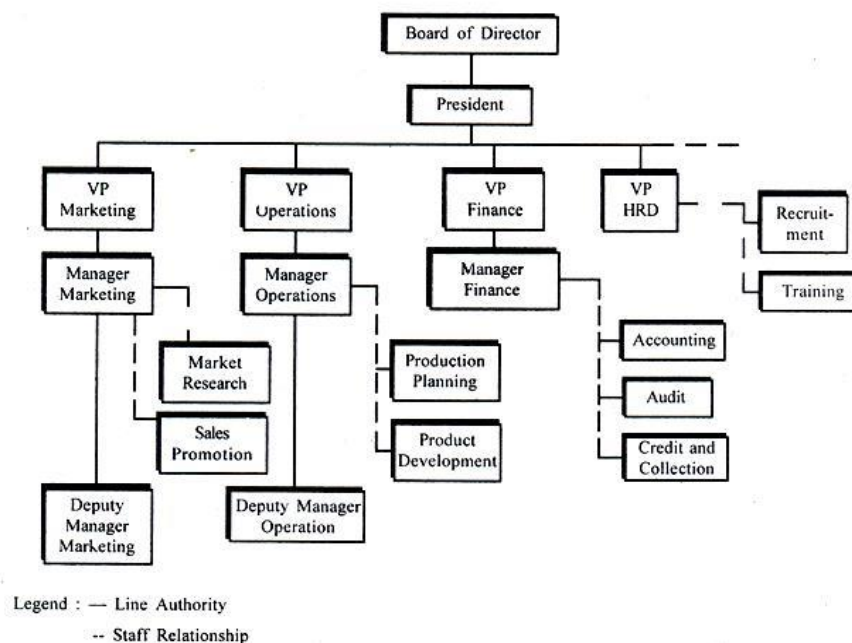
- ✓ It is the simplest kind of organizational structure.
- ✓ Strict authority results in a stronger discipline.
- ✓ Prompt decisions result in quick and effective actions.
- ✓ There is clarity in the structures of authority and responsibility.
- ✓ As the control rests with one superior, it accords him the flexibility to adjust the department.
- ✓ There are good career advancement prospects for individuals who deliver quality work.

Demerits

- ✗ There are chances of the department head being biased.
- ✗ Lack of specialization is a persistent problem.
- ✗ The department head may be burdened with lots of work.
- ✗ Communication only happens from top to bottom.
- ✗ Superiors with authority can misuse it for their benefit.
- ✗ Decisions are taken by a single person and can go wrong.

Line and Staff Structure

Though a line structure is suitable for most organizations, especially the small ones, it is not effective for larger companies. This is where the line and staff organizational structure comes into play. Line and staff structure combines the line structure where information and approvals come from top to bottom, with staff departments for support and specialization. Line and staff organizational structures are more centralized. Managers of line and staff have authority over their subordinates, but staff managers have no authority over line managers and their subordinates. The decision-making process becomes slower in this type of organizational structure because of several layers and guidelines. Also, there is formality involved.



Merits

- ✓ It enables the employees to perform at a faster rate.
- ✓ It helps employees to accept responsible jobs and specialize in a particular area.
- ✓ It helps line managers to concentrate on the task at hand.
- ✓ Little or no resistance is met when organizational changes take place.
- ✓ It results in less operational wastage and increases productivity.
- ✓ Employees feel that they are given the due credit for their contribution.

Demerits

- ✗ Confusion may be created among employees.

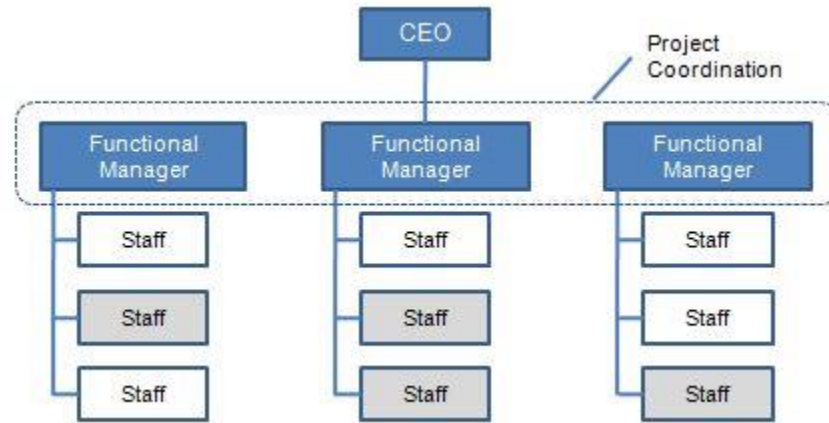
- ✗ Employees lack operational knowledge to give result-oriented suggestions.
- ✗ There are too many levels of hierarchy.
- ✗ Employees may have differences of opinions and this may slow down the work.
- ✗ As staff specialists exist, it is costlier than a simple line organization.
- ✗ Decision-making may be time-consuming.

Popular Organizational Structures

Organizations are set up in specific ways to accomplish different goals, and the structure of an organization can help or hinder its progress toward accomplishing these goals. Organizations large and small can achieve higher sales and other profit by properly matching their needs with the structure they use to operate.

Functional Structure

Functional structure is set up so that each portion of the organization is grouped according to its purpose. In this type of organization, for example, there may be a marketing department, a sales department and a production department. The functional structure works very well for small businesses in which each department can rely on the talent and knowledge of its workers and support itself. However, one of the drawbacks to a functional structure is that the coordination and communication between departments can be restricted by the organizational boundaries of having the various departments working separately.



This kind of organizational structure classifies people according to the function they perform in their professional life or according to the functions performed by them in the organization. The organization chart for a functional organization consists of a Vice President, a Sales Department, a Customer Service Department, an Engineering or Production Department, an Accounting Department, an Administration Department, etc.

Merits

- ✓ It has high degrees of specialization.
- ✓ It has clear lines of authority.
- ✓ It facilitates easy accountability for the work.
- ✓ It accords a high level of speed and efficiency.

- ✓ The need for duplication of work is eliminated.
- ✓ All the functions command equal importance.

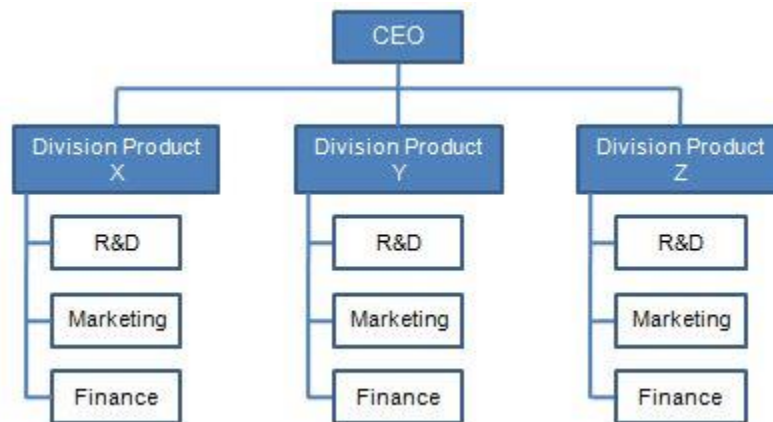
Demerits

- ✗ Communication has several barriers which makes coordination difficult.
- ✗ More focus is laid on individuals rather than the organization.
- ✗ The decisions taken by a single person may not always work in favor of the organization.
- ✗ As the organization expands, it gets difficult to exercise control on its operations.
- ✗ There may be lack of teamwork between different departments or units.
- ✗ As all the functions are separated, employees may not gain knowledge about other specializations.

Divisional Structure

Divisional structure typically is used in larger companies that operate in a wide geographic area or that have separate smaller organizations within the umbrella group to cover different types of products or market areas. The benefit of this structure is that the needs can be met more rapidly and more specifically; however, communication is inhibited because employees in different divisions are not working together. Divisional structure is costly because of its size and scope. Small businesses can use a divisional structure on a smaller scale, having different offices in different parts of the city, for example, or assigning different sales teams to handle different geographic areas.

These are the kinds of structures that are based on different divisions in the organization. They group together employees based on the products, markets and geographical locations covered. Here is a detailed description of a divisional structure.



Product Structure

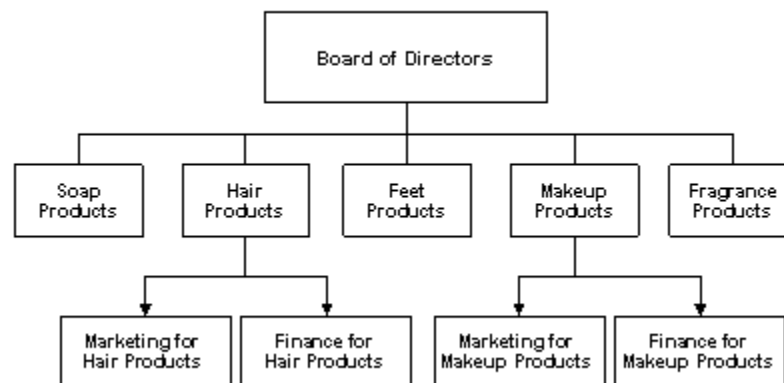
A product structure is based on organizing employees and work on the basis of the different products. If the company produces three different products, they will have three different divisions for these products. This type of structure can be best utilized for retail stores with a number of products.

Merits

- ✓ Units which are not working can be closed down easily.
- ✓ Each unit can be operated and treated as a separate profit center.
- ✓ It accords rapid and easy decision-making.
- ✓ It also gives a lot of independence to the decision makers.
- ✓ Individual products get separate attention as per the problems they face.
- ✓ It enables the organization to have a high productivity and efficiency quotient.

Demerits

- ✗ As each unit operates on its own, organizational goals may not be achieved.
- ✗ Unhealthy competition may exist among internal business units.
- ✗ As it has too many managerial levels, it may hamper the business.
- ✗ Accounting work and taxes may increase considerably.
- ✗ All the units may not be considered as equal.
- ✗ Marketing individual products may add up to the cost significantly.



Market Structure

Market structure is used to group employees on the basis of the specific market the company sells in. A company could have five different markets they use and according to this structure, each would be a separate division.

Merits

- ✓ Employees can communicate with customers in the local language.
- ✓ They are available for the customers, if need is felt.
- ✓ The problems in a particular market can be isolated and dealt with separately.
- ✓ As individuals are responsible for a particular market, tasks are completed on time.
- ✓ Employees are specialized in catering to a particular market.
- ✓ New products for niche markets can be introduced.

Demerits

- ✗ There can be intense competition among the employees.
- ✗ Decision-making can cause conflicts.
- ✗ It is difficult to determine the productivity and efficiency.
- ✗ All the markets may not be considered as equal.
- ✗ There may be lack of communication between the superiors and the employees.

✗ Employees may misuse their authority.

Geographic Structure

Large organizations have offices at different places, for example, there could be a north zone, south zone, west zone and east zone. The organizational structure, in such a case, follows a zonal structure.

Merits

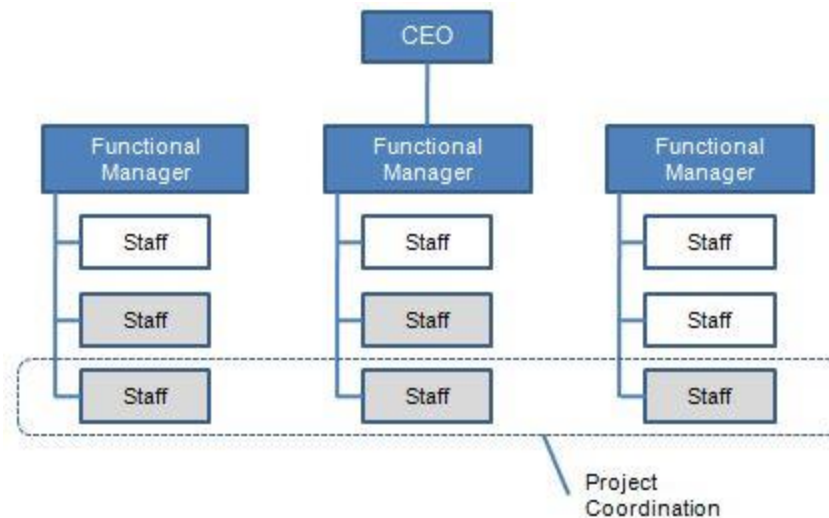
- ✓ There is better communication among the employees at the same location.
- ✓ Locals are familiar with the local business environment and can cater to geographical and cultural differences.
- ✓ Customers feel a better connection with local managers who can speak their language.
- ✓ A record of the work of individual markets and groups can be maintained.
- ✓ Decisions are taken thoughtfully and work when implemented.
- ✓ New products or product modifications catering to a specific area can be introduced.

Demerits

- ✗ It may give rise to a feeling of division among the employees of the organization.
- ✗ There may be unhealthy competition among different zones.
- ✗ Core company ethics, beliefs and practices may differ from location to location.
- ✗ Tracing the performance and profits of each region may be time-consuming and tedious.
- ✗ There may be poor communication among the employees at different locations.
- ✗ Collaboration and cooperation between employees at different locations may not work out.

Matrix Structure

The third main type of organizational structure, called the matrix structure, is a hybrid of divisional and functional structure. Typically used in large multinational companies, the matrix structure allows for the benefits of functional and divisional structures to exist in one organization. This can create power struggles because most areas of the company will have a dual management--a functional manager and a product or divisional manager working at the same level and covering some of the same managerial territory.



This structure is a combination of function and product structures. It combines the best of both worlds to make an efficient organizational structure. This structure is the most complex structure. It uses teams of employees to accomplish work by capitalizing on their strengths while creating weaknesses which are of functional form. The different types of matrix structures are:

Weak/Functional Matrix

In this type of matrix structure, a project manager is assigned to look over the cross-functional aspects of the project. However, he has a very limited authority and it is the functional manager who actually controls the inventory, resources and the project.

Merits

- ✓ Employees are not attached to temporary staff or temporary work.
- ✓ The functional manager controls the project.
- ✓ The functional manager is responsible in case anything goes wrong.
- ✓ The more the project manager communicates with the employees, the better are the results.
- ✓ The project manager can make things happen without being in control.
- ✓ The decision-making rests in the hands of the functional manager.

Demerits

- ✗ The project manager may face strong apathy from his workers.
- ✗ The project manager does not have complete authority.
- ✗ If not supervised, workers can reduce the productivity of the entire unit.
- ✗ The project manager is a weak authority who has no control over the employees.
- ✗ He has no control over workload management and task prioritization.
- ✗ He cannot even give a performance review.

There are two more structures namely **balanced/functional matrix** and **strong/project matrix**. In the balanced/functional matrix, the responsibility and power is shared equally by both the project manager and the functional head. This may create a power struggle between them. In the strong/project matrix, the project manager is primarily responsible for the work while the functional head gives technical advice and allocates resources.

Other Organizational Structure

Bureaucratic Structure

This kind of structure can be seen in tall organizations where tasks, processes and procedures are all standardized. This type of structure is suitable for huge enterprises that involve complex operations and require smooth administration of the same. It is highly recommended for industries like food, beverage, etc. as they have to adhere to stringent rules and regulations.

Merits

- ✓ As the complete control rests in the hands of one person, it is easy to achieve organizational goals.
- ✓ Strict hierarchies ensure timely completion of tasks and quality.
- ✓ It helps in easy cooperation and coordination among the employees.
- ✓ Standardization and the best practices can be implemented easily.
- ✓ Employees have to adhere to policies and procedures.
- ✓ Production takes place efficiently and effectively.

Demerits

- ✗ A centralized authority can discourage employees.
- ✗ It does not encourage innovative ideas.
- ✗ It can lead to employee dissatisfaction and attrition.
- ✗ It cannot adapt to changes in the business environment.
- ✗ One person cannot be responsible for coming up with creative ideas every time.
- ✗ It can trigger a power struggle in the organization.

Pre-bureaucratic Structure

This structural form is best-exemplified in organizations where administration and control are centralized, and there is very little, if any, standardization of tasks. This structure is highly recommended for small-scale industries and start-ups.

Merits

- ✓ It has a centralized structure with only one decision maker.
- ✓ The founder has complete control on decisions and their implementation.
- ✓ Communication mostly happens on a one-on-one basis.
- ✓ Decisions are made and implemented quickly.
- ✓ Productivity and profits are closely monitored.
- ✓ If an employee works hard, he gets noticed.

Demerits

- ✗ Decisions taken by one person stand the risk of going wrong.
- ✗ It is only applicable to small businesses and cannot sustain once they expand.
- ✗ Lack of standardization can lead to inconsistencies.
- ✗ Employees are not part of the decision-making process and this can demoralize them.
- ✗ Effective communication may not take place as people do not open up in front of the authority.
- ✗ Due to lack of flexibility, employees may feel frustrated.

Post-bureaucratic Structure

This is a structure that is not bureaucratic in nature. While bureaucratic organizations are too controlled, post-bureaucratic ones offer more freedom to the employees. Though there is hierarchy, the leaders are open to new ideas. The decisions are taken after discussion and consensus is not dependent on hierarchy. This encourages employee participation, trust, personal treatment, responsibility and empowerment. This type of structure is often used in housing cooperatives and non-profit organizations. It also incorporates techniques like total quality management (TQM) and culture management.

Now that you know about the various organizational structures, implement the right one based on its applicability, advantages and disadvantages. It is important to find an organizational structure that works best for the organization as a wrong setup can hamper functioning and be detrimental to organizational success.

Network Structure

In this structure, organization managers are required to maintain and coordinate business/professional relations with third parties such as clients, vendors and associates in order to achieve a collective goal of profitability and growth. Most of the time, these relations are maintained and tasks are coordinated via telecommunication and electronic media and, hence this structure is also known as a virtual structure.

Merits

- ✓ The employees can be closer to the location of the customer.
- ✓ It helps in optimizing the knowledge potential of the organization.
- ✓ Even if something like a natural disaster occurs, the work of network employees can continue.
- ✓ It can be dynamic and easily adaptive to changes in the business environment.
- ✓ There is a certain level of flexibility for the employees.
- ✓ There can be a collaborative relationship between the supervisor and the employee.

Demerits

- ✗ An employee may have to report to too many supervisors and this may affect his work.
- ✗ As a formal hierarchy is missing, it can lead to conflicts.
- ✗ Too much dependence on technologies like the Internet, phone, etc. can cause problems.
- ✗ As there is no physical place for employees, it affects communication.
- ✗ It can lead to increased work stress among the employees.
- ✗ An intense competition exists among the supervisors, to get a high-performing employee.

Team Structure

Organizations with team structures can have both vertical as well as horizontal process flows. The most distinct feature of such an organizational structure is that different tasks and processes are allotted to specialized teams of personnel in such a way that a harmonious coordination is struck among the various teams.

Merits

- ✓ It facilitates practical decision-making and implementation.
- ✓ Decisions are taken unanimously and not by an individual.
- ✓ It eliminates traditional scalar chains of command for getting approvals.
- ✓ The relationships and communication between employees improve.
- ✓ If one employee in the team fails to work, the other can take his place.
- ✓ It enables the heads to staff resources which complement each other.

Demerits

- ✗ There is very less contact with teams of other functions.
- ✗ If teams undergo constant changes and alterations, it can affect work.
- ✗ Each team contributes on its own and may not be in alignment with the organizational goals.
- ✗ Team members need to be proactive and incorporate better project management.
- ✗ The need for an effective leader can be felt.
- ✗ As decisions are given by many people, they may take a long time.

A Few More Organizational Structures

Entrepreneurial Structure

The authority of such organizations oftentimes is heavily centralized and lies with one person. It only comprises two to three vertical levels and the duties of the employees overlap. It is suitable for small or new organizations where the decision of one person matters the most. It also exhibits easy responsiveness and adaptability to change in the business environment.

Horizontal Organization Structure

It is also known as a flat structure. In this type, there is absolutely nil or very less interference from the senior management which allows the employees to conduct their tasks smoothly. Employees are also involved in the decision-making process. As it eliminates the need for middle management, it contributes towards giving a quick response to customer feedback. However, it may not be applicable and practical for big organizations.

Vertical Organization Structure

It relies on the middle management to monitor and control the work of the employees. These structures have well-defined roles and responsibilities for the employees. Hence, delegating tasks to the employees becomes easier. It requires a strong leader at the top of the hierarchy as he is the one to take all the decisions. As a hierarchy exists, it ensures that the work is done in a disciplined manner.

Mechanistic Structure

This is the most formal and the strictest kind of structure with a clear distinction in the hierarchy and roles. Hence, these structures are vertically oriented. The hierarchy of the authority is well-defined. Decision-making rests in the hands of the senior management. As a lot of bureaucracy is involved in these structures, the leaders find it difficult to deal with competition. Also, innovation

oftentimes is hampered due to red-tapeism. Employees work separately and are specialists of a task.

Organic Structure

It is the exact opposite of a mechanistic organizational structure. In an organization following the organic structure, the authority is delegated and is decentralized. Hence, communication takes place laterally. There is a lot of flexibility in this type of an organization. Employees generally work together and coordinate different tasks. They are highly flexible to adapt to the changes in the external business environment.