UNIT – I

> **INTRODUCTION TO MANAGEMENT**
> Management - Concept and meaning - Nature-Functions - Management as a Science and Art and both. Schools of Management Thought - Taylor's Scientific Theory-Henry Fayol's principles - Eltan Mayo's Human relations - Systems Theory - **Organisational Designs** - Line organization - Line & Staff Organization - Functional Organization - Matrix Organization - Project Organization - Committee form of Organization - Social responsibilities of Management.

INTRODUCTION

Management is what managers do. It also refers to people at the top level, in the organisation, concerned with decision-making. Though it also implies trickery or deceit, this connotation should not be considered in the present context. It is often viewed as manoeuvring, that is doing something cleverly to change a situation and make things happen the way you want them to. Howepver, these statements do not clearly explain the nature or the concept of management.

Management is a universal phenomenon. It is a very popular and widely used term. All organizations - business, political, cultural or social are involved in management because it is the management which helps and directs the various efforts towards a definite purpose. In process of management, a manage uses human skills, material resources and scientific methods to perform all the activities leading to the achievement of goods.

DEFINITION

"Management is knowing exactly what you want men to do and then seeing that they do it the best and cheapest ways". – **F. W. Taylor**

"Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals". – **Koontz and O"Donell**

"Management is concerned with the systematic organisation of economic resources and its task is to make the resources productive." – **Peter F Drucker**

NATURE OF MANAGEMENT

The study and application of management techniques in managing the affairs of the organization have changed its nature over a period of time. The following points will describe the nature of management:

1) Multidisciplinary: Management has been developed as a separate discipline, but it draws knowledge and concepts from various disciplines like psychology, sociology, anthropology, economics, statistics, operations research etc.,. Management integrates the idea nd concepts taken from these disciplines and presents newer concepts which can be put into practice for managing the organisations

2) Dynamic nature of Principles: Principle is a fundamental truth which establishes cause and effect relationships of a function. Based on integration and supported by practical evidences, management has framed certain principles. However, these principles are flexible in nature and change with the changes in the environment in which an organization exists.

3) Relative, Not absolute Principles: Management principles are relative, not absolute, and they should be applied according to the need of the organization. Each organization may be different from others. The difference may exist because of time, place, socio-cultural factors, etc.,.

4) Management: Science or Art: There is a controversy whether management is science or art. An art is personal skill of business affairs. Art is characterized by practical knowledge, personal creativity and skill. The more one practices an art, the more professional one becomes. Management can be considered as an art because it satisfies all these criterion of an art. A science is a systematized body of knowledge of facts. It can establish cause-and-effect relationships among various factors. It involves basic principles, which are capable of universal application. Management can be considered as science because it satisfies all these criteria of a science.

5) Management as profession: Management has been regarded as a profession by many while many have suggested that it has not achieved the status of a profession. Profession refers to a vocation or a branch of advanced learning such as engineering or medicine.

6) Universality of management: Management is a universal phenomenon. However, management principles are not universally applicable but are to be modified according to the needs of the situation.

7) Management is a Continuous Process
Management is an on-going process. The cycle of management continues to operate as long as the organisation exists. The main objective of this continuous process is to make small, progressive changes that will provide greater value in the long run. Continuous management is done for the effective and efficient achievement of goals.

8) Management is a Social Process
Management is done by people, through people and for the people. Management is a social process because it deals with people. It is concerned with making the best use of human efforts. managers have to create co-operation among employees in an organisation. They have to look after the interests of employees, customers, investors, shareholders, community and stakeholders.

9) Management is Goal-Oriented
The existence of management is for the sole purpose of achieving the organisational goals. Management directs the energy of all the human resources available in the organisation towards the accomplishment of the predetermined goals, achievement of goals provides justification for the existence of an organisation.

10) Management is a Group Activity
Management requires group efforts in order to achieve the common objectives of the organisation.it is an activity which is concerned with getting the things done rather than doing itself. People generally join groups to achieve what they cannot achieve individually. Group activity is required in all areas of human activity.
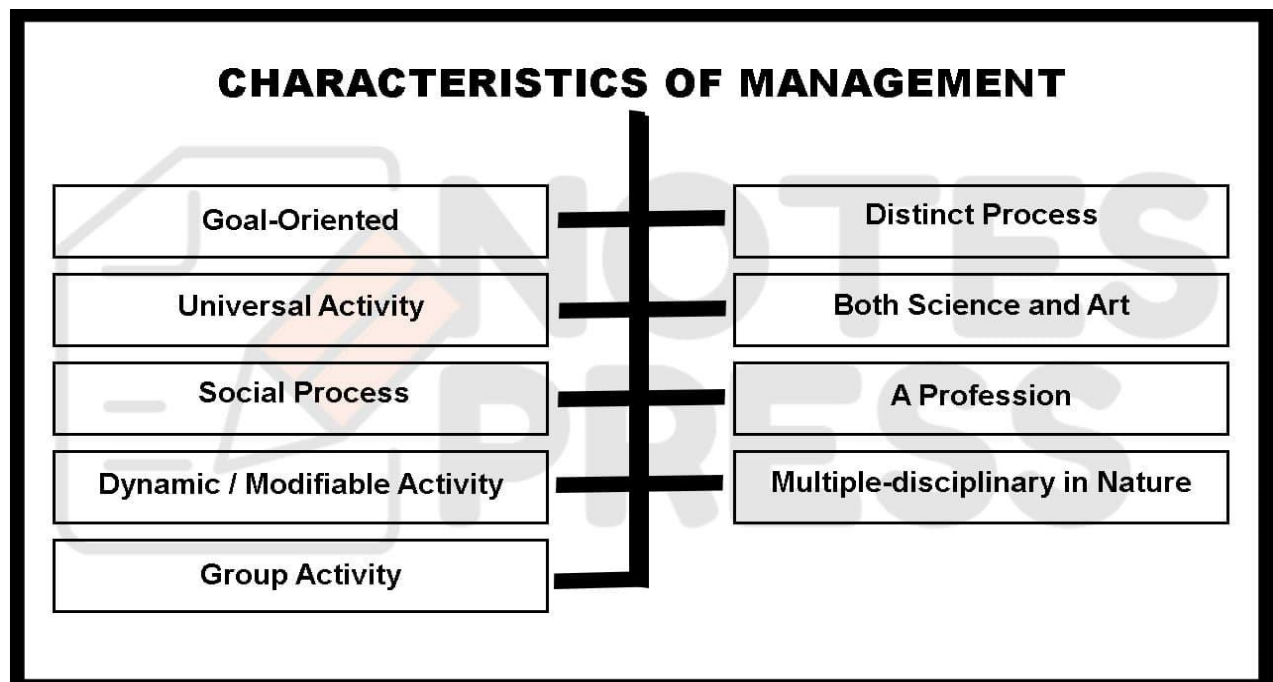
CHARACTERISTICS OF MANAGEMENT

Management is a universal process. It involves managing of people, skills, resources, materials & methods. The following points explains the characteristics associated with management.

Goal-Oriented - Every organization is established for a specific objective. Management, under organization, is an instrument or system that contributes to the efficient use of human and other resources to achieve predetermined objectives. And the main objective of management is to maximize productivity with optimum use of human effort.

Universal Activity - Management is essential where there is human activity. It is also necessary for all types of organizations. The process of management may be different from organization to organization and place to place but the basic principles of management are the same. Thus, management principles are universally applicable.

Social Process - Management is a part of the social process to achieve its objectives by, with, and through the people. It utilizes human resources for the achievement of organizational goals.

Management has to not only the organizational objectives but also the social objectives. It has to fulfill the need: of employees within the organizational resources.

CHARACTERISTICS OF MANAGEMENT

Goal-Oriented	Distinct Process
Universal Activity	Both Science and Art
Social Process	A Profession
Dynamic / Modifiable Activity	Multiple-disciplinary in Nature
Group Activity	

Dynamic/Modifiable Activity - Management is a dynamic and continuous process. The management system of today may not be applicable or effective for tomorrow; therefore, management must be dynamic and flexible with the changing environment of the society. And it has to modify its style according to the time and situation to adjust the changing environment of a business.

Group Activity - The concept of management is not applicable if there is only one person or proprietor. It requires a team, class or section of people involved in various managerial functions. It is essential to have a group of people involved in performing any activity to achieve common goals. Likewise, management defines the authority, responsibility, and procedures to perform specific work.

Distinct Process - Management as a process involves various types of functions. One function of management is interrelated with another function. The management clearly defines the specific process of work to achieve a predetermined goal without considering any trial and error approach.

Both Science and Art - It is experimentally proved that science is a systematized body of knowledge, principle or truth. Similarly, art is a personal skill and ability to apply scientific principles. Management is both science and art. It is a science because it is based on some basic principles of universal application. And it is also an art because skill and ability are required for performing managerial functions.

A Profession -The profession involves a specific type of work, followed by special knowledge and education. With the development of Joint Stock Companies and Multinational Companies, ownership and management have been different. Management of huge organizations has been entrusted in the hands of professionals having specific skills and knowledge.

Multi-disciplinary Nature - Management is multi-disciplinary many of the principles and techniques used in management are borrowed from several other disciplines like psychology, sociology, economics, and mathematics.

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FUNCTIONS OF MANAGEMENT
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To achieve the organisational objectives managers at all levels of organization should perform different functions. A function is a group of similar activities.

Management is described as the process of planning, organising, directing and controlling the efforts of organisational members and of using the resources of the organisation to achieve specific goals. Luther Gulick has given a keyword "PODSCORB."

1. P → Planning
2. 0 → Organising
3. S → Staffing
4. D → Directing
5. Co → Coordination
6. R → Reporting and
7. B → Budgeting

The most widely accepted classification of management functions is given by **Koontz and O'Donnell** which includes:

1. Planning: Planning is the basic and first function of management. It is the function of determining in advance what is to be done and who is to do it. A plan is a future course of action. Planning implies setting goals in advance and developing a way of achieving them efficiently and effectively. Planning is necessary to ensure proper utilisation of human and non-human resources.

2. Organising: It is the process of bringing together, physical, financial and human resources. It develops productive relationship amongst them for achievement of organisational goals. Organising is the management function of assigning duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan. Organising as a process involves.

- Identification of activities
- Classification of activities
- Assignment of duties
- Delegation of authority and creation of responsibility
- Coordinating authority and responsibility relationships.

3. Staffing: It includes finding the right people for the right job. This is also known as the human resource function and has assumed greater importance in the recent years staffing involves.

- Man – power planning,
- Recruitment,
- selection and placement
- Training and Development
- Remuneration

- Performance appraisal
- Promotions and Transfer.

4. Directing: Directing function involves leading, influencing and motivating employees to perform the tasks assigned to them. It is that part of managerial function that actuates the organisational methods to work efficiently for achievement of organisational objectives Directing has the following elements:

- Supervision
- Motivation
- Leadership
- Communication
- Delegation
- Coordination
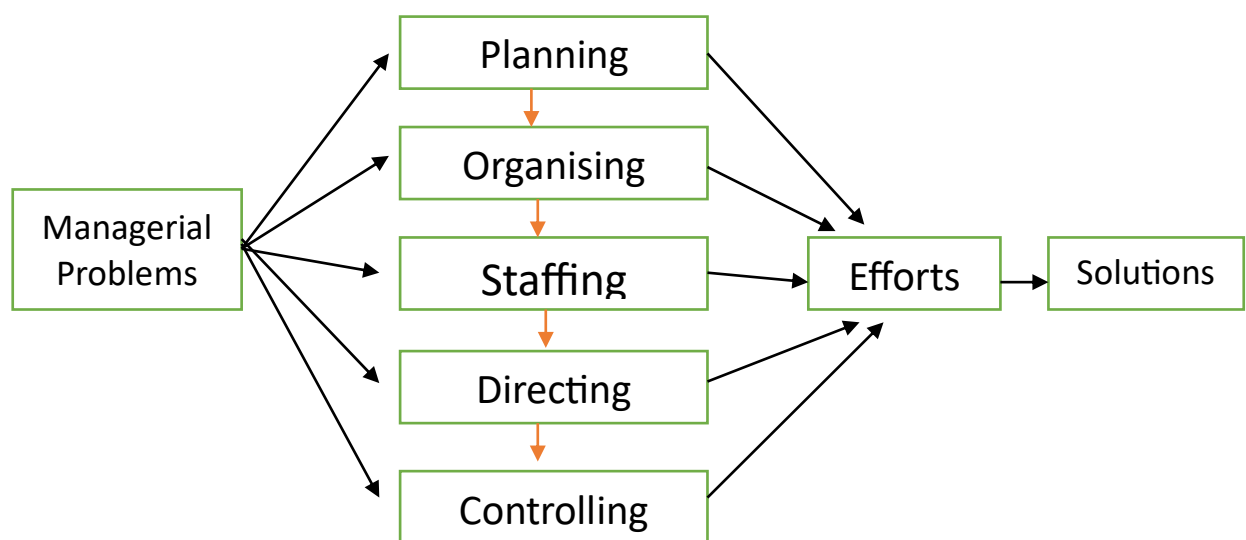
Fig: Managerial functions are interdependent

5. Controlling: It is the management function of monitoring organisational performance towards the attainment of organisational goals. It implies the measurement of actual performance against the set standards and connecting the deviations if any so as to ensure the achievement of organisations goals. Controlling has the following steps:

- Establishment of standards
- Measurement of actual performance
- Comparison of actual performance with the set standards and finding out deviations if any
- Taking corrective action.

LEVELS OF MANAGEMENT

The chain of superior-subordinate relationships is known as the **Levels of Management.** The three levels of management are Top Level Management, Middle-Level Management, and Operational Level Management.

Management is a group activity, which means that every organization has a number of individuals placed at different positions and are provided with different responsibilities according to their skills, education, etc. For the fulfillment of the responsibilities given to the members of an organization, they are also provided with the required authority. Based on the

amount and extent of responsibility and authority given to these members, a chain of superior-subordinate relationships is formed.There are three levels of management; viz., Top Level Management, Middle Level Management, and Operational Level Management.

1. Top Level Management

The senior most executives of the organization are found at the **top level of management**. The top level of an organization's management consists of the Board of Directors, Managing Director, Chairman, Chief Executive Officer, Chief Operating Officer, Vice-President, President, General Manager, and other Senior Executives. The managers at the top level of management of an organization are responsible for its survival and welfare. These managers perform stressful and complex work that demands long hours and commitment towards the company.

Functions of the Top Level Management

    i) Determination of the objectives for the organization
    ii) Framing of plans and policies
    iii) Coordination and control of the performance
    iv) Analysis of the business environment
    v) Setting up an organizational framework
    vi) Assembling of the resources

LEVELS OF MANAGEMENT
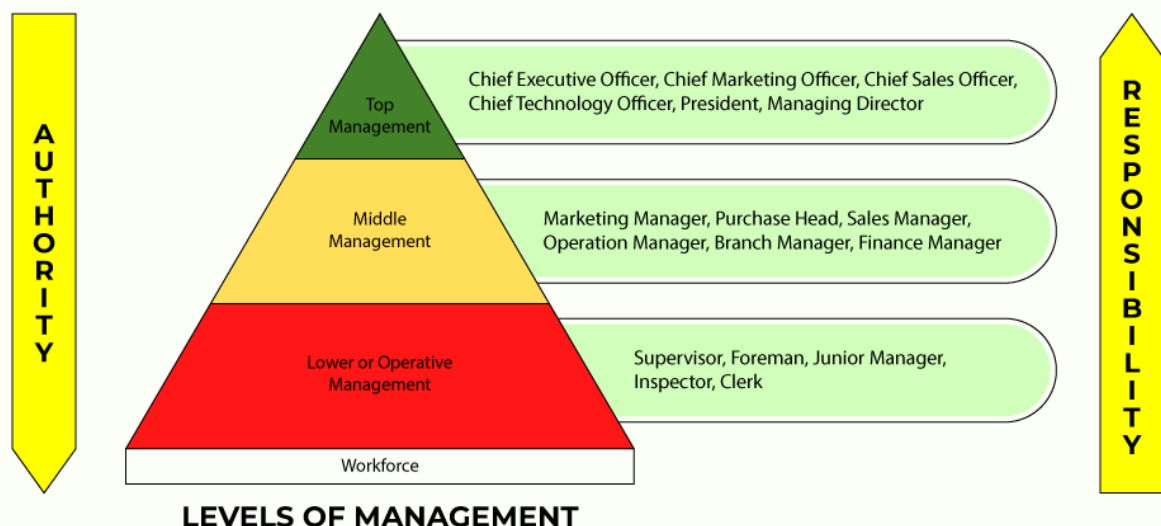
2. Middle Level Management

The next level of management is the Middle Level, which serves as a link between the Top Level Management and the Lower Level Management. The **middle level management** is superior to the lower or operational level management and subordinate to the top level management. The middle level of an organization's management consists of different functional department heads, such as Departmental Managers including Production, Purchase, Finance, Personnel, Marketing Managers, and other executive officers for different departments such as plant superintendent, etc. The employees or members of the middle level management are responsible to the top level management for their performance.

Functions of the Middle Level Management

    i) Interpretation of the policies framed by the Top Level Management
    ii) Selection of suitable operative and supervisory personnel

iii) Assigning of duties and responsibilities to the Lower Level Management
iv) Motivating employees to get desired objectives
v) Cooperating with the entire organization

3. Lower Level Management

The last level of management is the lower level management and is also known as the **Supervisory or Operational Level Management.** The managers at the lower level of management play a crucial role in the proper management of an organization, as they directly interact with the actual work force and interpret the instructions of the middle level managers to them. The responsibility and authority of the lower level managers depend upon the plans and policies formed by the top level management. The lower level management consists of foremen, supervisors, section officers, superintendents, and other managers who have direct control over the operative employees of the organization.

Functions of the Lower Level Management
i) Issuing of orders and instructions
ii) Preparation of plan for activities
iii) Assigning and assisting in work
iv) Representing workers' grievances
v) Ensuring a safe and proper work environment
vi) Helping the middle level management
vii) Encourage initiative of employees

MANAGEMENT AS A SCIENCE AND ART

Management can be recognised as both an art as well as science. Let us know why it is considered as both science and art.

Management as Art
- Management has a well-defined literature which is needed for gathering knowledge in the theories and accelerate learning.
- There are several examples of management literature which is available such as Taylors Scientific Management Theory and Henry Fayol's 14 principles of Management. These theories help in learning the various concepts of management.
- Management knowledge can be employed by everyone in their own way, very much like arts where words can be expressed in form of writing differently by different poets, and music notes arranged by musicians to present a musical piece, or the use of colours by a painter to draw vivid paintings.
- Furthermore, managers use the various theories and principles in tackling situations to make use of management knowledge.
- Arts is all regarding communicating and innovating using creativity such as two artists will enact the same scene in two different ways. Similarly, two distinct managers will be managing the situation differently. Sometimes managers can come up with innovative and fresh ideas to address the situation.

Management as Science
- Science is a methodical discipline and management also shares similar features.
- Like science, management also relies upon theories and principles to address issues that arise.
- Management has a separate glossary and terms which it uses to define certain processes.

- Theories in science have been developed after a prolonged observation and repeated experiments, similarly to some extent management also bases its theories on regular observation and experiments, such theories will act as guidelines for management in the long run.
- Scientific theories have universal legality, and in management also we see the principles are to some extent universally valid, and some can change as per the circumstances.
- Such theories and principles can be used as basic knowledge for instructing the managers.

Hence Management is an aggregate of both art and science.

SCHOOLS OF MANAGEMENT THOUGHTS

The practice of management is as old as human civilization. The various approaches to the study of management have propounded by specialist from different disciplines have come to be called **schools of management thought.** All these thoughts are basically different point of views or guidelines regarding management which enables the managers to achieve their organizational goals easily and effectively.

The approaches of management are theoretical frameworks for the study of leadership. Each of the management approaches is based on somewhat different assumptions about human beings and the organizations for which they work.

Stages in the evolution of Management Thought

The development of management thought could be traced to over 2000 years BC. However, the significant contributions that came up during the last three centuries could be grouped under the following four periods:

- Period of management awakening
- Scientific Management period
- The human relations period (also called behavioural sciences period)
- Modern management period
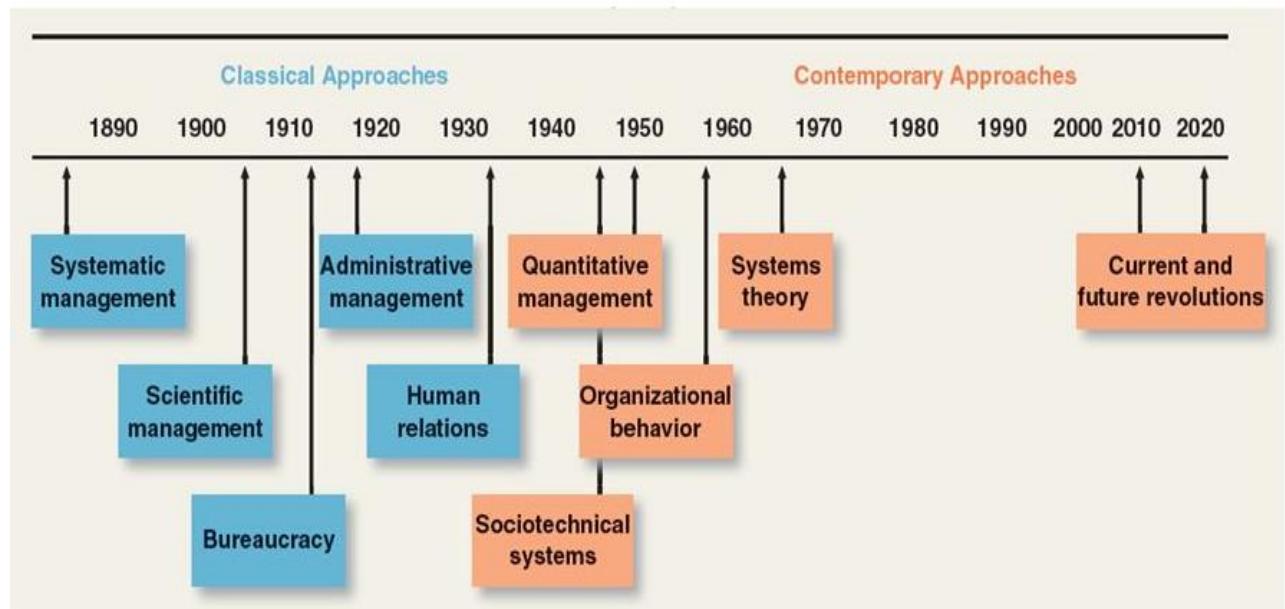
Fig: Evolution of Management Thought

I.TAYLOR'S SCIENTIFIC THEORY / SCIENTIFIC MANAGEMENT

The scientific theory of management focuses on individual efficiency and productivity. The father of this theory is Fredrick Winslow Taylor (1890-1940), from his text Principles of Scientific Management (1911). His proposal was to apply principles of the scientific method to the practice of management. His influence is such that the scientific theory of management is often referred to as Taylorism.

Principles of Scientific Management

1. Development of Science for each part of men's job (replacement of rule of thumb)

a. This principle suggests that work assigned to any employee should be observed, analysed with respect to each and every element and part and time involved in it.

b. This means replacement of odd rule of thumb by the use of method of enquiry, investigation, data collection, analysis and framing of rules.

c. Under scientific management, decisions are made on the basis of facts and by the application of scientific decisions.

2. Scientific Selection, Training & Development of Workers

a. There should be scientifically designed procedure for the selection of workers.

b. Physical, mental & other requirement should be specified for each and every job.

c. Workers should be selected & trained to make them fit for the job.

d. The management has to provide opportunities for development of workers having better capabilities.

e. According to Taylor efforts should be made to develop each employee to his greatest level and efficiency & prosperity.

3. Co-operation between Management & workers or Harmony not discord

a. Taylor believed in co-operation and not individualism.

b. It is only through co-operation that the goals of the enterprise can be achieved efficiently.

c. There should be no conflict between managers & workers.

d. Taylor believed that interest of employer & employees should be fully harmonized so as to secure mutually understanding relations between them.

4. Division of Responsibility

a. This principle determines the concrete nature of roles to be played by different level of managers & workers.

b. The management should assume the responsibility of planning the work whereas workers should be concerned with execution of task.

c. Thus planning is to be separated from execution.

5. Mental Revolution

a. The workers and managers should have a complete change of outlook towards their mutual relation and work effort.

b. It requires that management should create suitable working condition and solve all problems scientifically.

c. Similarly workers should attend their jobs with utmost attention, devotion and carefulness. They should not waste the resources of enterprise.

d. Handsome remuneration should be provided to workers to boost up their moral.

e. It will create a sense of belongingness among worker.

f. They will be disciplined, loyal and sincere in fulfilling the task assigned to them.

g. There will be more production and economic growth at a faster rate.

6. Maximum Prosperity for Employer & Employees

a. The aim of scientific management is to see maximum prosperity for employer and employees.

b. It is important only when there is opportunity for each worker to attain his highest efficiency.
c. Maximum output & optimum utilization of resources will bring higher profits for the employer & better wages for the workers.
d. There should be maximum output in place of restricted output.
e. Both managers & workers should be paid handsomely.

II. HENRY FAYOL'S 14 PRINCIPLES

Henry Fayol, also known as the 'father of modern management theory' gave a new perception of the concept of management. He introduced a general theory that can be applied to all levels of management and every department. The Fayol theory is practiced by the managers to organize and regulate the internal activities of an organization. He concentrated on accomplishing managerial efficiency.

The fourteen principles of management created by Henri Fayol are explained below.

1. Division of Work- Henri believed that segregating work in the workforce amongst the worker will enhance the quality of the product. Similarly, he also concluded that the division of work improves the productivity, efficiency, accuracy and speed of the workers. This principle is appropriate for both the managerial as well as a technical work level.
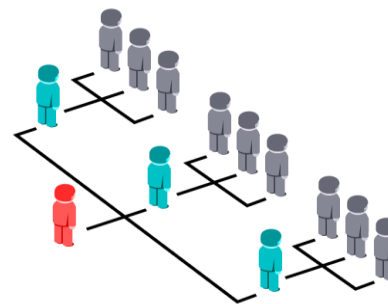
2. Authority and Responsibility- These are the two key aspects of management. Authority facilitates the management to work efficiently, and responsibility makes them responsible for the work done under their guidance or leadership. According to this principle, there should be a proper balance between authority and responsibility. Authority is the duty, which a subordinate is expected to perform. Authority and responsibility go hand in hand. Authority without responsibility leads to irresponsible behavior, while responsibility without authority will make a person ineffective.
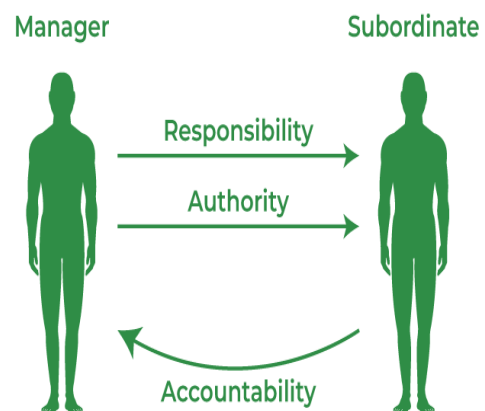
3. Discipline-Without discipline, nothing can be accomplished. It is the core value for any project or any management. Discipline refers to obedience to the rules and regulations of the organization. Discipline requires good supervision at all levels of management. According to Fayol, good supervision at all levels, clear and fair rules, and a built-in system of penalties will help to maintain discipline. It is a must for all levels of management.

4. Unity of Command- According to this principle, each subordinate should receive orders and be accountable to only the superior. No person can serve several

masters at the same time. If an employee gets orders from two superiors at the same time, then the principle of unity of command is violated, and he will find it very difficult to decide who he has to obey first. So, to avoid confusion, employees should receive an order from one superior.
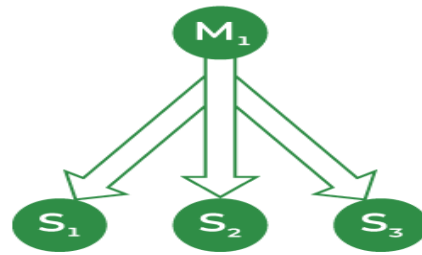
5. Unity of Direction- It implies that there should be one head and one person for proof of activities having the same objectives. According to this principle, all the activities should be carried under the direction of one head, and there should be effective coordination in all the activities. This principle ensures unity of action and avoids unnecessary duplication of work.

6. Subordination of Individual Interest- This indicates a company should work unitedly towards the interest of a company rather than personal interest. Be subordinate to the purposes of an organization. This refers to the whole chain of command in a company. It is the duty of the manager to reconcile them. If reconciliation is impossible, then general interest must supersede individual interest. A manager must sacrifice his interest. Manager can achieve their objectives when the organization recovers from financial crises.
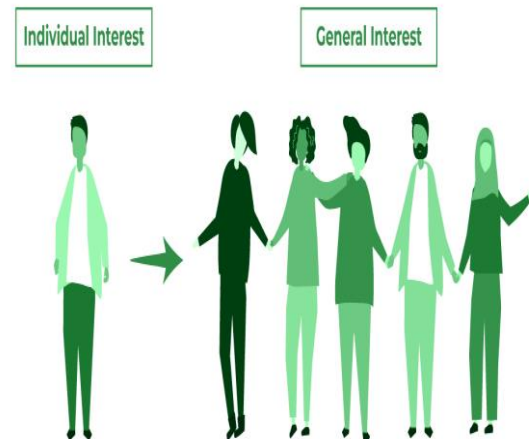
7. Remuneration- This plays an important role in motivating the workers of a company. Remuneration can be monetary or non-monetary. According to this principle, remuneration should be fair and satisfactory to both employees and the organization. This principle leads to harmonious relations in the organization. Fair remuneration should be determined based on government rules related to wages, financial position of the organization, nature of work, and cost of living. Employees should be paid reasonable wages for their service, which should provide them with a moderate standard of living.

8. Centralization & Decentralization - Centralization refers to the concentration of authority at the top level, and decentralization means distribution at all levels of management. According to this principle, there should be a proper balance between centralization and decentralization. The degree of centralization and decentralization depends on various factors, such as experience of the employees, ability of subordinates, size of the organization, etc. Too much centralization lead to loss of control of top management. Therefore an optimum balance should be maintained according to the need of the organization
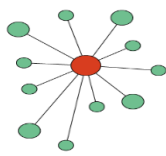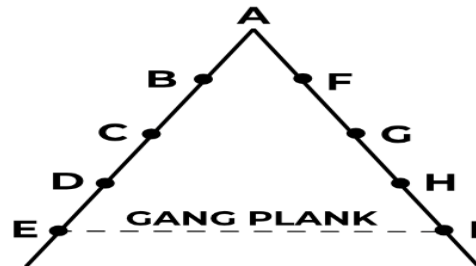
Centralization   Decentralization
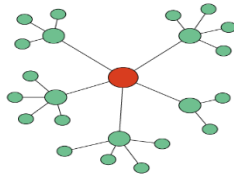
9. Scalar Chain- Fayol on this principle highlights that the hierarchy steps should be from the top to the lowest. This is necessary so that every employee knows their immediate senior also they should be able to contact any, if needed.

10. Order- A company should maintain a well-defined work order to have a favorable work culture. The positive atmosphere in the workplace will boost more positive productivity.

Right **Thing**, at Right **Place**, at Right **Time**

11. Equity-According to this principle, there should not be any discrimination amongst employees based on religion, caste, language, or nationality. Equity ensures coordinated relations between superiors and subordinates. It leads to the smooth and successful working of the enterprise. It improves satisfaction and motivation of the employee, creating relation between manager and employees.

Equality   Equity
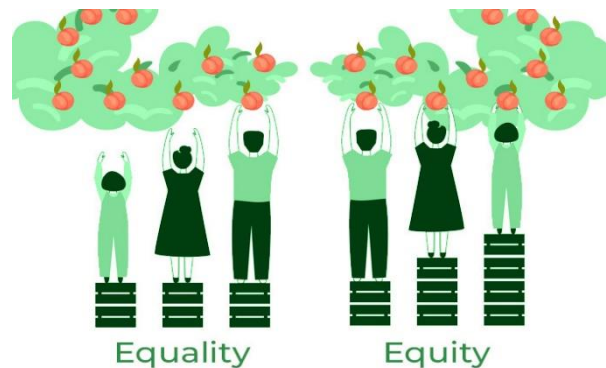
12. Stability- According to this principle, there should be proper effort to achieve stability and continuity of employment. Fayol said that employees should be kept in their position for a reasonable time to show result stability creates a sense of belonging, and workers are encouraged to improve their quality of work. This will increase the efficiency of employees, and it will also increase the reputation of the organization. Unnecessary labor turnover creates an atmosphere of disbelief. Continuous changes in employees disturb the working environment.

13. Initiative- According to this principle, workers should encourage and should be given an opportunity to take initiative in making and executing the plan. Henri Fayol suggested that employees at all levels should be encouraged to take initiative in work. It motivates employees to work better and to take more interest in the organization. The initiative is a powerful motivator of human behavior and a source of strength for the organization. This increase the mental growth and feeling of belongingness in employees. It increases the commitment of employees toward the organization.

14. Esprit de Corps- According to this principle, management should take reasonable steps to develop a sense of belongingness and a feeling of team spirit amongst employees. In order to achieve the best possible result, individual and group efforts need to be integrated. Production is a teamwork and it requires the full support of all members. For this purpose, a manager should replace 'I' with

'We' in his conversations to bring a team spirit among the employees. This will develop an atmosphere of mutual trust. It will help in achieving group goals, leading to cordial relations between management and workers.

III. ELTON MAYO'S HUMAN RELATIONS THEORY

Elton Mayo (1880-1949), an Australian Psychologist, developed this human relations theory. According to him, workers' work satisfaction is necessary for productivity, and money is not the only factor for workers' Motivation depends on various factors, and the workplace should have a healthy working environment.

It is the study of behaviour of people at work. The theory has its origin in a series of experiments conducted by prof. Elton Mayo and his associates at Harvard School of Business. The theory focuses on individual needs & groups. The emphasis is placed on how individuals with groups & the result of group behaviour & performance.

Phases of Human Relations Theory

The experiments Mayo conducted included illumination experiments, relay assembly test room experiments, mass interviewing experiments, and bank wiring observation room experiments. Let's look at these experiments separately.

Illumination Experiment

Bank Wiring Observation room Experiment ← **Phases of Human Relations Theory** → Relay Assembly Test Room Experiment

Mass Interviewing Programme
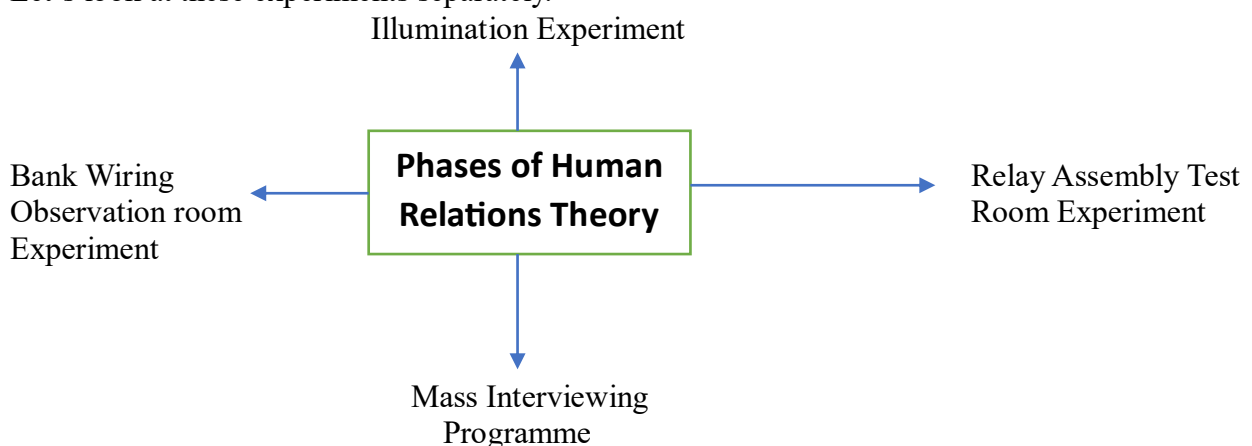
1. Illumination Experiment (1924)

The illumination experiment is the first Mayo conducted in 1924 which lasted for 3 years. In this experiment, he wanted to find out whether or not the light bulb affects workers' productivity.

He formed two groups of workers and kept them in separate rooms. In one room the light bulbs held constant and, in another room, the number of light bulbs was reduced (or removed). He thought that the removal of light bulbs would reduce productivity and its availability would increase productivity. But in both cases, he found the same productivity. And, he concluded that group works and social relationships among workers were the real cause of productivity.

2. Relay Assembly Test (1927)

In the second experiment, he volunteered six women operators for the study, and they are employed in assembling relays or electromagnetic switches used in switching telephone calls automatically. The study was to find out whether or not changes in work conditions affect employees' mental health and productivity.

To ensure precision in measuring output and quality, the women were segregated into separate areas. The productivity remained the same despite changes in rest breaks, pay incentives, the kind of supervision, etc. for workers in a separate room.

3. Mass Interviewing Program

In the third experiment, 20,000 workers were interviewed through questions to know their attitudes toward the workplace, supervision practices, insurance plans, promotions, and wages. The focus of

this experiment was on knowing employees' human relations in the organization rather than their physical.

After the interviewing process, it was concluded that workers' behavior was more influenced by informal relations, group behavior, and psychological needs which had a significant impact on productivity.

4. Bank Wiring Observation (1931-1932)

In the last experiment of Elton Mayo's human relations theory, 14 male workers were formed into a small group. They were engaged in the assembly of terminal banks for equipment used for the telephone exchange. Their wage for hourly work is fixed based on average outputs and bonuses also on growth.

It was expected that highly efficient workers would put pressure on less efficient workers to increase output and take advantage of the group incentive plan. However the result was different and workers were influenced by other various factors like fear of unemployment, fear of not increasing in output, desire to protect slow workers, etc.

The following are the four combinations of Mayo theory and the effect of each on team dynamics:

1. Groups with low norms and low cohesiveness are ineffective; they have no impact, since none of the members are motivated to excel, according to Mayo's theory.

2. Groups with low norms and high cohesiveness have a negative impact, since fellow members encourage negative behavior (e.g., gangs).

3. Groups with high norms and low cohesiveness have some degree of positive impact through individual member accomplishments.

4. Groups with high norms and high cohesiveness have the greatest positive impact, Mayo's theory predicts, since group members encourage one another to excel.

IV. SYSTEMS THOERY

The systems theory of management asserts that any organization is a single, unified system of interrelated parts or subsystems. Each part of the overall system is dependent on the others and cannot function optimally without them. Therefore, if factors are present that adversely affect one subsystem within an organization, it's likely these factors may adversely affect other subsystems, too. This can result in impacts on the entire system to a certain extent. This framework presents an organization as a natural ecosystem, where each element is interdependent. The systems approach

is another term for this framework. Various components of a system also interact with each other regularly, which is true in a modern organization like a business, although this can happen in different ways.

Types Of Organizational Systems

According to systems theory, there are essentially two types of systems, namely open systems and closed systems:

Open system

An open system is one that interacts with its environment. Systems theory asserts that open systems are the most common type. This is because you can describe almost anything as a system. For example, a business is an organizational system, but so too is society. If you're observing a business, you'd consider it as the system and its individual departments as subsystems. Alternatively, you may be observing a country, which is an overall system. Here, organizations like businesses and others might be the various subsystems within it.

Closed system

Contrary to an open system, a closed system is one that has almost no interactions with its external environment. According to the systems approach, these are much rarer than open systems, as it's very difficult for any organization to operate independently of its environment. Its various subsystems would still be interdependent and interact constantly, but the overall system is independent and self-sustaining. It doesn't rely on its external environment to function. This can cause the system to encounter limitations, such as input constraints. A closed system would therefore be autarky, where almost no exchange occurs between it and external systems.

Components

According to the systems approach, an organizational system has several components that help it function. These components and how they interact with each other are:

Environment

The environment of an organizational system is the setting or location in which it operates. This can dictate the resources it has access to, its relationships with other systems and even the nature of the organization's activities. If the organizational system itself is a business, then the environment might be the country, region, county or city in which it operates. Each would also have its own environment.

Inputs

Almost any organizational system functions to produce something. This could be something like a product or service, which it may then sell for income. To achieve this, an organization requires some external inputs to enable it to conduct certain processes. In the case of a business or company, these inputs are the major components of production, like labour, raw materials, fuel or electricity.

Transformation process

Once an organization acquires the necessary inputs, it can begin working to produce a product or service from them. This is the transformation process and often represents the primary activity of the organizational system. It's also typically the aspect of the organization's activities that's least dependent on the external environment. In the case of a business, the transformation process is where it combines the labour of its workforce with other inputs to produce the desired output. This also requires the use of tools, which it may also acquire from the environment.

Outputs

Once the transformation process is complete, the organization has successfully produced its outputs. These are primarily things like the goods or services that it intends to manufacture and later sell to the market, which is part of the organization's external environment. In the case of the car manufacturer, the primary output is the automobiles that it intends to sell. There are other outputs

that result from this activity. These include the financial results of the sale of its primary output, information from post-production checks like quality assurance and reviews from customers.

Feedback

The final component of a properly functioning organizational system is feedback. It derives this from certain internal and external elements, like customer reviews, quality assurance audits and financial results. The information that you can derive from feedback enables you to alter your input requirements, such as new machinery, alternative materials, different production processes or more efficient technologies. Although it primarily affects your inputs, this feedback might also have an indirect effect on your transformation process.
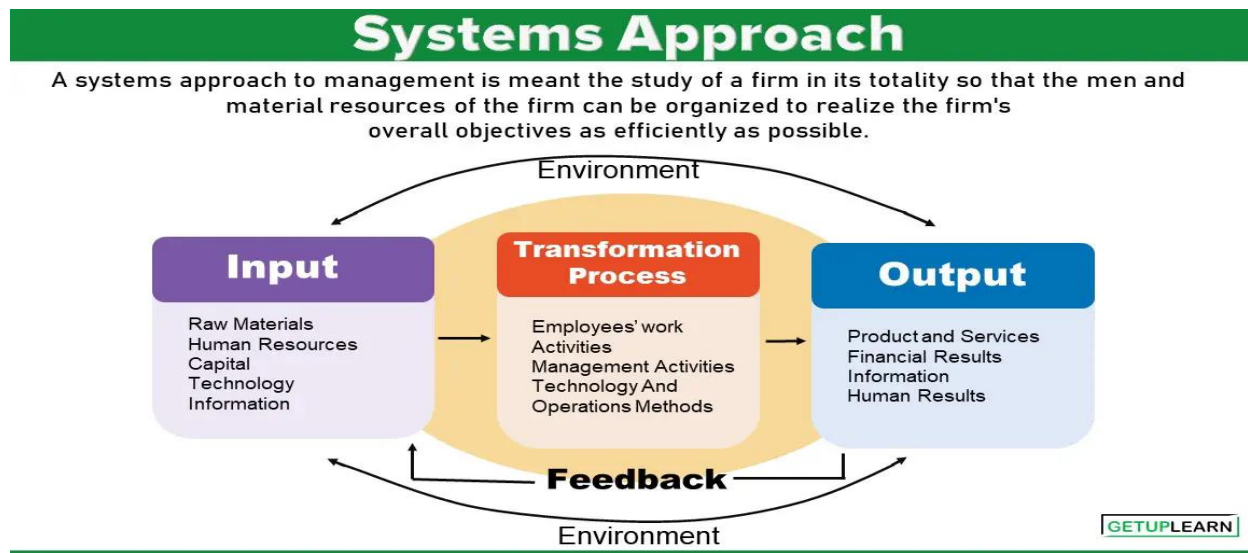
ORGANISATIONAL DESIGNS

ORGANISATION & ORGANISING

Very often, these terms are interchangeably, which is not correct. Organisation is different from organising. Organising is one of the functions of management whereas organisation refers to the institution where in the management functions are performed. Organising is the means to achieve the plans. If planning involves making a road map for the chosen destination, then organising is the means by which you reach your chosen destination.

Organising is a process of: -

- Determining, grouping and structuring the activities.
- Creating roles for effective performance at work.
- Allocating necessary authority and responsibility for results.
- Determining detailed procedures and systems for different problem areas.

The ultimate result of organising is organisation. Organising function ends with creating a structure of relationships. It explains who is responsible for a given task.

ORGANISATION: Formal or Informal?

organisation may be formal, informal or both.

A **Formal Organization** is defined as an organization that has set rules and regulations. There is a definite hierarchical structure in this organization. A formal organization is formed to achieve the existing long-term goals of the organization. Examples of formal organizations include churches, hospitals, schools, companies, etc. In this kind of organization, the tasks are carried out smoothly and efficiently. The employer and the employees work together to achieve the organization's goal.

The formal organization has its own distinguishing characteristics. Some of them include having well-structured rules, hierarchical structure, definite policies, and objectives, etc.

An **Informal Organization** is defined as an organization that majorly focuses on building social relationships. The main aim of the informal organization is to create a positive work environment so that the goals of the company are achieved efficiently. Informal organization is a set of social relationships, communities, networks, etc. The employees remain motivated as there is a positive work environment, and the employees are provided with incentives/ promotions, etc. One of the major examples of an informal organization is the clubs or social networks. An informal organization aims to generate harmony among people and work together to achieve the goals. Well, there are three significant kinds of informal organization, namely vertical organization, horizontal organization, and mixed organization.

ORGANIZATIONAL DESIGN

Organizational design is structuring an organization to achieve its goals efficiently and effectively. It involves determining the appropriate hierarchy, roles and responsibilities, and organizational communication channels. It aims to create a structure that facilitates the achievement of the organization's objectives and maximizes the use of its resources.

Types of Organisations/ Organisational Designs/ Organisational Structures

An organisation can be classified on the basis of authority relationships or on the basis of the departments. Based on authority relationships the organisations are classified into:
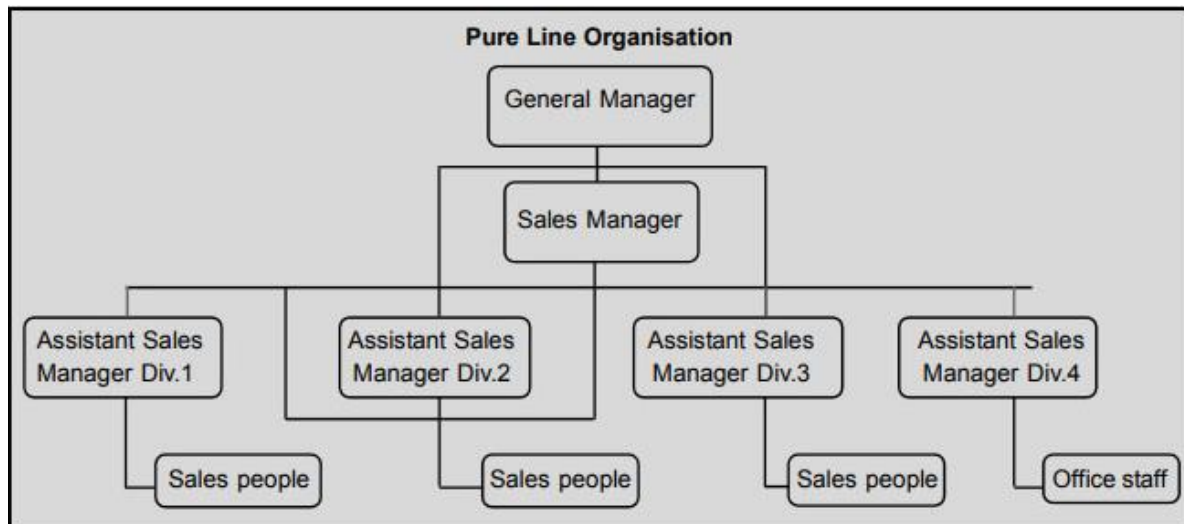
5. Line organisation
6. Line & Staff Organisation
7. Functional Organisation
8. Matrix Organisation
9. Project Organisation
10. Committee form Organisation

Based on departments the organisations are classified into: (a) Functional Organisation

(b) Product Organisation

(c) Regional / Geographical Organisation

(d) Customer Organisation

(e) Committee Organisation

(f) Matrix Organisation

1. Line Organisation

Line organization structure is the oldest and simplest form of organization. In these organizations, a supervisor exercises direct supervision over a subordinate. Also, authority flows from the top-most person in the organization to the person in the lowest rung. This type of an organization is also called a military organization or a scalar-type organization.

Pure Line Organisation

General Manager

Sales Manager

| Assistant Sales Manager Div.1 | Assistant Sales Manager Div.2 | Assistant Sales Manager Div.3 | Assistant Sales Manager Div.4 |

Sales people | Sales people | Sales people | Office staff

Advantages of a Line Organization
- Simple to work
- Economical and effective. It also allows quick decisions and efficient coordination.
- Conforms to the scalar principle of organization. Further, it promotes the unity of command.
- In a line organization, the responsibility for the performance of tasks is fixed upon definite individuals. Therefore, there is accountability of delegated tasks.
- There is excellent discipline in a line organization due to unified control and undivided loyalties.
- The overall cost of running the organization is low due to the non-involvement of staff personnel.
- It is a stable form of organization.

Disadvantages of a Line Organization
- A line organization can suffer from a lack of specialization. This is because each department manager is concerned only with the activities of his own department. Therefore, employees are skilled in tasks pertaining to their departments alone.
- These organizations can overburden a keyman or a few key-men to the extent of their breaking point. Also, in the absence of a staff aid, if a strong man seizes the organization, he can run it arbitrarily. Such arbitrary power can lead to a considerable damage to the organization.
- Such organizations usually suffer from a lack of expert advice. If the line manager has trouble making a decision, there is no expert staff that he can turn to.
- A line organization is usually rigid and inflexible. In fact, such organizations maintain discipline so rigorously that they can rarely change.
- These organizations are based on the autocratic system of management.
- The division of work is not based on any scientific plan but on the whims of the manager.
- It might stop progress and prevent the unit to work effectively.
- Such organizations might also encourage nepotism or favoritism based on relationship or friendship.

II. Line & Staff Organisation

Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line

executives and staff supervisors guide, advice and counsel the line executives. Personal Secretary to the Managing Director is a staff official.
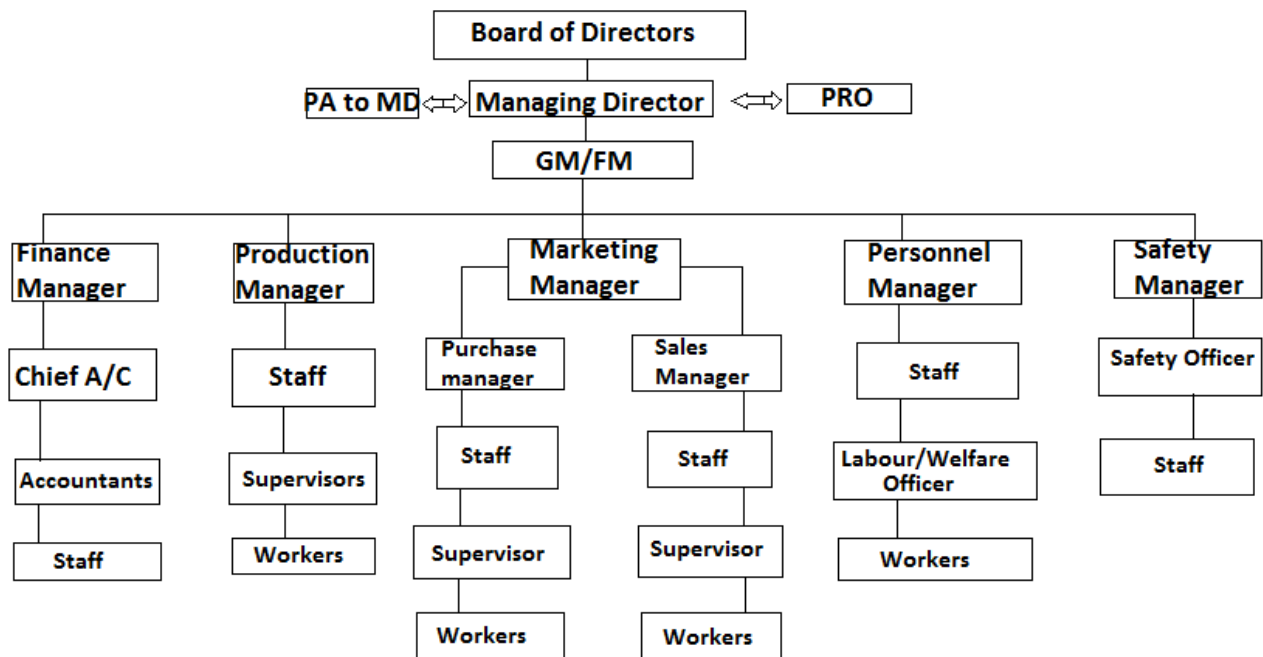
line-staff organization, in management, approach in which authorities (e.g., managers) establish goals and directives that are then fulfilled by staff and other workers. A line-staff organizational structure attempts to render a large and complex enterprise more flexible without sacrificing managerial authority.
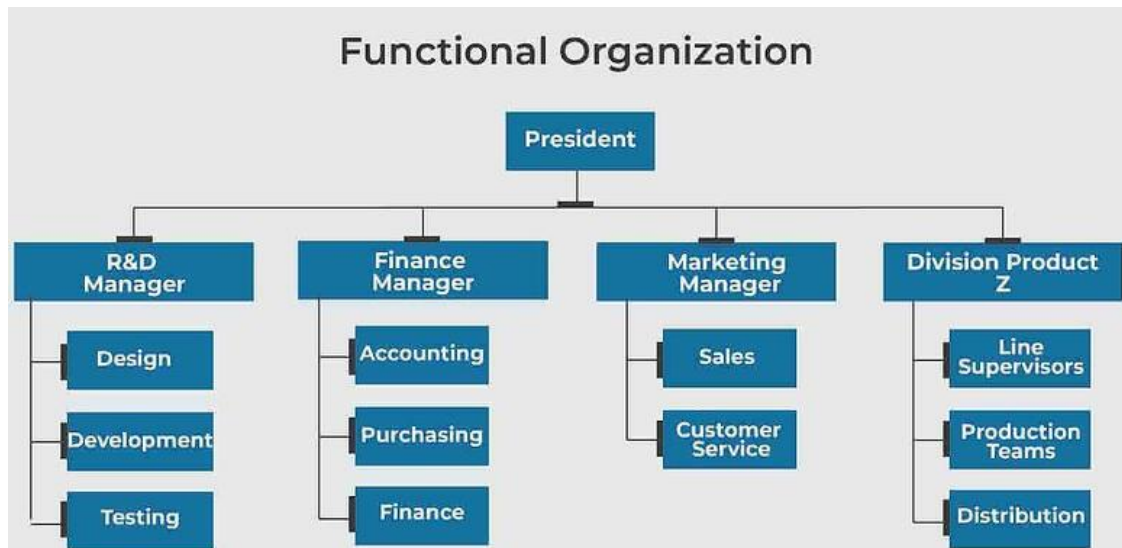
Advantages	Disadvantages
• It Promotes Specialization • Facilitates Sound Decisions • It Is Flexible And Dynamic • Minimizes The Burden Of Officers • Increased Employee Motivation And Job Satisfaction • Suitable For Big Firms	• It Is Costlier And Complex Than Line Organization • Not Appropriate For Small Organizations • Possibility Of Conflict Between Line And Staff Authority • High Staff Turnover benefits-drawbacks.blogspot.com

III. Functional Organisation

functional structure divides the organization into departments based on their functions. Each is headed by a functional manager, and employees are grouped according to their roles. Functional managers typically have experience in the roles they supervise, ensuring that employees are using their skills effectively. A functional structure that maximizes department expertise helps companies achieve their business objectives.

Under a functional organizational structure, employees are classified according to their function in an organizational chart. This chart shows the role hierarchy (e.g., president, vice president, finance, sales, customer service, administration, etc.).

Advantages of the Functional Organizational Structure
The following are several benefits of the functional organizational structure:
- Employees are grouped by their knowledge and skills, allowing them to achieve high performance.
- Their roles and responsibilities are fixed, facilitating easy accountability for the work.
- The hierarchy is clear and transparent. This reduces the number of communication channels.
- Communication is frictionless within the department.
- Work is not duplicated, as all departments have defined responsibilities.
- Employees feel secure; they perform well without fear or uncertainty.
- Because of job security, employees tend to be loyal to the organization.
- Employees have a clear career growth path.
- Cooperation is excellent within the department.

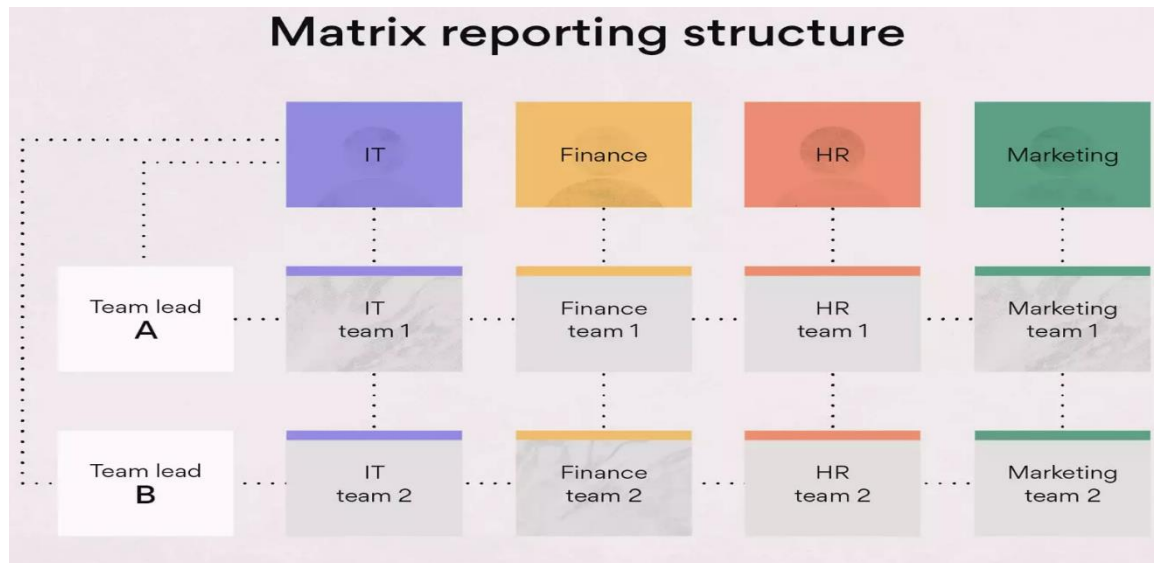**Disadvantages of the Functional Organizational Structure**
The following are a few disadvantages of the functional organizational structure:
- Employees may feel bored because of repetitive work. This monotony causes a loss of enthusiasm.
- Conflicts may arise if the performance appraisal system is not properly managed.
- A highly skilled employee costs more.
- Departments develop an insular, self-interested mentality. Functional managers pay more attention to their own departments and ignore others' interests.
- Communication is weak among the departments. This causes poor inter-department coordination, affecting flexibility and innovation.
- A lack of teamwork among different departments slows innovation.
- Employees may have little concern or curiosity about events outside their group.
- The rigid functional structure makes adapting to changes difficult and slow.
- Decision-making is sluggish due to the bureaucratic hierarchy.

IV. Matrix Organisation
    A matrix organization is a work structure where team members report to multiple leaders. In a matrix organization, team members (whether remote or in-house) report to a project manager as well as their department head. This management structure can help your company create new products and services without realigning teams.

Advantages of Matrix Organization Form:
- This form of organization retains the expertise and management skills of functional managers while executing the project. The expertise available can be applied in a most flexible and efficient and efficient manner to benefit a number of projects.
- Matrix project organization is a fascinating arrangement for the highly skilled professionals who want to work on a new and challenging project but are reluctant to leave their parent organization in which their professional skills and attributes might not be properly respected.
- The project manager can devote his time towards complex issues of the project and coordinate various tasks and priorities of the organization without being distracted by any other detail of project implementation.
- Policies and procedures can be set up independently for each project provided that they don't contradict company policies and procedures.
- A strong technical base can be developed and much more time can be devoted to complex problem-solving. Knowledge is available for all projects on an equal basis.
- Each person has a "home" after project completion. People are susceptible to motivation & end item identification.

Disadvantages of Matrix Organization Form:
- Each project organization operates independently.
- Functional managers may be biased according to their own set of priorities.
- People don't feel that they have any control over their own destiny when continuously reporting to multiple managers.
- Difficulty in monitoring and controlling.
- Multidimensional workflow and information flow.

V. Project Organisation

Project organization refers to the style of coordination, communication and management a team uses throughout a project's life cycle. Project organization encourages participation by each team member and embraces diverse talents and skills.

Team involvement is laid out in an organizational structure chart that graphically shows where each person is placed in the project structure. Project organizational charts are useful tools for clarifying who does what, securing buy-in and setting expectations for the group.
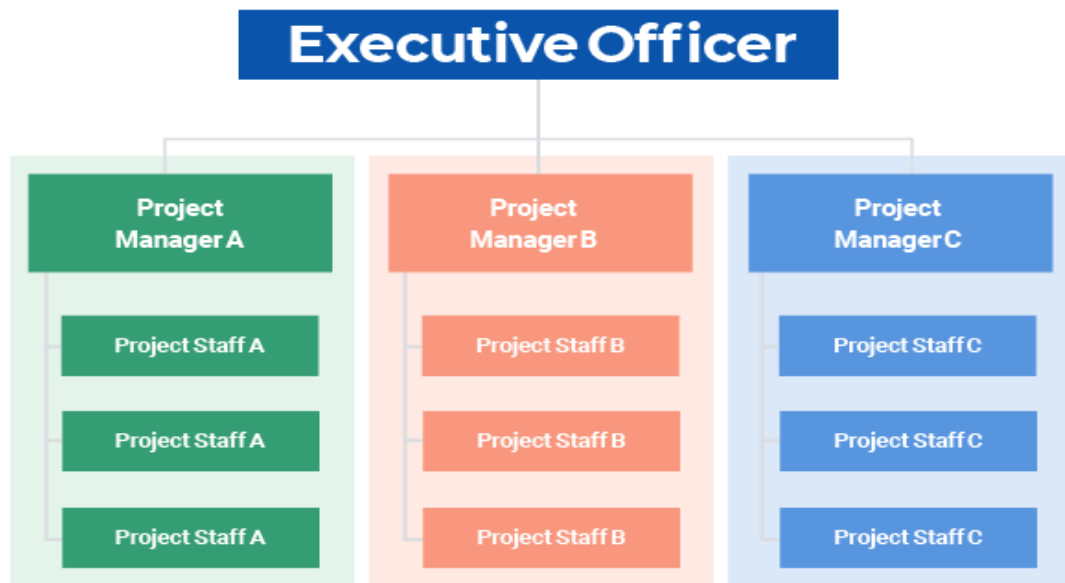
VI. Committee form of Organisation

A committee organization represents a group of people with various kinds of knowledge, which is formally constituted to solve specific problems of the organization. A committee helps to gather collective ideas and information, and properly analyze them which helps to make strong managerial decisions and solve difficult problems.

During the course of the operation committee organizational structure, various problems may arise in the organization, to solve such problems, the management constitutes committees by gathering the members from the concerned fields.
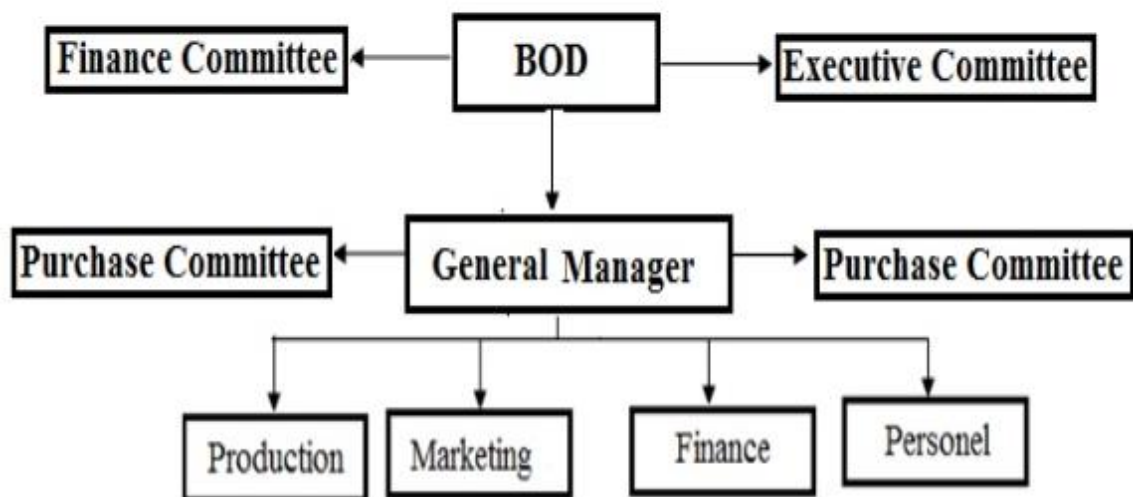
Types of Committee Organization

A committee is common in all types of organizations. A committee may be of two types: Executive Committee (Permanent Committee) and Advisory Committee (Ad Hoc Committee).

- **Permanent Committee (Executive Committee)** – Permanent committees perform their functions on a regular basis. They are involved in the planning and decision-making functions of the organization. They solve all types of problems that crop up in the organization.

- **Advisory Committee (Ad Hoc Committee)** – Ad Hoc Committee is formed for a specific purpose to play an advisory role. An Ad Hoc Committee is formed for a temporary period and automatically dissolved after completion of the given work or time.

The primary functions of a committee organization are to suggest and guide the management in decision-making procedures and in solving problems of various departments such as marketing, finance, production, personnel, etc.

SOCIAL RESPONSIBILITIES OF MANAGEMENT

Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest. Social responsibility management is the process of organizing and overseeing efforts to improve the community and address social issues. Managers can improve their leadership by incorporating a focus on accountability to society and the community.

H. R. Bowen defines, "Social responsibility refers to the obligations to pursue those policies, those decisions or to follow those lines of actions which are desirable in terms of the objectives and values of our society."

Management's social responsibility towards important groups are as follows:
(i) Towards own self and their profession:
1. To take rational decisions, keeping in mind social interests.
2. To respect the profession.
3. To get the membership of professional organisations.
4. To follow the professional code of contact.
5. To show professional courtesy.
6. To contribute towards the development of managerial research and knowledge.

(ii) Responsibility towards their business organisation:
1. To operate successfully the business of the organisation.
2. To create demand for business unit's products/services.
3. To maintain competitive strength of organisation.
4. To promote innovations in business.
5. To expand and grow the business.
6. To encourage research and development activities/plans.
7. To maintain profit earning capacity of the firm.
8. To build and enhance the goodwill and public image of the business.

(iii) Towards the owners :
1. To work as a custodian of capital contributed by owners, thereby ensuring the safety of capital.
2. To share appropriate information with owners.
3. To ensure regular payment of return on capital.
4. To add value to the capital on a continuous basis to ensure capital appreciation.

5. To give equal treatment to all shareholders and work as their trustee.
6. Not to make private gains and not to do any fraud/embezzlement.
7. To provide regular, accurate, and complete information about the company's working, as well as schemes of future growth.

(iv) Responsibility towards creditors
1. To make productive use of debt money.
2. To keep fair conditions of interest and principal amount while taking loans.
3. To make regular and timely payment of interest and the principal amount borrowed.
4. To keep custody of mortgaged assets.
5. To make available the required information to the creditors.

(v) Responsibility towards workers
1. To pay fair wages/salaries and deal fairly with employees.
2. To implement incentive wage plans.
3. To provide safe working conditions.
4. To provide healthy working conditions.
5. To give them job security.
6. To implement labour welfare programmes.
7. To give meaningful work to the employees, according to their qualification and skills.
8. To organise training and development programmes for the overall development of employees.
9. To fulfill statutory requirements for safety of workers.
10. To give fair chances of promotion.
11. To give fair share of bonus and profits.
12. To provide opportunities of career growth and personality development.
13. To give workers, than chance to participate in management.

(vi) Responsibility towards consumers
1. To study about their needs, wants, tastes, likings, etc.
2. To supply the right quality and quantity of goods and services to the consumers at reasonable prices.
3. To offer products of uniform standard.
4. To ensure fair distribution of products.
5. To refrain from indulging in profiteering, hoarding, creating artificial scarcity of products.
6. To provide prompt and quick service to consumers.
7. To handle consumer grievances promptly.
8. To refrain from misleading product-promotion practices.
9. To do research on markets, consumers and the goods of consumer utility.
10. To respect consumer protection laws.
11. To inform the consumers about the usage and features of products.

(vii) Responsibilities towards suppliers
1. To provide fair prices for the goods offered.
2. To determine/put fair conditions of purchase.
3. To make timely payments to creditors.
4. To give opportunities to suppliers to offer raw material of new type.
5. To provide necessary market information.

(viii) Responsibilities towards other business :
1. To maintain healthy competition.
2. Not to oppose and criticise other competitive business units.
3. To encourage cartels or unions for business efficiency and to promote the society's interest.

4. To refrain from monopoly and unfair trade practices.
5. Not to use the trademark, brand, etc. of other business competitors.

(ix) Responsibility towards trade associations and professional organisations
1. To get membership of chamber of commerce and other business associations.
2. Not to make wrong use of literature published by them.
3. To follow their code of conduct made for members.
4. To give chance to the member students of these organisations to serve the business units.
5. To provide monetary contribution for implementation of programmes started by them.
6. To attend and participate in their meetings and to perform important discussions on related topics.

(x) Responsibilities towards the community
1. To adopt socially desirable behaviour and standard of living, avoiding ostentation and wasteful expenditure.
2. To play a fair role in civic affairs.
3. To provide and promote general amenities and help.
4. To create better living conditions in general.
5. To conserve and preserve the natural wealth.
6. To contribute towards development of backward areas.
7. To preserve and promote social and cultural values.

(xi) Responsibility towards government
1. To abide by the policies, rules and regulations framed by government.
2. To operate the business according to government policies.
3. To pay taxes and other duties fully, honestly and truly.
4. To refrain from corrupting government machinary.
5. To make full use of production capacity and license in the business.
6. To use economic resources in national interest.
7. To be cooperative in operation of national policies and national programmes: small savings, clean India, family welfare, etc.

(xii) Responsibility towards the world
1. To provide assistance in promoting international trade.
2. To refrain from intervening in business policies or internal matters of other nations.
3. To adopt international technology and techniques.
4. To follow the business ethics and norms of international business.
5. To respect the social and cultural values of trading nations. .
6. To provide technical and managerial assistance to developing and backward nations.
7. To establish business/industries in backward countries.
8. To be concerned about healthy competition, just behaviour and cordial relations with other countries.