

## UNIT– II

- ❑ **Planning and Organizing:** Planning – Planning Process, Types of Plans, Decision making and Steps in Decision Making
- ❑ **Principles of Organization:** Span of control, organizational Design & Organizational Structures; Departmentalization, Delegation; Centralization, Decentralization.

# PLANNING

Planning means looking ahead. It is deciding in advance what is to be done. Planning includes forecasting. When management is reviewed as a process, planning is the first function performed by a manager. The work of a manager begins with the setting of objectives of the organisation and goals in each area of the business. This is done through planning.

**The concept of planning consists towards : Planning and Plan**

**Planning is an activity , it can be considered as consisting of a process, hence various subactivities.**

**Plan is a commitment to a particular course of action believed necessary to achieve specific results.**

**A plan is a predetermined course of action to accomplish the set objectives.** It is today's projection for tomorrow's activity. Planning includes objectives, strategies, policies, procedures, programmes, etc. As it involves making choices, decision-making is the heart of planning.

## **Definitions of Planning:**

**According to Koontz O'Donnell** - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

**According to Terry** "Planning is the selection and relating of facts and making and using of assumptions regarding the future in the visualization and formalization of proposed activities believed necessary to achieved desired result.

## Nature of Planning

- 1.Planning is goal-oriented:** Every plan must contribute in some positive way towards the accomplishment of group objectives. Planning has no meaning without being related to goals.
- 2. Primacy of Planning:** Planning is the first of the managerial functions. It precedes all other management functions.
- 3. Pervasiveness of Planning:** Planning is found at all levels of management. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.
- 4. Efficiency, Economy and Accuracy:** Efficiency of plan is measured by its contribution to the objectives as economically as possible. Planning also focuses on accurate forecasts.
- 5. Co-ordination:** Planning co-ordinates the what, who, how, where and why of planning. Without co-ordination of all activities, we cannot have united efforts.
- 6. Limiting Factors:** A planner must recognize the limiting factors (money, manpower etc) and formulate plans in the light of these critical factors.
- 7. Flexibility:** The process of planning should be adaptable to changing environmental conditions.
- 8. Planning is an intellectual process:** The quality of planning will vary according to the quality of the mind of the manager

## Importance of Planning

- 1. To manage by objectives:** All the activities of an organisation are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.
- 2. To offset uncertainty and change:** Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.
- 3. To secure economy in operation:** Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.
- 4. To help in co-ordination:** Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organisation.
- 5. To make control effective:** The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.
- 6. To increase organisational effectiveness:** Mere efficiency in the organisation is not important; it should also lead to productivity and effectiveness. Planning enables the manager to measure the organisational effectiveness in the context of the stated objectives and take further actions in this direction.

# Advantages of Planning

- All **efforts are directed towards desired objectives** or results. Unproductive work and waste of resources can be minimized.
- Planning enables a **company to remain competitive** with other rivals in the industry.
- Through careful planning, **crisis can be anticipated**, and mistakes or delays avoided.
- Planning can point out the **need for future change** and the enterprise can manage the change effectively.
- Planning enables the **systematic and thorough investigation** of alternative methods or alternative solutions to a problem. Thus, we can select the best alternative to solve any business problem.
- **Planning maximizes the utilization** of available resources and ensures optimum productivity and profits.
- Planning provides the **groundwork for laying down control standards**.
- Planning enables management to **relate the whole enterprise** to its complex environment profitably.

## Disadvantages of Planning

**Environmental factors are uncontrollable and unpredictable** to a large extent. Therefore, planning cannot give perfect insurance against uncertainty.

Planning is many times **very costly**.

Tendency **towards inflexibility** to change is another limitation of planning.

Planning **delays action**.

Planning **encourages a false sense of security** against risk or uncertainty

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**Planning: It is a process of precocious determination of future course of actions.** Deciding what needs to happen in the future (today, next week, next month, next year, over the next 5 years, etc.) and generating plans for action. This step involves mapping out exactly how to achieve a particular goal.

Laying down objectives	Developing planning premises	Search alternative course of actions
Evaluation of alternative	Formulation of policies and Procedure	
Preparing schedules, programmes and budgets		

# Planning Process

## Perception of Opportunities

- Provides information for formulation of plans
- It is a primary look at opportunities & ability
- This provides an opportunity to set the objectives for the environment

## Establishing Objectives

- The objectives specify the result expected and indicated the end point (What, Where, When)
- The objectives are specified in all key result areas
- Organizational objectives give direction to the nature major plans

## Planning Premises

- At this stage, the conditions under which planning activities will be undertaken are determined (Planning Assumptions)
- The external and internal conditions/ factors are considered
- PP is differed at different levels of planning

### **Identification of Alternatives**

- ❑ Based on org. objectives and PP various alternatives can be identified
- ❑ They suggest that a particular objectives can be achieved through various actions in a specified premises

### **Evaluation of Alternatives**

- ❑ An attempt is made to evaluate how each alternative contributes to the org. objectives in the light of its resources and constraints.
- ❑ Alternatives are considered feasible in terms of preliminary criteria

### **Choice of Alternatives**

- ❑ Selecting the course of action is the point at which the plan is adopted. It is the real point of decision-making
- ❑ Planner may choose more than one and keep another one as contingency plan

### **Formulation of Supporting Plans**

- ❑ After the basic plan various plans are derived so as to support the main plan
- ❑ These derivative plans support the main plan implementation



## **Establishing sequence of Activities and Formulation of Action Plan**

- Planner has work out its details and formulate the steps in full sequences
- Planner decides who will do, what and when; budgets are prepared for concrete meaning for implementation.

## **Reviewing the planning process**

- Feedback mechanism, an attempt is made to secure that which was originally planned. To do this we have to compare the actual performance with the plan and then we have to take necessary corrective action to ensure that actual performance is as per the plan.

# Planning At Various Levels

- Corporate Plans ( Long range, Short Term Plans)
- Strategic Plans (Divisional, Departmental plans Short rage, Long Term plans)
- Operational Plans (Sectional or Individual Plans)



## Types of plans

A plan, as defined earlier is a commitment to a particular course of action believed necessary to achieve specific results. From this point of view, there can be several types of plans.



## Strategic plans

- Involves analyzing competitive opportunities & threats, as well as the strengths & weaknesses of the organization, & determining how to position the organization to compete effectively in their environment.

## Tactical plans

- Creates the blueprint for the larger strategic plan. These plans are often short term and are carried out by middle-level managers.

## Operational plans

- Covers the entire organization's goals & objectives and puts into practice the ways & action steps to achieve the strategic plans. Very short term plans, usually less than a year.

Plans commit the various resources in an organization to specific outcomes for the fulfillment of future goals. Many different types of plans are adopted by management to monitor and control organizational activities. Three such most used plans are hierarchical, frequency-of-use (repetitiveness) and contingency plans.

## **Types of Plans**

**Strategic Plans:** Strategic plans define the framework of the organization's vision and how the organization intends to make its vision a reality. It is the determination of the long-term objectives of an enterprise, the action plan to be adopted and the resources to be mobilized to achieve these goals.

Since it is planning the direction of the company's progress, it is done by the top management of an organization. It essentially focuses on planning for the coming years to take the organization from where it stands today to where it intends to be.

The strategic plan must be forward looking, effective and flexible, with a focus on accommodating future growth. These plans provide the framework and direction for lower-level planning.

## **Tactical Plans**

Tactical plans describe the tactics that the managers plan to adopt to achieve the objectives set in the strategic plan.

Tactical plans span a short time frame (usually less than 3 years) and are usually developed by middle level managers. It details specific means or action plans to implement the strategic plan by units within each division.

Tactical plans entail detailing resource and work allocation among the subunits within each division.

## **Operational Plans**

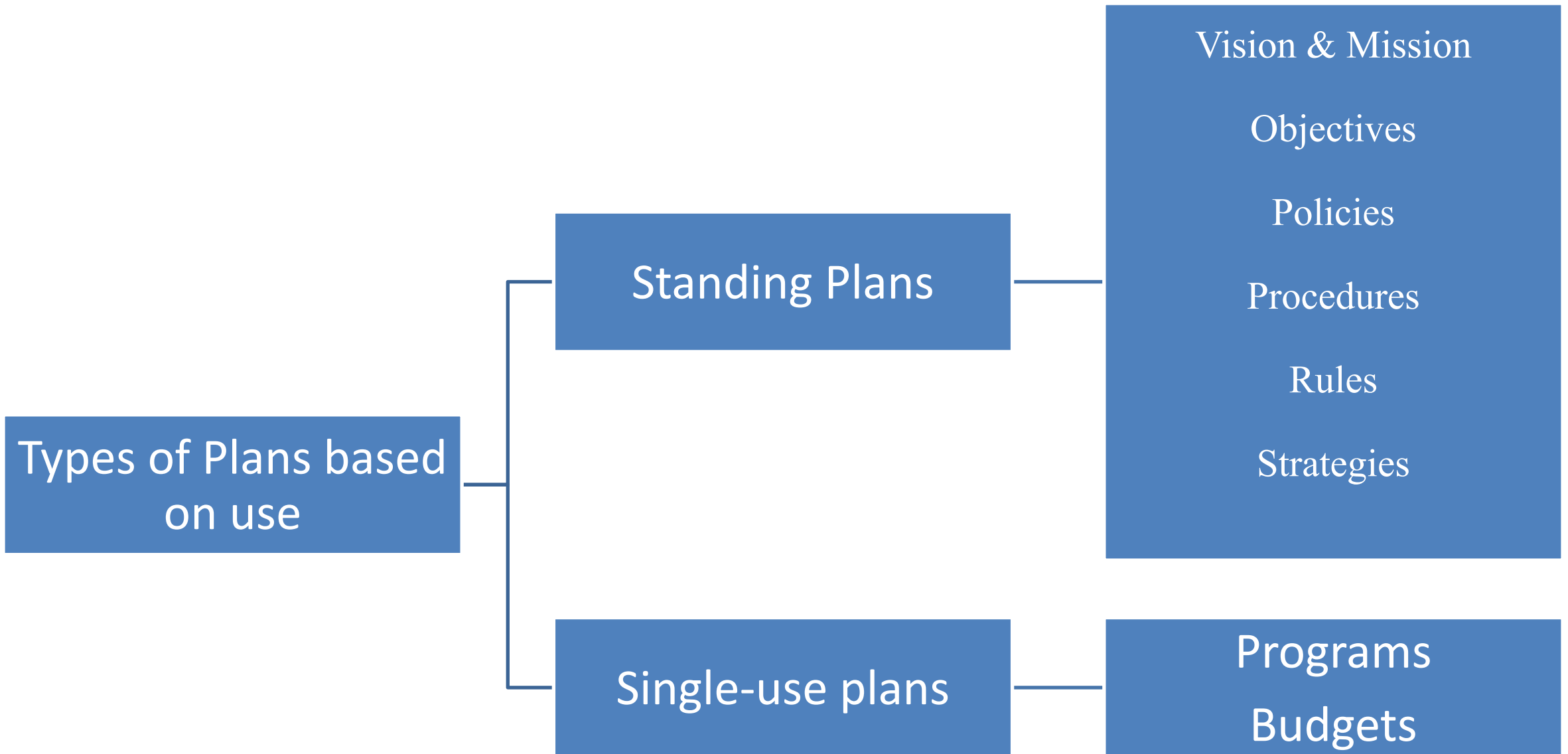
Operational plans are short-term (less than a year) plans developed to create specific action steps that support the strategic and tactical plans. They are usually developed by the manager to fulfill his or her job responsibilities. They are developed by supervisors, team leaders, and facilitators to support tactical plans.

They govern the day-to-day operations of an organization.

### **Operational plans can be –**

**Standing plans** – Drawn to cover issues that managers face repeatedly, e.g. policies, procedures, rules.

**Ongoing plans** – Prepared for single or exceptional situations or problems and are normally discarded or replaced after one use, e.g. programs, projects, and budgets.



**Vision and mission:** A vision statement focuses on tomorrow and what an organization wants to ultimately become. A mission statement focuses on today and what an organization does to achieve it. Both are vital in directing goals.

**Purpose or Mission:** It is a standing plan, that it defines the basic intention of an organization in the light of which other actions are designed. It specifies the kind of organization and describes the business characteristics.

“The purpose or mission of an organization is a general enduring statement of the organization the intent of which embodies the decision makers’ philosophy, it implies the image which the organization seeks to project”.

- 1) The mission sets forth principles and conceptual foundation
- 2) It guides to managers in developing result-oriented objectives, strategies and policies
- 3) It focus on external rather than internal



**Objectives and Goals:** Both the terms are used interchangeably, as both imply the target one desires to accomplish. Goals are desired set of affairs that an organization wants to accomplish. Whereas objectives are specific targets within the general goal to achieve a certain task. Thus, objectives are specific with support in the attainment of goals. The process of planning begins with the setting up of objectives. The planning stage includes courses of action and identifies the results that the company desires. These are usually set up by the top level. All organizations large or small can identify problems and establish overall goals for their business, but they need specific objectives to progress.

**Strategy :** The term strategy is mostly used in military science and games. But in view of growing competition and rapidly changing environment, now it has become equally relevant to the business organization. In business, it refers to a comprehensive (i.e., determining long-term objectives, adopting a course of action, and allocation of resources) and an integrated plan, which indicates the desired future of the organization. It is very often said that a proper strategy is the blueprint of an organization's desired destination. It is an elaborate, systematic and special type of plan, which is formulated to meet the challenges forwarded by the competitors or other external factors, such as changes in the economic, political, social, legal, and technological environment. It involves preparing itself for meeting unforeseen factors.

- A **policy** provides a **broad guideline for managers to follow when dealing with important areas** of decision making. Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Typical human resources policies, for example, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.
- A **procedure** is a **set of step-by-step directions that explains how activities or tasks are to be carried out**. Most organizations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order. By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.
- A **rule** is an **explicit statement that tells an employee what he or she can and cannot do**. Rules are “do” and “don’t” statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For example, rules about tardiness and absenteeism permit supervisors to make discipline decisions rapidly and with a high degree of fairness.

**Single-use Plans:** Single-use plans are made to serve a specific objective. They cease to exist once such an objective is achieved. They are nonrecurring and the duration of this plan generally depends upon the type of project. These plans are short-lived, and they have to be reformulated after every use. These plans include programme and budget, following are explained below:

**Programme:** Programmes are comprehensive plans designed to implement the policies and accomplish the objective by combining goals, task assignments, policies, resources, etc. They are usually single-use plans indicating the steps to be taken, resources to be used, and the period for completion of the task. It gives a step-by-step approach to guide the action necessary to reach a pre-determined goal. There are two types of programme major and minor. Major programmes are basic plans for example- the poverty eradication programme. Minor programmes are derivative programmes designed to implement for major programmes. **For example,** a company may have a programme with respect to ‘Construction of new factory premises’.

**Budget:** According to George. R. Terry,” a budget is an estimate of future needs arranged to an orderly basis covering some or all of the activities of an enterprise for a definite period of time”. **A budget is a statement of expected results that are expressed in numerical terms for a definite period.** It is a single-use plan expressed in quantitative terms. It is a projection of anticipated cost results and the allocation of resources. On one hand, it is an instrument of planning, as it helps to make the plans clear, on the other hand it is an instrument of control, as it serves as a standard for evaluating performance. It is prepared for one year.

The **Schedule** Management Plan defines how the project schedule is managed throughout the project lifecycle. The plan provides guidance and sets expectations for project schedule policies and procedures for planning, developing, managing, executing, and controlling the project schedule.

**Projects:**  
A project is a plan that organizes a set of limited-scope activities that do not need to be divided into several major parts in order to reach a significant nonrecurring goal.

## Specific Plan

A Specific Plan is a planning document that implements the goals and policies of the General Plan. These plans contain detailed development standards and implementation measures to which future projects located within a specified geographic area must adhere.

- A Specific Plan may be general, setting forth broad policy concepts, or detailed, providing direction to every facet of development: the type, design, location, and intensity of uses

## Flexible planning

Flexible planning allows managers to plan the team's workload and resources more accurately while running multiple projects. Often there are a lot of variables that can't be predicted – especially in software development or agency environment. It may affect our project budget, timeline, and finally – the deadline. Flexible project and resource planning prevent managers from sticking to the old plans and lets them act accordingly to all of the unpredicted changes.

- 1. Take external events into account**
- 2. Uncover risks and challenges**
- 3. Frequently verify client priorities**
- 4. Draft alternative scenarios**
- 5. Include meetings with our team and client in our plan**

# Decision Making

**A decision is the selection of a course of action (or decision) out of many available alternatives. The marketing manager may be arrived at a particular decision by analyzing, evaluating and carefully planning.**

The decision making is the basic and fundamental key of all managerial activities. It is the study of identifying and choosing best possible choice (or option) based on the values and preferences of the business organization.

- **Peter F. Ducker:** “Whatever a manager does he does through making decisions.”
- **E. Mc. Farland:** “**A decision is an act of choice wherein an executive forms a conclusion about what must be done in each situation. A decision represents a behavior chosen from a number of possible alternatives.**”
- **George R. Terry:** “**Decision making is the selection based on some criteria from two or more possible alternatives.**”
- **Koontz & O'Donnel:** “Decision is the selection from among alternatives of a course of actions.”

# Characteristics of Decision Making

Decision making implies that there are various alternatives, and the most desirable alternative is chosen to solve the problem or to arrive at expected results.

1. The decision-maker has **freedom to choose** an alternative.
2. **Decision-making may not be completely rational** but may be judgmental and emotional.
3. Decision-making is **goal-oriented**.
4. Decision-making is a **mental or intellectual process** because the final decision is made by the decision-maker.
5. A decision **may be expressed in words** or **may be implied from behavior**.
6. Choosing from among the **alternative courses** of operation implies uncertainty about the result of each possible course of operation.
7. Decision making is rational. It is taken only after **a thorough analysis and reasoning** and weighing the consequences of the various alternatives.



## Types of Decisions

**Programmed and Non-Programmed Decisions:** Herbert Simon has grouped organizational decisions into two categories based on the procedure followed. They are:

**Programmed decisions:** Programmed decisions are **routine and repetitive and are made within the framework of organizational policies and rules**. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact. They are, generally, taken at the lower level of management.

**Non-Programmed Decisions:** Non-programmed decisions are decisions **taken to meet non-repetitive problems**. Non-programmed decisions are **relevant for solving unique/ unusual problems in which various alternatives cannot be decided in advance**. A common feature of non-programmed decisions is that they are novel and non-recurring and therefore, readymade solutions are not available. Since these decisions are of high importance and have long-term consequences, they are made by top level management.



**Strategic and Tactical Decisions:** Organizational decisions may also be classified as strategic or tactical.

**Strategic Decisions:** Basic decisions or strategic decisions are decisions which are of crucial importance.

Strategic decisions **a major choice of actions concerning allocation of resources and contribution** to the achievement of organizational objectives. Decisions like plant location, product diversification, entering into new markets, selection of channels of distribution, capital expenditure etc are examples of basic or strategic decisions.

**Tactical Decisions:** Routine decisions or tactical decisions are decisions which are routine and repetitive.

**They are derived out of strategic decisions. The tactical decision are relates to day-to-day operation of the organization** and has to be taken very frequently. Tactical decision is mostly a programmed one. The outcome of tactical decision is of short-term nature and affects a narrow part of the organization.

higher level managers are free to devote more time on strategic decisions.

# CERTAINTY, RISK AND UNCERTAINTY

**CERTAINTY:** Decision making condition in which managers have accurate, measurable & reliable information about the various outcome alternatives consideration. under the conditions of certainty, full information is available on all the factors relevant to the decision

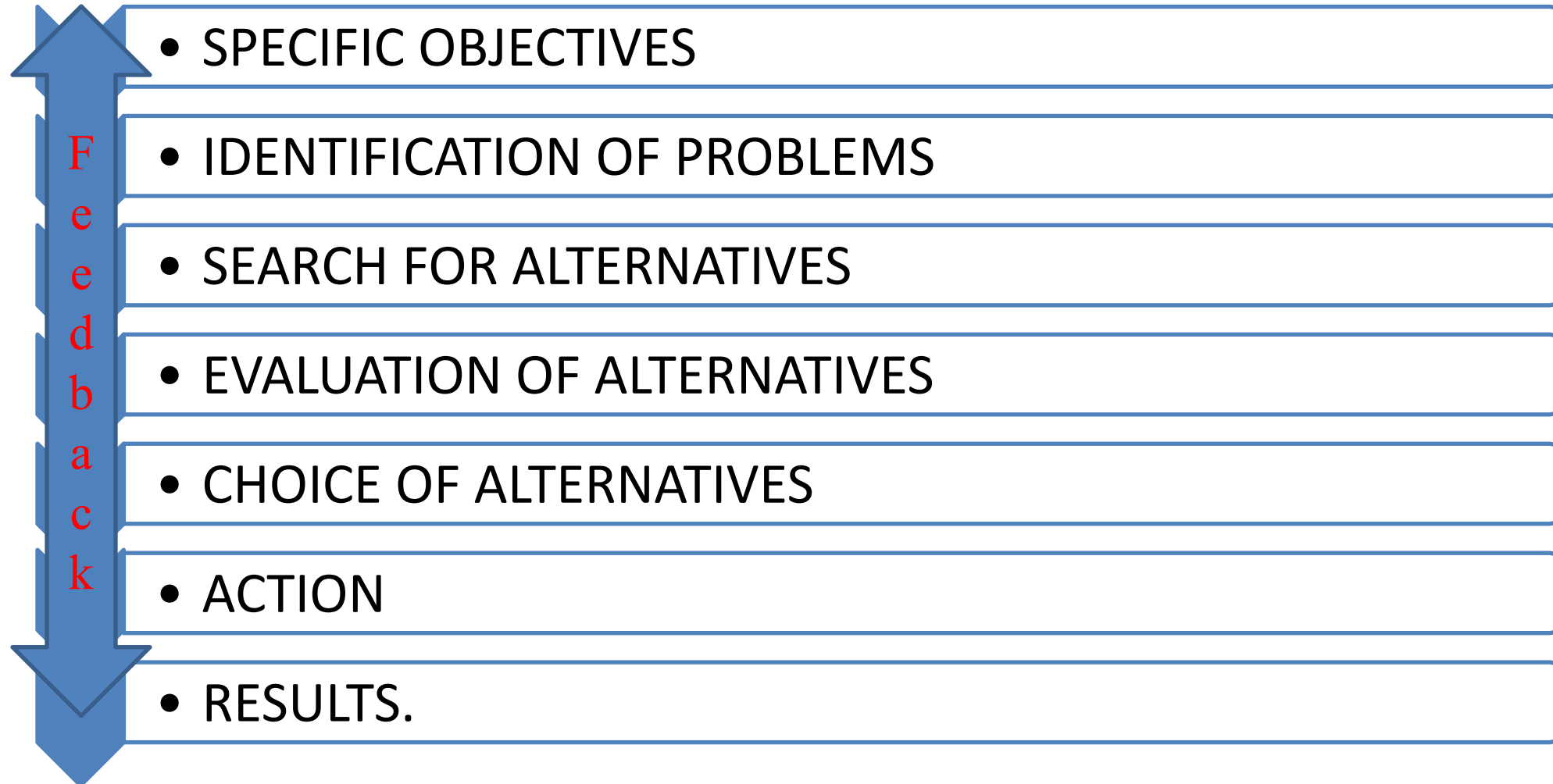
**RISK:** Decision making condition in which managers know the probability a given alternative will lead to a desired goal or outcome. some information about the decision situation is available but it is not fully reliable.

**UNCERTAINTY:** Under conditions of uncertainty everything is in the state of flux. Information is neither available nor reliable. Several random forces operate in the environment making it unpredictable. The decision maker does not know the outcomes of alternative courses of action, and he cannot determine the probability of potential outcomes. **Judgement, past experience and intuition play a vital role in decision making.**

# DECISION MAKING PROCESS

When a manager makes a decision, it is in effect the organisation's response to a problem. As such, decisions should be thought of as means rather than ends. Every decision is the outcome of a dynamic process which is influenced by multiple forces.

The steps in the decision making are as follows:



**1. Specific objectives:** The need for decision making arises in order to achieve certain specific objective. Every action of human being is goal directed. This is true for decision making also which is an action. Therefore, the starting point in any analysis of decision making involves the determination of whether a decision need to be made. In fact, setting of specific objectives itself is an outcome of an earlier decision.

**2. Problem identification:** It is the real beginning of the decision-making process. it is the gap between the present and desired state of affairs on the subject matter of decision. A problem can be identified more clearly, if managers go through diagnosis and analysis of the problem.

**a. Diagnosis:** The term diagnosis has come from the medical science where it is used as the process of identifying a disease from its sign and symptoms.

**b. Analysis :** The diagnosis of the problem gives the understanding of what should be done in terms of decision making, analysis of problems takes into further step. The analysis of the problem requires to find out who would make decision, what information would be needed, and from where the information is available.

**3. Search for Alternatives:** A problem can be solved in several ways; however, **all the ways cannot be equally satisfying**. Therefore, the decision maker must try to find out the various alternatives available in order to get the most satisfactory result of a decision. A decision maker can use several sources for identifying alternatives:

**His own past experiences, Practices followed by others and Using creative techniques.**

**4. Evaluation of Alternatives:** Evaluate the identified and select the one that will meet the choice criteria. The decision maker must check proposed alternatives against limits, and if an alternative does not meet them, he can discard it. Having narrowed down the alternatives which require serious consideration, **the decision maker will go for evaluating how each alternative may contribute towards the objective supposed to be achieved by implementing the decision.**

**5. Choice of Alternative:** The evaluation of various alternatives presents a clear picture as to how each one of them contribute to the objectives under question. **A comparison is made among the likely outcomes** of various alternatives and the best one is chosen.

**6. Action:** Once the alternative is selected, it is put into action. The **actual process of decision-making ends** with the choice of an alternative through which the objectives can be achieved.

**7. Results:** When the decision is put into action, it brings certain results. **These results must correspond with objectives, the starting point of decision process, if good decision has been made and implemented properly.** Thus, results provide indication whether decision making, and its implementation is proper.

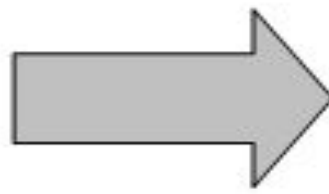
## **THE RATIONAL MODEL OF DECISION MAKING & Decision Making Techniques**

Managers who weigh their options and calculate optimum levels of risk are using the rational model of decision making. This model is especially useful in making non-programmed decisions. It helps managers go beyond a priori reasoning, the assumption that there is an obvious solution already existing and simply waiting to be found.

Managers who use a rational, intelligent, and systematic approach are more likely than other managers to produce high quality solutions .No approach to decision making can guarantee that a manager will always make the right decision.

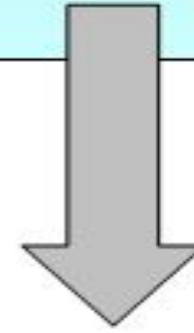
## **1. INVESTIGATE THE SITUATION**

- **Define problem**
- **Diagnose causes**
- **Identify decision objectives**



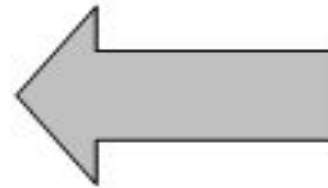
## **2. DEVELOP ALTERNATIVES**

- Seek creative alternatives
- Do not evaluate yet



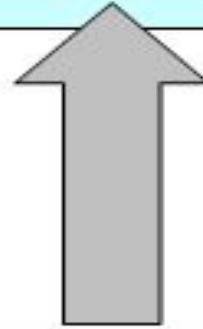
## **3. Evaluate alternatives and select best one available**

- **Evaluate alternative**
- **Select best alternative**



## **4. Implement and Monitor**

- **Plan implementation**
- **Implement plan**
- **Monitor implementation and make necessary actions**





## Introduction of Organizing / Organization

Organizing involves division of work among people whose efforts must be coordinated to achieve specific objectives and to implement pre-determined strategies. Organizing is the foundation upon which the whole structure of management is built. It is the backbone of management. After the objectives of an enterprise are determined and the plan is prepared, the next step in the management process is to organize the activities of the enterprise to execute the plan and to attain the objectives of the enterprise. The term organizing is given a variety of interpretations. In any case, there are two broad ways in which the term is used. In the first sense, **organizing is understood as a dynamic process and a managerial activity** which is necessary for bringing people together and tying them together in the pursuit of common objectives.

Organizing is concerned with the building, developing and maintaining of a structure of working relationships in order to accomplish the objectives of the enterprise.



## **Definition of Organizing**

According to Sheldon, "Organising is the process of so combining the work which individuals or groups have to perform with facilities necessary for its execution, that the duties so performed provide the best channels for efficient, systematic, positive and co-ordinated application of available effort."

Mc Ferland has defined organisation as, "an identifiable group of people contributing their efforts towards the attainment of goals".

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

# **Nature of Organizing**

- 1) Identification & Classification of required activities**
- 2) Grouping the activities of an organization**
- 3) Assigning the activities or group to the individual positions**
- 4) Allocation of Authority and Responsibility to the positions**
- 5) Coordination of the structure ( Horizontally or Vertically )**

# Organizing is as a process

According to Louis A Allen, "Organising involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organizational objectives." The various steps involved in this process are:

1. **Determination of Objectives**
2. **Enumeration of Objectives**
3. **Classification of Activities**
4. **Assignment of Duties**
5. **Delegation of Authority**

## Process of Organizing

**1. Determining the Objectives:** It is the first step in building up an organization. The organization is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. The organization structure is built on the basis of the objectives of the enterprise.

That means the structure of the organization can be determined by the management only after knowing the objectives to be accomplished through the organization.

- This step helps the management not only in framing the organization structure but also in achieving the enterprise objectives with minimum cost and effort.
- The determination of objectives will consist in deciding as to why the proposed organization is to be set up and, therefore, what will be the nature of the work to be accomplished through the organization.

**2. Enumeration of Objectives:** If the members of the group are to pool their efforts effectively, there must be proper division of the major activities. The first step in organizing group effort is the division of the total job into essential activities.

- Each job should be properly classified and grouped. This will enable the people to know what is expected of them as members of the group and will help in avoiding duplication of efforts. For example, the work of an industrial concern may be divided into the following major functions – production, financing, personnel, sales, purchase, etc.

**3. Classification of Activities:** The next step will be to classify activities according to similarities and common purposes and functions and take the human and material resources into account. Then, closely related and similar activities are grouped into divisions and departments and the departmental activities are further divided into sections.

**4. Assignment of Duties:** Here, specific job assignments are made to different subordinates for ensuring certainty of work performance. Everyone should be given a specific job to do according to his ability and made responsible for that.

- He should also be given adequate authority to do the job assigned to him. In the words of Kimball and Kimball, “Organization embraces the duties of designating the departments and the personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between department and individuals.”

## **5. Delegation of Authority**

Since so many individuals work in the same organization, it is the responsibility of management to lay down the structure of relationships in the organization. Authority without responsibility is a dangerous thing and similarly, responsibility without authority is an empty vessel.

- Everybody should clearly know to whom he is accountable; corresponding to the responsible authority is delegated to the subordinates for enabling them to show work performance. This will help in the smooth working of the enterprise by facilitating the delegation of responsibility and authority.

## SPAN OF MANAGEMENT

The span of management refers to the number of subordinates who report directly to the superior. It is also known as the number of subordinates who are efficiently managed by a single superior manager. If the subordinates who report to a superior are more in number, it is called the 'wide span' and the vice versa is called the 'narrow span.' The wide span results in a less number of levels in the organisation hierarchy (flat organisation) and thereby expedites the communication process. But this span is challenging to a manager as the manager has to supervise, direct, control a number-of subordinates performing different types of activities. On the other hand, narrow span results in close and personalized relationships between the manager and his subordinates and it leads to tall organisations.

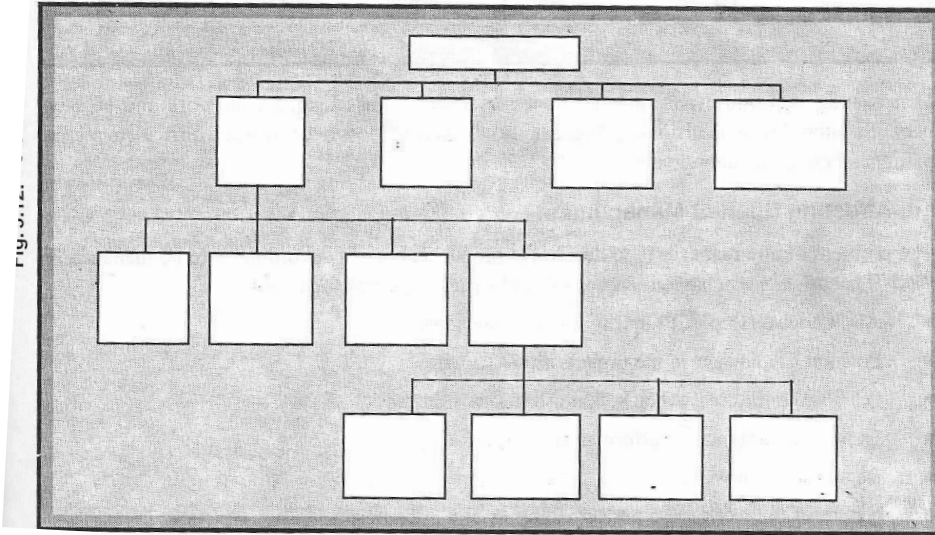
**Organizations with Narrow Spans :** Organisations with narrow spans result in tall structures.

**Advantages of narrow span include:** close and efficient supervision, close control and quick communication and reporting between superior and subordinate.

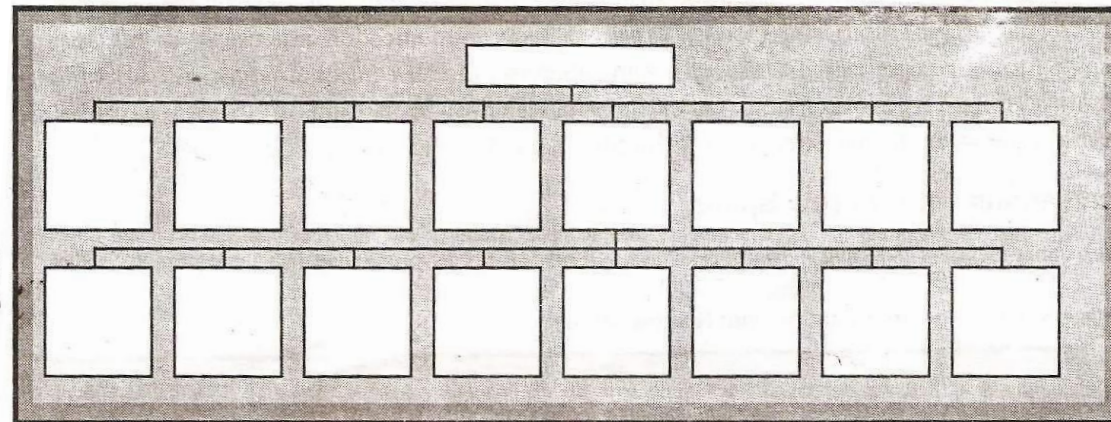
**Disadvantages of narrow span include:** Superiors involve too much in the subordinate's work, too many levels in the management, high cost of supervision and management, communication disorders between the lowest level employee and CEO and excessive distance between the lowest level employee and top-level manager.



..... Organisation with Narrow Spans



..... Organisation with Wide Spans



be underloaded with work and become

**Organisations with wide spans:** Organisations with wide spans result in flat organisations as-presented.

**Advantages of wide spans include:** superiors delegate most of their authority and responsibility and concentrate as their core business, management formulates clear policies and guidelines, subordinates are carefully selected, and subordinates are trained and developed.

**Disadvantages of wide span include:** Superiors may be under loaded with work and become bottlenecks for subordinate's decision making, danger of superior's loss of control and difficult to recruit high quality and efficient subordinates.

## **Organizational Structure**

An organizational structure is a **system that outlines how certain activities are directed** in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

The organizational structure also **determines how information flows between levels** within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization.

**The shape of the organization structure depends on the span of management that organizations preferred.**



## **Organisation Structure**

An organisation structure shows the authority and responsibility relationships between the various positions in the organisation by showing who reports to whom.

Organisation involves establishing an appropriate structure for the goal seeking activities. It is an established pattern of relationship among the components of the organisation.

**March and Simon have stated that-"Organisation structure consists simply of those aspects of pattern of behaviour in the organisation that are relatively stable and change only slowly."**

The structure of an organisation is generally shown on an organisation chart. It shows the authority and responsibility relationships between various positions in the organisation while designing the organisation structure, due attention should be given to the principles of sound organisation.

## Meaning of Organizational Structure

An organizational structure is a **system that outlines how certain activities are directed** in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

- The organizational structure also **determines how information flows between levels** within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization.
- **The shape of the organization structure depends on the span of management that organizations preferred.**
- The span of management refers to the number of subordinates who report directly to the superior. It is also known as the number of subordinates who are efficiently managed by a single superior manager. **If the subordinates who report to a superior are more in number, it is called the 'wide span' and the vice versa is called the 'narrow span.'** The wide span results in a less number of levels in the organisation hierarchy (flat organisation) and thereby expedites the communication process. But this span is challenging to a manager as the manager has to supervise, direct, control a number-of subordinates performing different types of activities. On the other hand, narrow span results in close and personalized relationships between the manager and his subordinates and it leads to tall organisations.

## Significance of Organisation Structure

1. Properly designed organisation can help **improve teamwork and productivity** by providing a framework within which the people can work together most effectively.
2. Organisation structure determines **the location of decision-making** in the organisation.
3. Sound organisation structure **stimulates creative thinking and initiative** among organisational members by providing well defined patterns of authority.
4. A sound organisation structure **facilitates growth of enterprise** by increasing its capacity to handle increased level of authority.
5. Organisation structure provides the **pattern of communication and coordination**.
6. The organisation structure helps a member **to know what his role is and how it relates to other roles**.

## **Determining the kind of Organisation Structure**

According to Peter F Drucker-"Organisation is not an end in itself, but a means to the end of business performance and business results. Organisation structure is an indispensable means; and the wrong structure will seriously impair business performance and may even destroy it.

Peter Drucker has pointed out three specific ways to find out what kind or structure is needed to attain the objectives of a specific business:

**Activities Analysis:** The purpose of 'activities analysis' is to discover the primary activity of the proposed organisation, for it is around this that other activities will be built. It may be pointed out that in every organisation; one or two functional areas of business dominate.

**Decision Analysis:** At this stage, the manager finds out what kinds of decisions will need to be made to carry on the work of the organisation. What is even more important, he has to see where or at what level these decisions will have to be made and how each manager should be involved in them. This type of analysis is particularly important for deciding upon the number of levels or layers in the organisation structure.

**Relations Analysis:** Relations Analysis will include an examination of the various types of relationships that develop within the organisation. These relationships are vertical, lateral and diagonal. Where a superior-subordinate relationship is envisaged, it will be a vertical relationship.

# PRINCIPLES OF ORGANISATION

**Consideration of unity of objectives:** The objective of the undertaking influences the organisation structure. There must be unity of objective so that all efforts can be concentrated on the set goals.

**Specialization:** Effective organisation must include specialisation. Precise division of work facilitates specialisation.

**Co-ordination:** Organisation involves division of work among people whose efforts must be co-ordinated to achieve common goals. Co-ordination is the orderly arrangement of group effort to provide unity of action in the pursuit of common purpose.

**Clear unbroken line of Authority:** It points out the scalar principle or the chain of command. The line of authority flows from the highest executive to the lowest managerial level and the chain of command should not be broken.

**Responsibility:** Authority should be equal to responsibility i.e., each manager should have enough authority to accomplish the task

**Efficiency:** The organisation structure should enable the enterprise to attain objectives with the lowest possible cost.

**Delegation:** Decisions should be made at the lowest competent level. Authority and responsibility should be delegated as far down in the organisation as possible.

**Unity of Command:** Each person should be accountable to a single superior. If an individual has to report to only one supervisor there is a sense of personal responsibility to one person for results.

**Span of Management:** No superior at a higher level should have more than six immediate subordinates. The average human brain can effectively direct three to six brains (i.e., subordinates).

**Communication:** A good communication sub-system is essential for smooth flow of information and understanding and for effective business performance.

**Flexibility:** The organisation is expected to provide built in devices to facilitate growth and expansion without dislocation. It should not be rigid or inelastic.



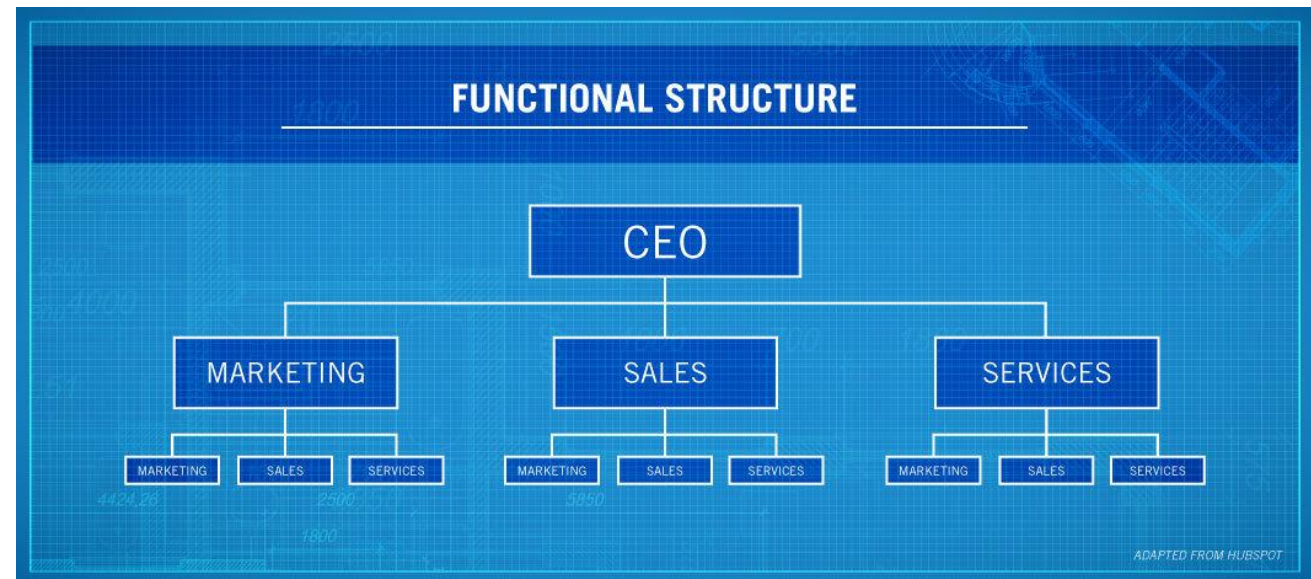
# Types of Organizational Structures

## Functional Structure

The functional structure is based on an organization being divided up into smaller groups with specific tasks or roles. For example, a company could have a group working in information technology, another in marketing and another in finance.

Each department has a manager or director who answers to an executive a level up in the hierarchy who may oversee multiple departments. One such example is a director of marketing who supervises the marketing department and answers to a vice president who is in charge of the marketing, finance and IT divisions

An advantage of this structure is employees are grouped by skill set and function, allowing them to focus their collective energies on executing their roles as a department.



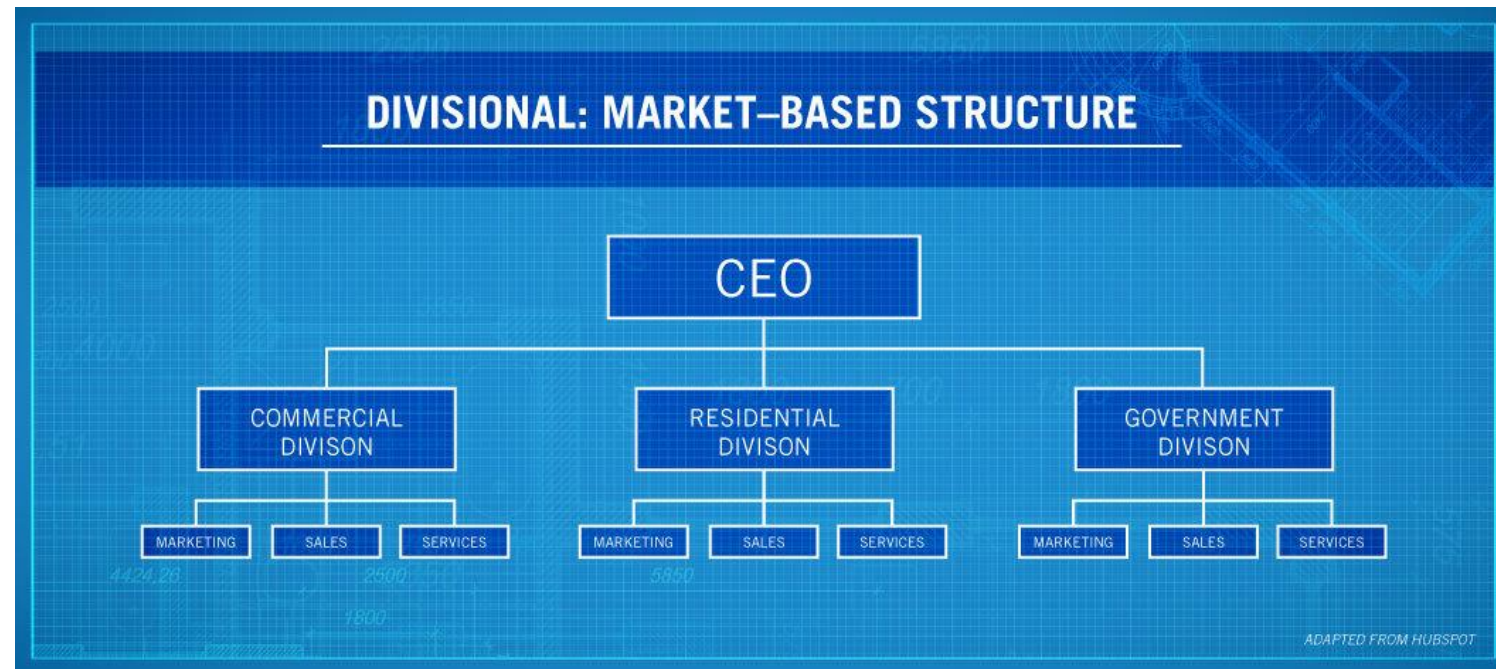
## Divisional or Multidivisional Structure

Larger companies that operate across several horizontal objectives sometimes use a divisional organizational structure. This structure allows for much more autonomy among groups within the organization. One example of this is a company like General Electric. GE has many different divisions including aviation, transportation, digital and renewable energy, among others.

Under this structure, each division essentially operates as its own company, controlling its own resources and how much money it spends on certain projects or aspects of the division.

**Additionally, within this structure, divisions could also be created geographically, with a company having divisions in North America, Europe, East Asia, etc.**

**This type of structure offers greater flexibility to a large company with many divisions, allowing each one to operate as its own company**





## Flatarchy Structure

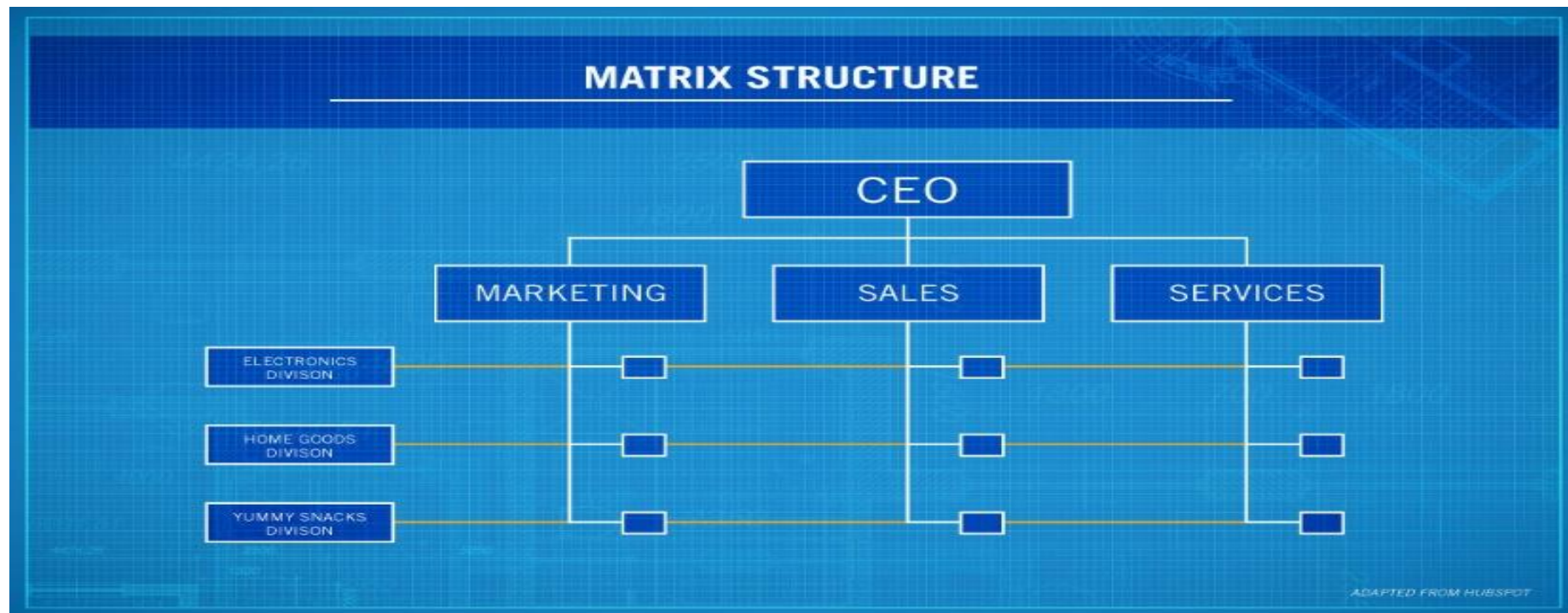
Blending a functional structure and a flat structure results in a flatarchy organizational structure, which allows for more decision making among the levels of an organization and, overall, flattens out the vertical appearance of a hierarchy. The best example of this structure within a company is if the organization has an internal incubator or innovation program. Within this system, the company can operate in an existing structure, but employees at any level are encouraged to suggest ideas and run with them, potentially creating new flat teams.

Google, Adobe, LinkedIn and many other companies have internal incubators where employees are encouraged to be creative and innovative in order to promote the company's overall growth.

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**Matrix Structure:** A hybrid organizational structure, the matrix structure is a blend of the functional organizational structure and the projectized organizational structure.

In the matrix structure, employees may report to two or more bosses depending on the situation or project. For example, under normal functional circumstances, an engineer at a large engineering firm could work for one boss, but a new project may arise where that engineer's expertise is needed. For the duration of that project, the employee would also report to that project's manager, as well as his or her boss for all other daily tasks. The matrix structure is challenging because it can be tough reporting to multiple bosses and knowing what to communicate to them. That's why it's very important for the employees to know their roles, responsibilities and work priorities



## Types of Organizational Designs

Organisation requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals. Organisation structure is primarily concerned with the allocation of tasks and delegation of authority.

The establishment of formal relationships among the individuals working in the organisation is very important to make clear the lines of authority in the organisation and to coordinate the efforts of different individuals in an efficient manner.

According to the different practices of distributing authority and responsibility among the members of the enterprise, several types of organisation structure have been evolved. They are:

1. Line organisation
2. Line and Staff organisation
3. Matrix organisation
4. Committee organisation

# LINE ORGANISATION STRUCTURE

**DEFINITION:** This concept holds that in any organization or hierarchy derived from a scalar process, there must be a single head who commands it. Although an executive can delegate authority, he has ultimate responsibility for results. This is also known as scalar, military or vertical organization.

## TYPES OF LINE ORGANISATION STRUCTURES

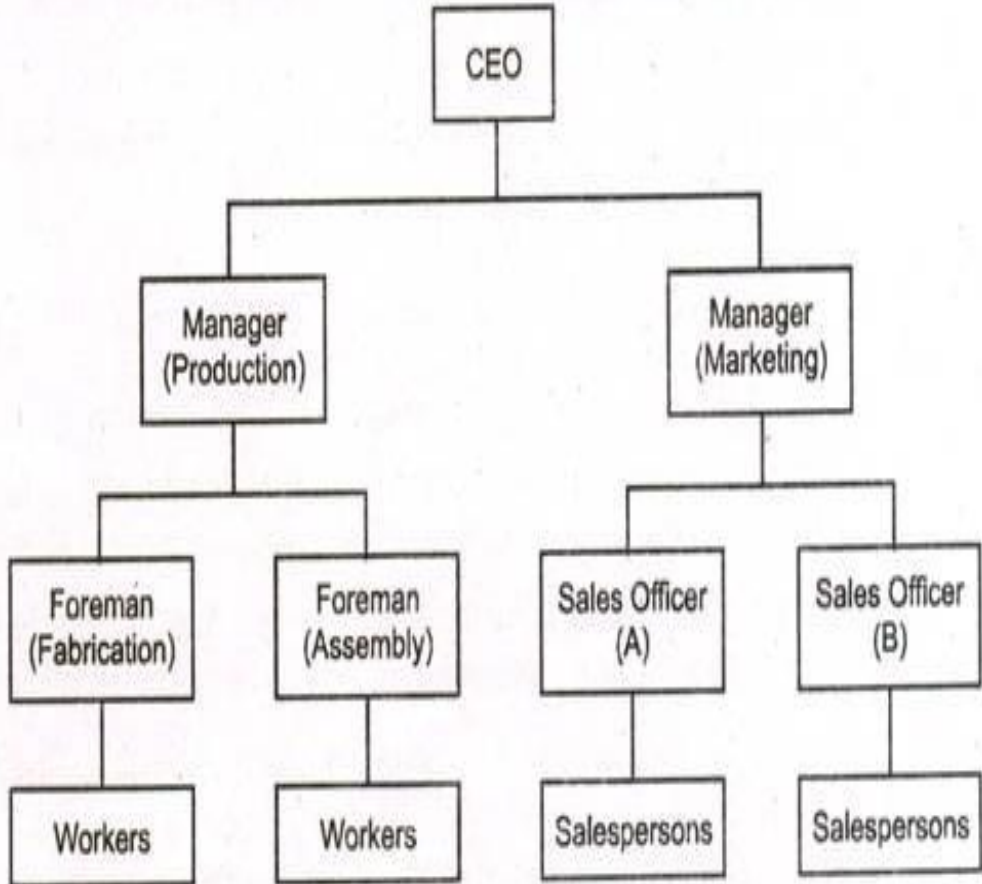
Line organizations can be designed in two ways.

- 1. PURE LINE ORGANISATION:** Under this form similar activities are performed at a particular level. Each group of activities is self contained units and is able to perform the assigned activities without the assistance of others.
- 2. DEPARTMENTAL LINE ORGANISATION:** Under this form, entire activities are divided in to different departments on the basis of similarity of activities. Each department is placed under one departmental superintendent. All persons in the department are subjected to control by department head.

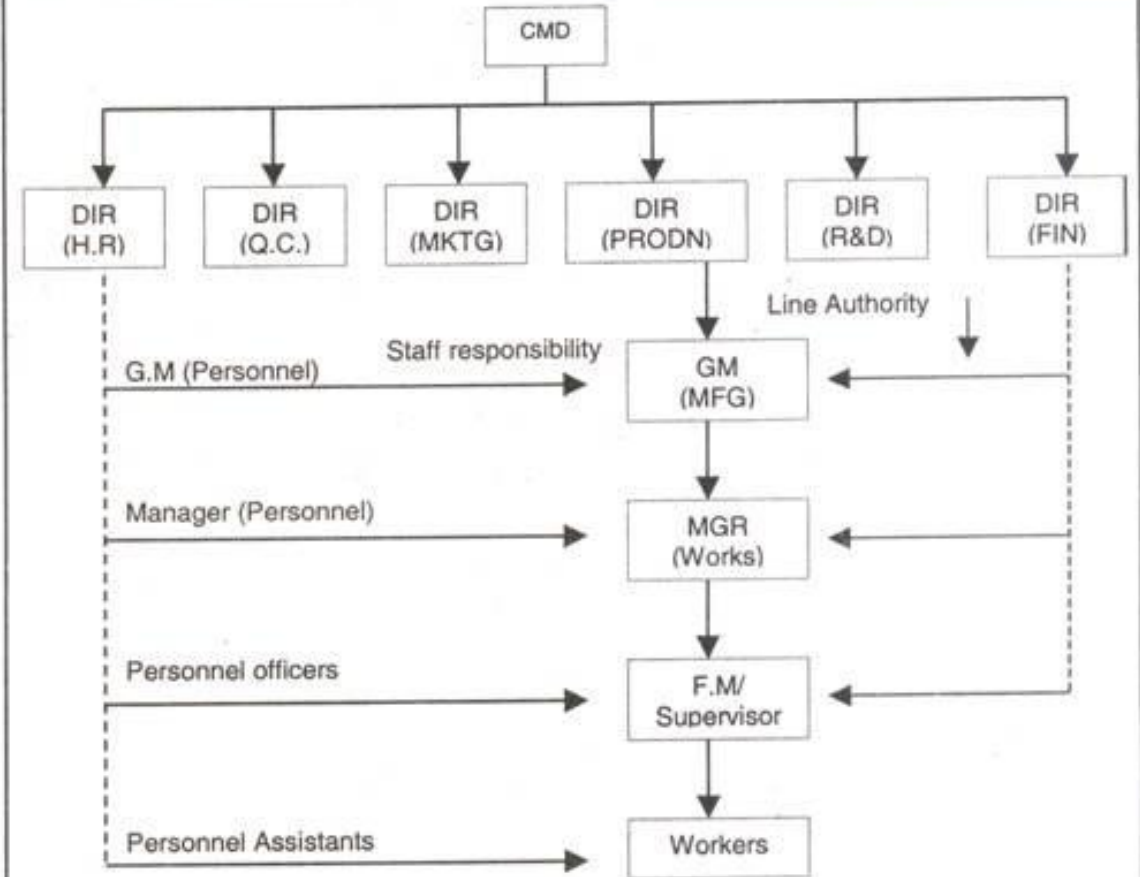
## CHARACTERISTICS OF LINE ORGANISATION

- Lines of authority and instructions are vertical, that is they flow from the top to bottom.
- The unity of command is maintained in a straight and unbroken line. It implies that each subordinate receives instructions from his immediate superior alone and is responsible to him only.
- All persons at the same level of organization are independent of each other. It implies that all the departmental heads are supreme in their respective areas are independent of one another and are responsible to the chief executive. This applies to all the other positions also.
- This structure specifies responsibility and authority for all the positions limiting the area of action by a particular position holder.

**Exhibit 10.3 : Line Organisational Structure**



**Exhibit 10.5 : Line and Staff Organisational Structure**



**Legend:**

HR – Human Resources  
 MKTG – Marketing  
 R & D – Research and Development  
 MFG – Manufacturing  
 MGR – Manager

DIR – Director  
 QC – Quality Control  
 PRODN – Production  
 FIN – Finance  
 GM – General Manager  
 FM - Foreman



## LINE AND STAFF ORGANISATION STRUCTURES

Line and staff organizations refer to the pattern in which staff specialists advise line managers to perform their duties. When the work of an executive increases, the performance requires the service of specialists which he himself cannot provide because of his limited capabilities on these fronts. Such advice is provided by the line managers by staff personals who are generally specialists in their fields. The staff positions or departments are purely of advisory in nature. They have the right to recommend but have no authority to enforce their preference on departments.

In actual practice sometimes it is difficult to determine which are line and staff. The problem can usually be solved by classifying activities within a line or staff. The problem can usually be solved by classifying an organization in two ways.

1. Which is substantive or directive
2. Which is objective or indirect in its contribution.

### **MERITS:**

1. Planned Specialization
2. Quality Decisions
3. Prospect for personal Growth.
4. Training Ground for personnel.

### **DEMERITS.**

- Lack of well-defined authority.
- Line and Staff conflicts

## MATRIX ORGANISATION STRUCTURE

Matrix organisation structure is essentially a violation of unity of command therefore ,whole classical concepts related to the principle of unity of command are violated. matrix structure is the realizations of two dimensional structure which emanates directly from two dimensions of authority .

Two complimentary structures -pure project structure and functional structure-are merged together to create matrix structure. Thus, matrix structure not only employs a multiple command but also related support mechanism and associated organisational culture and behaviour.

## COMMITTEE ORGANIZATION

A committee organization is an association of people set up to arrive at solutions to common problems. The line people are given opportunities to discuss their problems in the committee. The committee organizational structure is not like line or functional organization, but is similar to staff organization

**Benefits :** Benefit Of Specialization, Better Solution, Participative Management, Better Communication, Team Spirit

**Disadvantages :** Delayed Decision, Lack Of Secrecy, Expensive Device, Lack of Accountability , Chance of conflict

## DEPARTMENTATION AND DECENTRALIZATION

Departmentation is the foundation of organisation structure. Departmentation is also known as “departmentalisation”. Departmentation process is an essential part of the organising process. The formal structure of organisation is created through departmentation. Departmentation is a process of dividing and subdividing each activity into small jobs and tasks.

Departmentation **means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features**. Each department is headed by a person known as departmental manager. Division of work into departments leads to specialisation as people of one department perform activities related to that department only. Departmentation provides scope for organisation's growth (along the same product lines) and expansion (addition of new product lines). There can be many methods of departmentation. Every enterprise chooses the appropriate basis or method depending upon its objectives, size, etc.



**According to Koontz and O' Donnel, “departmentation is a process of dividing the large monolithic functional organisation into smaller and flexible administrative units”. The object of such division is to facilitate management and administration of the enterprise**

### **NEED AND IMPORTANCE OF DEPARTMENTATION:**

- 1) Departmentation facilitates coordination:**
- 2) It secures smooth functioning of an organization:**
- 3) It encourages expansion and growth:**
- 4) It may lead to decentralization:**
- 5) It also facilitates administrative control:**

### **TYPES OF DEPARTMENTATION :**

- 1) Primary departmentation**
- 2) Intermediate departmentation**
- 3) Ultimate departmentation**

**1. PRIMARY DEPARTMENTATION:** Primary departmentation takes place at the top level of the organisation . Through such departmentation process, basic or primary activities of the organisation are grouped into various functional groups such as production, marketing, finance, personal, purchase, etc.

**2) INTERMEDIATE DEPARTMENTATION:** Intermediate departmentation is used at the middle level of organisation for grouping departmental activities in various subgroups. For example, the activities of personal departmentation are further grouped into subgroups such as recruitment and selection, promotion and transfer, wage and salary, administration and training, etc.

**3) ULTIMATE DEPARTMENTATION:** Ultimate departmentation implies grouping of activities at the lower level of organisation such as core activities. For example, F W. Taylor suggested eight groups of activities for the lowest level of production department, and these groups would be handled by eight supervisors.

There are certain **basic methods of dividing the duties and responsibilities** within an organisational structure.

They are given below:

1. Departmentation by functions.
2. Departmentation by product or service.
3. Departmentation by regions (area or location) or territory.
4. Departmentation by customers.
5. Departmentation by process.
6. Departmentation by time.
7. Departmentation by numbers.
8. Departmentation by marketing channels.

**Delegation** is one of the important requirements of successful management. Delegation is a concept as well as a process. As a concept, it refers to manager's sharing of work with his subordinates. However, the manager's sharing of the burden of his work with subordinates is different from division of labour. It is also different from the routine of giving order. The special kind of work sharing in delegation involves planning, assessment of subordinates, interpersonal communication and relationship of trust between the manager and his subordinates.

In any organization an individual can perform all duties and accomplish all tasks by himself. It is physically impossible for a single individual to look after the affairs of a large business. His skill lies in his ability to get things done through others. As an organisation grows and the manager's job increases beyond his personal capacity, his success lies in his ability to multiply himself by training his subordinate and sharing his authority and responsibility with them. The only way he can achieve more is through delegation -through dividing his workload and sharing responsibilities with others

According to O. Jeff. Harris it is an authorisation to a subordinate manager to act in a certain manner independently. The delegation of authority is the delivery by one individual to another of the right to act, to make decisions, to acquire resources and to other tasks in order to fulfil job responsibilities.

L.A. Allen has defined delegation as the entrustment of a part of the work, or responsibility and authority to another, and the creation of accountability for performance.

Responsibility is the work assigned to a position. Authority is the sum of powers and rights entrusted to make possible the performance of the work delegated. Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards established. It is the obligation of an individual to render an account of the fulfilment of his responsibilities to the boss to whom he reports.

Thus, the sharing of power or authority with another for the performance of certain tasks and duties is known as delegation.

## **Delegation of Authority**

Just as no one person in an enterprise can do all the tasks necessary for accomplishment of goals so it is impossible, as an enterprise grows, for one person to exercise all the authority for making decisions. Once this limit is passed, authority must be delegated to subordinates, who will make decisions within the area of their assigned duties. Then the question is how authority is delegated when decision-making power is vested in a subordinate by his superior. Clearly, superiors cannot delegate authority they do not have. It is equally clear that superiors cannot delegate all their authority without, in effect, transferring their position to their subordinates. **The entire process of delegation involves four steps.**

- 1 The determination of results expected from persons in a position
- 2 The assignment of tasks to persons;
- 3 The delegation of authority for accomplishing these tasks;
- 4 The holding of people responsible for the accomplishment of these tasks. Thus, delegation is the process that a manager follows in dividing the work assigned to him so that he performs that part, which because of his position he can perform . effectively.

**Elements of Delegation :** There are three distinct elements of delegation: a) assignment of task or duties, b) conferment of powers or authority, and c) creation of obligation, responsibility or accountability.

- a) **Assignment of task or duties:** In the first step, the delegator (superior) assigns duties to delegate (subordinate). While assigning the duties, the delegator must be clear in his mind as to what tasks he should assign to subordinates. Thus, the work or task to be assigned is identified and clearly defined before it is assigned. For example, when a sales manager asks his subordinate to set up a divisional sales office, he must explain clearly the objectives, the sales territory, etc.
- b) **Conferment of power of authority:** Granting of authority is the second step in delegation. Authority may be defined as the powers and rights granted to another to perform the delegated work. These powers may include the authority to acquire necessary resources for the performance of the assigned work. Without adequate authority, the subordinate cannot be expected to perform his task or duties.
- c) **Accountability:** Once the duties are assigned and authority is given to a subordinate, the delegator creates an obligation/accountability to perform the tasks. The obligation to carry out the task and bear responsibilities terms of the standards established and specified is known as accountability.



## **DECENTRALISATION:**

Decentralization is the process by which the authority in an organization is delegated to the lower-level managers. With this decentralized authority comes the responsibility to the managers. It is just the opposite of centralization, where the authority lies in the hand of a few people at the helm. In centralization, most of the decisions are made by the top-level managers.

“It is the tendency to disperse decision making authority in an organization structure.”

It is a fundamental aspect of delegation, to the extent the authority is not delegated. If authority is delegated it is centralized.

How much authority be concentrated in or dispersed throughout the organization there could be absolute centralization of authority in one person, but that implies no subordinate managers and therefore no structured organization.

## **ADVANTAGES OF DECECENTRLIZATION:**

Relief to top executives , Motivation of subordinates, Quick decisions, Executive development

**DISADVANTAGES:** It is so expensive, Lack of uniformity, Narrow product lines , Difficult in coordination.

Basis	Delegation	Decentralisation
<b>Purpose</b>	To lessen the burden of the manager.	To increase the role of the subordinates in the organisation by giving them more autonomy.
<b>Scope</b>	It has narrow scope as it is limited to superior and his immediate subordinate	It has wider scope as it implies extension of delegation to the lowest level of management.
<b>Status</b>	It is a process followed to share tasks.	It is the result of the policy decision of top management.
<b>Nature</b>	Delegation is a compulsory act because no individual can perform all the tasks on his own.	Decentralisation is an optional policy decision. It is done at the discretion of the top management only.

## THREE FORMS OF DECENTRALISATION

1. De-concentration
2. Delegation
3. Devolution

**DE-CONCENTRATION** is the weakest form of decentralization and is used most frequently in unitary states—redistributes decision making authority and financial and management responsibilities among different levels of the organisation.

**DELEGATION** : Delegation is a more extensive form of decentralization. Through delegation central organisation transfer responsibility for decision making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it.

**DEVOLUTION:** Devolution is an administrative type of decentralisation. When organisations devolve functions, they transfer authority for decision making, finance, and management to quasi-autonomous units of local departments with corporate status.

## **Factors that decide the degree of decentralization**

- ❖ • Size and scope of operations of an organization
- ❖ • Degree of control required
- ❖ • Management by exception required or not
- ❖ • Nature of the business and the growth
- ❖ • Quality of top-level managers
- ❖ • Level of diversity in products and services

## **Implications of Decentralization:**

- ☐ • Less burden on top level executives
- ☐ • Subordinates get a chance to take decisions independently and learn
- ☐ • Operations can be coordinated at lower levels
- ☐ • Ease of expansion
- ☐ • Increased motivation to work
- ☐ • Greater efficiency and output
- ☐ • Diversification of activities
- ☐ • Maintenance of secrecy
- ☐ • Lower-level managers get ready for emergencies

**Disadvantages of Decentralization:** Co-ordination becomes slightly difficult to maintain

No specialization, No uniform action, Equitable distribution of work is not there

## **RECENTRALISATION OF AUTHORITY**

Recentralization is normally not a complete reversal of decentralization, for the authority delegations are not wholly withdrawn by the managers who made them. The process of centralization of authority over a certain type of activity or a certain kind of function, wherever in the organization it may be found.