

6

FUNDAMENTALS OF ORGANIZING



LEARNING OBJECTIVES

After comprehensive study of this chapter, you will be able to:

- get concept of organizing function of management,
- explain principles of organizing function,
- explain the organizing process,
- know classical, behavioural and contingency approaches to organizing,
- explain the process of structuring an organization,
- get the meaning and types of departmentalization,
- know meaning, features, advantages and barriers of delegation of authority,
- explain the meaning, advantages and disadvantages of centralization,
- explain the meaning, advantages and disadvantages of decentralization,
- describe the concept of organic and mechanistic views of organization,
- explain the organization architectures : vertical and horizontal differentiation,
- explain the types of modern organizational structures-matrix, team and network and 360 degree structure.

CONCEPT OF ORGANIZING FUNCTION

Organizing is the process of creating functional structure of organization required to implement plans and decisions for attaining organizational goals. This is one of the most important basic functions of management. More specifically, organizing is a process of determining and dividing the tasks, creating job positions and their link, assigning job responsibilities to the right position and allocating authority to make decisions promptly regarding the jobs. Organizing creates shape of responsibility-authority relationship in the organization to ensure who has to do what and what decision can be made. Organizing function involves in designing jobs and defining responsibility and authority relationship. It ensures implementation of plans and strategies, utilization of organizational resources to achieve organizational goals.

Theo Haimann - "Organizing is the process of defining and grouping activities of the enterprise and establishing authority relationship among them."

Freeman and Gilbert - "Organizing is the process of arranging all allocation work, authority and resources among an organization's members so that they can achieve the organizational goals."

R.W. Griffin - "Organizing means grouping activities and resources in a logical fashion."

Joseph I. Massie - "Organization will signify as the structure and process by which cooperative group of human beings allocates its tasks among its members, identifies relationship and integrates its activities towards common objectives."

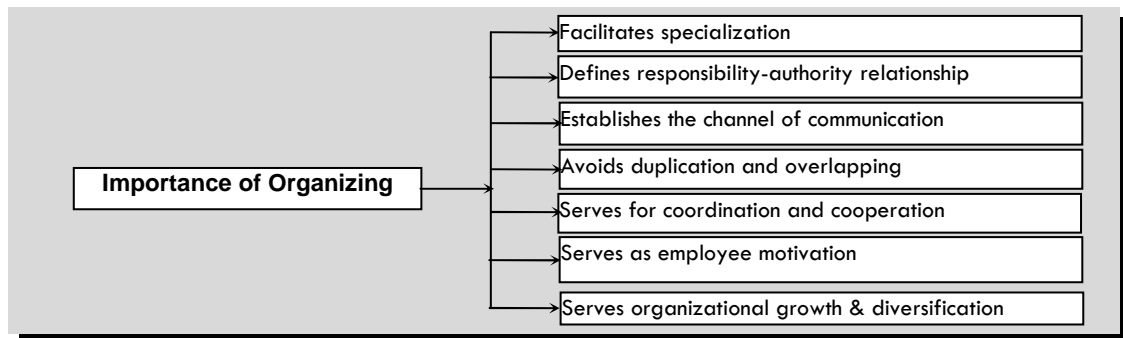
Thus, organizing is deciding how best to do the organizational activities. It can be defined as a process of identifying, grouping and establishing relationship between activities with proper delegation of authority for orderly use of resources within the management system. It is the process of dividing and designing the jobs, setting the proper job relation, grouping the jobs to make the units and departments, assigning jobs to employees, allocating resources, and coordinating efforts within the organizational members. Without effective organizing, none of the other functions of management can be performed properly.

Organizing at nut shell

- Divides the work to be done into specific jobs and departments.
- Assigns the tasks and responsibilities associated with individual jobs.
- Coordinates diverse organizational tasks.
- Clusters jobs into units.
- Establishes relationships among individuals, groups and departments.
- Establishes formal lines of authority.
- Allocates and deploys organizational resources.

IMPORTANCE OF ORGANIZING FUNCTION

Organizing function is one of the most important basic management functions. It establishes responsibility-authority relationship in the organization to ensure effective accomplishment of organizational goals. Correctly established organizing function in the organization encourages expansion, promotion and diversification of business. Following points justify the importance of organizing function.



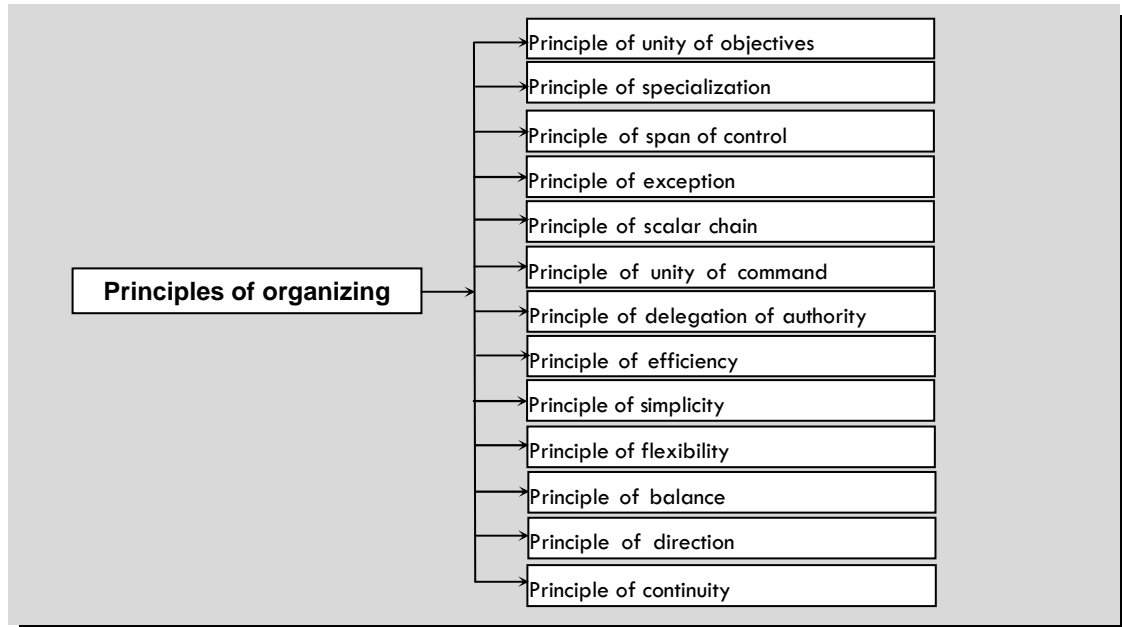
1. **Facilitates specialization:** Organizing divides complex work into simple pieces of activities and group them into a job of homogeneous activities. This helps accomplish each job with similar skills and experience with minimum effort and greater efficiency. This facilitates employees to accomplish the job with acquired knowledge, skills and experience. This helps to minimize waste of time, effort and resources. Organizing, thus increases productivity and profitability of the organization.
2. **Defines responsibility-authority relationship:** Organizing establishes clear relationship between responsibility and authority. This means, organizing fixes the responsibility to different level employees and allocates the decision making power on the respective position. Through this, organizing protects the organization from violation of authority and also increases the feelings of self-responsibility. This helps minimize the misunderstanding among employees and to increases mutual cooperation.
3. **Establishes the channel of communication:** Organizing allocates job responsibilities into various levels and coordinates into positions. Job positions are logically connected from top level to lower level which serves as a chain of command. Each message created at different levels of management can be transmitted to desired person or level through this chain without any interruption. This channel also facilitates coordination and cooperation in the organization.
4. **Avoids duplication and overlapping:** Organizing divides jobs into units, sections and departments because of which managers clearly understand what should be done with whom at what level. Thus, all the required jobs can be accomplished without overlapping and duplication. Organizing in this way helps furnish required jobs at right time by right person at desired level of output.
5. **Serves for coordination and cooperation:** Organizing divides job responsibilities clearly and assign right person. There will be no problem of overlapping and duplication of job. Channel of job position maintains the good communication among the personnel. Employees feel comfortable to work with sharing skills, ideas, knowledge and courage.
6. **Serves as employee motivation:** Perfect organizing function allocates the jobs to right person on the basis of their knowledge, skills, experience and interest. Organizing creates specialization at job which reduces unnecessary efforts at the job. Better coordination, cooperation and communication established by organizing function increase employee job satisfaction. This motivates employees for long tenure and improved performance.
7. **Serves organizational growth and diversification:** As mentioned earlier, organizing helps establish cooperation and coordination among the employees. This reduces duplication and overlapping of job responsibilities as a result efforts and resources can be properly utilized for increasing productivity. Organizing increases job satisfaction of employees and motivates to increase organizational output. All these factors help for organizational growth and diversification.

PRINCIPLES OF ORGANIZING

Principles are guidelines which are formulated with the findings of series of tests and practices. Management experts have propounded a number of principle guidelines for designing the organizational structure. Some basic principles of organizing are described below :

1. **Principle of unity of objectives:** This principle states that the goals and objectives of the entire organization must be clearly defined and be same for all the departments and units. This means that the objectives of departments and units should not contradict with the goals and objectives of the organization. Objectives of all the department and units must be directed to achieve organizational goals. This helps utilize the organizational resources at maximum extent in the direction of attaining organizational goals.
2. **Principle of specialization:** This principle states that responsibility to the employee should be assigned on the basis of their interest, qualification, knowledge, skills and experience. When an employee gets opportunity to perform any specific job of interest and experience, then the job will

be accomplished with perfection as per the predetermined standard. This helps increase economic scale of production, productivity and effectiveness.



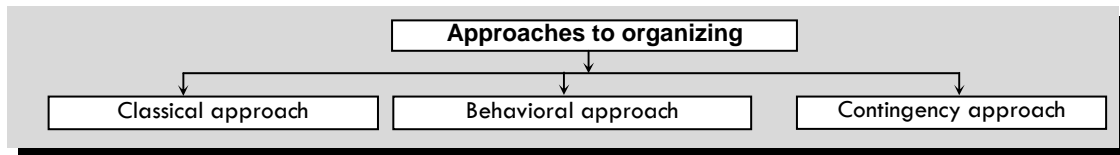
3. **Principle of span of control:** Principle of span of control explains that there must be appropriate number of subordinates to be supervised or controlled under a supervisor or a manager. If the number of employees under a supervisor becomes large, supervision becomes less effective. Small number of employees under one manager or supervisor can be easier to supervise but it will be more costly (as many supervisors need to appoint). Thus, it is very important to estimate the appropriate number of supervisors i.e. span of control. It depends upon the nature and size of the job and organization. In many cases, 15 is supposed to be appropriate number of employees under one supervisor i.e. size of span of control.
4. **Principle of exception:** This principle states that all managers must make decisions as per their authority level. They should not skip this responsibility to their superiors except in some crucial issues. Managers should not hesitate to make decisions within the scope of delegated authority to them. Only in some complex matters, they may refer to the higher authority for the decision.
5. **Principle of scalar chain:** According to this principle, there must be clear and formal relationship of responsibility levels in the organization. Scalar chain is the unbroken line of authority from top level to the bottom level which clearly defines who will act under whom. This chain links employees of different levels in a line which helps follow command and transform messages from one level to another. It fixes the responsibility to the person to command others. This also helps maintain accountability of each employee working under different levels of responsibilities.
6. **Principle of unity of command:** According to this principle, there must be command from only one manager to an employee at a time. This principle describes that employee should have only one boss to whom s/he has to obey (it does not mean that each employee should have separate boss). If there are many commands from different supervisors at a time, employee cannot perform job effectively because of dilemmas about priority of obeying command or being confused the procedures. Thus, each employee should have only one commander at a time and uniformity in commanding to accomplish the job effectively and efficiently.
7. **Principle of delegation of authority:** According to this principle, authority must be delegated according to the need of responsibility. Without authority employee cannot make decisions at their job because of which their performance cannot be at par. The authority should be on the basis of degree of responsibility. This makes the employees more responsible and accountable in carrying

out their respective tasks without delay. Delegation of authority motivates the employees as it serves personal growth opportunity and joy at making self decision.

8. **Principle of efficiency:** This principle states that there must be efficient management so that the organization can achieve the efficiency. Those organizations are regarded as the best which can perform duties and achieve their goals at minimum cost. The organizational structure should ensure the efficiency of the organization. Organizational structure should be designed in such a way that the available resources can be used optimally; wastage of resources can be minimized at the best possible level, and the productivity can be maintained at top level. For all of these things, organizational structure should be enough to maintain coordination and cooperation.
9. **Principle of simplicity:** This principle says that the organizational structure must be as simple as possible so that each and every member can understand their duties and authority relationship clearly. This helps in formulation and execution of plans and policies more effectively with coordination. Simple organizational structure reduces the ambiguity in role, responsibility and authority of each personality in the organization.
10. **Principle of flexibility:** The structure of an organization must be flexible having the provision for changes or adjustment in responsibility and authority in case of necessity. As the business environment keeps on changing which demands to change or adjust in policies and strategies. Rigidity with hard and fast rules as well as organizational structure may create complexities in implementation of strategic plans. So, structure must be flexible enough as per the need of organization.
11. **Principle of balance:** The principle of balance states that while designing the organizational structure, there must be balance between centralization and decentralization. This helps carry out the organizational activities smoothly with the strong participation of all people involved in the concerned task. Centralization is the concept of making decisions from top level management while decentralization allows decision making authority at the level of execution of decisions. Decentralization is the philosophy of providing decision making rights to the people who need to execute that decision. Principle of balance, thus, advocates that total authority (specially authority for increasing or decreasing capital, organizational structure, purchasing machinery, hiring managerial executives, etc.) should not be given to middle and lower level managers and supervisors. But, the authority for making departmental as well as unit level for day to day plans should be delegated to the corresponding level. All the authority neither be centralized nor be decentralized.
12. **Principle of direction:** According to this principle, there should be one objective and one plan for a group of activities having the same objective. This means that there should be unity of direction. The organizational structure should be designed in such a way that there should be one official direction for each set of similar activities.
13. **Principle of continuity:** This principle states that organizing should be continuous till the existence of organization. Organizational structure can be changed or amended according to the necessity. This may be important in several situations like fulfillment of predetermined objectives, modification of objectives, change in resources, change in business environmental factors, etc. Thus, organization should be continuous in designing responsibility-authority relationship.

APPROACHES TO ORGANIZING

Literally, approaches are the advancement to especially in order to create a desired result. Approaches are the principle guidelines for doing something. In this sense, approaches to organizing refer to the common thinking, norms and systems for structuring the organization. Approaches to organizing are the guiding principles to create responsibility-authority relationship in the organization. Several approaches are commonly used in organizing depending on the size of organization, nature of job, experience and intention of managers, and overall environment. Most important three commonly used approaches to organizing are explained below:



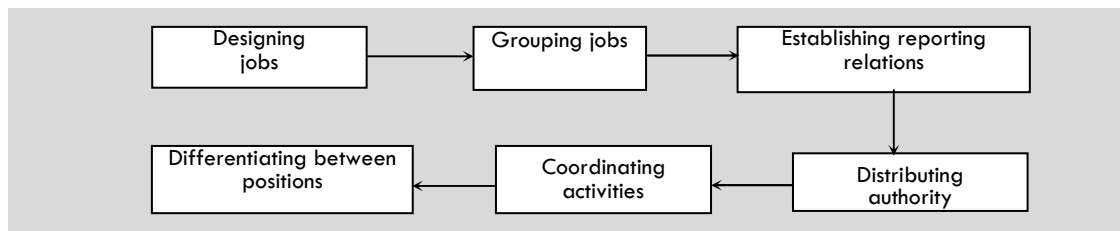
1. **Classical approach:** Classical approach represents the traditionally accepted norms and systems in organizing. This approach provides universal prospective to organizing. It includes the ideas and principles of classical management experts F.W. Taylor, Henry Fayol, Max Weber, etc. Thus, classical approach of organizing is the combination of theory of scientific management, theory of administrative management and bureaucratic theory of management. This approach emphasizes on job specialization to increase the organizational efficiency. For motivating employees, this approach focuses on financial incentives on the basis of output of employees. This approach is rational and mechanistic.
 Classical approach suggests that organizing should start with division of work to make the jobs simple. Jobs must contain only the similar components i.e. tasks. This approach highlights on the formal chain of command, strict discipline, clearly defined rules and regulations, unity of command and direction, etc.
 Classical approach has been criticized these days because of its rigidity. As we know, business environment is more dynamic and complex. In such situation, every rigid principle of organizing cannot be implemented universally. Many things can be influenced by behavioral and situational factors which are not considered in this approach. To address this limitation, behavioral and contingency approaches are evolved simultaneously.
2. **Behavioral approach:** Behavioral approach to organizing focuses on behavior of managers as well as employees at the working environment. It emphasizes on psychological and social aspects of employees while creating the organizational structure. It is the approach which concerns with scientific investigation, analysis, and understanding of human sentiment and behavior in organization.
 Behavioral approach is multidisciplinary in nature. It focuses on psychology, sociology and anthropology while organizing. This approach gives more emphasis on psychological wellbeing of employees at job. Hence this approach suggests that human sentiments must be addressed while creating organizational structure. This approach highlights on group behaviour and team work to accomplish the job efficiently and effectively. Elton Mayo, Dauglas McGregor, Mary Parker Follet, Abraham Maslow, Frederic Herzberg, etc. are the principal contributors of this approach. This approach assumes that successful management depends on manager's ability to understand the employee's behavior and maintain good relationship with people who have a different backgrounds, needs, interest, perceptions etc. Managers have to focus on human aspects at the job rather than the mechanical aspects of job while organizing.
 Though this approach gives more emphasis on human aspects, it does not pay proper attention and priority on environmental and situational flexibility. Every organization cannot focus on behavioral aspects only. Many organizations which are more mechanical cannot focus on human factors for efficiency. Likewise, only focusing on human factors, organizations cannot maintain discipline, chain of command and long term motivation. Thus, this approach cannot be applied fully without considering other approaches.
3. **Contingency approach:** This approach is based on the reality of flexible job responsibilities on dynamic and complex business environment. This approach focuses on the uniqueness of each business environment and business organization. This approach believes that there may be a number of ways to solve problems and situational circumstances depending upon the situation, and environmental context. This is a situational approach in organizing which suggests that there cannot be unique solution of a problem throughout the world but organization should adapt different approach to solve such problems. Management should consider several contingency variables like size of organization, routineness of task technology, environmental uncertainty and individual differences while creating the organizational structure.

- **Size of organization:** Total number of people involved in organization in different responsibilities is represented by size of organization. As the size of organization increases with increasing number of employees, technology and the level of operation. Along with increasing size of organization variety of interest and problems also get increased. This feature influences the organizing function in great extent.
- **Routineness of task technology:** Technology is most essential factor in transformation process to convert input into output. Every organization depending upon nature of functions acquires technology. Routineness in task technology defines the repetitiveness of same methods and procedures to accomplish the tasks. Routineness in technology requires organizational structures, leadership styles and control mechanism. Routineness of the technology thus affects on structuring the organization.
- **Environmental uncertainty:** Business environment is composed of political, legal, economic, socio-cultural, technological, and global factors. These factors are dynamic and hence they create uncertainty in business. The degree of uncertainty affects on the flexibility of organizational structure. Higher degree of uncertainty needs more flexible organizational structure while in low uncertainty more stable organizational structure also works. Thus, environmental uncertainty should be one guiding principle while organizing.
- **Individual differences:** Need of growth, need of autonomy at job, tolerance of ambiguity, expected outcome from the job, need of social relation, etc. can be different from person to person. These factors affect on performance appraisal system, reward management system, compensation and grievance handling approaches. Thus, leadership style, delegation of authority and job design can be affected because of such differences. To address these needs, top management should care while organizing.

As you know nature, size, objectives, environmental context, employee's behaviour, attitudes, leadership style, needs and interest differs from organization to organization as well as from person to person, same (ready-made) approach for solving the problem cannot be applied universally. Thus, this approach advocates that methods for solving problems should also differ from organization to organization. Managers should not be attached with so-called management principles and practices. They should consider the environmental realities while creating the structure.

PROCESS/ELEMENTS OF ORGANIZING

Organizing is the process of deciding how best group the organizational elements i.e. functions, responsibilities and authorities. Organization structure gives the framework for creating specific pattern of job relationship in the organization. It consists of activities in which organizational works are divided, organized and coordinated. Organizing is a continuous process involving series of activities as basic elements. Generally, there are following six fundamental steps, as described below, in designing organizational structure:



1. **Designing jobs:** Job design is the process of dividing complex job into simple task or activities and grouping similar task into a job package. It is a process of defining individual's work-related responsibilities. For it, first of all, objectives of organization must be identified and clearly defined; and activities required to accomplish the objectives should be clearly identified.

Job design is the act of creating desired level of job specialization. Job specialization is defined as the degree to which overall work of the organization is broken down and divided into smaller parts i.e. tasks and related tasks are grouped to make a job which can be accomplished with specific skills and knowledge. Job specialization provides four specific benefits to the organizations as i) simple jobs will be more proficient ii) transfer time between tasks decreases iii) developing specialized equipment to assist with the specialized job becomes easier iv) relatively low cost of training to the new employees. Specialization has one of the strong negative consequences as the workers who perform highly specialized work may become bored and dissatisfied.

Jobs can be redesigned by one or more methods among job rotation, job enlargement, job enrichment, job empowerment, making semi-autonomous groups and providing alternative work arrangements. Main point to be considered is that work activities must be made simpler so that jobs can be accomplished more effectively and efficiently.

2. **Grouping jobs:** This is the second building block of organization structure. In this step, similar job activities are grouped into units or departments with some logical arrangement. This step is also known as departmentalization. If the organizations are small, the owners manage everything in the organization. Owner oversees everyone who works there in the organization. But it is almost impossible to manage everything if the organization grows up. In such situation, different managerial jobs need to be created and managers need to be hired. Departmentation can be done on the basis of function, on the basis of product, on the basis of customers, on the basis of location, on the basis of time to serve, etc. From departmentalization, different positions are created.
3. **Establishing reporting relations:** After creating required number of departments for functional specialization, relationship among the positions need to be created. It is essential to clarify who need to report to whom. Normally, lower positions are required to report to subsequently higher position (immediate superior). For example, assistant marketing managers require reporting to marketing manager rather than to assistant production managers or to production manager. At the same time, marketing manager needs to cooperate and coordinate with production manager but should report to general manager. Such relationships are established in vertically linear form. This is called the chain of command. Thus, chain of command is a clear and distinct line of authority among the positions in an organization. In chain of command, there are mainly two components as unity of command and scalar principle. Unity of command suggests that each person within an organization must have a clear reporting relationship to one and only one boss. Scalar principle suggests that there must be a clear and unbroken line of authority that extends from the lowest to the highest position in the organization. The top level manager (probably the only one leader) must be ultimate responsible for every decision.
4. **Distributing authority:** Authority is the decision making power. Each job position should have certain degree of authority which allows employee to make self decision during the job done. This is source of inspiration to the employees. There must be balance between responsibility and authority to maintain good coordination, prompt decision, and discipline in the organization. Thus, in organizing process, authority should be properly distributed among the job positions. Only required and sufficient authority should be fixed with responsibility.

There must be appropriate provision of delegation of authority in organizing system. Delegation of authority is the process by which managers assign a portion of their authority to subordinates. This enables subordinates for quick decision at work so that more work can be done. This helps reduce the workload of managers and also provides opportunity of personal growth of employees. Delegation process involves in three steps. First, manager first assigns responsibility to the employee. Second, manager provides certain level of authority to make decision to accomplish the responsibility. Manager provides confidential information, files and certain level of decision making power. Finally, the manager establishes the subordinate's accountability i.e. the obligation to carry out the task assigned and report to manager. Managers should also properly balance centralization and decentralization of authority.

5. **Coordinating activities:** Coordination is the process of linking activities of various departments of the organization. As you know, departments are designed to create specialization at the job. Efforts

and output of each department should be integrated through coordination in order to increase the organizational efficiency to ensure the attainment of organizational goal. Limited resources can be best used to reduce the interdependency of departments. Greater the interdependency, more coordination is required in the organization. For effective coordination, effective communication channels must be established.

6. **Differentiating between positions:** Finally, as the last building block of organizational structure, line position and staff position need to be differentiated. A line position is a position in the direct chain of command while staff position is a position created for providing expertise suggestions, advice and support to line position. Staff positions are temporary in nature and hold very little authority. But, there can be contradiction between staff position and line position. Thus, line and staff position should be differentiated clearly.

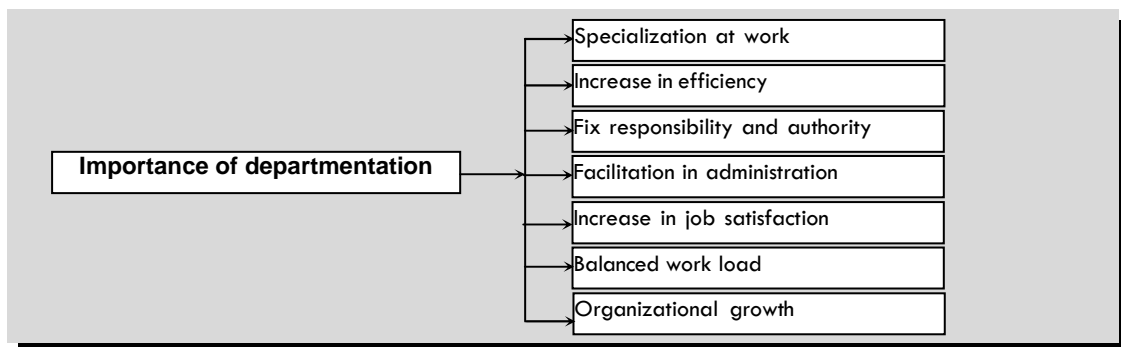
DEPARTMENTATION

Departmentation is the process of logical grouping of similar nature of functions into manageable units for the purpose of overall coordination of organizational resources. It divides large and complex functions into smaller and flexible units to accomplish the jobs in effective and efficient manner. It facilitates maintaining communication, coordination and controlling activities among all mechanisms of organization so that overall organizational goals can be attained within predetermined schedule. In simple words, departmentation is the act of dividing responsibilities among the functional areas to create specialization.

Departmentation creates some independent functional units i.e. departments in the organization. It facilitates for accomplishment of jobs with related skills and experience with more effective and efficient way. This process also creates accountability in each job position so that the managers and subordinates can coordinate their effort to reduce the problem of duplication and overlapping.

IMPORTANCE OF DEPARTMENTATION

Departmentation is the only way to conduct large number of activities smoothly and efficiently. It facilitates specialization at job which helps increase the productivity and profitability. Departmentation facilitates the following advantages:



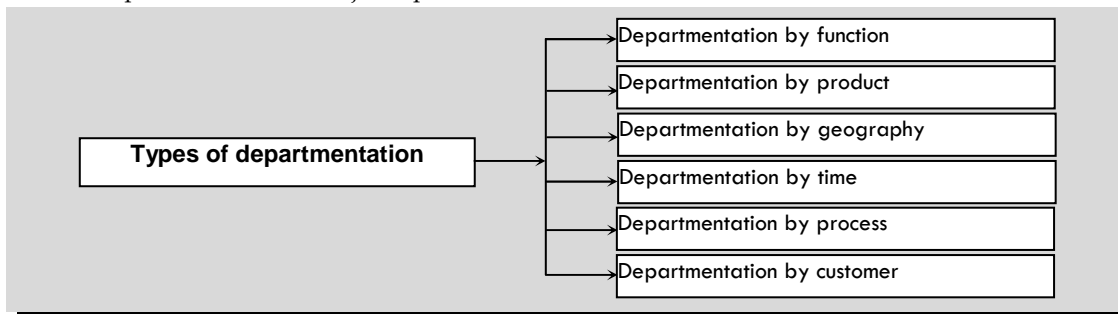
- i. **Specialization at work:** Departments are prepared by combining similar tasks into a job package. This means within same department, only similar activities are conducted. So, employees with experience and skills for similar jobs can perform the job with more confidently and efficiently. This creates the specialization at work.
- ii. **Increase in efficiency:** Department creates specialization at work. At the same time; competition and coordination among various departments will be increased. Such practices increase the organizational efficiency.
- iii. **Fixation of responsibility and authority:** Departmentation helps create jobs by combining the similar activities. Responsibility of each job is fixed to the suitable position. Authority for

accomplishing these jobs is also fixed for each job position. This helps reduce duplication and overlapping the job.

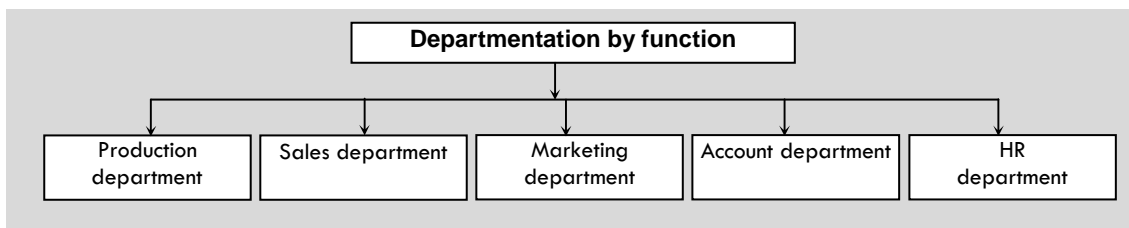
- iv. **Facilitation in administration:** Departments facilitate for the better supervision because of fixed responsibility and authority. Skilled and experienced employees and managers are appointed according to the needs of the jobs. As the department consists of only related activities, thus, supervision becomes easy. Thus, departmentation makes the administration more effective and efficient.
- v. **Increase in job satisfaction:** Departments provide the job responsibility according to experience and interest of employees. Employees get the job responsibility in which they are capable and interested. This assists them for developing their career and facilitates less work stress. Such situations increase the satisfaction level of employees from their job.
- vi. **Balanced work load:** Departmentation helps balance the work load to the employees as they get only the responsibility on the basis of their skills and experience. Each employee gets only the job in which s/he is comfortable, interested and skilled. Such jobs can be accomplished easily with less effort. Jobs are prepared with only adequate tasks from related field which can a person handle easily.
- vii. **Organizational growth:** Proper departmentation enhances the productivity of organization. Coordination between the departments generates the positive synergy effect. Employees get satisfied, their job turnover gets low and the effectiveness gets increased. Cost of production remains low resulting high profitability. This enables the organizational growth.

TYPES OF DEPARTMENTATION

There is no best way to design the departments in the organization. The choice and need of departmentation differ from organization to organization. It should be based on the nature, size, mission, goals, etc. of the organization. Departments can be formed on the basis of functions, products, territory, customers, process, time, etc. Major departmentation methods are discussed as below :



1. **Departmentation by function:** The most common and popular basis for departmentation is the functions to be carried out in the organization. Under this method, separate departments are formed by combining the similar works to be performed within a functional unit. For this, first of all jobs are classified into functional areas such as production, sales, marketing, human resource management, research and development, account, finance, etc. Departments under functional departmentation are shown in figure below :



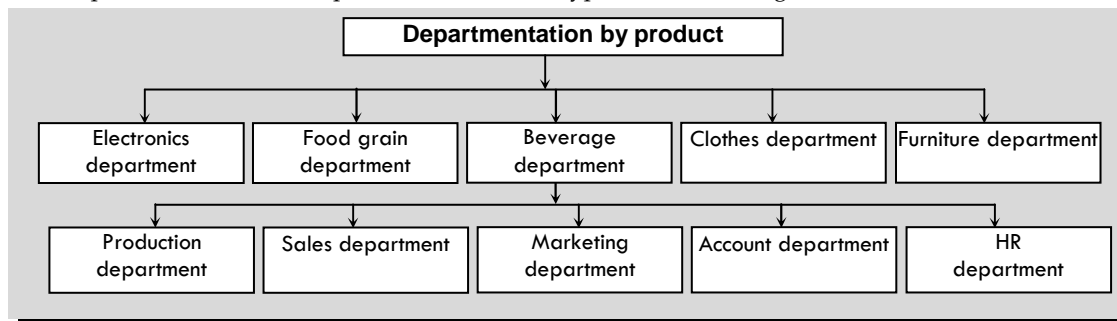
Advantages

- Division of work facilitates specialization and economies of scale.
- It facilitates workers' efficiency and performance.
- This is easier to supervise, communicate and coordinate the activities.
- Resources can be utilized at optimum level.
- Decision making and line of communication becomes simple and clear to understand.

Disadvantages

- Possibility of delay in decision making is high due to the centralized authority.
- Managers may have tendency of focusing more attentions only to their own departments. Competition between departments may decrease the organizational efficiency.
- It becomes difficult to adapt in changing business environment.
- Monitoring the performance of various departments from single mechanism becomes difficult.

2. **Departmentation by products:** This is the departmentation of organization on the basis of goods or services producing and providing by the organization. This method involves in grouping and arranging activities around products and product processes. A separate department is created for single product or product line and functions. This type of departmentation is applicable in the organization which produces different line of products at large quantity. Department managers are responsible for expenses, income, profit, success and failure of the particular product under the department. Common departments under this type are shown in figure below:

**Advantages**

- It is suitable for multi-product complex organizations.
- Each department can focus its resources only to a particular product so that departmental productivity and profitability can easily be increased.
- All activities associated with each product can easily be integrated and coordinated.
- The speed and effectiveness of decision making can be enhanced.
- Monitoring and evaluation becomes easy and effective.

Disadvantages

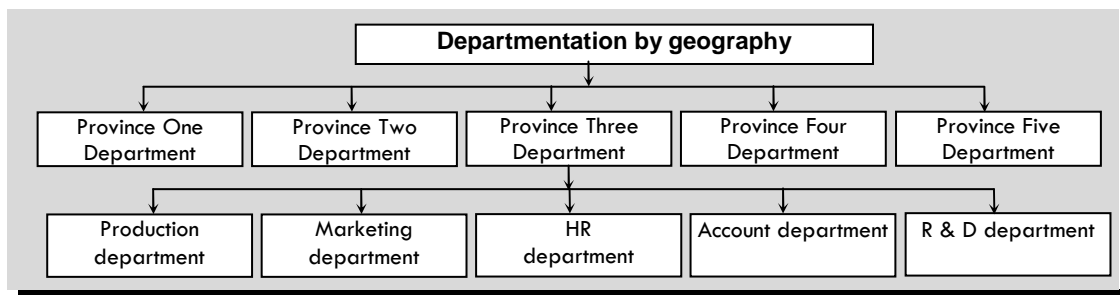
- Departmental managers focus on their own product line rather than organizational overall activities. Thus, coordination becomes less effective.
- Administrative cost rises up due to the provision of functional specialist in each product department. This reduces the profitability of organization.
- Communication and co-ordination across product lines or divisions becomes difficult in real practice.

3. **Departmentation by geography/territory:** It is the process of grouping the jobs to be done in different geographical territories. This method is suitable for large organizations having wide network of operation. Transportation related organizations, financial institution, travel and tour operators, multi-level operators, etc. can use such departmentation. Under this method,

departments can be formed on the basis of geographical areas like country, region, continent, district, etc. depending upon their network or business operation. All the job responsibilities and concerned authority for a particular geographic area is assigned to a respective departmental manager. An example of departmentation by geography/territory in any company extending business in different provinces is shown in figure below:

Advantages

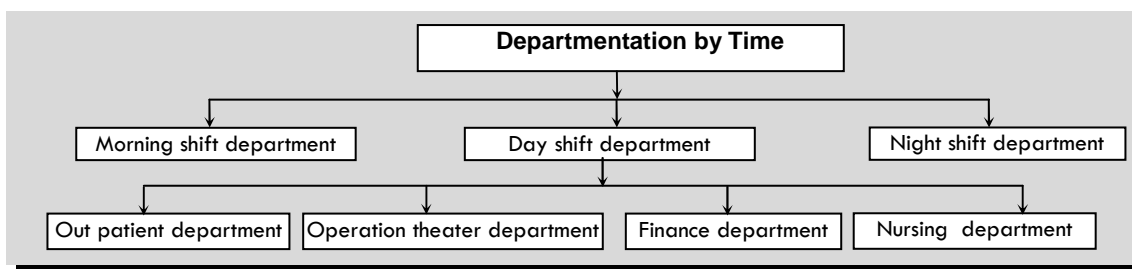
- It creates local customers needs and focus to satisfy them.
- This method encourages co-ordination among the divisions.
- The method of departmentation helps pinpoint the local level responsibility of an organization.
- Such departmentation enables the organization to respond to the environmental changes in the various locations.



Disadvantages

- It requires a large number of administrative staffs which increases administrative cost.
- Possibility of making duplications and overlapping of efforts and resources across divisions and departments remains high.
- Benefits of specialization cannot be realized through this method of departmentation.

4. **Departmentation by time :** Hospitals, hotels, airports, etc. need to operate for 24 hours of a day. So, departments in such organizations are formed on the basis of time like morning shift, afternoon shift and evening shift. Departments carryout the same functions in different shifts independently. A sample of departmentation by time in a hospital is shown in below figure.



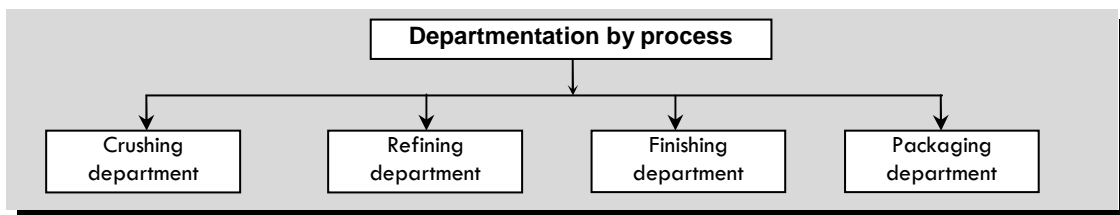
Advantages

- It creates employee satisfaction as the duty can be managed as per the need of employees.
- It helps increase the production capacity within the limited resources.
- It enables the customer satisfaction as organization can provide 24 hours service.
- This method is flexible method of departmentation. So, organization can change the responsibility-authority relationship according to needs of organization and environmental change.

Disadvantages

- Coordination between various departments becomes challenging.

- Possibility of making duplications of efforts and resources across divisions and departments remains high.
 - Chances of shifting responsibility of one department to another department remain high.
 - Interdepartmental communication becomes less effective.
5. **Departmentation by process:** If departments are prepared on the basis of progress or working stages, the method is called departmentation by process. As you know, production process consists of different stages to produce the final product. Departments can be prepared on the basis of the stages of jobs production process if series of complex steps need to be followed to produce the final product. This method of departmentation becomes effective for manufacturing organizations like textile companies, cement companies, etc. Sample of departments under this method is shown in figure below:



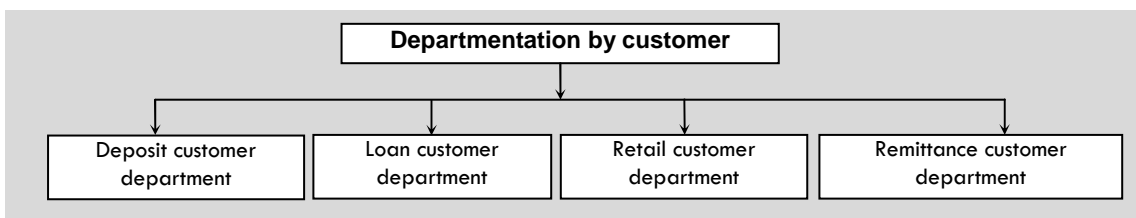
Advantages

- This method creates job specification as departments are prepared according to process.
- Department managers become more loyal to the job output as the responsibility of accomplishment of particular process is fixed.
- Departments become dependent. So, communication and coordination becomes more effective.
- This method is flexible method of departmentation. So, adaptation in changing environment is possible.

Disadvantages

- This method is not suitable for service organizations where processes cannot be identified clearly.
- Delay in process or wrong production of one department affects to the performance of all other departments also.

7. **Departmentation by types of customer:** Organizations need to serve different types of customers on the basis of volume of sales or types of the products. So, it is better to prepare departments on the basis of customers to serve. In general, departmentation by customer is suitable for trading organizations like departmental stores. Common form of departments in banks under the customers is shown below:



Advantages

- It is suitable for those organizations dealing with different customers.
- Customers' needs and wants can be easily recognized as they are treated separately.
- Good cooperation between customers and organization can be maintained.

- Customers help for promotion of the products and service because of high level of satisfaction.

Disadvantages

- Customers' expectation can be increased because of close relation. This creates challenge to satisfy their new needs and expectations.
- If the needs of customers belong to two or more departments at a time, it becomes difficult to serve them.

DELEGATION OF AUTHORITY

Delegation means assigning something to other to act towards the attainment of the predetermined goals. Authority is the legitimate power of individual for making decision on their job responsibility. This is the formal right of superior to command and guide subordinates to accomplish the job more efficiently and effectively. With the combination of these ideas, delegation of authority can be understood as a philosophy in which managers (superiors) assign a portion of their authority to their immediate subordinates so that they can make required decisions while accomplishing assigned job to them. This is simply the act of allowing subordinates to use the authority of manager while doing their job. Delegation of authority facilitates decision making at right time so that the job can be accomplished at right time. Delegation of authority also provides the career advancement opportunity to the employees.

Delegation of authority establishes a pattern of authority between superior and subordinates. In other words, it is the formal process of sharing authority from superior to the qualified subordinates to enable them to make decision and use resource efficiently. Delegation of authority consists not only assigning the duties and responsibilities to subordinates and granting authority to them but it also ensures the accountability. Managers can delegate only a part of authority that they have. This means neither full authority nor the authority from other's area of authority can be delegated. Delegated authority can be restored whenever is essential.

Ricky W. Griffin – “Delegation is the process by which managers assign a portion of their total workload to others.”

Henry Fayol – “It is act of assigning the right to give orders and the power to exact obedience.”

Theo Haimann – “Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits.”

Weihrich and Koontz – “Delegation means vesting of decision-making discretion in a subordinate.”

Terry and Franklin – “Delegation means conferring authority from one manager or organizational unit to another to accomplish particular assignments.”

D. E. McFarland - “Delegation is that part of the organization process by which an executive makes it possible for others to share the work of carrying out the company's purpose. It also includes the process of assigning duties, responsibility and authority to those who he expects will aid him in doing the work.”

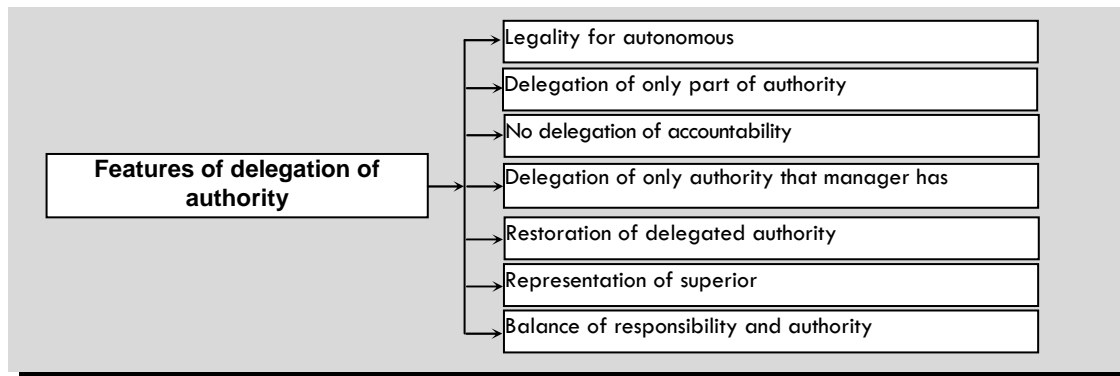
The basic reason for delegating the authority is to enable the manager to get more works done through others. It helps reduce the work overload of manager as subordinates effectively make decision under the scope of positional responsibility. It also minimizes duplication of work, delay in completion of assigned task and problem of over staffing so that total cost can be reduced. It plays vital role in increasing employee job satisfaction as subordinates develop capacity of making decision to handle higher and complex responsibility.

For our purpose, delegation of authority is the philosophy of granting work responsibility along with decision making rights by a manager to the subordinate at chain of command. Managers delegate a part of their respective authority to the trusted employee. Delegated authority can be restored at any time after completion of task or manager thinks the employee cannot accomplish the task as expected. Delegation of authority helps conduct activities more effectively and efficiently in the increasing business complexities. It also increases accountability of employees at job.

FEATURES OF DELEGATION OF AUTHORITY

Delegation of authority is essential in complex business world. It is the process of assigning job responsibility along with decision making authority to the employees. It has following features :

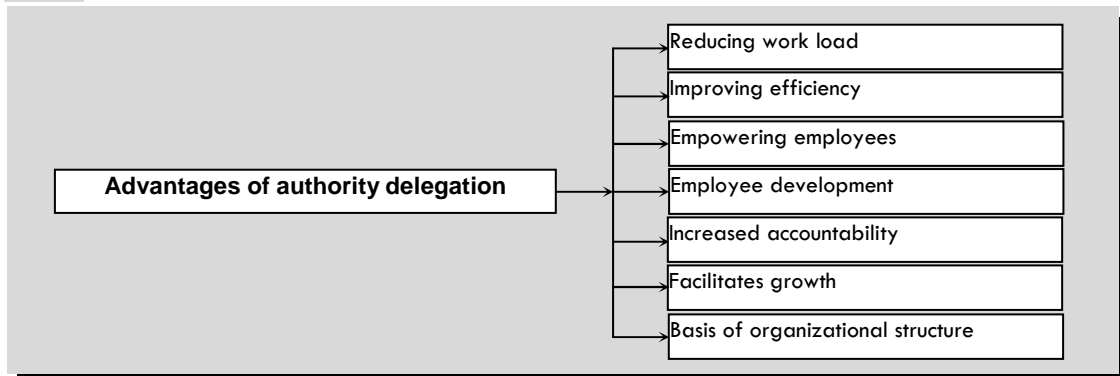
1. **Legality for autonomous:** Through delegation, superior delegates decision making authority to the subordinate for accomplishment of job responsibility. This legalizes a subordinate to perform functions independently within the broad limitation of authority specified by superior. Thus, delegation of authority legitimate subordinates to perform specific tasks autonomously.
2. **Delegation of only part of authority :** The superior in the process of authority delegation does not delegate the total authority to the subordinate. Superior should delegate only a part of his or her authority required just to accomplish the specific responsibility.



3. **No delegation of accountability:** In delegation process, responsibility is assigned with authority to the subordinate but ultimate accountability of the superior cannot be delegated to the subordinate. This compels managers to tie with the responsibility so that they cannot skip from their job responsibility.
4. **Delegation of only the authority that manager has:** No manager can delegate the authority which is not possessed by the person. This means, in delegation of authority, managers must delegate the authority from only the area of their own authority area.
5. **Restoration of delegated authority:** Delegated authority can be restored by the superior depending on the needs and situation. Authority can be increased, decreased or withdrawal whenever superior or delegator realizes. This means the delegation of authority cannot be permanent.
6. **Representation of superior:** The subordinate to whom the superior want to delegate the authority must accept delegated authority. Without accepting, it cannot be valid. Delegation of authority represents subordinate as the superior in the subject matter of delegation. Person with delegated authority can act and behave as the superior. Decisions made by subordinate in this condition are supposed to be the decisions made by superior.
7. **Balance of responsibility and authority:** Superior should maintain proper balance of responsibility and authority while delegating the authority. Delegation of only responsibility without authority gives no meaning as subordinate cannot accomplish the job independently. Similarly, delegation of authority without responsibility makes the subordinate undisciplined. There remains chance of violation of authority if there is no responsibility. Thus, there must be proper balance of responsibility and authority while delegation.

ADVANTAGES OF DELEGATION OF AUTHORITY

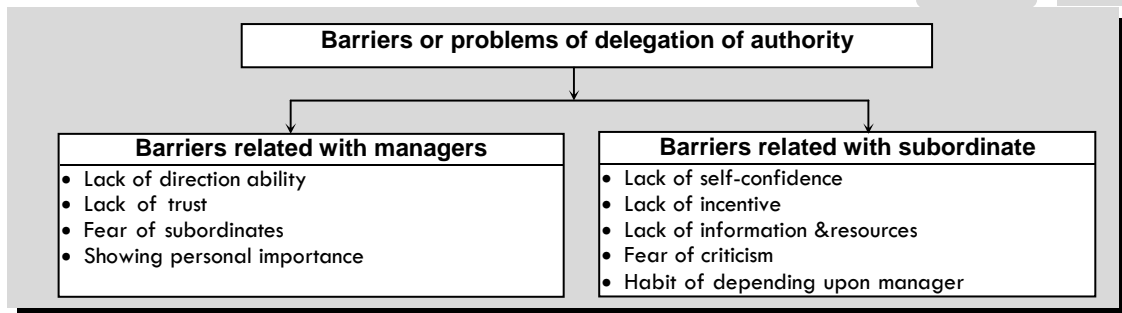
Delegation of authority decreases the workload of superior as it delegates the decision making power to subordinates. It develops the personal capability of subordinates. Properly delegated authority facilitates following advantages:



1. **Reducing work load:** Delegation of authority allows subordinates to make decisions in their responsibility area. Routine and operating functions can be performed through delegating authority through subordinates. Thus, delegation of authority allows top level management to be focused in strategic areas.
2. **Improving efficiency:** Effective delegation increases speed of decision making. This facilitates increasing the rate of job accomplishment. Subordinates need not to wait their superior for decisions. Subordinates can complete more job within limited time because of which efficiency of employees as well as organization can be improved.
3. **Empowering employees:** Delegation of authority provides decision making power to the subordinates which is the means of their empowerment. Delegation of authority makes employees more loyal, dedicated, creative and efficient as they have to make effective decisions. It increases morality and motivation of employees.
4. **Employee development:** Delegation of authority increases the employee capability as they exercise self-judgments decision making and power. This helps increase self-confidence and initiatives of subordinates. For enhancing the capability, employees get training on various issues of their functional responsibility. In this way, delegation of authority develops the employees through psychological, sociological as well as economic dimension.
5. **Increased accountability:** Accountability is the obligation for answering to the superior regarding progress report on job responsibility. As the subordinates get decision making authority on their respective job, they feel that they have to be solely responsible for success or failure of their decision. They become more responsive and accountable at the job. They become more sensible and to submit the report to their superior promptly.
6. **Facilitates growth:** As the decisions can be made quickly through employees at the responsibility area, business organization can grab the instant opportunities. More correct decisions can be made with the appropriate delegation of authority to correct subordinate. Top officials involve in planning for future business activities. Quick and better decisions increase the customer satisfaction. All these things facilitate organizational growth and expansion.
7. **Basis of organizational structure:** Delegation of authority is the basis of organizational structure as it creates formal relationship between responsibility and authority. It is to balance the responsibility and authority to make the well functioning organization. This is possible from delegation of authority.

OBSTACLES OF DELEGATION OF AUTHORITY

Despite of many advantages, delegation is not easy task and easily acceptable by all the people in the organization. There can be problems in delegating authority because of managers as well as the employees. In many cases, managers fail to delegate authority to their subordinates while in many instances, employees refuse the authority. Such obstacles leading to create problem in delegating the authority are commonly known as barriers of delegation of authority. These barriers can broadly be classified into two groups as below:



1. Barriers related to managers delegating the authority

Managers in different situations show unwillingness to delegate the authority to their subordinate. Such factors or reasons which are related to managers causing problem in delegation of authority are discussed as below:

- i. **Lack of directing ability:** Managers can be reluctant to delegate the authority because of their poor ability of directing subordinates. They feel losing directing authority if they are disorganized and less capable to handle subordinates.
- ii. **Lack of trust :** Many traditional managers do not trust their subordinates for their capability. They think subordinates may not be able in making decisions. Managers may often trust low in loyalty of their subordinates. Such managers who do not trust in capability as well as loyalty of subordinates do not wish to delegate authority.
- iii. **Fear of subordinates:** Some of the managers who do not trust themselves in their capacity and who are not updated for organizational procedure also show unwillingness to delegate authority. Managers feel that if they delegate authority they lose their respect from subordinates. They think that they can lose moral power to control subordinate who deserve authority and capable for handling jobs more efficiently and effectively. Thus, they do not want to delegate authority to subordinates.
- iv. **Showing personal importance:** Many managers think if they delegate the authority they lose their importance in the organization. They think subordinate do not respect managers if they get authority from managers. Because of this reason, managers hesitate to delegate authority.

2. Barriers related to subordinates

In many situations, subordinate do not accept the authority from their superior. Refusing tendency of employees also creates problem in delegating authority. Followings are some common reasons for which subordinates hesitate to receive authority from their superiors:

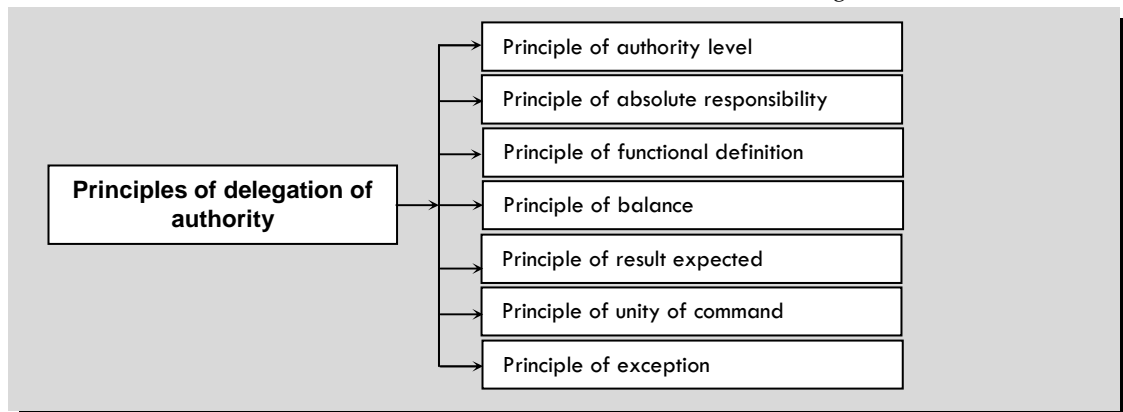
- i. **Lack of self-confidence:** It is common problem of the subordinates that many of them lack confidence and trust in themselves so that they can accomplish the job effectively. They think that they have to accomplish their best if they get authority from superior. They fear of poor performance for the higher level responsibility. Thus, they refuse authority from senior manager.
- ii. **Lack of incentive:** Subordinates think getting higher authority is only the matter of adding extra responsibility. They think they have to pay more effort for the added responsibility. Thus, they demand additional incentives but in most of the cases, they do not get any additional financial incentives. Subordinates may avoid extra responsibility if extra incentives are not provided.
- iii. **Lack of information and resources:** Many subordinates do not accept the responsibility easily because they do not get easy access to the information and resources. Responsibility cannot be accomplished effectively at the lack of information and resources. In such situation, subordinates become reluctant to accept delegated authority.
- iv. **Fear of criticism:** Many subordinates fear of criticism at any mistake that may happen during the job accomplishment. Because of fear of failure, subordinates deny the responsibility and authority.

- v. **Habit of depending upon manager:** Many subordinates feel comfortable working under the direct supervision and control of managers. They feel comfortable for doing the things guided by other. They depend upon their superior for information and techniques. They do not want to take responsibility and act independently as they think decision making incurs challenge of failure.

PRINCIPLES OF DELEGATION OF AUTHORITY

Managers need to follow some specific guidelines i.e. principles of delegation of authority. Following general principles are suggested while delegating the authority:

1. **Principle of authority level:** This principle states that superior must consider his authority level before delegating the authority. No one can delegate the authority which is not under his/her line authority (position). This principle maintains the positional discipline that no one overlaps or crosses the authority level for delegating the authority. This principle emphasizes on the degree of authority and the level up to which it has to be maintained.
2. **Principle of absolute responsibility:** This principle states that the responsibility cannot be delegated. Meaning, responsibility is fixed to the manager even after delegating the authority. It prevents manager from shifting their responsibility and accountability to subordinate. Superior should be responsible for completion of total responsibility. Every superior should be responsible for the act of their subordinates and should be accountable for ultimate goal achievement.



3. **Principle of functional definition:** This principle states that subordinate should be clear about the functions to be carried out. Before delegating the authority, superior must clearly define the functional area, limitations, and relation with other functions.
4. **Principle of balance:** This principle states that there should be balance between responsibility and authority to be delegated to the subordinate. Excessive authority increases chance of misuse of authority by subordinate whereas lack of authority with responsibility increases the chances of delay of decision making and execution. This principle advocates that managers should care about the responsibility of employees before delegation of authority.
5. **Principle of result expected:** This principle suggests that every manager should define goals, targets, and expectations from subordinates clearly before delegating the authority. Authority should be delegated only on the basis of results expected from subordinates. For example, before delegating the authority to sales subordinate, sales manager should fix the target sales within certain time. Such targets should be communicated to the subordinate before delegating authority.
6. **Principle of unity of command:** This principle states that a subordinate should receive command from only one superior at a time and be accountable to only one superior. This principle helps to avoid dual subordination in the command system.
7. **Principle of scalar chain:** This principle states that there should be direct chain of relationship in responsibility and authority throughout the organization. This helps in smooth flow of

communication. While delegating the authority, principle of scalar chain suggests that superior should delegate the authority only to the subordinate who is in the scalar chain.

8. **Principle of exception:** This principle states that only in exception, superior should delegate authority in exception. Subordinate shall be given complete freedom to perform his responsibilities under the scope of authority. The manager should not interfere in between his work and must allow doing the task even if s/he commits mistakes. But in some exceptional cases, the managers can interfere and even withdraw the authority delegated to the subordinate.

GUIDELINES FOR ELIMINATING OBSTACLES TO THE DELEGATION PROCESS

Delegation of authority is the basic for management thinking i.e. without which no managerial functions can be accomplished. There could be several obstacles in delegation process. Following guidelines are suggested for eliminating obstacles to the delegation process.

- Explain the relevance of delegated tasks to larger projects or to department or organization goals.
- Establish mutually agreed-upon results and performance standards for delegated tasks.
- Encourage employees to take an active role in defining, implementing, and communicating process on tasks.
- As far as possible, provide the employees freedom to pursue tasks in their own ways. If so, people choose the task based on their interest which encourages them to accomplish.
- Ensure highest level of trust the employees with completion of whole projects or tasks whenever possible.
- Ensure employees that they have authority essential to accomplish delegated responsibility.
- Increase the information access to the employees for accomplishment their tasks. So, they need to have excess to the necessary people and departments based on their tasks.
- Make employee strong and efficient through training and guidance necessary so that the delegated task can be accomplished at the best level satisfactory.
- Make delegation flexible with delegation process to the interested employees so that other employees also get motivation for increased tasks, and try their best hard to accomplish the delegated task at their level best.

PROCESS OF DELEGATION OF AUTHORITY

As discussed earlier, delegation of authority is the process of dividing and assigning the task and decision making authority to the subordinate. Effective delegation of authority need to follow few indispensable steps as discussed below:

1. **Defining the result i.e. output standard:** Manager must define the purpose and expected result from the person who gets the delegated tasks. After defining the purpose of delegation of authority, both delegating manager and the employees who get delegated authority become clear regarding what to delegate and what not do. After making both parties free from confusion, the most probable obstacle in delegation of authority can be solved. Likewise, the expected output i.e. standard job output needs to be defined so that the performance appraisal, level of satisfaction from job accomplishment, evaluation of employee, and the continuation decision of delegation can be easier.
2. **Assignment of duties to subordinate:** Manager is the ultimate decision maker whether or not, to whom and to what extent of responsibility is to be delegated. Thus, the firstly manager need, decide the delegating task and the employees whom the task will be delegated. Manager splits the tasks to delegate and assigns that specific tasks and duties to specific employees. With assigning the task and duties, manager has to discuss with employee to make them clear about their tasks, expected standard output, scope of the work and the quality of work expected of him. Manager decides employees to delegate the assignment based on subordinate's qualifications, experience level, aptitude, etc.

3. **Assigning authority:** After assigning responsibilities to the subordinates, it is essential to assign the authority to them as the authority provides decision making rights. Without authority, there will be no meaning of delegation. It is thus, important to decide the level of authority to assign along with responsibility. It is discussed earlier that if there is no authority to the subordinates, they cannot accomplish their tasks at the expected level of output while if the authority is excess, chance of abuse of authority becomes high. Thus, responsibility and authority need to be balanced. It must be decided appropriately so that employees can accomplish their task at their level best within the scope of authority.
4. **Acceptance of the task:** At this stage, the subordinate either accepts or rejects the tasks assigned to him by his superior. If the subordinate or the delegate, refuses to accept the duty and the authority to perform it, then the manager looks for the other person who is capable of and is willing to undertake the assignment. Once the assignment gets accepted by the subordinate, the delegation process reaches its last stage.
5. **Create accountability:** Finally, this is the time to make subordinates accountable for the work assigned. Though the ultimate accountability remains to the manager who delegates the authority, but the employee who has delegated authority should have to answer on the achievement or failure of doing it. Accountability is the state or condition in which the person needs to be obligated to justify, answer and accept the outcomes of the jobs done. Normally, people need to be accountable to the immediate supervisor in scalar chain. The extent of this accountability will depend on the extent of the responsibility and authority delegated.

RESPONSIBILITY

Responsibility is the duty of a subordinate to perform the organizational purpose. It is a set of tasks, functions or activities assigned to the employee to accomplish as a position holder. Responsibility is fixed with position as the position holder becomes obliged to accomplish. Responsibility should go side by side with authority. This means that, to accomplish the responsibility effectively and efficiently, there must be appropriate level of authority. Responsibility cannot be delegated to the other.

Knootz and O'Donnel - "Responsibility is the obligation of a subordinate to carry out the duties assigned to him."

George Terry - "Responsibility is the obligation to carry out assigned activities to the best of his abilities."

In general, responsibility is the work or duties assigned to a person by virtue of position in the organization. It could be mental and physical activities which must be performed to carry out a task or duty. That means every person who performs any kind of mental or physical effort as an assigned task has responsibility. Responsibility has no meaning except as applied to a person; a building, a machine or an animal cannot be responsible. Thus, the essence of responsibility is then obligation. A person who has authority has a corresponding responsibility. Responsibility may be continuing obligation or it may be discharged by accomplishing single task. Responsibility flows from a subordinate to a superior.

FEATURES OF RESPONSIBILITY

Responsibility is characterized with following features:

- Responsibility comes from superior-subordinate relationship. It is gradually shifted from lower level to upper level but in scalar chain.
- Responsibility cannot be delegated to other. Ultimate responsibility remains to the position holder.
- The essence of responsibility is the obligation of a subordinate to perform the duty assigned.
- Responsibility may be in the form of a continuing obligation or in single task.
- Responsibility makes the person accountable for the performance of assigned duties.
- Responsibility comes with authority in scalar chain.

DIFFERENCE BETWEEN AUTHORITY AND RESPONSIBILITY

Authority and responsibility are different things though they come simultaneously in the organizational structure. Without responsibility, organization cannot attain the organizational goals while without authority no one can accomplish the responsibility. Authority-responsibility relationship forms the organizational structure. Following table shows the difference between authority and responsibility:

Authority	Basis of difference	Responsibility
Authority is the right and power governed by position legally.	Meaning	Responsibility is the duty assigned to the position in accordance with talent, skills and experience of the person.
It flows from top level to lower level of the management.	Direction	It flows from lower level to top level of management.
It is legitimate right of an individual.	Base	It is obligation of the subordinate to perform the duties.
Lasts till the existence of position.	Lasting	It is completed with the end of assigned job.
Authority can be delegated.	Provision of delegation	Responsibility cannot be delegated.
Authority arises from legal provision.	Source	Responsibility arises with assignment of task by superior.

CENTRALIZATION OF AUTHORITY

Centralization is the process of systematically retaining decision making power at the top level of management. In simple words, holding the decision making power at the center i.e. top level of the organizational structure is called centralization. It is a philosophy in which top level managers exercise all the rights of making decisions.

In a relatively centralized organization, considerable authority and accountability remains at the top of the hierarchy. Top level management makes all decision without any consent of subordinates. The role of subordinates is only to implement the decisions made by top level management. Centralization is the system of reserving authority in few hands of central or top level of line organization.

Ricky W. Griffin – “Centralization is the process of systematically retaining power and authority in the hands of higher level managers.”

Ivancevich, Donnelly and Gibson – “Centralization refers to the location of decision making authority in the hierarchy of the organization.”

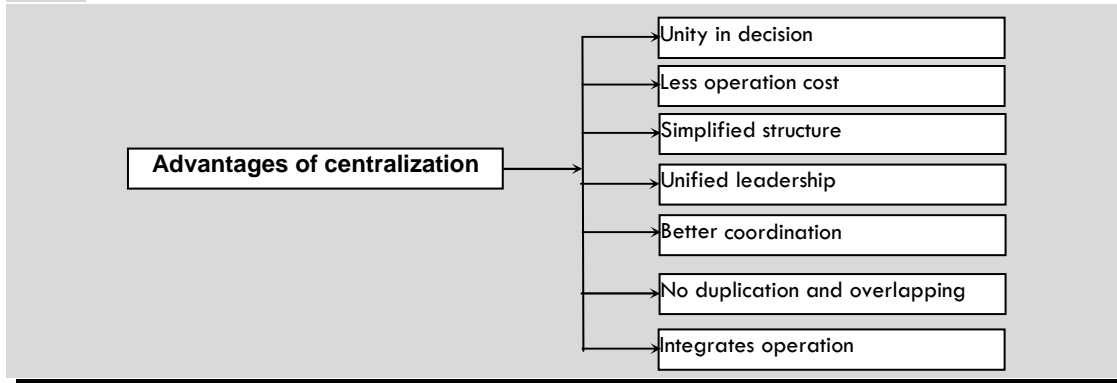
Allen – “Centralization is the systematic and consistent reservation of authority at central point in an organization.”

Wehrich and Koontz – “Centralization, as an aspect of management, is the tendency to restrict delegation of decision making. A high degree of authority is held at or near the top by managers in the organizational hierarchy.”

In conclusion, centralization is the philosophy to which decisions are reserved to the top level managers by provision. Under this system, top level managers hold total authority for every decision in organization. Role of subordinates are limited only for implementation of decisions made by top level management. Delegation of authority cannot be considered under centralization. In such condition, General Manager takes decision about everything and all the departments need to report directly to the General Manager.

ADVANTAGES OF CENTRALIZATION

Centralization is the philosophy of making decisions at top level of the management. This facilitates following advantages:

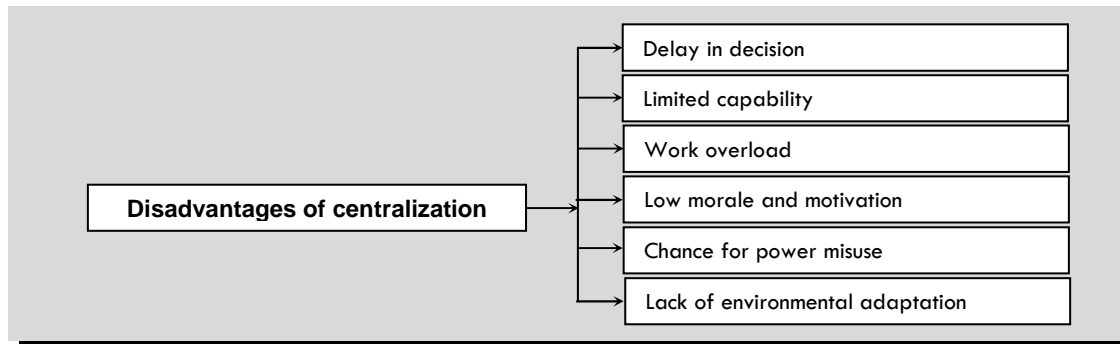


1. **Unity in decision:** Under centralization, top level management or General Manager makes all the major decisions. Followers need to implement the decision made by top level without any disagreements. Thus, it becomes easy to maintain uniformity and consistency in decisions in the organization.
2. **Less operation cost:** As only one person makes the decision, many positions can be reduced from the organizational structure. This helps reduce the administrative cost. Only few managers can complete the tasks with minimum cost of production.
3. **Simplified structure:** Under this concept, only few levels and positions can be applicable as the decisions are made at top level by limited personnel. All the employees are expected to follow the instruction and guidance of top level manager. It is not necessary to assign authority for different people. So, organizational structure can be easily understood and applied.
4. **Unified leadership:** Under centralization, top leader makes decisions. Leader takes care about all areas of the business. Talent leader makes decisions quickly. There will be no any confusion regarding decisions and direction. Leader becomes more imaginative and competitive. These provisions facilitate quick growth of organization.
5. **Better coordination:** Top level manager makes all the decisions, departmental managers and subordinates need to only implement the decision. This reduces the chance of interdepartmental conflict in resource utilization. Central decision making improves the coordination and control.
6. **No duplication and overlapping:** As the top managers makes decisions, thus there will be no duplication and overlapping in activities. Chances of making the decisions twice or more will be null. At the same time there will be no chance of remaining any task. Thus, centralization facilitates in optimal utilization of the resources.
7. **Integrates operation:** Top manager maintains close relation with every supervisor and subordinate. Activities and efforts of every unit and department are integrated for organizational purpose. Effectiveness and efficiency can be increased with synergy effects. This facilitates organizational growth and diversification.
8. **Facilitates in change management:** Unified direction, control and decision making provision of centralization facilitates for effective decision making. Decision makers can be strong and determined. There will be one opposing the decision of top level management. In this way, whole organization can be positive for change.

DISADVANTAGES OF CENTRALIZATION

Centralization is not always beneficial. It is not suitable in large and diversified organizations. It is essential to analyze various limitations of centralization. Centralization possesses following limitations in general:

1. **Delay in decision :** There is possibility of delay in decision making because the files need to move through bottom to top level for making decision. Only one person cannot make all the decisions quickly. This increases the chance of losing business opportunities and profitability.



2. **Limited capability:** Capacity of subordinates cannot be utilized in decision making process. Only one manager has to make all the decisions even for different functional areas. Single person may not be efficient for making all the decisions at quick run effectively. Thus, limited capacity of decision maker may decrease the quality in formulation of strategies, operational plans and implementation which result low performance of the organization.
3. **Work overload:** As only one person has to make all the decisions, thus the manager should always work under overload. Work overload causes delay in decision making. This also decreases the quality of decisions. This may hinder on growth and diversification of organization.
4. **Low morale and motivation:** Middle level managers, supervisors and operating employees are not involved in decision making process. They have only responsibility of job accomplishment but no authority for making decisions. They have to wait decisions from top authority. These causes decrease in morale and motivation of the employees. Turnover rate of qualified, skilled and experienced employees get increased.
5. **Chance for power misuse:** Top level managers make decisions on the basis of personal judgment as the authority is centralized. Decision maker thinks s/he is the sole authority of the organization. This increases chance of misuse of power for personal benefits.
6. **Lack of environmental adaptation:** In this system, decisions may be delayed and inflexible because of work overload and limited capability. Limited knowledge and experience of decision maker may not be ready to take any risk for new business ideas and practices. Thus, manager takes decisions only on traditional way. Thus, there can be problem for adaption of environmental changes.

DECENTRALIZATION

Decentralization is the philosophy of systematically delegating the authority to middle and lower level management in accordance with their responsibilities. In other words, it is the process of providing authority i.e. decision making power as close as possible to the level at which the work is to be done.

In actual situation, top level management cannot supervise and control the activities of all levels in organization. Top level may not make all the decisions at right time because of which business opportunities may have to lose. So, top level management has to delegate required degree of authority to lower levels so that lower level manager can make quick decision independently and implement them.

The degree of decentralization is influenced by the nature of an organization, attitude of top level management, availability of competent and qualified subordinates, business environment, cost associated with decentralization, etc.

Louis A. Allen – “Decentralization is the systematic and consistent delegation of authority to the level where the work is performed.”

Koontz and Weihrich – “Decentralization is the tendency to disperse decision making authority in an organized structure.”

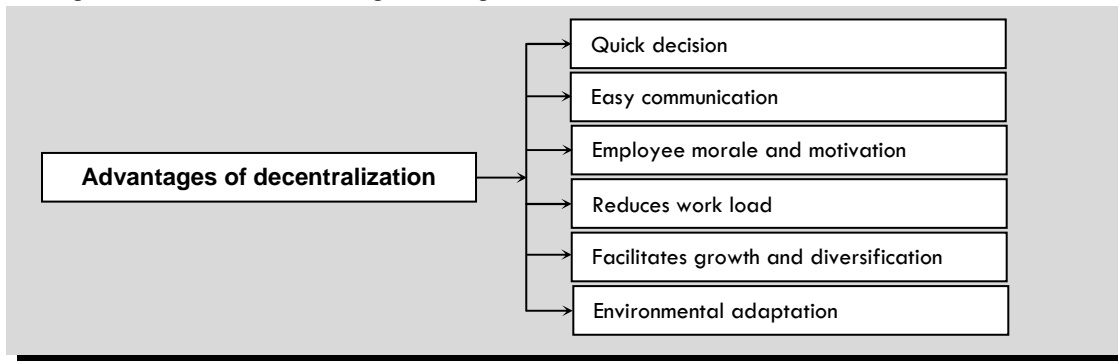
Dale S. Beach – “Decentralization means placing the authority and decision making power as close as possible to the level at which the work is done.”

Grey and Smeltzer – “Decentralization refers to the extent to which managerial authority is delegated or pushed downward in an organization.”

Decentralization of authority is the consequence of delegation of authority. It allows decision making power to the person or level where the decisions need to be made and implemented. Decentralization reduces the workload of top level of managers. It inspires the employees as they get opportunity to develop their career. Decentralization is guided with the philosophy of making decision at the level of implementation of the decision.

ADVANTAGES OF DECENTRALIZATION

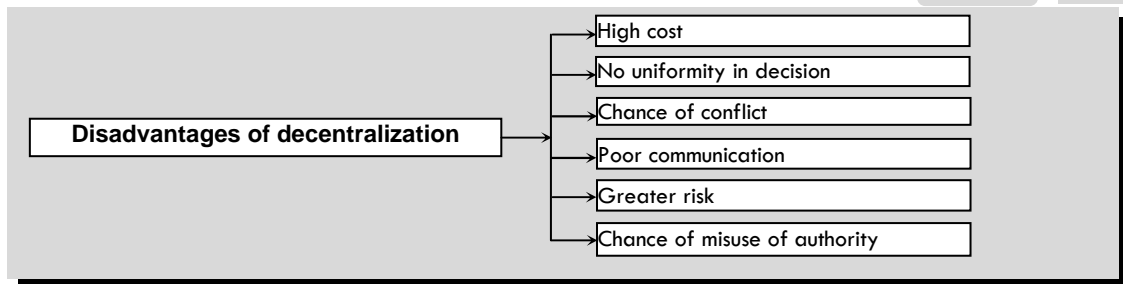
Decentralization is the philosophy of systematic and scientific delegation of authority to the decision making level. It facilitates following advantages:



1. **Quick decision:** Decentralization facilitates fast and better decision as decision making authority is given to the unit managers where the decision need to be implemented. Decisions made by functional managers become accurate which helps for organizational growth and diversification. Prompt decisions in business are more important to grab the opportunities.
2. **Easy communication:** Employees at different levels become more responsible because of the authority delegated to their level. This minimizes delay in transmitting the information to different levels where it is essential. This system facilitates two way communication which establishes better relationship between superior and subordinates.
3. **Employee morale and motivation:** Decentralization encourages middle and lower level managers to exercise free and independent decision making power. They get experience of making decisions in different situations which help develop their competency, dedication and creativity. This leads high morale and motivation of employees.
4. **Reduces work load:** Decentralization reduces the work overload of top level managers. They can be free from routine job. Thus, top level management can concentrate its efforts for strategic issues. It helps to adopt the environmental changes and change management.
5. **Facilitates growth and diversification:** Decentralization increases the specialization at decision as functional managers make the decision appropriate to their functional area. Such decisions made by functional managers become more effective which lead for functional efficiency. It facilitates growth and diversification of products, activities and markets. It helps to expand the network and profit centers.
6. **Environmental adaptation:** Business environment is dynamic which adds complexities to the decision makers. In such situation, top level managers must involve in strategic formulation. Decentralization facilitates authority to the middle level and lower level managers for routine job. This facilitates top level managers to concentrate in adapting new technology, business practices. It helps to adapt in environmental adaptation.

DISADVANTAGES OF DECENTRALIZATION

Decentralization is not possible in each organization. It is necessary to consider the level of employees who have to use the authority. Unnecessary decentralization sometimes creates problems in the organization. Decentralization may have following disadvantages i.e. limitations:



1. **High cost:** Under decentralization system, more trustworthy managers and supervisors are required because they need to exercise the authority with their judgment. Decentralization demands highly skilled, experienced and trained employees in each level. Such employees are costly as they require high financial and non-financial facilities. It increases the administrative and operating cost resulting decrease in profitability.
2. **No uniformity in decision:** As decisions are made at the level of operation, different people with different interest, experience, skills and analytical capacity can make the decision according to their wish. Such decision may not be uniform. This reduces chance of coordination.
3. **Chance of conflict:** Under this system, each manager is pressurized to increase the output of their level. Each department manager emphasizes on increasing output of own department instead of overall organizational goals. This may increase the interdepartmental conflict. There may be serious problem of coordination between the departments.
4. **Poor communication:** Under decentralization, departments can be formed at different places on the basis of convenience of departments. Being independent for making decisions, departments do not think importance of other departments or units. Each department may have own standard and procedure for job output. This creates the problem in smooth communication.
5. **Greater risk:** Decisions are made by subordinate at different level on the basis of departmental necessity. All the decision makers may not be equally competent and committed for optimal decision. With low experience, skills and confidence level, decisions can be wrong which may increase the risk of failure.
6. **Chance of misuse of authority:** Departmental and unit managers are autonomous to make decisions for their departments and units. There is poor control of central level management to the acts of departments. Departmental managers may misuse the authority which can create serious problems in the organization.

DELEGATION OF AUTHORITY VERSUS DECENTRALIZATION

Delegation of authority	Basis of Difference	Decentralization of authority
Delegation of authority is process of transfer of authority to the subordinate who are trusted by superior.	Meaning	Decentralization in the process of delegating authority to the middle and low level in scalar chain i.e. by system.
Only a part of authority of superior is delegated to the immediate subordinate.	Extent of authority	Full authority is given to the level where actual work is to do.
Delegation is a technique to get work done by others.	Core value	Decentralization is not only the technique but it is also the philosophy.
The ultimate authority lies upon the delegator.	Ultimate Authority	Full authority is given to the decision making level.
The ultimate responsibility lies upon the superior.	Responsibility Center	The superior are relieved from the responsibility for the decentralized work.
There is a personal relationship between superior and the subordinate.	Superior and subordinate relationship	There is a positional relationship between top management and various department of the organization.
Delegation can take place without	Dependency	Decentralization is not possible without the
Very little freedom is available to the subordinates.	Freedom to subordinates	Considerable freedom can be exercised by subordinates.

Delegation of authority and decentralization, both have some common features. Both describe that management should provide proper authority to the lower and middle level managers to perform the given job more effectively and efficiently. These two concepts are interrelated each other but both concepts have different techniques of organizing authority, responsibility and activities. Difference between delegation of authority and decentralization are tabulated as below :

MECHANISTIC AND ORGANIC VIEW OF ORGANIZATIONS

There are basically two underlying set of assumptions in organizing function which are commonly known as mechanistic and organic view organizations. They are explained as below :

A. Mechanistic perspective

This is the most traditional view on organization. Many classical theories of organizations represent mechanistic view. Many management experts, economist and scholars like F.W Taylor, Henry Fayol, Adam Smith and Moony contributed to develop mechanistic theories of organizations and managements. Mechanistic perspective has the following common features.

- This perspective views an organization as a machine which converts input into output with certain processes.
- It assumes that organizations operate in a predictable and stable environment.
- The prime goal of organization should be increasing efficiency through specialization and standardization of work.
- It focuses on fixed working hours, fixed production and maintenance schedule, financial control system and quality control system to make controlling functions more effective.
- This approach advocates for tall organizational structure with formal hierarchy of authority.
- It suggests different targets for output like sales targets to improve profitability.
- It believes that employees can be motivated by maintaining good working environment for motivating and removing fatigue.
- This approach of organizing believes that there can be one best way of doing jobs and solving each problem to with greater uniformity.

This perspective is commonly used in theory of management in organization. This approach can be suitable only to stable environment. This perspective ignores the human aspects of organization. It treats man as a machine. Therefore, this approach is being unpopular and unacceptable among the employees.

B. Organic perspective

This is the modern view in organization. It emphasizes on socio-psychological aspects of human being in organization. Managers should analyze socio-psychological aspects to motivate the employees. Organic approach views organization as living, changing and constantly adapting to the environment. Main features of this approach are listed below:

- Human interactions in work place are important to satisfy employees.
- Socio-psychological study of people helps to achieve organizational effectiveness.
- Situational changes can be accepted and managed effectively.
- Jobs are redesigned to empower workers.
- Organizational design is lean, flat and less hierarchical.

DIFFERENCE BETWEEN MECHANISTIC AND ORGANIC ORGANIZATION PERSPECTIVE

The basic difference between mechanistic and organic organization approach are summarized as follows:

Mechanistic organization	Basis of Difference	Organic organization
Focuses on individual specialization in one task.	Specialization	Joint specialization as employees work together and coordinate tasks.
Well defined hierarchy of authority (simple integrating mechanisms).	Hierarchy structure	Task forces and teams are integrating (complex integrating mechanisms)
Centralized decision making.	Decision	Decentralized decision making
Vertical communication in general. Written means of communication is followed.	Communication	Lateral communication in general. Normally, verbal means of communication is followed.
Standard operating procedures. Extensive use of rules and regulation.	Operating procedure	Unpredictable work process. Mutual adjustment and face-to-face contact for coordination.
Formal status in organization based on size of empire.	Status	Informal status based on perceived brilliance.
Organization is a network of positions corresponding to tasks. Typically each person corresponds to one task.	Concept	Organization is network of persons or teams. People work in different capacities simultaneously and over time.

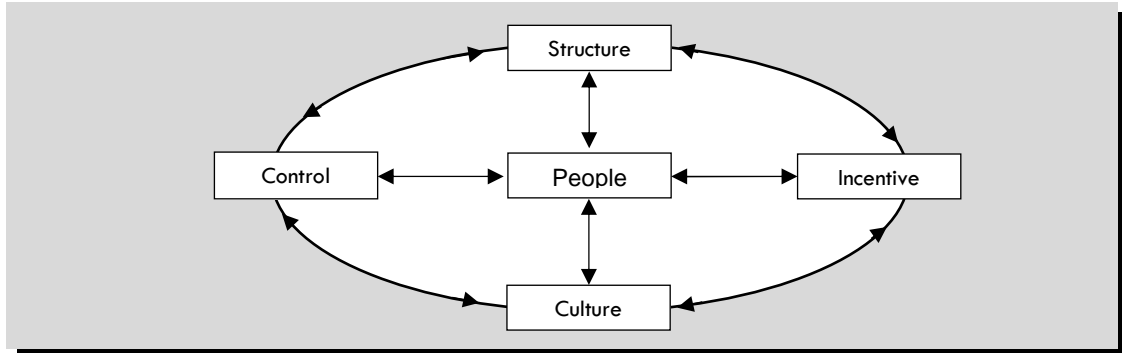
ORGANIZATION ARCHITECTURES

Architecture, in simple meaning, is the set of designs of any construction. By combining the architectures and the organization, organizational architecture is meant as the organizational structural design formulated to deliver the organizational functions with formal division of responsibilities and authority. Organization architecture, thus, refers to the totality of a firm's organization, including formal organization structure, control systems, incentive systems, organizational culture, and people. In broad sense, it has two differentiating meanings as organization's built environment and architecture metaphoric. The various features of a business's organizational architecture has to be internally consistent in strategy, architecture and competitive environment.

Organization architecture consists of following elements. In each element, there are two ways arrows indicating that each element is interdependent each other. Value of one element influences the value on other element. While setting the organizational architectures, these elements should be considered seriously.

- **Organization structure:** Main focus of the organizational architecture is the organizational structure. Organizational structure is the integration of three things: person and position for making decision i.e. centralization or decentralization; formal division of functions of the organization departments, units and subunits; and integration mechanisms to coordinate the activities of various functional units and subunits. Best organizational architecture deals with best fit for decision making system and culture in the organization with formal, systematic and scientific division of functions and formation of effective coordination mechanism.
- **Controls:** Control is the extent of rights to supervise and direct the subordinates with legitimate authority. It measures how many subordinates under scalar chain will be controlled for better performance, quality output, effectiveness and efficiency. Control provides the horizon up to which performance control initiations can be assessed. Organizational architecture focuses on designing best control system so that unity of command, unity of direction and balance of authority-responsibility in the organization.
- **People:** People involved directly as employee as well as the people included for strategy formulation, recruitment, training and development, performance appraisal and compensation,

motivate and retain the employees are entirely focused with central point in the organizational architecture. It also focuses on people in terms of their skills, values, and orientation as the human capital available in the organization.



- **Organizational culture:** Organizational culture is the set of organizational values, beliefs, and assumptions commonly shared among the employees of an organization. Organizational culture influences on different dimensions of organizational architecture, more importantly how people centralize or decentralize the authority, acceptance of responsibilities, feelings and acceptance of accountability, coordination and cooperation, etc. Because of differences in organizational culture, the architectural orientation may be different.
- **Incentives:** Incentives are the motivational techniques used in the organization to change the behavior of the people towards acceptable behavior in the organization. Organizational architecture sets authority-responsibility along with various financial and non-financial incentives. Organizational architecture sets ties between performance and incentives.

Based on above elements, organizational architecture used to design the organizational structures under two broad categories as vertical and horizontal differentiation. Following description provides details of organizational structure.

A. VERTICAL DIFFERENTIATION

Vertical differentiation refers to the top-down pyramid structure of the organization with CEO/MD, managers, supervisors, and the operating level employees. It deals about centralization of the decision-making authority. In vertical differentiation, organizational structure is designed with differentiating the organizational authority and responsibility from top to bottom. In vertical differentiation, organization perfectly follows scalar chain where all the employees are not required or expected to contribute to the choices they make. Vertical differentiation can be of tall versus flat hierarchies which are discussed below:

1. **Tall organizational structure:** Tall organizational structure is the structure with long chain of command. Specially, as the organization grows, more layers will be added in organizational hierarchy. In a tall structure, managers form different positions in ranks and each has a small area of control on their responsibility. In this structure, business owners are responsible for developing the guiding principles and vision of the company and communicating that vision to the middle level of managers. At the middle, managers become responsible for formulating strategies and work processes to attain organizational goals developed by top leaders.

Tall organizational structure helps maintain strong chain of command from the top level to the bottom of the company. In this structure, employees below the level understand their roles and responsibilities clearly and also the accountability remains always at the highest level which helps to higher level of productivity and efficiency.

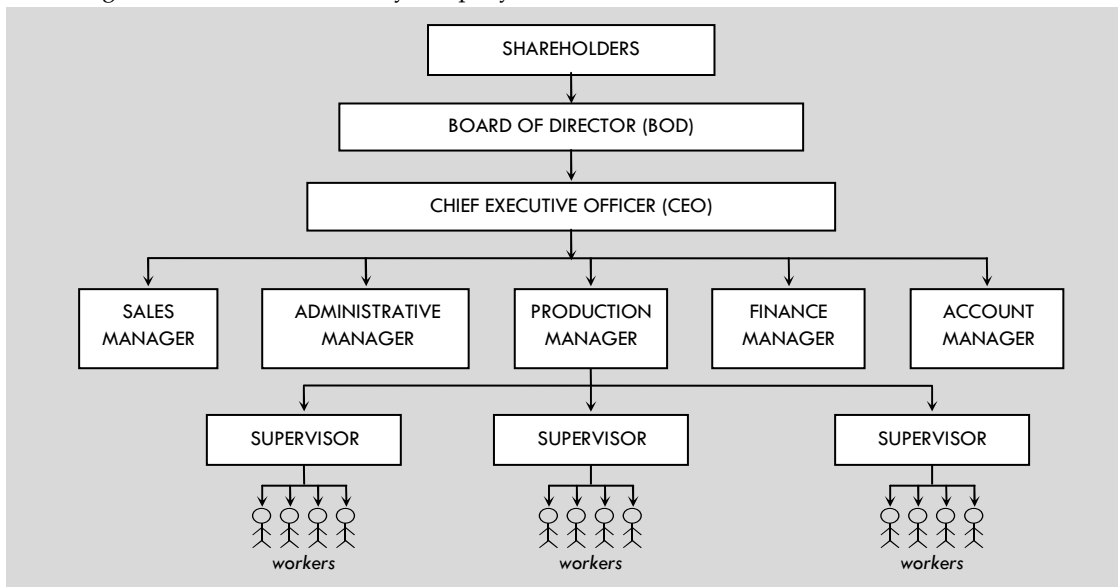
Because of limited numbers of employees at the rank, they get strong feelings of self-motivation as there is high chance for promotion. With each promotion, employees attain new skills and knowledge that contribute to the overall success of the company.

One of the major disadvantages of a tall organizational structure is that because of so many layers of management, it delays decision making process. Because of long chain of command, there could not be easy excess for lower and even middle level management for interaction with top level management. This may hinder organizational growth as many employees may be frustrated because of poor participation.

Because of tall structure, more formalities for approval of decision takes long time and the employees are not empowered which lacks employees growth opportunity. Employees in tall structures tend to feel disconnected from top-level management because they so rarely interact. This increases the chance of high employee turnover rate.

Line organization structure is well known popular tall structure which is described below.

Line Organization: Line organization is one of the simplest and oldest organizational structures. This organization structure provides the clear division of authority and responsibility. In this type of organization, the authority flows from top level to the bottom level and responsibility flows from bottom level to the top level. This organizational structure is also known as military organization as it was first developed and used by the military. In line organization, each superior is independent to take decision and each subordinate is directly responsible to his superior. For example, the organizational structure of any company A is shown below:



From this chart, it is seen that the authority lies at the shareholders first and it is flown down to the Board of Directors. From Board of director the authority has been delegated to chief executive officer and so on. In the similar manner, the responsibility is flowing from the worker to the supervisor and from supervisor to the production manager and ultimately to the shareholders. In this line organization, if the chief executive officer has to make the work done by the worker then he doesn't direct the work to the worker. Instead, he goes through the production manager. It is called the line organization as the authority and responsibility flows in a straight line.

Features of Line Organization

- It is simplest form of organization.
- Line of authority flows from top to bottom.
- Specialized and supportive services do not take place in these organizations.
- Unified control by the line officers can be maintained since they can independently take decisions in their areas as spheres.
- This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.

Advantages of Line Organization

- i. It is the simple to understand and easy to administer.
- ii. In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
- iii. The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.
- iv. In these organizations, every line executive has got fixed authority, power and fixed responsibility.
- v. There is better coordination between top most authority and bottom line authority. Since the authority relationship is clear, line officials are independent and can flexibly make the decisions. This flexibility gives satisfaction to line executives.
- vi. Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Disadvantages of Line Organization

- i. The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.
- ii. A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. Decisions made by line managers are implemented in the same way.
- iii. The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.
- iv. Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective coordination is less.
- v. The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.

There are two types of line organization. They are:

- **Pure Line Organization:** Pure line organization is that type of organization in which similar type of work is performed by the workers/ employees. And the workers are grouped for carrying out their duties. These employees are under direct control and supervision of one manager.
- **Departmental Line Organization:** In departmental line organization, different departments are established to carry out the function and each department has a department head to control and supervise the employees. The employees of one department can't be directed and controlled by the other department head. Departmental line organization is much more effective in comparison to pure line organization as departmental line organization divides the work under different department whereas in pure line organization one has to control and supervise all the employees at once.

2. **Flat Organizational Structure:** Flat organization structure is the structure with only few or no levels of management between management and staff level employees. In order to remove the demerit of tall structure i.e. lengthy scalar chain, possibility of decision delay and poor employee satisfaction; flat organization structure is brought into existence. In flat organization structure, there will be close supervision to the employees which facilitates higher productivity, strong belongingness, and facility of quick decision.

Advantages of a flat structure

- It removes unnecessarily more layers in management which helps improve coordination and communication between employees.
- Less number of layers facilitates prompt decision making in the organization which helps to grab opportunities in such competitive business environment.

- It raises the employee's satisfaction level and feeling of self-responsibility to accomplish the organizational goals.
- This structure provides good opportunity of employee growth.
- This structure helps in reducing administrative cost through elimination of middle level managers and supervisors.
- Flat organizations focus on empowering employees rather than adhering to the chain of command.
- By encouraging autonomy and self-direction, flat structures attempt to tap into employees' creative talents and to solve problems by collaboration.

Disadvantages of flat structure

- As there are only few managers in the organization, so employees often lack a specific boss to report to, which creates confusion and possible power struggles among management.
- This structure fails to produce specialist in the organization as all employees will be generalists. This structure does not provide clear and specific job functions.
- Flat structure may limit long-term growth of an organization; management may decide against new opportunities in an effort to maintain the structure.
- Larger organizations struggle to adapt the flat structure, unless the company divides into smaller, more manageable units.

B. HORIZONTAL DIFFERENTIATION IN ORGANIZATIONAL STRUCTURE

Horizontal differentiation begins with the idea that there must be specialization in the organization in order to increase effectiveness and efficiency. In contrast to the vertical differentiation, horizontal differentiation concerns with creation of how to divide the organization into subunits. Below are few important organizational structures, based on horizontal differentiation.

- a. **Functional Structure:** This is the concept developed by the father of scientific management F.W. Taylor. He developed this concept for large organizations and especially for factory. In this concept, he has given more emphasis in specialization. According to him, each person is not specialized in different subjects. Therefore, he is in the position that activities should be divided into group or main groups and to handle the activities, the experts are to be given right. He has recommended 8 bosses to carry out the duties. They are:

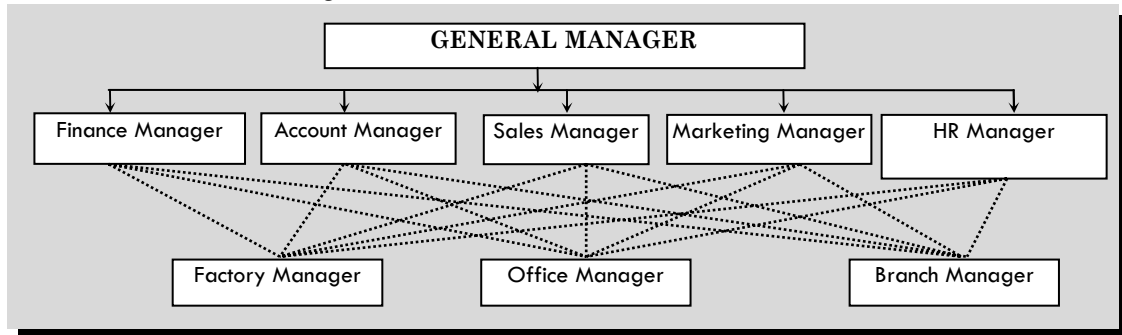
- | | |
|------------------------|---------------------------|
| a. Route clerk | b. Instruction card clerk |
| c. Time and cost clerk | d. Disciplinarian clerk |
| e. Gang boss | f. Speed boss |
| g. Inspector | h. Repair boss |

These clerk carryout their functions in their respective fields. It is an expensive organization which is suitable only for large organization but functions are carried out much more effectively. In functional organization, the whole task of an organization is divided according to the type of work involved. Different external experts are appointed as a departmental manager to operate departmental activities. A functional specialist formulates plans and policies himself for his department and implements them in practical field. For instance, the engineering department would be staffed only with software engineers.

Features of Functional Organization

- i. The whole work is divided into major functions.
- ii. Each of the subordinates receives different instruction from different bosses.
- iii. In this organization, the chief executives are relieved from the overload.
- iv. Flexibility can be exercised in organization.
- v. It helps in mass production.
- vi. It is used for the principles of specialization.
- vii. It is useful for large organizations involving in various functions to be carried out.

- viii. It is an expensive organization as many functional managers should be appointed with high remuneration and benefits.
- ix. Decision making can be delayed because the line managers need to consult with the functional managers to take the decision.



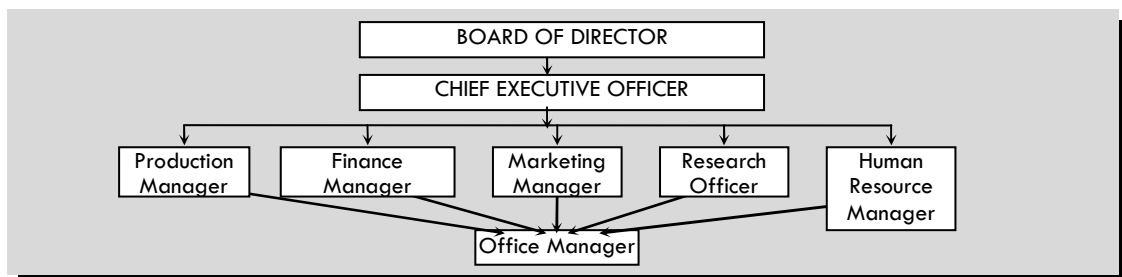
Advantages of Functional Organization

1. **Increase Efficiency:** Each department is under the supervision of a specialist which increases the working efficiency of the employees.
2. **Relief to Executive:** In this structure, work is divided on the basis of functional specialization which lowers the work load of managers.
3. **Suitable for Present Environment:** This structure is suitable for the management of large scale business enterprises of present environment. It increases the functional specialization which leads in improvement in quality of product and service. This helps in the successful operation of business.
4. **Facilitates Growth and Expansion:** It creates scope for the existing volume of business to grow and also for the expansion of various lines of business.

Disadvantages of Functional Organization

1. **Multiple Command System:** There is lack of unity of command between the subordinates and the functional manager due to multiple command system.
2. **High Administrative Cost:** In this structure, functional specialists are to be paid more remuneration and service than other manager. Hence, this organization structure becomes costly.
3. **Delay in Decision Making:** Management has to pay more time to come into a concrete decision. So, there may be delay in decision making.
4. **Lack of Coordination:** There may be lack of mutual understanding between the function specialist and other subordinates. This may result in lack of coordination.

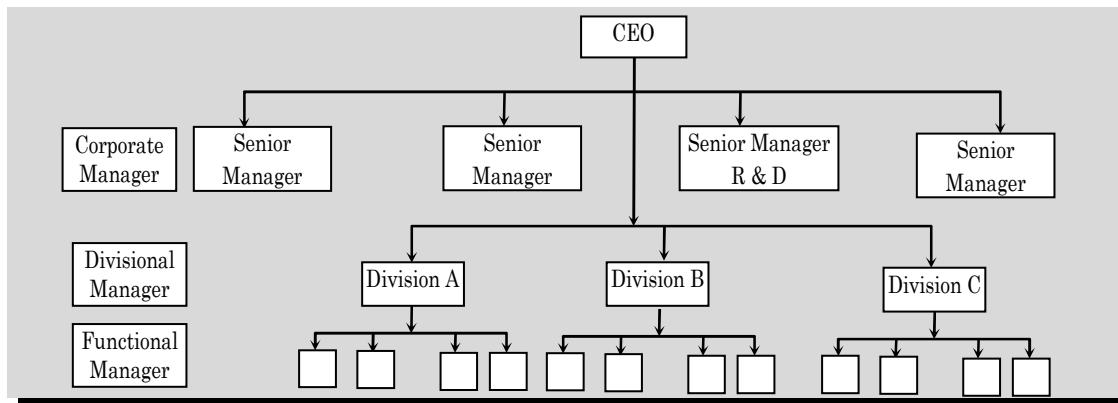
Functional organization has been divided to put the specialists in the top position throughout the enterprise. This is an organization as a system in which functional department are created to deal with the problems of business at various levels. Functional authority remains confined to functional guidance to different departments. This helps in maintaining quality and uniformity of performance of different functions throughout the enterprise. For example, the functional head and Marketing Director direct the subordinates throughout the organization in his particular area. This means that subordinates receive orders from several specialists, managers working above them. Figure shows the authority responsibility relationship of functional organization.



There should be a limit to the number of subordinates, which a superior can effectively supervise. The limit is known as the span of control. The term 'span of control' is also referred to as 'span of supervision' or 'span of management'. Hence, span of control indicates the number of subordinates that a manager can manage effectively.

- b. **Multidivisional Structure (M-form):** It is the organizational structure in which a firm is divided into different product divisions. Each of the division is responsible to carry out functions in a distinct business area. In this structure, each of the division has some decentralized authority and held accountable for their performance.

It consists of self-contained units that rise as its own separate entity. General electric is an example of the company that uses this type of structure. Its main goal is to maximize the overall organization's performance.



Advantages of Multidivisional Structure (M-form)

1. It increases organizational effectiveness as there is clear division of labor between corporate and divisional managers.
2. The most able divisional managers are promoted to corporate managers. So, the morale of divisional managers are boosted-up.
3. Units can work together for synergy.

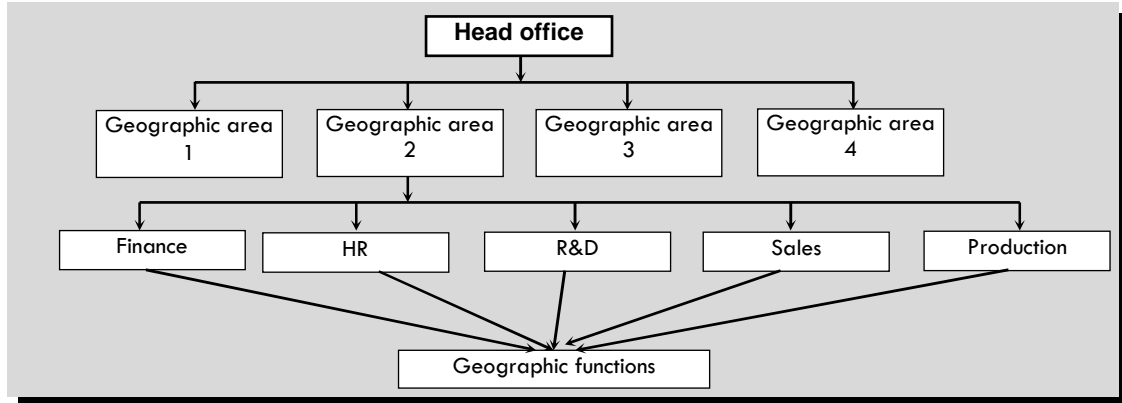
Disadvantages Multidivisional Structure (M-form)

1. It lacks coordination between divisional managers.
2. It is an expensive type of organizational structure.
3. There is chance of miscommunication or distortion of information.
4. Units have to compete for scarce resource like financing.
5. Duplication of work may take place.

- c. **Geographic Structure:** Geographic structure, as its name, is the idea of developing organizational structure based on the geographical operation of any business organization. Geographic structure becomes suitable if the organization has its business expanded into geographic areas. As the many organizations are being multinationals, this form of organizational structure is being more popular. As the structure helps identify business opportunities, solutions in different market places, and the provision for workplace compensations and employee relations in the ways demanded in different regions. In a geographic structure the main subunits of the organization are geographic areas, such as regions within a country, countries, or multi-country regions.

In geographic organizational structure, hierarchy of the management is divided on the basis of geographic location based on its business operation. As mentioned earlier paragraph, geographic organizational structure facilitates the organization to satisfy the local needs of the organization differently. Geographic organization helps to understand local customer preferences which change according to geographic locations as well as it can solve the logistic issues faced by the organization

as dedicated teams are allotted as per geographical divisions within the organization. Here is an illustration of geographic organizational structure as below :



Advantages of geographical organizational structure

1. It is most suitable for the organization conducting business for different consumers in different geographic areas.
2. It helps identify, locate and solve the business problem of particular consumers in particular geographic areas.
3. It facilitates prompt decision as the local management structure can make decisions without consent of central management.
4. It helps reduce the cost of over production and wastage as the local demand can be easily estimated.

Disadvantages of geographic organizational structure

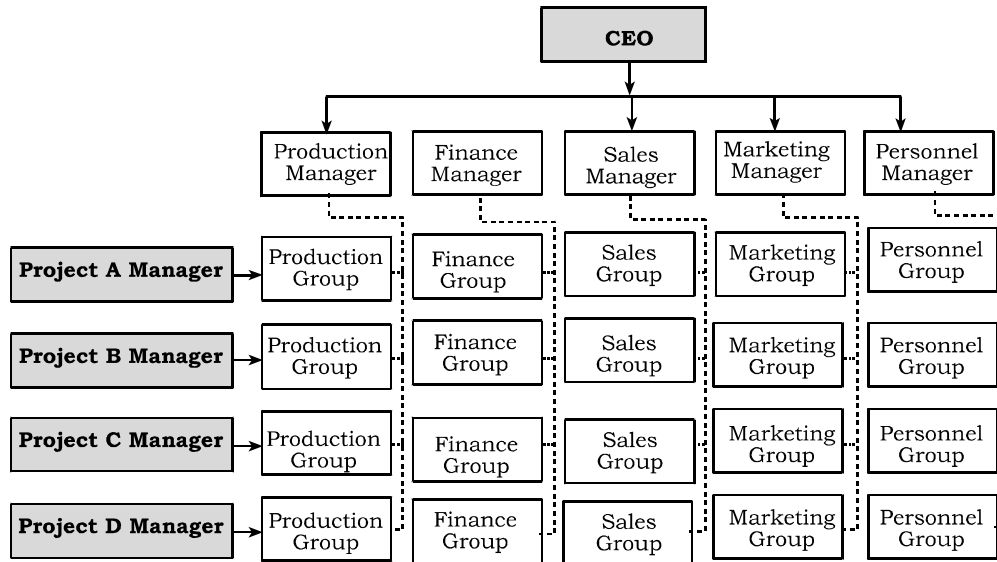
1. There is chance of miscommunication between central and regional structure.
2. There could be problem in maintaining quality of products and services because of differences in understanding in different geographic areas.
3. At the middle and operational level, there need to have similar structure so that there is no much cost reduction in different levels.
- d. **Matrix Structure:** An organizational structure that facilitates the horizontal flow of skills and information is known as matrix organization. It is used mainly in the management of large projects or product development processes, drawing employees from different functional disciplines for assignment to a team without removing them from their respective positions. This means matrix organization is formed with the people from different skills and expertise from different departments.

Employees in a matrix organization report on day-to-day performance to the project or product manager whose authority flows sideways (horizontally) across departmental boundaries. They also continue to report on their overall performance to the head of their department whose authority flows downwards (vertically) within his or her department. In addition to a multiple command and control structure, a matrix organization necessitates new support mechanisms, organizational culture, and behavior patterns. Developed at the US National Aeronautics & Space Administration (NASA) in association with its suppliers, this structure gets its name from its resemblance to a table (matrix) where every element is included in a row as well as a column.

Matrix Organization was introduced in the USA in the early 1960's. It was used to solve management problems in the Aerospace industry.

The organization is divided into different functions, e.g. Purchase, Production, R & D, etc. Each function has a Functional (Departmental) Manager, e.g. Purchase Manager, Production Manager, etc. It can be divided on the basis of projects e.g. Project A, Project B, etc. Each project has a Project Manager e.g. Project A Manager, Project B Manager, etc.

Employee has to work under two authorities (bosses). The authority of the Functional Manager flows downwards while the authority of the Project Manager flows across (side wards). So, the authority flows downwards and across. Therefore, it is called "Matrix Organization". An example of matrix organization is shown in the following diagram:



Features of Matrix Organization

The peculiarities or characteristics or features of a matrix organization are described as below:

- **Hybrid structure:** Matrix organization is a hybrid structure; a combination of two or more organization structures. It combines functional organization with a project organization. Therefore, it has the merits and demerits of both of these organization structures.
- **Functional manager:** The Functional Manager has authority over the technical (functional) aspects of the project. The responsibilities of functional manager are; to do the work, to distribute the project work among his subordinates, and to look after the operational aspects.
- **Project manager:** The Project manager has authority over the administrative aspects of the project. He has full authority over the financial and physical resources which he can use for completing the project. Responsibilities of project manager are- to decide what to do, for scheduling the project work, to coordinate the activities of the different functional members, to evaluate the project performance.
- **Problem of unity of command:** In a matrix organization, there is a problem of unity of command. This is so, because the subordinates receive orders from two bosses viz., the Project Manager and the Functional Manager. This will result in confusion, disorder, indiscipline, inefficiency, etc. All this will reduce the productivity and profitability of the project.
- **Specialization:** In a matrix organization, there is a specialization. The project manager concentrates on the administrative aspects of the project while the functional manager concentrates on the technical aspects of the project.
- **Suitability:** Matrix organization is suitable for multi-project organizations. It is mainly used by large construction companies that construct huge residential and commercial projects in different places at the same time. Each project is handled by a project manager. He is supported by many functional managers and employees of the company.

Advantages of matrix organization

Benefits or merits or advantages of a matrix organization are discussed below:

- **Sound decisions:** In a matrix organization, all decisions are made by functional experts. Therefore, the decisions made by them will be sound.

- **Development of skills:** It helps the employees to widen their skills. Marketing people can learn about finance, Finance people can learn about marketing, etc. This means employees from one background should perform different functions of other areas as well. This makes them functional experts in different areas.
- **Concentrate on strategic planning:** The top managers can spend more time on strategic planning. They can delegate all the routine, repetitive and less important work to the project managers. This helps develop the organization in the long run.
- **Responds to changes in environment:** Matrix organization responds to the any changes in the environment. Since it takes prompt and wise decisions, so organization can easily adapt in the changing environment.
- **Specialization:** In a matrix organization, there is a special facility of functional specialization. The functional managers concentrate on the technical matters while the project manager concentrates on the administrative matters of the project.
- **Optimum utilization of resources:** In a matrix organization, many projects are run at the same time. Therefore, it makes optimum use of the human and physical resources. There is no wastage of resources in a matrix organization.
- **Motivation:** In a matrix organization, the employees work as a member of team. So, they are motivated to perform better. This leads the organization to improve the efficiency.
- **Higher efficiency:** The matrix organization results in a higher efficiency. This helps to reduce the cost of production which results in high returns at lower costs.

Limitations of matrix organization

The demerits or disadvantages/ limitations of a matrix organization are described below:

- **Increase in work load:** In a matrix organization, work load is very high in comparison to any other organization structure. The managers and employees not only have to do their regular work, but also have to manage other additional works like attending numerous meetings, coordinating project work, dividing departmental resources etc.
- **High operational cost:** In a matrix organization, it involves a lot of paperwork, reports, meetings, etc. So, in matrix organization, the operational cost is very high.
- **Absence of unity of command:** In a matrix organization, each subordinate has to work under two bosses, viz., Functional Manager and Project Manager. So, there is no unity of command.
- **Difficulty of balance:** In a matrix organization, it is not easy to balance the administrative and technical matters. It is also difficult to balance the authority and responsibilities of the project manager and functional manager.
- **Power struggle:** In a matrix organization, there may be power struggle between the project manager and the functional manager. Each one looks after his own interest which causes conflicts.
- **Morale:** In a matrix organization, the morale of the employees is very low. This is because they work on different projects at different times.
- **Complexity:** Matrix organization is very complex and the most difficult type of organization.
- **Shifting of responsibility:** If the project fails, the project manager may shift the responsibility on the functional manager. He will blame the functional manager for the failure.

MODERN ORGANIZATIONAL STRUCTURES

Traditional organizational structures are less flexible because of which organizations fail to adapt in changing environment. Less flexible and more permanent nature of organization structure increase the financial liability of organization. Thus, organizational structures are modernized with greater flexibility and multiple responsibilities. Following modern organizational structures are common in practice:

1. Work team organization structure

Team is a collection of people having complementary skills. The team concept is taken as important means of organizing work activities. It breaks down the departmental barriers and decentralized the decision making authority to the level of work teams. Teams are formed at operating levels to improve the productivity and to enhance the performance of employees. Autonomous teams are effective to reduce stress and promote the environment of innovation and creativity. Problem solving teams, self-managed teams, cross functional teams, quality circles, virtual teams etc. are the types of teams.

Three types of team structures (i.e. project team, the task force team and the venture team) are commonly used in organization.

Project team : Project is any mission assignment which need to be accomplished or solved within time limits and standard quality. In order to accomplish the project work, a team of various specialists is prepared. Project teams are self-directed and self-sufficient work groups. Such project teams can be dissolved after accomplishment of predetermined goals. Such teams are prepared for special activities like setting new technology in the organization, solving any special technical problem occurred during process, initiating a new venture, etc.

The task force team: Task force is the group of top executives and specialists from different functional areas of organization. Such teams are prepared to solve any specific problems or to initiate new venture. Such teams are formed with the objectives of creativity, open communication, cross functional specialization, conflict resolution, collaborative approach for problem solving, etc. Task force normally focuses in every problem of organization irrespective to project team. It is of temporary nature.

The venture team: For introducing new venture, product or a new business, venture teams are prepared. Such teams have the responsibility of providing suggestions, or formulation of guidelines and strategies to start above mentioned purposes. But, venture teams can be suffered by different types of problems like reporting problem, source or funding department for the venture team, chances of influence by vested interest of members, problem of coordination.

Advantages

- Team organizational structures can be more flexible so any types of changes can be introduced easily.
- Communication can be effective.
- Better decisions can be made with the joint efforts of members.
- Self directing team members facilitate low supervision and control in the organization.

Disadvantages

- There can be problem of over specialization in decision making.
- Decision can be delayed if common consensus cannot be formed.
- Interdependency can be increased. So, result cannot be as per expectation.
- Control may not be effective as members are supposed to be self controlled and directed.

2. Network organization structure

If management of an organization receives different services from outside to perform the functions, it creates virtual organization system. In this situation, organization is free to select any contractor to make any part of a particular product in different places. It is also known as outsourcing. These organizations create a network of relationship that allows them to contract out subsidiary function. But, they should focus on core-functions, strategic issues and co-ordination.

The network structure is comparatively a newer organizational structure which is viewed less hierarchical i.e., more flat, more decentralized, and more flexible than other structures. In this structure, managers coordinate and control relations that are both internal and external to the firm. Network structure is based on social network of interactions. At the industry level, complex networks can include technological and innovation networks that may span several geographic areas and organizations. At the organizational level, social networks can be intra-organizational or

inter-organizational representing either formal or informal relationships to accomplish the tasks focusing to achieve organizational goals. From a management perspective, the network structure is unique among other organizational structures that focus on the internal dynamics within the firm.

Advantages of network structure

- Network structure is more agile compared to other structures.
- Communication in network structure flows freely, possibly opening up more opportunities for innovation.
- Network structure is decentralized which helps slow down layers in communication.
- It has wider span of control.
- It facilitates bottom-up flow of decision making.

Disadvantages of network structure

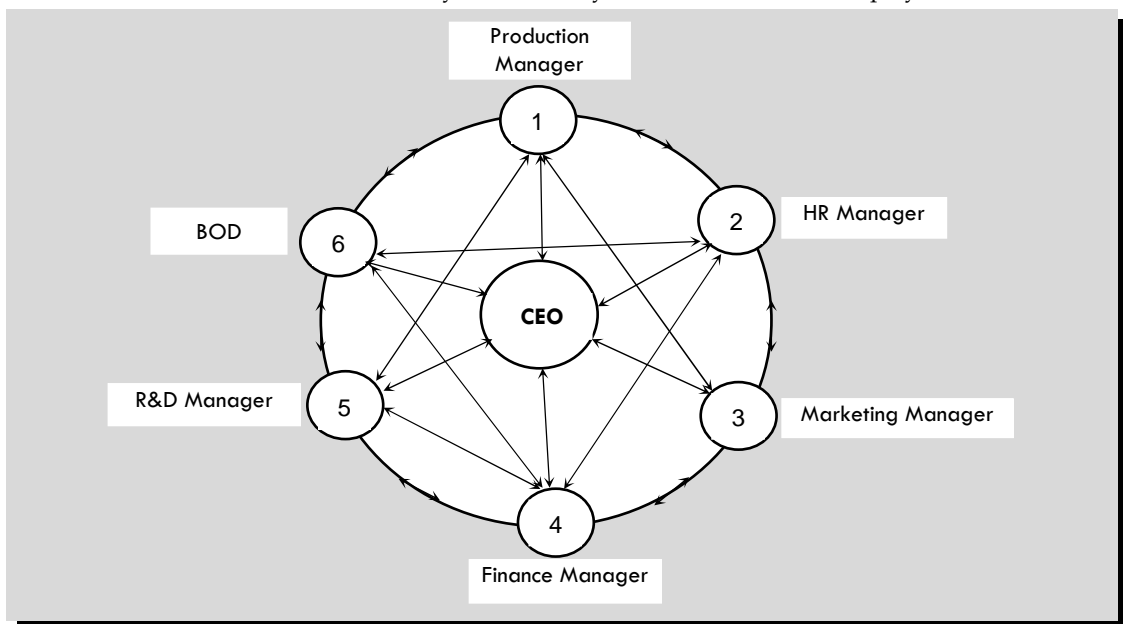
- This structure is more fluid structure which can lead to a more complex set of relationships in the organization.
- Lines of accountability may be less clear.
- There can be reduced control over operational success.

3. 360 degree structure

The 360 degree organizing is a new way of thinking which elaborates the effectiveness of team structure. Under this philosophy, each manager takes the accountability, responsibility and central decision making authority. Each member shares the ideas, views and feedback to each member under the structure so that the cooperation, coordination and mutual understanding can be increased. Each member gets professional opportunity given to the coworkers to provide 360 degree feedback about the performance of their fellow employee.

Each member bears mutual accountability while they have individualized responsibility. This means each member in the structure holds fixed responsibility but each member should have answerability on success and failure of the organization. They do not follow the scalar chain of command strictly but they develop self-understanding.

The 360 degree organizing is mostly focused on the contribution of employee and their skills along with the competencies. It is a balanced way to view the actual performance of employee in the area of teamwork, leadership, interaction, interpersonal communication, mutual and self-defined contribution, mutual accountability, and sincerity of work habits of the employees.



Under this organization format, organization's vision is developed by top level management while the other aspects of the role are judged by or reviewed by the subordinates, peers and even the customers.

Advantages of 360 degree organizing

- This system provides a comprehensive view towards the accountability, responsibility and the performance of employees.
- The different ideas coming from different persons combined provide more accurate 360 degree assessment.
- The feedback from colleagues helps strengthen the self-development process of the employee.
- It also increases the responsibility and alertness of employee towards their clients.
- More persuasive opinions can be gathered from different participants.
- Not only top managers but colleagues are also responsible for assessment of overall performance.
- Participation of employees increases their motivation.

Disadvantage of 360 degree organizing

- The process is very lengthy, complex and takes a lot of time to reach to the conclusion.
- A lot of effort has to be placed in order to train the employee to effectively use the 360 degree organizing.
- Chances for overlapping and duplication remains high if the higher level of mutual accountability cannot be developed.

EMERGING CONCEPTS IN ORGANIZING

Many new ideas have been emerging as new approaches to organizing. Organizations need to adjust them in the changing environment and present competitors. Many new principles and concepts are emerging to manage the organization. Some of them are discussed below:

1. **Work Team Concept:** The team concept is taken as important means of organizing work activities. It breaks down the departmental barriers and decentralized the decision making authority to the level of work teams. Teams are formed at operating levels to improve the productivity and enhancing performance of employees. Autonomous teams are effective to reduce stress and promote the environment of innovation and creativity. Problem solving teams, self-managed teams, cross functional teams, quality circles, virtual teams etc. are the types of teams currently in use as the organizational structure.
2. **Boundaryless Concept:** Boundaryless organization is that organization, in which there is no barrier in information flow and business activities. In such organization structure, ideas, information and actions are free to move any place where it is most needed. Managers seek to eliminate the chain of command and have limit less span of control. Globalization, online business activities and new technology system for payments contributes to foster the boundaryless organization system.
3. **Virtual or Network Organization Structure:** If management of an organization receives different services from outside to perform the organizational functions, it creates the virtual organization system. In this situation, organization is free to select any contractor to make any part of a particular product in different places. It is also known as outsourcing. In such organizations, authority is highly centralized and may not have departments. These organizations create a network of relationship that allows them to contract out subsidiary function. But, they should focus on care-functions, strategic issues and co-ordination.

4. **Learning Organization Concept:** These days, it is assumed that organization needs to be developed in such a manner that there is favorable condition for continuous learning, capabilities development and changed management. It is outgrowth of knowledge based society. Everybody agrees to share ideas and knowledge to achieve goal. It promotes creativity, allow personal flexibility and builds risk bearing capacity. There is open environment to learn and share the ideas organizations are taken as learning institutes. Under this organizing, each person involved in the organization is expected to share their knowledge, skills and ideas. There is no boundary for knowledge creation. Organizational system, working procedure and learning system remain dynamic.
5. **Organizational Downsizing Concept:** It is a planned reduction of functions, hierarchical level and units of an organization. It is the process of making organization smaller by eliminating the existing departments, units and functions. It is also a method of organizational re-structuring which helps decrease the size of organization. In this process, management can reduce the size of work force or eliminating certain units or consolidate some units to reduce the cost and increase efficiency. They can also use retirement schemes, firing the employees, transfer and job sharing etc. for down-sizing the organization. Being the business environment more volatile, consumers' interest being more changeable, rapid development in technology, etc. force to downsize the organization.
6. **Process Re-engineering Concept:** It is the concept in which business processes are redesigned to achieve improvements in critical areas such as cost, quality, service and speed. This concept reconsiders the working processes and boost up efficiency by replacing non-performing processes. It tries to maximize the value added contents and minimize those units that do not add the value. Process re- engineering focuses on large scale and drastic change in existing structure. Normally, under process reengineering, new and advance process, techniques, and way of doing things are introduced in order to replace traditional, labor intensive and costly method so that the work efficiency and effectiveness can be increased.

There is no best way of organizing and generally organizations are of mixed structure in nature. Departmentation and organizational structure are never being permanent. Massive (High level) departmentation increases the specialization benefits. But in situation, it may be more difficult to co-ordinate the activities. Therefore, managers should select such organization structure which is economic, easy to co-ordinate, makes high efficiency, clarity in nature, simple that gives clear direction, build-up understanding and facilitates decision making effectively.

STAFFING

Organizational goals cannot be achieved without personnel fit for each job to accomplish. This means, the assurance of right person at right job can make the organizations successful. Thus, planning and acquiring best employees, motivating them for their best effort to the job and retaining them is another important organizing function of management. It helps to fulfill various positions created by the organizational structure. This process of getting people right for job position is called staffing.

Staffing, the management function involves appointing appropriate personnel, developing them to meet organizational needs and ensuring that they are a satisfied and happy workforce. It is defined as a managerial function of filling and keeping filled the positions in the organizational structure. In modern organizations, staffing function is done with acquiring employees in permanent basis, daily basis, consultancy purpose, and contract employees. Thus, staffing functions include the following major activities:

1. Identifying workforce need and planning for getting right person at right job.
2. Recruitment and selection of appropriate personnel for vacant position.
3. Planning training for development and work for success planning.
4. Conducting performance appraisal and determining compensation.

NATURE OF STAFFING FUNCTION

1. **Human centric:** Staffing function plans and executes the plan for searching appropriate employees for vacant positions. It deals with planning for efficient utilization of human resources in an organization. It works for developing their skills and plans for satisfying employees and motivating them for their optimal efficiency and productivity.
2. **Development employees :** Staffing function is concerned with developing potentialities of employees in the organization. It develops their personality, interests, and skills. It enables employees to get maximum satisfaction from their work. It assists employees to realize their full potential. It provides opportunities to employees for their career advancement.
3. **Pervasive function :** Staffing function is universally applicable as it is essential in every organization. It is a major sub-system in the total management system that can be applied to both profit making and non-profit making organizations. It is also essential at all levels of organization for all types of employees.
4. **Continuous function:** Staffing is a continuous function which starts even before establishment of the organization up to winding up of the organization. Human resource planning, monitoring, performance appraisal, motivation and maintaining employee relations are the functions at the continuous basis.
5. **Interdisciplinary nature :** Staffing is the interdisciplinary function as uses concepts, ideas, principles and rules drawn from various disciplines such as psychology, sociology, anthropology, and management. It is the behavioral sciences.
6. **Integral part of general management :** Staffing is an integral part of the general management. It is a part of every line manager's responsibility. Every manager, supervisor and others in the management group must be an effective personnel administrator to supervise, appraise their performance and motivate them.
7. **Indispensable part of management :** Staffing is essential and indispensable part of the overall management of the organization. Human resource planning, recruitment and selection, development, utilization and maintenance of human resources have no exceptions for organizational success.
8. **Environmental influence:** The performance of staffing is affected by the internal and external environment of the enterprise. The internal environment of the enterprise includes policies connected with the employees – like the promotion policy, demotion policy, transfer policy, etc. The external environment affecting the enterprise includes government policies and educational environment. It can be the policy of the government that in a particular enterprise employees should be recruited only through employment exchange.

IMPORTANCE OF STAFFING FUNCTION

Staffing is the only way to fulfill organizational structure by searching and appointing right people for the right job. It is the management function for employee development, motivation and maintenance. Importance of staffing function can be justified in the following points.

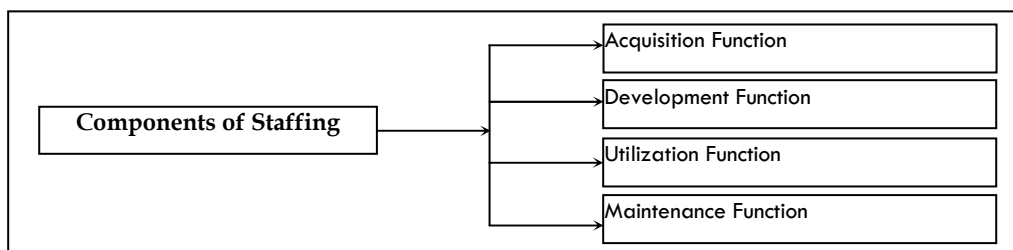
1. **Searching competent personnel:** Staffing identifies the requirement of workforce to fill in the positions in the organizational structure and selects right people for the right job. It ensures appointment of people with adequate competencies depending upon the job description.
2. **Higher performance:** Staffing function ensures higher performance of employees and hence their department and overall organization. It helps to By deploying right people on the right job helps business enterprises to use physical resources in the most optimum manner leading to higher productivity, better efficiency and improved performance.
3. **Optimum utilization of resources:** Staffing identifies the workforce requirements and plans appointment of people accordingly. This ensures that there are adequate personnel available to avoid

under-utilization or disruption of work due to under-staffing. Staffing is also responsible for proper allocation of responsibility, employees' satisfaction and motivation. Right person at right job, satisfied and motivated employees ensure optimal use of resources.

4. **Employee satisfaction and morale:** Staffing provides opportunities to get the jobs according to interest and skills, provides training to get growth opportunities, opportunity of personal growth through internal promotions, appreciation, rewards and compensation management, and maintains the good employee relations. These acts increase the employee satisfaction and their morale.
5. **Continuous growth:** Staffing is responsible for continuous growth of the organization. It searches right person at the right job, trains employees, motivates them for higher productivity and performance. This helps the organization for profitable business operation. Profitable business operation leads for continuous growth.
6. **Achieve cost efficiency:** Human resource management performs activities for optimum utilization of available resources. It believes that productivity can be improved through the cost effective utilization of human resources. Right man at the right job with proper guidance, supervision and motivation can minimize the cost of operation. For this purpose, HRM regularly assesses the training and development need of employees. It provides essential training to all level of employees in regular basis. Continuous supervision and guidance helps to reduce wastage which ultimately increases the cost efficiency of overall organization.
7. **Maintain organizational structure:** Human resource management is responsible for design and analysis and redesign the jobs. During this course of action, activities are determined to conduct in different levels. It prepares job requirements i.e. job description and skills requirement i.e. job specification. Authority to the different job responsibilities are allocated to each job. Fixation of responsibility and allocation of the authority helps to maintain organizational structure.

COMPONENTS OF STAFFING FUNCTION

Staffing is the process of managing human energy and competencies for achieving organizational goal through acquisition, development, utilization and maintenance. Staffing aims to work with competent and motivated work force in changing environment. Staffing has to work with human resources for planning, decision making, organizing, supervision, motivation, leading, communication, and controlling. All these functions are broadly classified into four major functions as acquisition, development, utilization and maintenance.



1. **Acquisition Function:** Acquisition is very important staffing function which is basically involved in searching and selecting the right man at right job. Organizations require human resources with different skills, knowledge and expertise at different time. So, staffing should determine: how many employees are required in each level of work? What should be the qualification of employees for that particular job? What additional qualities are essential to accomplish the job at the best possible way? From where the required man power can be hired? What process and method of selection should be adopted? On the basis of job analysis, it determines the skills, qualification, personal qualities, and experience requirement. Staffing then, identifies the source of potential candidates. From those possible candidates, it selects

right man at right job. And finally staffing orient the selected candidates to adapt the organizational environment. All of these functions of staffing are related to staffing i.e. acquisition function. Under acquisition function, different activities like human resource planning, job analysis, recruitment, selection, and socialization are conducted.

2. **Development Function:** Staffing performs its activities to enhance competencies of employees to handle current and future needs. For this, staffing identifies the training and management development needs. It plans appropriate training and development packages to the employees. This function is related to developing capabilities or competencies are called development function. Development function consists of following activities:

- **Analyzing training and development needs.** This activity is mainly concerned to determine future human resource training and development. For growth, employee potential is identified and possible development planning is performed. Actual skills required for the job and skills available in the employees are compared to identify the training and development needs. More specifically,

$$\text{Training or development need} = \text{Skills required for the job} - \text{Skills available in the existing employees.}$$

The more is the difference, the more intense need of training and development is to be realized.

- **Employee training.** To increase personal efficiency of employees in current job, different training programs are planned and conducted. Training program can be on-the-job or off-the-job. Under on-the-job training, employees get knowledge, skills and feedback while doing regular job under supervision of trainer or experts at their work place. Whereas under off-the-job training method, employees are sent to any training institute outside the organization.
 - **Management development.** Staffing provides different programs to managers to develop their professional efficiencies specially required for the higher job responsibilities. It helps managers to be conceptually clear and competent for working in various situations and uncertainties.
3. **Utilization or Motivation Function:** Without increasing employee's willingness to increase their efficiency, organization cannot increase productivity. Only motivated employees perform their best to the job. Therefore, staffing deeply concerns to enhance employees productivity by utilization function. Utilization function consists of motivation, performance appraisal, reward management and compensation management. Motivational tools can be monetary incentives, benefits, promotion, career advancement, job security, etc.
 - **Performance appraisal.** For training and development plans and reward management, regular, scientific and systematic appraisal of employee's performance is essential. Thus, staffing appraises the employee's performance. Under performance appraisal, staffing evaluates the individual job output in terms of productivity, efficiency, behavior, workplace relationship, etc. Performance summary is equally important to determine whether or not an employee requires joining training. It also facilitates for succession planning, promotion and transfer of employees.
 - **Motivation.** Each employee must be motivated for the job and organization to attain personal goal and organizational targets. It is the duty of staffing to motivate employees for devoting their best at the job. Staffing, using different motivational tools and techniques, motivates the employees.
 - **Compensation management.** Compensation is the pay of organization to the employees either in financial or non-financial terms. Financial compensation includes salaries, wages, fringe benefits, insurance, paid vacations, free travel facility, dearness allowance,

education allowance, and so on. Non-financial compensation includes promotion, membership benefits, participation in decision making process, leadership opportunities, and organizational image. Staffing determines the compensation needs of employees, conducts compensation survey to determine level and types of compensation and formulates short term and long term plans and policies.

3. **Maintenance function:** Maintenance function is the effort to encourage the employees to continue the job for long years. This is obvious that higher level job termination is the sign of organizational failure. To prepare a fresh candidate to an expert, organization has to invest money, time and psychological efforts at great extent. So, staffing pays keen interest in retention or continuity of employees in the organization. Staffing works for providing friendly environment with full assurance of job security. For this, staffing maintains employee discipline, maintains good labor relations, provides employee welfare programs.

- **Employee discipline.** It is the set of code of conduct to be followed by individual employees, and entire people in the organization. Staffing ensures the accepted set of behavior of each individual within and outside the organization.
- **Labor relation.** Labor relation is the relationship between management and trade union in the organization. Harmonious labor relation enhances employee's morale and it also ensures organizational effectiveness. Staffing for this ensures good workplace relationship through mutual respect, coordination and cooperation.
- **Employee welfare programs.** Organization must ensure job security, physical security, and financial security. Staffing formulates different kinds of welfare programs for the employees to be implemented currently and at the future. Job guarantee, use of safety tools, medical insurance, recreation, gratuity, pension plan, etc.



SUMMARY OF LEARNING OBJECTIVES

- ❑ **Concept of organizing function:** Organizing can be broadly defined as a process of identifying, grouping and establishing orderly use of resources within the management system. It is the process of dividing and designing the jobs, setting the proper job relation, grouping the jobs to make the departments, assigning them to the employees, properly allocating the resources, and coordinating the efforts within the organizational members. Without effective organizing, none of other functions of management can be performed properly.
- ❑ **Principle of Organizing:** Principles are guidelines which provide the general guidelines for designing the organizational structure. Some basic principles of organizing are as follows:

1. Principle of Unity of Goals/ Objectives	2. Principle of Specialization
3. Principle of Span of Control	4. Principle of Exception
5. Principle of Scalar Chain	6. Principle of Unity of Command
7. Principle of Delegation of Authority	8. Principle of Responsibility
9. Principle of Authority	10. Principle of Efficiency
11. Principle of Simplicity	12. Principle of Flexibility
13. Principle of Balance	14. Principle of Direction
- ❑ **Approaches to organizing**
 1. **Classical Approach:** Classical approach emphasizes on job specialization and financial incentives as motivational tools. This approach provides the universal approach to organizational structure that would be best in all situations. This approach is very rational and mechanistic.

2. **Behavioral Approach:** This principle focuses an employee's behaviour and human elements. It emphasizes on psychological and social aspects of employees. Elton Mayo, Dauglas McGregor, Mary Parker Follet, Abraham Maslow etc. are the main contributors of this approach, which assumes that successful management depends on a managers ability to understand the employee's behaviour and world relations with people who have a different backgrounds, needs, interest, perceptions etc.
3. **Contingency Approach:** This is a situational approach in organizing. It believes that there may be a number of ways to solve problems and situational circumstances depending upon the situation, geography and time. The nature, size, objectives, environmental context, employees' behaviour, attitudes, leadership style, needs and interests differs from organization to organization and person to person.

□ Organizing Process

1. **Job design and Re-design:** Jobs can be designed by one or more methods among job rotation, job enlargement, job enrichment, job empowerment, making semi-autonomous groups and providing alternative work arrangement.
2. **Departmentation:** Departmentation is the process of grouping similar activities to make a job simpler and interesting. This is the second step in structuring an organization which involves in creating departments, sections, branches, etc. with the logical grouping of similar activities.
3. **Fixation of responsibility and delegation of authority :** After creating departments, various job responsibilities or positions should be designed so that every person becomes more responsible and accountable towards the job. This makes superior sub-ordinate relationship more clear and meaningful.
4. **Establishment of communication and coordination:** Co-ordination is the process of integrating the works of different departments of the organization to achieve overall (organizational) goals. It includes the co-ordination of activities or efforts of employees, departments, units and resources.

- **Departmentation :** Departmentation is the process of logical grouping of similar nature of functions into manageable units for the purpose of overall co-ordination of organizational resources. It divides the large and complex functions into smaller and flexible units to accomplish all the jobs in effective and efficient manner.

□ **Types of Departmentation**

1. **Departmentation by Function:** The method of departmentation under which the employees who performs similar works are grouped together into one functional unit is called functional departmentation. Under this method, jobs are categorized into functional areas such as production and manufacturing, sales and marketing, HRM, R & D, Account, Finance, etc.
2. **Departmentation by Products:** This is the departmentation of organization on the basis of products or services producing by the organization. This involves of grouping and arranging activities around products and product processes.
3. **Departmentation by Geography/Territory :** It is the process of grouping the jobs to be carried out for the different geographical territories. This method is suitable for large organizations having wide network such as transportation related organizations, financial institution etc.
4. **Departmentation by Time :** Departments can be formed on the basis of time which is suitable for those organizations that may have full day operation (24 hours) like hospitals, hotels, airports, etc. Normally, job responsibility needs to be shifted at every 8 hours. In this situation, three shifts as morning shift, day shifts and night shift are formed as per necessity.

5. **Departmentation by Process** : If departments are prepared on the basis of progress or working stages, the method is called departmentation by process. If series of complex steps should be followed to produce the final products, then this method of departmentation becomes more fruitful. Generally, departmentation by process may be effective for manufacturing organizations like textile companies, cement companies etc.
 6. **Departmentation by Process Customer** : Organizations need to serve different customers on the basis of volume of sales or types of the products. In general, departmentation by customer is suitable for trading organizations like departmental stores.
- ❑ **Delegation of Authority**: Delegation of authority is the process by which managers assign a position of their total work to their sub-ordinates along with rights for making decisions to accomplish the job effectively and efficiently. It establishes a pattern of authority between superiors and sub-ordinates. The basic reason for delegating is to enable the managers to get more works done through others.
 - ❑ **Barriers /Problems of Delegation of Authority**
 - Barriers Related to Top Managers Delegating the Authority
 - Barriers Related to Subordinates
 - ❑ **Centralization**: Centralization is the process of systematically retaining power and authority at the top-level. In a relatively centralized organization, considerable authority and accountability remains at the top of the hierarchy top level management makes all decision and sub-ordinates help to implement them. In other words, centralization is the reservation of authority in few hands of central points of line organization. Centralization is prepared in stable and predictable business environment.
 - ❑ **Decentralization**: Decentralization is the philosophy of systematically delegating the authority to middle and lower level management in accordance with their responsibilities. In other words, it is the process of pressing the authority and decision making power as close as possible to the level at which the work is done. The level of decentralization is influenced by the nature and level of an organization, attitude of top-level management, availability of competent and qualified sub-ordinates, organizational business environment, cost associated with decentralization, growth level of management etc.
 - ❑ **Mechanistic and Organic perspective of organization**
 1. **Mechanistic perspective**: This is the most traditional view on organization. Many classical theories of organizations represent mechanistic view. Many management experts, economists and scholars contributed to develop mechanistic theories of organizations and managements. Such experts are F.W Taylor, Henry Fayol, Adam Smith, and Mooney. This perspective has commonly used and prevalent theory of management in organization. It is only suitable to stable environment which lacks environment adaptability.
 2. **Organic perspective**: This is the modern view on organization. It emphasizes the socio-psychological aspects of human beings in organization. Managers should analyze socio-psychological aspects to motivate them. This view was developed by those management experts who criticized the mechanistic view of organization.
 - ❑ **Organizational Structures** : Organizational structure is the formal system of hierarchical arrangement of different position in an organization. It provides a framework for the group of individuals that shows the vertical flow of authority, responsibility and accountability of each employee. Simply, organizational structure refers the formal relationship between responsibility and authority in organization. Organizational structure is fixed as the responsibility should be assigned as per specialization and hence the authority of taking positional decision at the job.

A. Traditional organizational structures

- i. Line organization structure
- ii. Line and Staffing Organization Structure
- iii. Functional Organization Structure

B. Modern organizational structures

- i. Matrix Organization Structure
- ii. Work Team Concept
- iii. Virtual or Network Organization Structure

❑ Emerging Concepts/Challenges in Organizing

- Work Team Concept
- Boundaryless Concept
- Virtual or Network Organization Structure
- Learning Organization Concept
- Organizational Down Sizing Concept
- Process Re-engineering Concept

- ❑ **Staffing:** Staffing, the management function involves appointing appropriate personnel, developing them to meet organizational needs and ensuring that they are a satisfied and happy workforce. It is defined as a managerial function of filling and keeping filled the positions in the organizational structure.

❑ Nature of Staffing Function

- | | |
|------------------------------------|---------------------------------------|
| • Human centric | • Development employees |
| • Pervasive function | • Continuous function |
| • Interdisciplinary nature | • Integral part of general management |
| • Indispensable part of management | • Environmental influence |

❑ Importance of Staffing Function

- | | |
|-------------------------------------|------------------------------------|
| • Searching competent personnel | • Higher performance |
| • Optimum utilization of resources | • Employee satisfaction and morale |
| • Continuous growth | • Achieve cost efficiency |
| • Maintain organizational structure | |

❑ Components of Staffing Function

1. Acquisition Function
2. Development Function
 - Analyzing training and development needs
 - Employee training
 - Management development
3. Utilization or Motivation Function
 - Performance appraisal
 - Motivation
 - Compensation management
4. Maintenance function
 - Employee discipline
 - Labor relation
 - Employee welfare programs

**Brief Answer Questions**

1. Define the concept of organizing in management.
2. State any four most important principles of organizing.
3. Explain the classical approach to organizing.
4. Explain behavioral approach to organizing.
5. Explain contingency approach to organizing.
6. What are the various steps involved in organizing function? State.
7. What do you mean by departmentalization?
8. What are the different types of departments common in manufacturing industry?
9. Explain the concept of delegation of authority.
10. State any four features of delegation of authority.
11. Differentiate between centralization and decentralization in two points each.
12. State any two advantages and disadvantages of decentralization.
13. In what ground delegation and decentralization of authority are different?
14. Explain the concept of organic view of organization.
15. Draw organizational structure of divisional organization structure.
16. Explain matrix organization structure with two advantages.
17. Why is network organizational structure modern structure? Explain.
18. Explain mechanistic view of organization.

Descriptive Answer Questions

19. Define organizing. Explain behavioral approach to organizing.
20. Give the concept of organizing. Explain the organizing process in an organizing.
21. What do you mean by departmentation? Explain different types of departmentation.
22. What is organizing? What are the principles of organizing?
23. In what situations, would decentralization of authority be essential?
24. What is meant by delegation of authority? Explain different barriers of delegation of authority.
25. What do you mean by decentralization? Explain its advantages and disadvantages.
26. What is decentralization of authority? Draw a difference between delegation and decentralization of authority.
27. What is division of work? Why is organizational structure important?

28. Define organizational design. What is the distinction between line and line and staff organization?
29. What is meant by matrix organizational structure? Explain its advantages and disadvantages.
30. Define coordination. What are the different techniques of coordination?
31. Highlight the techniques of coordination. Give your suggestions to achieve effective coordination.
32. Define centralization. State and explain the advantages and disadvantages of centralization.
33. What do you mean by functional organizational structure? Explain its advantages and disadvantages.
34. Define coordination of activities. Explain the elements of good coordination.
35. Define human resource management. Explain its importance to an organization.
36. State and explain the different components of staffing.

Analytical Answer Questions

37. In the light of emerging new approaches to organizing, discuss the emerging concepts in organizing.
38. Organizing focuses attention on the structure and process of allocation jobs so that common objectives can be achieved. In the light of the above statement, explain the principles of organization that would help in achieving organizational objectives.
39. An organization's structure is a means to help management achieve its objectives. If you are appointed as a manager of a construction company, what form of organizational structure and would you recommend? Explain with reasons.
40. Staffing function is one of the key parts of human resource management system that ensures acquiring and maintaining a work force capable of fulfilling organizational goals. In view of this statement, discuss the objectives and importance of staffing functions.
41. It is often considered that decentralization becomes a need and tends to increase when the organization grows in size and complexity. In the light of this, discuss the concept, advantages and constraints of decentralization of authority.
42. Both in a literature as well as in management practices, many new ideas have emerged as approaches to organizing. On the basis of the given statement, explain the organizing functions of management and also discuss the emerging concepts in organizing.
43. Departments of an organization may be formed on different basis. By keeping this point in view, explain the different types of departmentalization. Also explain the concept of delegation of authority.
44. What is decentralization of authority? Explain the pros and cons of decentralization of authority.
45. Discuss the fundamental principles of organization that are essential for effective functioning of the organization.

CASE

The B & G Pvt. Ltd. was established 12 years ago in Budhanilkantha, Kathmandu with five partner shareholders with initial investment capital Rs. 6 millions to produce footwear in Nepal. B & G used to import all the raw materials from India and the main designers also from India. It has expanded the business steadily over the years up to major cities of India as well. Its annual turnover was around Rs. 2.7 million last year.

The chief executive of the company Mr. Ganesh Shrestha is the General Manager but the company has no departmental managers for main divisions i.e. manufacturing, finance and marketing. All these areas are under the supervision of Mr. Subash Thapa, a hired employee paid Rs. 20 Thousands per month. He is responsible for overall activities of the company. However, he maintains own filing, secretarial, mailing, and production functions.

A junior level part time staff is in charge for finance and accounting activities of the company. All the decisions regarding purchasing, receiving, storing, account payable, factor payroll, cost accounting, and dispatching are control by Mr. Thapa. Under the marketing department, there are office assistants who take care of sales, advertising, credit and accounts receivable but they have no fixed responsibilities.

The General Manager of the company has recently been overwhelmed by the difficult of obtaining information and customer care. Whenever information is wanted, several different sources must be contacted, and much time is wasted locating the information. The General Manager is also beginning to notice idle equipment in the office and delays in the preparation of important operating reports. Customers have regularly complaining about delay in delivery, wrong delivery of the product they had ordered, and frequent problems in account payments too.

The General Manager recently had a meeting with the all the employees of the company. Many employees expressed their dissatisfaction with Mr. Thapa as he does not consult with them and they have no direct reporting system. Mr. Thapa claims that there are many issues with individual employee of gossiping and intimidating so they need to be fired.

Questions:

1. What can be the probable causes for conflict between Mr. Thapa and other employees?
2. Do you find any types of violation of principles of management in the company? Justify your answer.
3. Suggest organizational structure for the company with sketch. Also justify why this structure is the best.
4. Do you think the decentralization is good for organizational success? Justify on the basis of the case.

