UNIT 2:   ORGANISING AND ORGANISATION STRUCTURE

Unit Structure

2.0   Learning Objectives

2.1   Introduction

2.2   Organising Process

2.2.1 Meaning and Definition of Organising

2.2.2 Characteristics of Organising

2.2.3 Process of Organising

2.2.4 Need and Importance of Organising

2.2.5 Principles of Organising

2.2.6 Span of Management

2.3   Organizational Chart

2.3.1 Types of Organisational Chart

2.3.2 Contents of Chart

2.3.3 Uses

2.3.4 Limitations

2.3.5 Factors Affecting Organisational Chart

2.4   Organisation Structure

2.4.1 Classification of Organisational Structure

2.4.2 Line Organisation Structure

2.4.3 Line and Staff Organisation Structure

2.4.4 Functional Organisation Structure

2.4.5 Divisional Organisation Structure

2.4.6 Project Organisation Structure

2.4.7 Matrix Organisation Structure

2.4.8 Virtual Organisation

2.5   Informal Organisation

2.5.1 Meaning

2.5.2 Characteristics

2.5.3 Importance

2.5.4 Limitations

2.5.5 Difference between Formal and Informal Organisation

2.6   Let Us Sum Up

2.7   Answers for Check Your Progress

2.8   Glossary

2.9   Assignment

2.10 Activities

2.11 Case Study

2.12 Further Readings

2.0   Learning Objectives

After learning this unit, you will be able to understand:

- The Organising Process

- Need and importance of Organising Structure

- Principles of organising

- Organisational Chart and factors affecting it

- Classification of organisational structure

2.1   Introduction

In the previous unit, you studied planning and forecasting, features, steps and approaches to planning process, importance and principles of planning. Additionally, you studied the types of plans, decision-making, its characteristics, steps and guidelines for effective decision-making with adequate examples. Both the cases employed effective and timely planning and decision-making.

In this unit, you are going to study organisation as a process of management. You will study organisational principles organisational chart and organisational structures, namely line, line and staff, functional, divisional, project, matrix and virtual organisational structures.

2.2   Organising Process

Organising is the management function wherein organisational resources are allocated and responsibilities are delegated in order to accomplish long-term organisational goals. It ensures efficient use of organisational resources. It is related with building up of a framework or structure of various interrelated parts. We can say that organising is a process consisting of a series of steps by which managers create a network of authority responsibility relationship. It helps people to work together (relate to one another) for a common objective.

2.2.1   Meaning and Definition of Organising

Where two or more persons work together for achieving a common goal, their activities have to be organised. Organising is a process of integrating, coordinating and mobilising the activities of members of a group for seeking common goals. It implies establishment of working relationships, which is done by assigning activities and delegating authority.

A few definitions of organisation are given below:

"Organising is a process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing a pattern of relationship for the purpose of enabling people to work most effectively together in accomplishing objectives".-Alien

"As a process of combining the work which individuals or a group have to perform with the facilities necessary for its execution, that the duties so performed provides the best channel for the efficient, systematic, positive and coordinated application of available efforts."-Oliver

"Organising involves the establishment of an internal structure of roles, by identifying and listing the activities required to achieve the purpose of a enterprise, the grouping of these activities, the assignment of such group of activities to manager, the delegation of authority to carry out and provision for coordination of authority relationship horizontally and vertically in the organisation structure."-Koontz and O'Donnell

It is evident that the term organisation has been used as a process and as a structure. Organising a process involves many stages. When the stages are completed, a formal structure comes into existence, known as organisational structure.

2.2.2   Characteristics of Organising

- Organising is one of the basic and important elements or functions of management. To get things done by others, a manager has to organise their activities

- It is a goal-oriented process. It is only to accomplish certain goals that the process of organising is designed for. The structure of an organisation is designed so as to facilitate performance of large number of activities.

- The organising process chiefly deals with group efforts, which are made to achieve common goals.

- Organising is based on the principle of division of work and specialisation.

- It involves the processes of differentiation or division of activities and integration of activities by grouping them.

- The process of organising aims at interrelating, mobilising and coordinating the activities of employees.

- It establishes authority relationship of superior and subordinate among the employees by assigning the activities and delegating adequate authority to them.

- It has two basic constituents or dimensions, namely authority structure, which is created by delegation of authority from top to lower level and the activity structure, created by dividing activities into jobs and tasks, grouping them and then assigning them to the various department or individuals.

2.2.3   Process of Organising

Organising as a process can be described as follows:

- **Identification of Activities:** At the first stage of organising, the manager recognises those activities, which are indispensable for reaching common goals. The common goals of organisation provide the basis for determining and identifying the activities.

- **Division of Activities**: Once the events have been acknowledged, they are divided and subdivided into jobs and small tasks known as elements of activities.

- **Grouping of Activities**: After division into small elements known as tasks, the closely linked ones having similarity may be grouped to form a department.

- **Assignment of Group Activities**: Once activities are classified into groups, they are allocated to the particular department or an individual.

- **Granting Necessary Authority:** Groups of activities are assigned to various departments and individual employees' demands to grant adequate authority to them are considered.

- **Coordinating the Functioning of Various Departments**: In the process of organising, attempts are made to coordinate each small element or task with departmental activities. Further, the functioning of each department is coordinated to achieve common goals.

After completing the above-mentioned stages involved in the process of organising, it results in the creation of a structure known as organisational structure.

2.2.4   Need and Importance of Organising

The need and importance of organising and organisational structure can be understood on the basis of following points:

- Sound organisational structure facilitates effective management.

- The whole process of organising helps in co-ordinating various jobs in the department or division and by relating them to departmental work.

- Logical and clear-cut division of work and delegation of authority among the various members leads to many benefits.

- The sub-processes, differentiation and integration may directly affect operating results of the enterprise. If both the processes are conducted in a proper manner, overall organisational efficiency tends to increase.

- Creation of organisational structure also necessitates delegation of authority among various managerial positions. Decentralised organisational structure encourages prompt decision-making and efficient control.

- The organisational structure delivers the basis and framework to the manager, which permits him to cope with the changing environment.

- The structure of an organisation facilitates formal communication through line of authority, established from top to lower levels.

- Creation of staff units in the activity structure of the organisation broaden the span of control of the manager and help him in discharging his responsibility in a more efficient manner.

- Organising virtually means order and discipline both in respect of working behaviour of the employees and their role and relationship.

- Highly de-centralised structure of an organisation tends to have a strong influence on development of managers as delegation of authority to lower level managers provides opportunity to them for making decisions and exercising administrative authority.

2.2.5   Principles of Organising

Introduction of organisation discusses those well-established and accepted general statements, which are used in the process of organising to prepare a sound

organisationl structure. These principles serve as general guidelines for managers for developing sound and more effective pattern of relationship in designing the organisation. Most of these principles have classical flavour; early management writers, including F. W.Taylor, HenriFayol, Lyndall, Urwick and others have established them. With the passage of time, these principles have been refined and extended by many modem management scientists to make them more efficacious and relevant in the modem context. Some of these principles are outlined below.

1. **Principle of Division of Labour**: This is the basic principle of organising, which represents division of work and activities into small tasks and jobs necessary for achieving a set of objectives.

2. **Principle of Functional Definition**: In order to exonerate assumed responsibility by concluding the job assigned to the employee, he has to perform many functions. According to this principle, the tasks to be performed by an individual employee or by a department must be well-defined.

3. **Principle of Sealer Chain**: This principle is known as sealer chain or line of authority or chain of command. It states that there exists an unbroken line of authority or sealer chain from the top to the lowest level.

4. **Principle of Span of Control**: This principle refers to the number of subordinates to be placed under the command of the manager so that he can manage their work efficiently.

5. **Principle of Unity of Command**: The principle of unity of command implies oneness of command and single source of authority over a subordinate.

6. **Principle of Objective**: The organisation and each of its components or sub-systems should be directed towards the accomplishment of predetermined objectives.

7. **Principle of Balance**: According to this principle, all techniques and principles applied to particular structure of the organisation must be properly balanced to ensure that one principle does not contradict with another or benefits of one are not countered by the benefits of the other.

8. **Principle of Flexibility**: It proposes that the structure of an organisation should be designed to permit growth and diversification.

9. **Principle of Absoluteness of Responsibility**: According to this principle, responsibility once assumed by the manager cannot be shifted to subordinates.

10. **Principle of Delegation by Result Expected**: For creating the structure of an administration, authority should be delegated in such a way as to elucidate performance potentials in terms of cost, volume, time and efforts.

11. **Principle of Parity between Authority and Responsibility:** The principle suggests that there should be complete balance or parity between authority and responsibility; only that much authority should be delegated which is needed for carrying out the assigned job.

12. **Principle of Efficiency**: According to this principle, the organisational structure should be designed in such a way as to facilitate efficient accomplishment of objectives.

13. **Principle of Continuity**: The principle of continuity states that while designing the structure of the organisation, due care should be taken to maintain continuity in respect of its existence and functioning.

14. **Principle of Cooperation**: According-to this principle, an organisation is considered as a team aimed at achieving objectives. Therefore, all members should achieve the allotted work in co-operation with each other.

2.2.6   Span of Management

Span of management is a way in which many people in an organisation are controlled and managed by single officer. It can be further called as:

- span of management
- span of authority
- span of supervision
- span of authority
- span of responsibility
- levels of organisation

Such principle depends upon principle of relationship. In this number of members can be more or less as per nature of work done by subordinate or ability

of supervision. In working domain with one head, nearly about four to five subordinates tends to work.

Check your progress 1

1. This is the basic principle of organising, which represents division of work and activities into small tasks and jobs necessary for achieving a set of objectives.

    a. Principle of division of labour.

    b. Principle of Efficiency.

    c. Principle of Cooperation.

    d. Principle of Continuity.

2. This principle states that while designing the structure of the organisation, due care should be taken to maintain continuity in respect of its existence and functioning.

    a. Principle of Continuity.

    b. Principle of Efficiency.

    c. Principle of Cooperation.

    d. Principle of direction.

2.3   Organisational Chart

An organisational chart (often called organisation chart/ org chart/ organigram/ organogram) is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions/jobs. The term is also used for similar illustrations, for example ones showing the different rudiments of a field of knowledge or a group of languages.

An organisational chart of a company usually shows the managers and sub-workers who make up an organisation. It also shows the relationships between directors: managing director, chief executive officer and various departments. In many large companies, the organisation chart can be outsized and extremely complicated and is therefore sometimes divided into smaller charts for each individual department within the organisation.

The following is an example of a simple hierarchical organisational chart. In this chart, a 'line relationship' (or line of command in military relationships) exists between the Manager and the two Supervisors. These two colonels are directly responsible to the General. Similarly, a 'lateral relationship' in this chart exists between "Private A" and "Private B", who both work on level and both report to the "Sergeant B".

Various shapes such as rectangles, squares, triangles, circles, etc. can be used to indicate different roles. Colour can be used for determining the borders and connection lines to designate differences in authority and responsibility and formal, advisory and informal links between people. A department or position yet to be shaped or currently vacant might be shown as a shape with a dotted outline. Significance of the position may be shown both with a change in size of the shape in addition to its vertical placement on the chart.
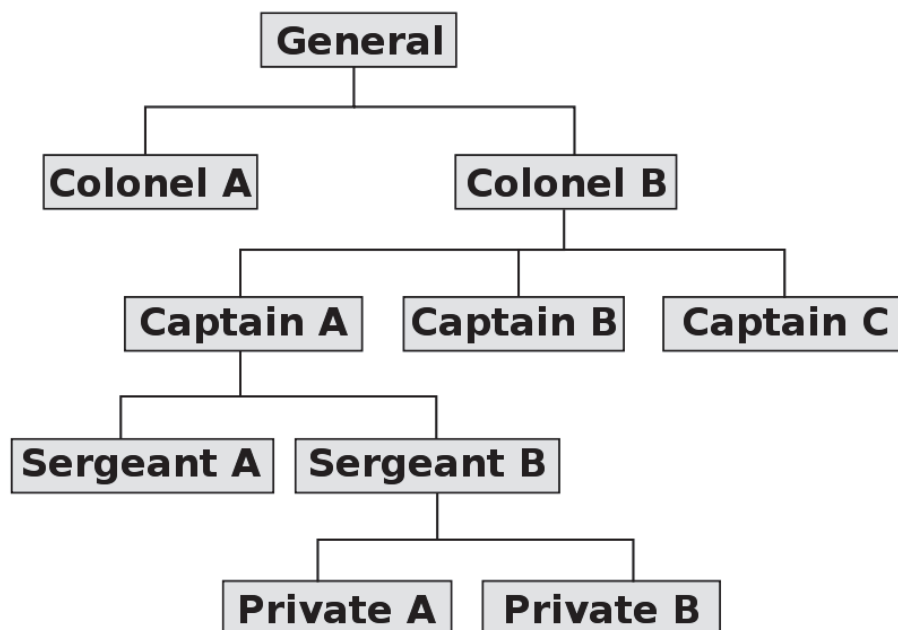
Fig 2.1 a sample Organisational Chart

Dale has considered organisational chart "as a diagram of formal authority structure." But this definition virtually ignores the horizontal dimension of an organisation. Terry has forwarded a more suitable definition of organisational charts. In his words, "organisational chart is a diagrammatical form which shows important sets of an organisation, including the major functions and their

respective relationship and the relative authority of each employee, who is in charge of each respective function."

2.3.1 Types of Organisational Charts

The structure of an organisation can be graphically presented in the following manner:
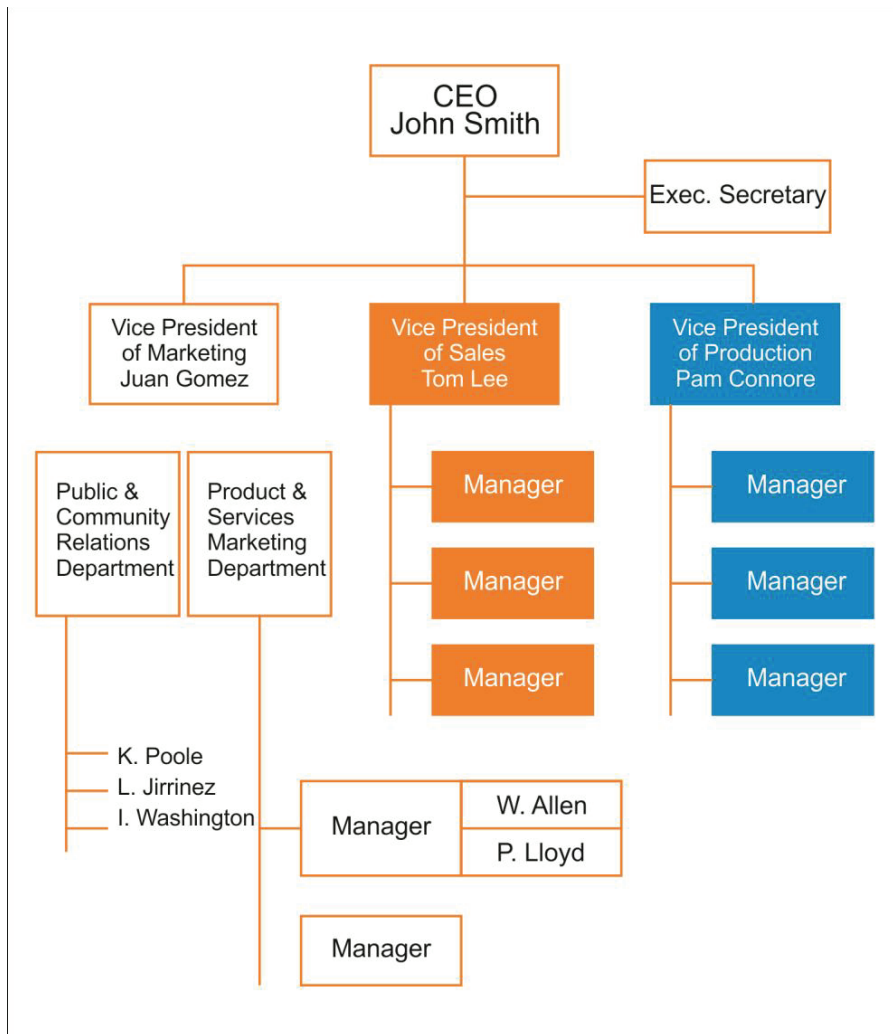
- **Vertical chart:**

Fig 2.2 A Vertical organisation chart

This is the conventional way of preparing the organisational chart. It specifies the position of chief executive on the top, to which succeeding managerial positions are attached. As the chain of command action moves

downwards, at every following stage, contents of authority tend to decrease. Vertical charts take the shape of a pyramid with fewer managerial positions on the higher side and more positions on the lower sides.

- **Horizontal chart:**
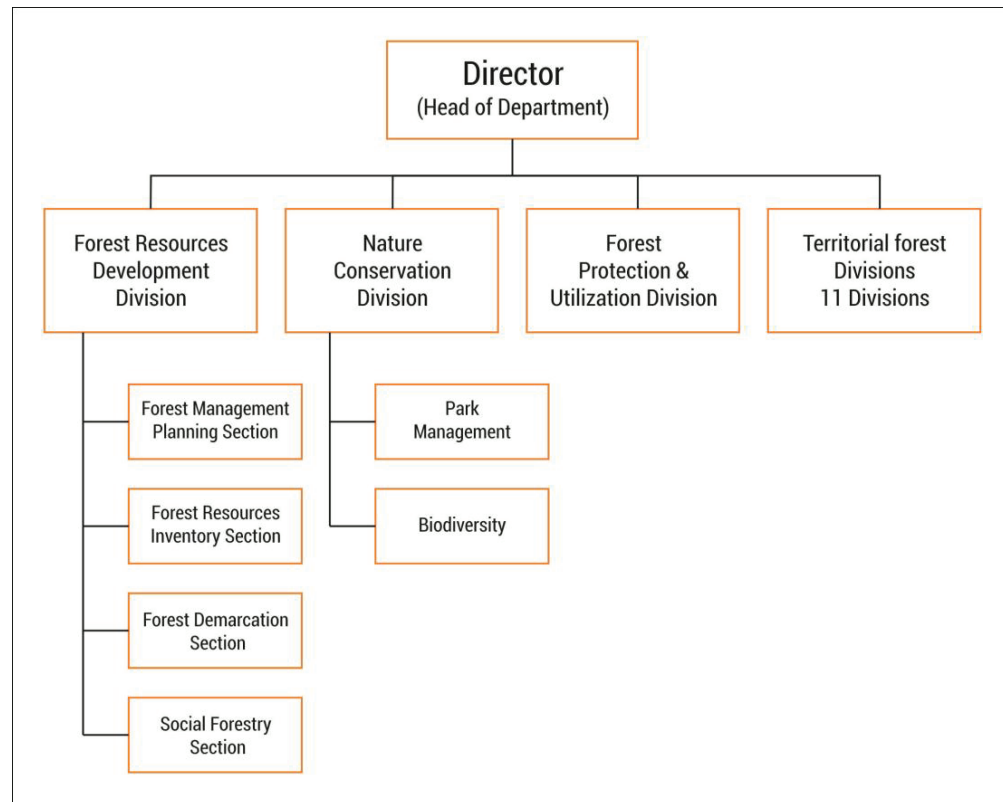
Organisation of Forest Department

Fig 2.3 Horizontal organisational chart

There is just a minor distinction between vertical and horizontal charts. Firstly, the pyramid line remains in horizontal position in place of the vertical position. Second, the line of authority begins from left to right in the horizontal chart. The position of chief executive lies on acute left side and as it moves to right side, it represents lower level of managerial chain of command. Since horizontal charts complicate the diagram, they are less common in practice.
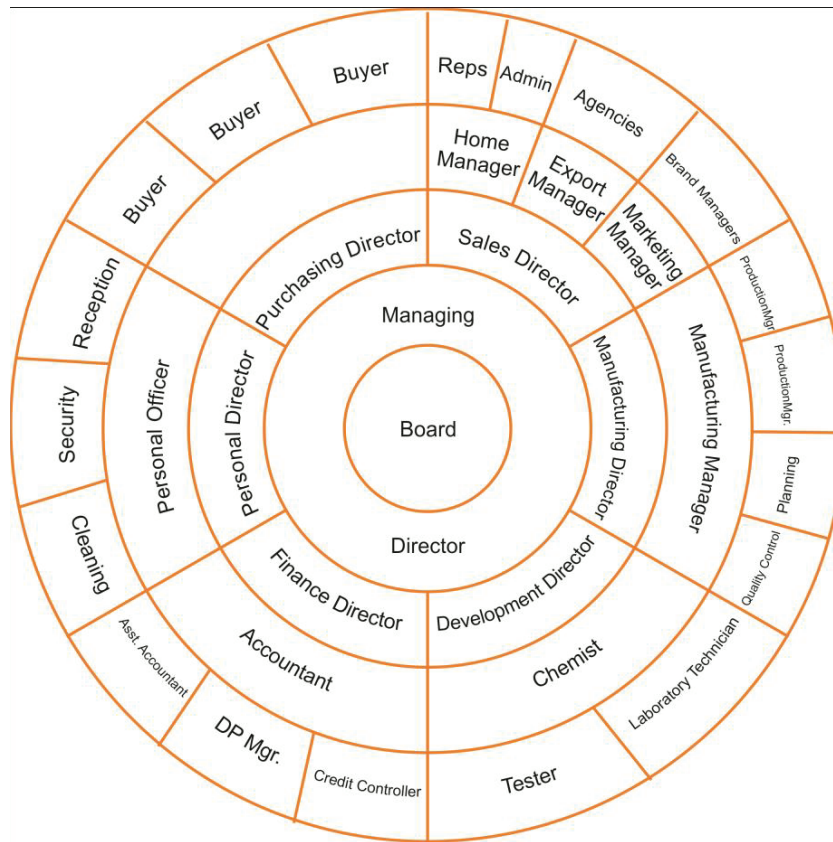
- **Circular chart:**

Fig 2.4 Circular organisational chart

The concentric chart indicates the top managerial position at the centre and other middle and lower managerial positions revolve from centre in concentric circles. Beside top position, the lowest managerial position lies on the outermost circle. Circular charts plainly show scope of each manager's responsibility and authority and eliminate status implications which are intrinsic from top to lower levels. It takes minimal space for presenting different managerial positions. But it is inundated with a weakness; it is very challenging to draw and it officially creates a lot of confusion regarding managerial positions.

2.3.2   Contents of Chart

The detail of content present in organisational chart includes:

- Governance

- Operating Rules of an organisation

- Distribution of work

Governance

It is the basic element in an organisational structure where initially some person or group takes decisions in it.

Operation rules of an organisation

It conveys certain rule by which an organisation works. There are certain rules which are dynamic while others are implied and understood.

Distribution of work

In an organisation, the distribution of work can be further sub divided into formal or informal, temporary or enduring with certain division of labour. There are four tasks which is main for any group:

- Envisioning desired changes.

- Transforming the community.

- Planning for integration.

- Supporting efforts of working so to promote change.

2.3.3   Uses

Organisation charts can be of use to an organisation in:

- Building and designing organisation structure to fulfil business objectives.

- Guiding employees about the knowledge related to their rights and responsibilities.

- Dividing the functions of a company, enterprise or department.

- Show relationships which appear among organisation staff members.

- Judging the officers workload.

- Locating unrelated persons having no relationship.

- Determining employee position based on competency.

- Clarity inside an organisation.

- Improving employee performance.

- Understanding and coordinating of organisation.

- Determining promotion channels.

2.3.4 Limitations

The organisational chart has certain limitations such as:

In this not every communication channel is formal.

It is difficult to keep track of changes which are responsible in maintaining an organizational chart.

2.3.5 Factors Affecting Organisational Chart

Various factors determine the effectiveness of an organisation structure. These are organisation's environment, strategy, technology, size and people.

- **Environment:** An organisation is a system, which operates within a broader framework of an environment. Though the periphery between the organisation and its environment cannot be exact and definite, for all practical purposes, such boundary can be identified. The organisation interacts incessantly with its environment. It is influenced by the environment and in turn it influences the environment. In this interaction, the environment determines the various organisational processes including its structure. The environmental system concept regards the organisation as a part of the environment- the environmental system.

- **Strategy:** An organisation's strategy and its structure are closely intertwined. The understanding of this relationship is important so that in implementing the strategy, the organisation structure is planned according to the requirements of the strategy. The relationship between strategy and structure can be thought in terms of utilising structure for strategy implementation because structure is a means to an end and not an end in itself.

- **Technology:** Technology is another factor affecting organisation structure. Though technology is one of the components of organisational environment, it should be studied separately because technology directly affects the task structure. Before analysing the impact of technology on the organisational

functioning, it is imperative to understand the nature of technology as relevant to the organisations.

- **Size:** The subject of organisational size has been a compelling one in organisational analysis, though most organisation theorists have hardly envisaged size as an important factor. This is so since there are diverse research findings on the relationship between an organisation's size and its structure.

  Theoretical proposition suggests that size of an organisation influences its coordination, direction, control and reporting systems and, hence, the organisation structure. When an organisation is small, interaction is confined to a relatively small group, communication is simpler, less information is required for decision-making and there is less need for formal structure.

- **People:** The organisational structure is the result of conscious actions on the part of people engaged in the organisation. As such, the form of organisation structure is expected to reflect the thinking and way of working of its framers and participants. The form of organisation is a major source of satisfaction or dissatisfaction for the people. Moreover, the structure is the result of the personality of its framers.

  Thus to arrive at appropriate structure, the forces in people may be analysed. Such analysis may be in two ways: people in superior capacity and people in subordinate capacity.

Check your progress 2

1. A _____ is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions/jobs.

   a. Organisational Chart.

   b. Chart.

   c. Diagram.

   d. Organisational Diagram

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2. _____indicates the top managerial position at the centre and other middle and lower managerial positions revolve from centre in concentric circles.

a. Circular Chart.

b. Vertical Chart.

c. Horizontal Chart.

d. None of the above.

2.4   Organisation Structure

The structure of an organisation is a network of authority and responsibility assumed by and delegated to the employees. Organisational structure defines the pattern of formal relationship between superiors and subordinates. It may also be regarded as a network of role, relationship, assigned work and delegated authority to employees. It provides the basis on which the managers and non-managerial employees perform the job assigned to them.

The structure of the organisation has two dimensions, firstly authority structure, which comes into being by delegating authority from top to lower levels and activity structure, secondly by dividing activities, grouping them and assigning them to the various departments or individuals. It has a pyramid shape.

2.4.1   Classification of Organisational Structure

Various activities are grouped together to create departments and units and their relationships in the organisation is thus prescribed. On the basis of this, the organisational structure is classified. Thus, there are seven types of organisation structure:

- Line

- Line and staff

- Functional

- Divisional

- Project

- Matrix

- Free-form (virtual organisation)

Each of these emphasises different arrangements of organisational activities. Some of these are designed on mechanistic pattern, for example, line, line and staff structures; some are designed on organic or dynamic pattern, for example, matrix and free-form structures. Others have a combination of both mechanistic and organic patterns in varying degrees. Further, some of the structures are basic, for example, functional, divisional, etc; some emerge because of overlays denoting superimposition of one element over another, for example, matrix structure. Besides the basic organisation structure organisations may create committees taking personnel from different departments where the processes are quite different as compared to a department.

2.4.2   Line Organisation Structure

It is the oldest organisational structure which is frequently associated with scalar, military or vertical structure. With this concept, it is narrated that in any organisation or hierarchy which is acquired from scalar process, there subsists one top head that will run and command the structure. Moreover it is clear that executives in an organisation will also have power to delegate work and holds responsible for output.
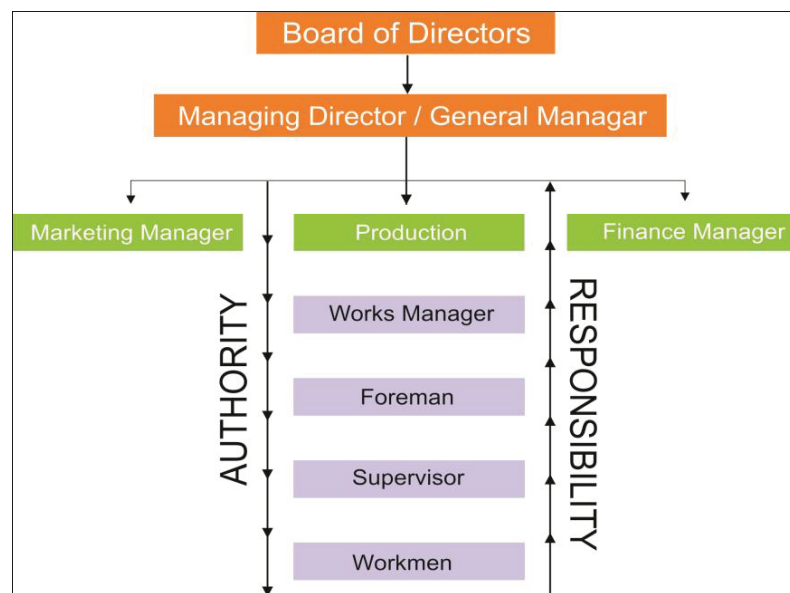

Fig 2.5 Line Organisation Structure

It is found that a line organisation can be arranged as:

1. **Pure Line Organisation:** In this, similar work is carried out at particular level. Here each subsequent group of activities is an independent unit which works for an allocated activity without the help of others.

2. **Departmental Line Organisation:** In this, the comprehensive work unites various departments as per the commonness of activities. Here each department is kept under individual departmental head. The idea of this is to get specific control, power and liability.

Characteristics of Line Organisation:

Line organisation structure has following characteristics:

- Lines of influence and instructions are vertical, i.e. they flow from the top to the bottom.

- The unity of command is preserved in a straight and constant line. It implies that each junior receives instructions from his immediate superior alone and is responsible for him only.

- All people at the same level of organisation are self-governing. It implies that all the departmental heads are highest in their respective areas and self-regulating and are responsible to the chief executive. This applies to all other positions also.

- This structure specifies responsibility and authority for all the positions limiting the area of action by a particular position holder.

Merits of Line Organisation

Line organisation structure has following merits or advantages.

1. **Simplicity:** This organisation is quite simple in both understanding and implementation.

2. **Discipline:** Since each position is subject to control by its immediate superior position, often the maintenance of discipline is easy.

3. **Prompt Decision:** Most of the decisions in such organisations are taken by the superiors concerned. This makes the decision-making process easier and less time-consuming.

4. **Orderly Communication:** Line organisation follows scalar chain method of communication.

5. **Easy Supervision and Control:** The line organisation provides for easy supervision and control because each subordinate is controlled by a single superior.

6. **Economical:** The line organisation is quite economical because it does not use staff specialists whose appointment is a costly affair specially for small organisations.

7. **Overall Development of the Managers:** Various functions of managers lead to the overall development of the managers concerned.

Demerits of Line Organisation

Line organisations offer many problems and limitations, which are as follows:

1. **Lack of Specialisation:** The line organisation does not offer scope for specialisation. A manager has to perform a variety of functions, which may not necessarily be closely interrelated.

2. **Absence of Conceptual Thinking:** The managers in this system do not find time for conceptual thinking so essential for organisational growth and development because they remain quite busy in their day-to-day managerial problems.

3. **Autocratic Approach:** The line organisation is based upon autocratic approach of authority being direct, demands high level of obedience on the part of the subordinates.

4. **Problems of Coordination**: Coordination among various activities and the departments is achieved through horizontal relationship, whereas the line organisation stresses only on vertical relationship. Thus, there is acute problem of coordination, particularly in a large organisation.

2.4.3   Line and Staff Organisation Structure

This structure narrates certain arrangement where staff experts advise their line managers to perform particular task. On increasing work of an executive, its performance will effect and service of specialists cannot able to give as of restricted capabilities. This type of advice is mandatory to deliver to line managers by staffs personal which are normally specialists in their own fields. The staff positions or departments are of purely advisory nature. They have the right to rec-ommend, but have no authority to enforce their preference on other departments.
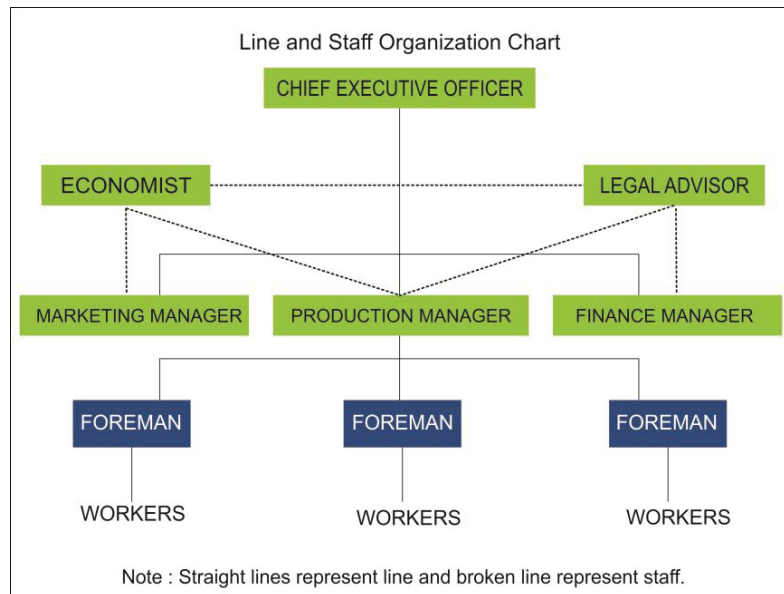
Note : Straight lines represent line and broken line represent staff.

Fig 2.6 Line and Staff Organisation Structure

Merits of Line and Staff Organisation

As against line organisation structure, line and staff structure offers the following advantages:

1. **Planned Specialisation:** The line and staff structure is based upon the principle of specialisation. The line managers are responsible for operations contributing directly to the achievement of organisational objectives whereas staff people are there to provide expert advice on the matters of their concerns.

2. **Quality Decisions:** The quality of the decision derived is superior as the decision is the product of careful thought and systematic analysis.

3. **Prospect for Personal Growth:** The system of organising offers ample prospect for efficient personnel to grow in the organisation.

Demerits of Line and Staff Organisation

The line and staff structure has certain limitations, which particularly become acute when it is not implemented properly. Following are some basic problems and limitations:

1. **Lack of Well-defined Authority:** It becomes difficult to differentiate clearly between line and staff because, in actual practice, the authority is often diffused.

2.   **Line and Staff Conflicts:** The chief problem of line and staff structure is the encounter between line and staff managers. Such conflicts may be because of various reasons and sometimes the organisational conflicts may be taken as personal conflicts resulting in interpersonal problems.

2.4.4   Functional Organisation Structure

Functional organisation structure is the most widely used in the medium and large organisations having a limited number of products. This structure materialises from the idea that the organisation must perform certain functions in order to carry on its operations.

Functional structure is shaped by grouping the activities on the basis of functions prerequisite for the achievement of organisational objectives. For this purpose, all the functions required are classified into basic, secondary and supporting functions according to their nature and importance. The elementary functions are essential for the organisation.

For example, in a manufacturing organisation, production and marketing are basic functions. When departments are created based on basic functions and a manager feels that his span of management is too wide to manage effectively, which invariably happens in large organisations, several departments are created on the basis of dividing a basic function into sub-functions. Marketing may be subdivided into marketing research, advertising, sales, and so on.

Characteristics of Functional Organisation

Relationships that include authority in functional structure may be in the form of line/ staff and functional. In fact, the concept of functional authority is very suitable for functional structure. Thus, functional structure is characterised by the following:

- Specialisation by functions

- Emphasis on sub-goals

- Pyramid growth of the organisation

- Line and staff division

- Functional authority relationships among various departments

- Limited span of management and tall structure

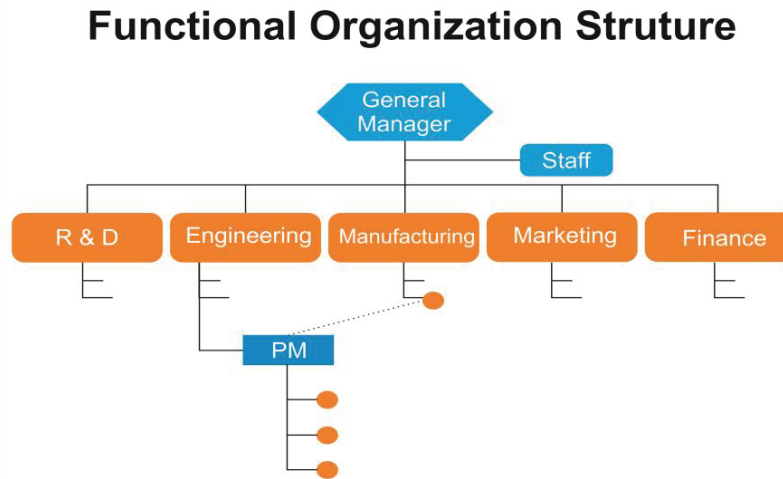The organisation chart of functional structure is presented in Figure 2.7:

Fig 2.7 Functional Organisation Structure

Problems in Functional Structure

The functional structure is inappropriate to an organisation, which takes up diversification. New activity may be dissimilar to the activities being performed by the organisation.

Thus, diversification cannot be achieved suitably within the context of functional structure. At least at some level, there may be violation of functional structure.

In such a situation, functional structure presents following problems:

- Responsibility for ultimate performance cannot be accorded in the functional structure because no one is responsible for product cost and profit. Each department concentrates on its contribution to the product, but not the entire product.

- Functional structure essentially produces slow decision-making process because the problem requiring a decision has to go to various departments as all of them have something to say on the matter.

- Functional structure lacks responsiveness necessary to cope up with new and rapidly changing work requirements.

- Functional structure offers usually line and staff conflict and interdepartmental conflict. The heightened degree of such a conflict becomes detrimental to organisational efficiency.

2.4.5   Divisional Organisation Structure

The second basic structural form employed by organisations is the divisional structure. In India, many companies have diversified into unrelated businesses and have found functional structure quite unsuitable for them. For example, companies like D.C.M. Limited, Voltas Limited, Century Spinning Mills, Gwalior Rayon, etc., have adopted the divisional structure.

Divisional structure, also called profit decentralization by Newman and others is built around business units. In this form, the organisation is divided into several autonomous units. Each unit is headed by a manager who is responsible for the organisation's investment in facilities, capital and people as well as for unit's development and performance.

Divisional structure is similar to dividing an organisation into several smaller organisations but it is not quite the same, since each smaller organisation is not completely independent. Each unit is not a separate legal entity; it is still part of the organisation. Each unit is directly accountable to the organisation.

Basis of Divisional Organisation

There are different bases on which various divisions in an organisation can be created. The two traditional bases are product and territory.

Product Divisional Organisation: In this form, each major product or product line is organised as a separate unit. Each unit has its own functional structure for various activities necessary for the product. Multi-product organisations use this as basis for divisional organisation. This is appropriate specially when each product is relatively complex and large amount of capital is required for each product. The product requires different type of efforts as compared to others in terms of marketing and/or production.

For example, Century Mills has separate divisions for textiles, cement and shipping. Reliance Industries Limited has six product divisions: textiles, polyster, fibre intermediates, polymers, chemical and oil and gas. Each division caters to different customers and has different types of competition.

Territorial Divisional Organisation: Under this form, location of regional offices is standalone units having its own functional departments which work under certain policies and guidelines given by corporate management. This is useful for those organisations whose activities are geographically spread such as banking, transport, insurance, etc.

56

For example, Life Insurance Corporation of India runs its life insurance business on the basis of territorial divisional organisation in which the entire geographical area of the country has been divided into five zones- eastern, central, northern, southern and western. Each zone has further been divided into appropriate number of divisions, e.g. north-zone into four divisions located at Jallandhar, Chandigarh, New Delhi and Ajmer.

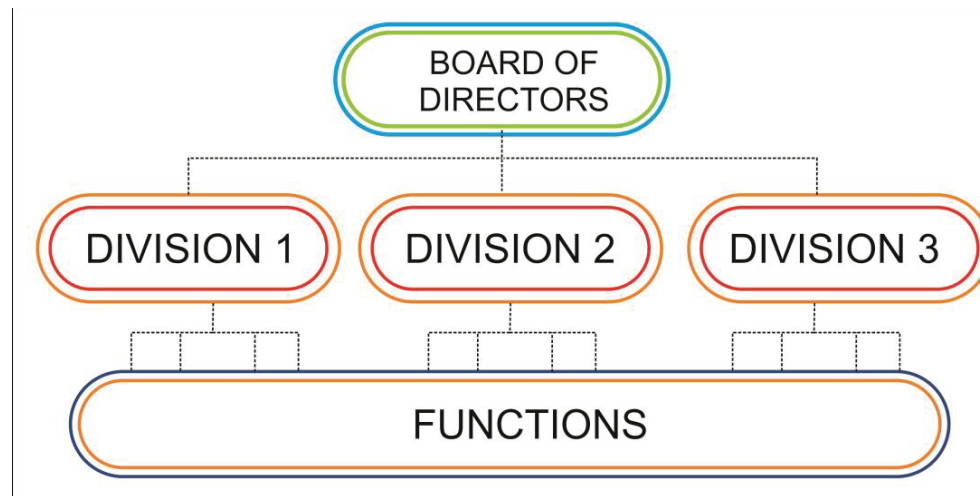Each division has a number of branches at different places covered by the division concerned.

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            │   BOARD OF   │
            │  DIRECTORS   │
            └──────────────┘

┌────────────┐  ┌────────────┐  ┌────────────┐
│ DIVISION 1 │  │ DIVISION 2 │  │ DIVISION 3 │
└────────────┘  └────────────┘  └────────────┘

            ┌──────────────────────┐
            │      FUNCTIONS       │
            └──────────────────────┘
```

Fig 2.8 Divisional Organisation Structure

Problems in Division Structure

There are certain disadvantages and problems of divisional structure. Some of these problems are inherent in the system while others emerge because of wrong approach of management. Following are the major shortcomings of divisional structure.

• Divisional structure is quite costly because all the facilities have to be arranged for each division.

• Since there is lack of emphasis of functional specialisation, many professionals do not feel satisfied with this structure.

• Often there is a lack of managerial personnel when a new division is opened because managers working within a division cannot work with same efficiency in other division, as they must have acquired the technical competence of that division.

• Control system is a major problem of the divisional organisation.

Many of these problems can be overcome through sharp focus on tasks and responsibilities of corporate and divisional management, measurement of performance of divisions, long-term policy for performance and incentives, creating more autonomy and decentralization of authority and the explicit strategies for both the organisations as a whole and its various divisions.

2.4.6 Project Organisation Structure

Major reforms in the traditional functional structure have come from a group of related structures such as project management. The basic idea behind this structure is that since environment changes very rapidly, the organisation must take up various activities on project basis, i.e. adding the required ones and deleting the unnecessary ones. Thus, the organisation can be organic-adaptive one.

The project work can be managed in two forms of organisation: pure project organisation and matrix organisation.

The pure project organisation is suitable for taking small number of larger projects with long duration so that a separate division can be created for each project.

Project organisation appears like divisional structure except that in the latter, various divisions are created on permanent basis while in the former, they are created only for the lifetime of a project. When a particular project is completed, the concerned division may disappear. However, since a project may continue for quite long time, a project may become a sort of permanent.

For example, Middleton observes, "A project organisation can also be the beginning of an organisation cycle. The project may become a long term or permanent effort that eventually becomes a programme or branch organisation. The latter, in turn, may become separated from the parent organisation and be established as a full-fledged division, functionally organised."

The establishment of project organisation calls for appointment of a project manager who is responsible for the completion of the project. He coordinates the activities of the project. He prescribes what is to be done, when it is to be done and how much resources are required. The functional personnel are drawn from various functional departments and functional managers decide who in their department will perform the task and how it will be done. Thus, project manager is a unifying and focal point for the project activities.
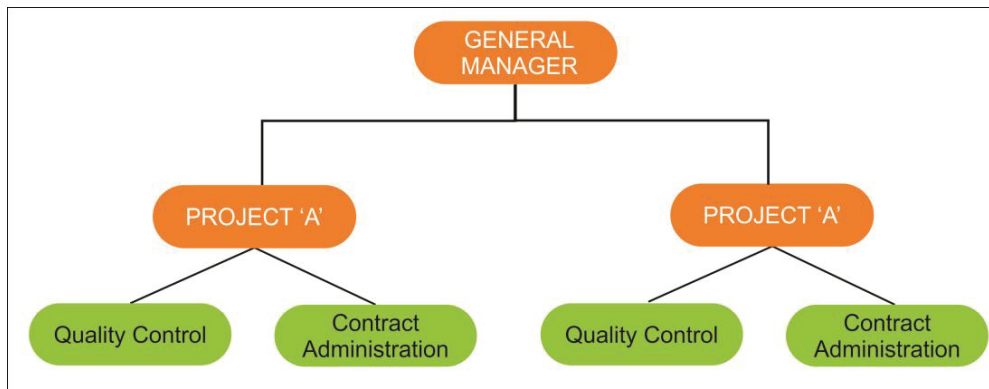
Fig 2.9 Project Organisation Structure

A project manager really does not have vertical authority on the personnel drawn from various functional departments in direct contrast to a divisional manager who has line authority over the people working in various functional departments assigned to his division. In the absence of any vertical authority, the project manager must persuade the functional department so that they help him to complete the project within time.

Problems in Project Organisation

As a matter of fact, many of the flexibilities of a project organisation may turn into glitches if the arrangement is not prepared in anticipation for overcoming these problems. A project manager has to face unusual problems resulting from the project management. It has been observed that the following problems are usually experienced in project organisation.

- Project organisation creates feelings of insecurity and uncertainty among people in the organisation.

- People are not able to identify themselves with any particular department in the organisation because they do not have permanent tenure with any project.

- There is lack of clarity among members about their role in the organisation.

- Often project manager faces numerous problems because he has to carry responsibility without authority.

These problems are real and a challenge lies before the project manager. If he believes in traditional system of organisation, he may not be able to work. He has to change the total philosophy of managing.

2.4.7 Matrix Organisation Structure

Matrix organisation structure is principally a violation of unity of command and therefore, in practicality all the classical concepts related to the principle of unity of command are violated. Matrix structure is the realisation of two-dimensional structure, which emanates directly from two dimensions of authority. Two complementary structures- pure project structure and functional structure- are amalgamated to create the matrix structure.

Thus, matrix structure not only employs a multiple command but also related support mechanism and associated organisational culture and behaviour. Thus, it shows many organisational overlaps, not only in terms of command system but also in terms of complete organisational processes and behaviour.

Design of Matrix Structure

In the matrix organisation structure, a project manager is appointed to coordinate the activities of the project. Personnel are selected from their respective functional departments. Upon completion of the project, these people may return to their original departments for further assignment.

Thus, each functional staff has two bosses- his administrative head and his project manager. During his assignment to a project, he works under the coordinative command of the project manager and he may be called upon by his permanent superior to perform certain services needed in the project. Thus, a subordinate in matrix structure may receive instructions from two bosses.

Therefore, he must coordinate the instructions received from two or even more bosses. Similarly, matrix superior has to share the facilities with others. He reports in a direct line to the up, but does not have a complete line of command below.
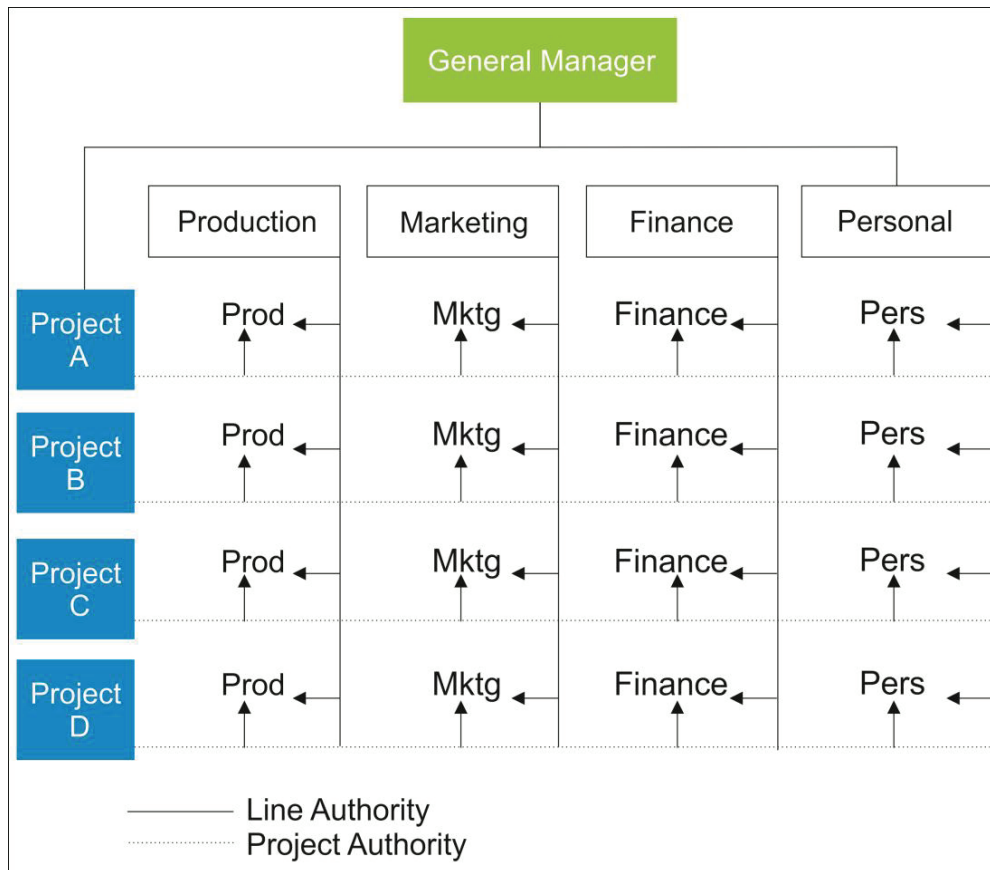
Fig 2.10 Matrix Organisation Structure

Problems in Matrix Structure

The matrix structure has a plethora of problems in practice because of its flexibility. The major problems of matrix structure are as follows and managers should take adequate precautions to overcome these.

- There is always power struggle in the matrix structure.

- Matrix structure can develop anarchy if not managed properly.

- This structure may not work very well when there is economic crunch.

- If matrix organisation is not followed properly, there is delay in decision-making.

- At the initial level, matrix structure becomes quite costly because of top heavy management.

A persual of the various problems suggests that many of these problems arise because of faulty implementation of matrix structure. If it is executed with proper perspective, several snags will disappear. As it has been pointed out in the beginning, the matrix is not merely a structure but it includes systems, culture and behaviour, which must be in tandem with matrix philosophy.

2.4.8 Virtual Organisation

The concept of virtual organisation or corporation along with virtual team and office has entered management field very recently. The literal meaning of virtual organisation is possessing the efficacy without the material part, unreal but capable of being considered as real for the purpose. Based on this concept, virtual corporation has been defined as " a temporary alliance between two or more organisations that band together to undertake a specified venture." Recently, in telecommunication sector in India, many virtual organisations have been created to provide different services.
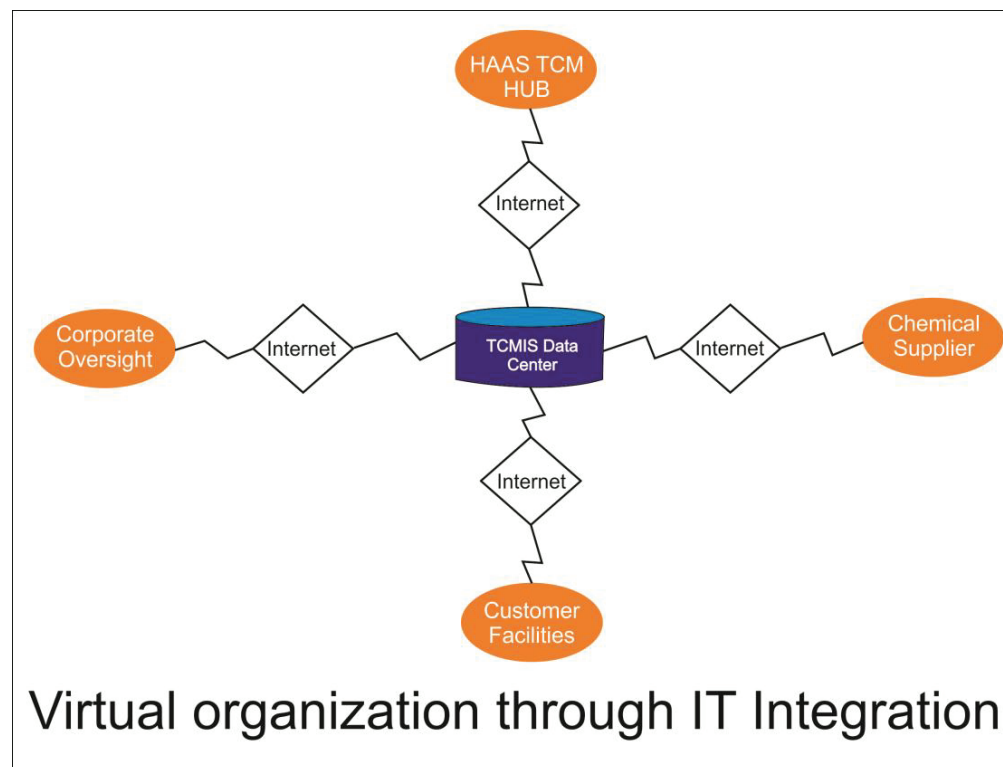

Fig 2.11 Virtual Organisation

Characteristics of Virtual Organisation

Business Week has identified five basic features of a virtual organisation, which are as follows:

1. **Technology:** Informational networks will offer far-flung companies and entrepreneurs to link up work together from start to finish. The partnerships will be based on electronic contracts to keep the lawyers away and speed the linkups.

2. **Opportunism:** Partnerships will be less enduring, less formal and more opportunistic. Companies will link together to meet a specific market opportunity and, more often than not, fall apart once the need evaporates.

3. **Excellence:** Because each partner brings its core competence to the effort, it may be possible to create a best-of-everything organisation. Every function and process could be world class- something that no single company could achieve.

4. **Trust:** These relationships make companies far more reliant on each other and necessitate far more trust than even before. They will share a sense of co-destiny, meaning that the fate of each partner is dependent on other.

5. **No Borders:** The new corporate model redefines the traditional boundaries of the company. More cooperation among competitors, suppliers and customers makes it harder to determine where one company ends and another begins.

Reasons for Virtual Organisation

The basic reason behind creating a virtual organisation is to generate synergy through temporary alliances. Creating synergy is the process of putting two or more elements together to achieve a sum total greater than the sum total of individual elements separately. This effect can be described as $2 + 2 = 5$ effect. The synergistic effect is generated in virtual organisation because of the complementarily of competences of different partners. Some companies can do something very well but struggle with most others. Other companies can do very well in those areas where the first group of companies falls short.. If both these types of companies put their efforts jointly to undertake any project, their combined strengths could lead to better overall performance and better results than what individual companies could have achieved separately.

Check your progress 3

1. Identify the organisation structure

    a. Matrix

    b. Rectangle

    c. Triangle

    d. square

2. Simplicity is the part of merits of the line organisation.

    a. True

    b. False

2.5   Informal Organisation

2.5.1   Meaning

Informal organisation endures as a relationship which survives between people in an organisation on the basis of their attitudes, emotions, prejudices, likes and dislikes etc. Such type of relation does not exist as per the standards and processing rules which ensues in a formal organisation. Normally, it is seen that a large formal groups will escalate small informal groups that are not planned earlier but will originate automatically in an organisation.

2.5.2   Characteristics

The characteristics of an informal organisation are:

- An informal organisation is flexible and unplanned depending on its structure.

- It carries no defined relationship.

- It carries two or more than two people.

- There exists a natural relationship.

- It carries volunteered membership.

- In this, there is no compulsion of groups as people have right to join any numbers of groups at the same time.

2.5.3   Importance

The importance of informal organisation in terms of Employees is:

- Sense of Belonging

- Safety valve for emotional problems

- Aid on the Job

- Innovation and Originality

- Important Channel of Communication

- Social Control

2.5.4   Limitations

- In an informal organisation, people sometimes conveyed wrong things to other person that result in horrible results.

- In such type of organisation, the changes are resisted and stress occurs when olden procedures are adopted.

- With negative thinking of leaders, the personal interest satisfies group interests then such organisation tends to function against formal organisational goals that could be dangerous.

- In this, when role in a group differs from formal goals then under such members conflict occurs in formal and informal roles.

2.5.5 Difference between Formal and Informal Organisation

Formal organisation	Informal organisation
It has defined objective that will save organisation and make it stable.	It does not have objectives but inspires of friendship, fame, respect, unity.
It is established with particular process.	It appears spontaneously.
In this the members are bound together with authority relation.	In this the member has duty, authority and responsibility.
It can be shown in an organisational chart.	It cannot be shown in an organisational chart.
In this the work for achieving organisational goal are identified.	In this the work for achieving organisational goal are not identified.

Check your progress 4

1. _____is an example of informal communication in an organisation?

   a. Organisation chart

   b. Matrix structure

   c. Gossip

   d. Company circulars

2.6   Let Us Sum Up

In this unit we have learnt, that organising is a process of finding and grouping work that needs to be performed, define and can establish relation. It involves integrating, coordinating and mobilizing the activities of members of group for seeking common goals.

It is studied that with organising, you can create formal organisational structure of role, relationship, position and authority. The good organisational

structure will contribute more on survival and success of an enterprise. It can be viewed as mechanism, device or indispensable means to achieve objectives.

There are several Principles of Organising such as Principle of Division of Labour, Principle of Functional Definition, Principle of Sealer Chain, Principle of Span of Control, Principle of Unity of Command, Principle of Objective, Principle of Balance, Principle of Flexibility, Principle of Absoluteness of Responsibility, Principle of Delegation by Result Expected, Principle of Parity between Authority and Responsibility, Principle of Efficiency, Principle of Continuity and Principle of Cooperation.

It is studied that an organisational chart is a diagram of official positions of an organisation and formal line of authority. It is a graphic and systematic description of formal structure of an organisation. The structure of an organisation carries vertical chart, horizontal chart and circular chart.

An organisational structure is a pattern of formal relationship between superiors and subordinates which is also regarded as network of role, relationship, assigned work and delegated authority to employees. Design of organisation structure is considered a matter of choice among a large number of alternatives.

It is seen that a line organisation structure is a scalar, military or vertical organisation which is an oldest form that believes on ruling with single head who commands it.

As seen, a line and staff organisation is a pattern where staff specialists advise line managers to perform their duties. In case of execution work increases, the performance needs services of specialists which himself cannot be done.

In a functional structure, a grouping activities takes places on basis of functions required for achieving organisational objectives. The idea of this is the functions are classified as basic, secondary and supporting functions as per nature and importance.

2.7   Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a)

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Check your progress 2

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Answers: (1-a), (2-a)

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Check your progress 3

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Answers: (1-a), (2-a)

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Check your progress 4

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Answers: (1-c)

2.8   Glossary

1. **Organisation -** Two more persons engaged in a systematic effort to produce goods or services.

2. **Organisation chart -** A graphic representation of organisational structure.

2.9   Assignment

What is Organising? What do you understand by Organisational Structure?

2.10   Activities

1. Explain characteristics, need and importance of organisational structure.

2. Organisational structure provides the framework for undertaking managerial functions. Discuss.

3. What are organisational Charts? Explain their types and factors affecting organisational charts

2.11   Case Study

How does line and staff organisation structure differ from pure line organisation structure? Write in your own words.

2.12   Further Readings

1.   Principles of Management, B.S. Moshal, Galgotia Publications.

2.   Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.

3.   Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.

4.   Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hil.