

Organisation

- ▶ Organisation is the process of identifying and grouping of work to be performed. Defining and delegating responsibility and authority, and establishing relationships enabling people to work most effectively for achieving the objectives of the organization.
- ▶ Organisation involves division of labor and functions, establishing hierarchy of authority.

TYPES OF ORGANISATION

- ▶ 1. Organisations which benefit their owners: All business organization fall in this category.
- ▶ 2. Organisation which benefit the members. A wide class of unions, cooperatives and clubs come under this category.
- ▶ 3. Organisations which benefit their clients. Examples are insurance companies, private schools, etc.
- ▶ 4. Organisations which benefit the whole society(common wealth organisations) such as governmental departments.

PROCESS OF ORGANISING

- ▶ In performing the organization functions, the manager differentiates and integrates the activities of the organization. By differentiation is meant the process of departmentation or segmentation of activities, on the basis of some homogeneity. Integration is the process of achieving unity of effort among various departments.
- ▶ This is carried out in six steps process

PROCESS OF ORGANISING

- ▶ Consideration of objectives.
- ▶ Grouping of activities into departments.
- ▶ Deciding which departments are key departments.
- ▶ Determine the level at which various types of decisions are made.
- ▶ Determine the span of management.
- ▶ Setting up a coordination mechanism.

PROCESS OF ORGANISING

- ▶ Peter Drucker compresses the above six-step procedure into three step procedure. Activity analysis, decision analysis and relation analysis.

Span of management

- ▶ This is also referred to as span of control, span of supervision, span of authority, or span of responsibility. It indicates the number of subordinates who reports directly to a manager.
- ▶ Span of management affects the efficient utilization of managers and the effective performance of their subordinates.
- ▶ 1. Too wide span of management may mean the managers are overstretched, their subordinates are getting little guidance and control. Narrow span of management may result in under utilization of managers and over control of their subordinates.

Span of management

- ▶ 2. There is a relationship between span of management and organizational structure. A narrow span results in tall organization with many levels of supervision between top management and lowest organization levels. This creates more communication and cost problems. Wide span for the same number of employees means a flat organization with fewer management levels between the top and the bottom.

Factors governing the span of management

- ▶ Ability of manager.
- ▶ Ability of employees.
- ▶ Type of work.
- ▶ well defined authority and responsibility.
- ▶ Geographic location.
- ▶ Sophisticated information and control system.
- ▶ Economic consideration

Departmentalisation

- ▶ Departmentalisation is one important step of building an organization. The aim is to make use of division of labor and specialization.
- ▶ There are several basis for departmentalization, each of which is suitable for a particular corporate size, strategy and purpose. The basis are;
- ▶ 1. Functions: widely used for departmentalization. Each major function of the enterprise is grouped into a department. For example, there may be production, finance, and marketing departments in a manufacturing company.

Products

- ▶ This form is suitable for large company manufacturing a variety of products. Under this method, under each major product a separate semi-autonomous department is created. One manager is made responsible for its activities and made a profit Centre. Product departmentalization is the logical pattern to follow when each product requires raw materials, manufacturing technology, and marketing methods that are markedly different from those of other products.

Customers

- ▶ This departmentalization is based on the nature of customers it services, an electronic firm may have separate department for military, industrial, consumer customers. A big automobile servicing enterprise may have separate department for servicing cars, heavy vehicles and scooters.

Regions or territory

- ▶ When several production or marketing units of an organization are geographically dispersed in various location, it is logical to departmentalize those units into separate geographical basis.
- ▶ Indian railways, food corporation of India are departmentalized geographically.

Process

- ▶ On the basis of several discrete stages in the process or technologies involved in the manufacture of a product. For example cotton textile mill may have separate department ginning, spinning,, weaving, dyeing and printing, and packaging and sales.

Combined base

- ▶ It is quite typical to find an organization following a different base of departmentalization at different organization level. For example product as the base at (tractor dept, appliance dept, generator dept, etc) at the primary level (immediately below the chief executive officer). “territory as the base at intermediate level and function as the base at the lowest level.
- ▶ In Matrix organization two types of departmentalization functional and product exist simultaneously.
- ▶ Project manager selects his team from various functional departments, he will have control over the team.

ORGANISATION STRUCTURE

- ▶ An organization structure is a permanent arrangement depicting the various parts which covers the entire organisations.
- ▶ The horizontal parts depicts the various departments, the vertical parts shows the number of levels from top to bottom.

ORGANISATION CHART

- ▶ This is the snapshot of an organization at a particular point of time which shows the flow of authority, responsibility and communications among various department which are located at different levels of hierarchy.

ORGANISATION MANUALS

- ▶ THIS INCLUDES THE FOLLOWING INFORMATION:
- ▶ Company's mission and philosophy.
- ▶ Company's objectives, policies and process.
- ▶ Authority and responsibilities of each positions.
- ▶ Relationship of each position with other position.
- ▶ Means of measuring performance.
- ▶ Committees- their membership, objectives and functions.

LINE, STAFF AND FUNCTIONAL AUTHORITY

- ▶ In Line authority, a superior exercises direct command over a subordinate, it is represented by the standard chain of command that starts with the board of directors to the last worker who performs the basic activities of the organization.
- ▶ The nature of staff authority is merely advisory. A staff officer has the authority of ideas only. Examples are:
- ▶ A market researcher who gathers and analyses data on marketing advices on the introduction of new product/services.
- ▶ Industrial engineer prepares layout of plant and equipment's to production manager.

STAFF FUNCTIONS

- ▶ An internal auditor who checks the accuracy of accounting records and suggests to the head of the accounting department measures to prevent fraud.
- ▶ Personnel officer who advises the personnel manager on all dealings with unions.
- ▶ There are four levels of authority of a staff officers.
- ▶ Voluntary consultations, compulsory consultations, concurring authority, functional authority.
- ▶ In functional authority he can give direct orders to people in other departments outside his formal chain of command instead of making recommendations to them.

LINE AND STAFF FUNCTIONS

- ▶ Whenever functional authority is given to a line officer, it is known as functional line authority, whenever it is conferred on a staff man, it is known as functional staff authority.
- ▶ There is no doubt that both these types of functional authority make the affected line officer accountable to two or more than two superiors, and thus violates the principle of unity of command

Delegation of authority

- ▶ A manager in an enterprise cannot do all the task necessary for the accomplishment of group goals. He therefore assigns some part of his work to his subordinates and also gives them sufficient authority to make decisions. This downward pushing of authority to make decisions is known as delegation of work.
- ▶ By delegating authority the manager retains the overall Responsibility which was assigned to him to perform his functions

Advantages of effective delegation

- ▶ It relieves the manager of his heavy work load.
- ▶ It leads to better decisions.
- ▶ It speeds up decision making.
- ▶ It helps train the subordinates.
- ▶ It serves as compensation to those employees who faces the prospect of limited advancement.
- ▶ It helps create formal organization structure.

Decentralization of Authority

- ▶ Every organization has to decide as to how much decision-making authority should be centralized in the hands of the chief executive and how much to be distributed among the lower level managers.
- ▶ In the words of Fayole, “everything that goes to increase the importance of subordinate’s role is decentralization and everything that goes to reduce it is centralization.

Distinction between Delegation and decentralisation

- ▶ Delegation mainly refers to the granting of authority and the creation of responsibility between one individual and another., decentralization is the result of systematic delegation authority throughout the organization.
- ▶ In delegation, superior is responsible for the work delegated to his subordinates, while in decentralization the superior is relieved from his responsibility for the work decentralized

Advantages of decentralization

- ▶ Decentralisation reduces the problem of communication and red tape.
- ▶ Permits quicker and better decision making.
- ▶ Employees are able to exercise more autonomy.
- ▶ Leads to competitive environment within the organization.
- ▶ Ensures development of employees.
- ▶ Decentralization facilitates diversification of products, activities and market.

Advantages of Centralisation

- ▶ Coordination of activities of subordinates are better achieved.
- ▶ There is no duplication of efforts or resources.
- ▶ Decisions take into account the interest of the entire organization.
- ▶ Strong central leadership develops which may be required in time of crises.

How much Decentralisation

1. Size of the organization.
2. History and age of organization.
3. Philosophy of the organization.
4. Abilities of lower-level management.
5. Strategy and the organization,s environment.
6. Available controls.
7. Costliness and significance of decisions.

Importance and need for proper Staffing

- It is estimated that the labour costs constitute from 25% of the production costs to 40% of the selling costs in manufacturing enterprise. Therefore, a business cannot be successful for any length of time unless it is capable bringing in and developing the right kind of people. There are number of advantages of proper and efficient staffing.
- 1. It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
- 2. It ensures greater production by putting the right man in the right job.

Importance and need for proper Staffing

- 3. It helps to avoid a sudden disruption of an enterprise's production

Run by indicating shortage of personnel, if any in advance.

4. It helps to prevent under-utilization of personnel through overmanning and the resultant high labour cost and low profit margins.

5. It provides information to management for the internal succession of managerial personnel in the event of an unanticipated turnover.