

## Organising

### Meaning

Organising can be defined as "A process that initiate implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals)."

In simple words organising refers to identifying and grouping the activities of business organisation and bringing together physical, financial and human resources in most productive manner for achievement of desired goal of organisation.

### Organising Process

**1. Identification and Division of Work:** The first step in the organising is identifying and dividing the work as per plan. The division of work makes sure there is no duplication of work and there is no burden of work on one person. Work can be shared among the employees. The manager divides the work into smaller units called job.

**2. Departmentalisation:** After dividing the work in smaller jobs, related and similar jobs are grouped together and put under one department. The departmentation or grouping of jobs can be done by the organisation on the basis of different criteria/basis. Examples of some of the most commonly used basis/criteria are: territory (north, south, east, west) and products (clothes, cosmetics, textiles, etc).

**3. Assignment of Duties:** After dividing the organisation into specialised departments, each individual working in different departments is assigned a duty matching to his skill and qualifications. The work is assigned according to the ability of individuals. Employees are assigned duties by giving them a document called job description. This document clearly defines the contents and responsibilities related to the job.

**4. Establishing Reporting Relationship:** Merely assigning job is not enough. Each individual should also know from whom he has to take order and who is accountable to him. The establishment of such clear relationship helps to create a hierarchical structure and helps in coordination among various departments. It clears the superior subordinate relations.

### Importance/Significance of Organising

**1. Benefits in specialisation:** Every individual is assigned a part of total work and not the whole task. Due to this division of work into smaller units, assignment of units, according to the qualification and repetitive performance of a particular task allows a worker to gain experience in that area, leading to specialisation.

**2. Clarity in working relationship:** Organisation clearly defines what all and how much power and authority is enjoyed by different individuals or managers. Each manager knows very clearly to whom he can give order and from whom he has to receive the order. It helps in creating a hierarchical order and removes ambiguity in the flow of information and duties.

**3. Optimum utilisation of resources:** Organising leads to the proper usage of material, financial and human resources. Avoidance of duplication of work helps in preventing confusion and minimizing wastage of resources. There are very few chances of duplication

of work or overlapping of work because the jobs are assigned to different individuals by clearly defining the job in job description document.

**4. Adoption to change:** The process of organising allows a businessman to accommodate changes in the business environment. It allows the organisational structure to be modified and interrelationship amongst managerial level to save the way for smooth transaction.

**5. Effective administration:** Organising helps in grouping similar and related jobs under one department which leads to unification of efforts and harmony in work. The organising function establishes relation between different departments keeping in mind the coordination among different departments.

**6. Expansion and growth:** With optimum utilisation of resources and proper division of work and departmentation, companies can easily meet the challenges and can expand their activities in a planned manner. Organising helps organisations to expand in a systematic way.

### **Organisational Structure**

- Organisational structure can be defined as "Network of job positions, responsibilities and authority at different levels." Or it can be called as a framework within which managerial and operational tasks are performed.
- It specifies the relations between people, work and resources. Span of management gives shape to organisational structure.
- Span of management means how many employees or subordinates can be effectively managed by one manager or how many subordinates can be effectively controlled by one superior.
- Narrow span of management results in tall structure whereas wide span results in flat structure.
- When the authority and responsibility relationships are established in organising process then the managers must keep in mind the span of control. After deciding the span, a scalar chain is developed of all the superiors and subordinates because the span of control clearly specifies who has to report to whom.

### **Importance of Organisational Structure**

- 1. Organisational structure organises all the operations of business properly and ensures better flow of communications.
- 2. A clear structure makes it easy to check the responsibility of each part of business.
- 3. A clear idea about the working style of an enterprise can be known from organisational structure,
- 4. Organisational structure allows correlation and co-ordination among human, physical and financial resources.
- 5. It clearly defines the levels of management and span of control under each level.

### **Types of Organisational Structure**

#### **(i) Functional Structure**

When the activities or jobs are grouped keeping in mind the functions or the job, then it is called functional structure. For example, all the jobs related to production are grouped in production department, related to sales in sales department, related to purchase in purchase department and so on.

### Advantages

- 1. Occupational Specialisation:** Since in functional structure emphasis is placed on specific functions. This promotes efficiency in utilisation of manpower as by performing similar jobs, their performance improves and they become specialised in their task.
- 2. Promotes control and coordination within department:** Due to similar activities grouped in one department, there is easy supervision and better control.
- 3. Increases managerial and operational efficiency:** This leads to minimum cost and increase in profit.
- 4. It leads to minimum duplication of efforts:** This results in no wastage of resources and lowering of cost.
- 5. Easy and effective training:** As training focuses only in limited skills or one function only.
- 6. Due attention to different functions:** Each function gets due attention under functional structure.

### Disadvantages

- 1. Places less importance to overall objectives of organisation:** Functional structure places less emphasis on overall enterprise objectives than the objectives pursued by functional head.
- 2. Problems of coordination:** As each department is specialised in their own function so they fail to understand the priority of other departments.
- 3. Inflexibility:** In functional structure, employees develop, narrow perspective as they get training in one area of skill only. They cannot be transferred to other departments.
- 4. Conflict of interest:** There can be conflict of interest between different departments. Example: Sales department insists on giving discount to interest sale. Finance department puts objection as it will reduce the revenue.
- 5. Difficult to fix accountability:** In case of failure of organisational objective, the departmental head blames other departments as all departments are interrelated and it is very difficult to find out which department is going against the organisational goal.

### Suitability

Functional Structures are suitable for:

1. Diversified activity.
2. High degree of specialisation.
3. Uniproduct or single or one type of product manufacturing company.
4. During territory wise grouping of activities.

### (ii) Divisional Structure

When the organisation is large in size and is producing more than one type of product, then activities related to one product are grouped under one department.

For example, if an organisation is producing soap, textiles, medicine, cosmetics, etc. then all the activities related to medicine will be grouped under medicine department, all the activities of textiles in textiles department and so on.

### Advantages

- 1. Product specialisation:** All the activities related to one type of product are grouped under one department only which brings integration and co-ordination in the activities.
- 2. Fast decision-making:** The decisions are taken much faster in divisional structure because there is no dependence on other departments for taking decisions.
- 3. Accountability:** In this type of structure, the performance of individual departments can easily be assessed and you can hold the department accountable for non- accomplishment of objectives.
- 4. Flexibility:** Each division function as an autonomous unit which helps in faster decision making and leads to flexibility.
- 5. Expansion and growth:** New departments can be added without disturbing existing departments.

### Disadvantages

- 1. More resources required:** Each department will require all the resources as every division will be working as an independent unit,
- 2. Ignoring organisation Interlot:** Each department focuses on their product only and they fail to keep themselves as a part of one common organisation.
- 3. Conflict:** Conflict may arise among department on allocation of resources.
- 4. Increase in cost:** It may lead to increase in cost due to duplication of activities, providing each division with separate set of similar functions increases expenditures.

### Suitability

Divisional Structures are suitable for:

1. Organisations producing multi-product or different line of products.
2. Organisations which require product specialisation.
3. Organisations which require each division to be self-contained as under divisional structure each department has production, sale finance department.
4. Growing companies plan to add more line of products in future.

### Difference between Functional and Divisional Structure

S.N o.	Basis	Functional Structure	Divisional Structure
1.	Formation	Formation is based on functions.	Formation is based on product line.
2.	Specialization	Functional specialisation.	Product specialisation.



3.	Responsibility	Difficult to fix on a single department.	Easy to fix the responsibility on performance.
4.	Managerial Development	Difficult, as each functional manager has to report to top management.	Easier, autonomy as well as the chance to perform multiple functions.
5.	Cost	Economical as functions are not duplicated.	Costly as every department has to perform all the functions.
6.	Coordination	Difficult for a multiproduct company,	Easy, as all functions related to a particular product are integrated in one department.

## Formal and Informal Organisation

### Formal Organisation

When the managers are carrying on organising process, then as a result of organising process an organisational structure is created to achieve systematic working and efficient utilisation of resources. This type of structure is known as formal organisational structure. Formal organisational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior-subordinate relationship and the designation of every individual in the organisation.

### Features of Formal Organisation:

- (1) The formal organisational structure is deliberately designed by the top management to facilitate the smooth functioning of the organisation.
- (2) It specifies the relationship among various job positions.
- (3) It is formed to achieve the objective specified in the plans.
- (4) Efforts of various departments are coordinated.
- (5) It gives more importance to work to be performed rather than an interpersonal relationships among the employees.

### Advantages of Formal Organisation

- 1. Systematic working:** Formal organisation structure results in systematic and smooth functioning of an organisation.
- 2. Achievement of organisational objectives:** Formal organisational structure is established to achieve organisational objectives.
- 3. No overlapping of work:** In formal organisation, structure work is systematically divided among various departments and employees. So, there is no chance of duplication or overlapping of work.
- 4. Coordination:** Formal organisational structure results in coordinating the activities of various departments.
- 5. Creation of chain of command:** Formal organisational structure clearly defines superior-subordinate relationship, i.e., who reports to whom.

**6. More emphasis on work:** Formal organisational structure lays more emphasis on work than interpersonal relations.

### **Disadvantages of Formal Organisation**

**1. Delay in action:** While following scalar chain and chain of command actions get delayed in formal structure,

**2. Ignores social needs of employees:** Formal organisational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.

**3. Emphasis on work only:** Formal organisational structure gives importance to work only, it ignores human relations, creativity, talents, etc, as it does not allow any deviations in plans or policies.

### **Informal Organisation**

In the formal organisational structure, individuals are assigned various job positions. While working at those job positions, the individuals interact with each other and develop some social and friendly groups in the organisation. This network of social and friendly groups forms another structure in the organisation which is called informal organisational structure.

### **Features of Informal Organisation**

(1) Informal organisational structure gets created automatically within formal organisation without any intended efforts of managers.

(2) No official laid down rules, rather the standard of behaviour evolve from group norms.

(3) Informal organisational structure does not follow any fixed path of flow of authority or communication. Independent channel of communication.

(4) It has no definite structure or form because it is a complex network of social relationship among members.

(5) The existence of informal organisational structure depends on the formal organisation structure as informal organisation originates from within the formal organisation as a result of personal interaction of employees.

### **Advantages of Informal Organisation**

**1. Fast communication:** Informal structure does not follow scalar chain so there can be faster spread of communication.

**2. Fulfills social needs:** Informal communication gives due importance to psychological and social need of employees which motivates the employees.

**3. Correct feedback:** Through informal structure the top level managers can know the real feedback of employees on various policies and plans.

### **Disadvantages of Informal Organisation**

**1. Spread rumours:** Information spread through informal organisational structure are rumours which may mislead the employees.

**2. No systematic working:** Informal structure does not form a structure for smooth working of an organisation.

**3. May bring negative results:** If informal organisation opposes the policies and changes of management, then it becomes very difficult to implement them in organisation.

**4. More emphasis to individual interest:** Informal structure gives more importance to satisfaction of individual interest as compared to organisational interest.

Informal organisation cannot be eliminated. Thus, it would be in the best interest of organisation if:

(a) the existence of such groups is recognised and the roles their members play can be identified.

(b) The knowledge of such groups can be used to gather their support.

(c) Use as communication channel. Instead of confronting them, the management should skillfully take advantage of.

### **Delegation of Authority**

Delegation refers to downward transfer of authority from superior to subordinate. It is pre-requisite to the efficient functioning of an organisation.

### **Elements of Delegation/Process of Delegation**

There are three elements of delegation:

1. Authority
2. Responsibility
3. Accountability

### **Authority**

Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.

Authority is highest at the top level and flows from top to bottom.

### **Features of Authority:**

1. In a formal organisation authority arises or originates from an individual's position and the extent of authority is highest at the top management level.
2. Authority determines superior subordinate relationship. As superior communicates his decisions to subordinate expecting compliance from him as per his directions.
3. Authority is restricted by law and rules and regulations of the organisation.
4. Authority arises from the scalar chain which links various job positions.
5. Authority flows downward from superior to subordinate.

### **Responsibility**

Responsibility is the obligation of a subordinate to properly perform the assigned duty. It arises out of superior, subordinate relationship because the subordinate is bound to perform the duty assigned to him by the superior. Thus, responsibility flow upward as subordinate will always be responsible to his superior.

## **Features of Responsibility**

1. Responsibility is the obligation of a subordinate to properly perform the assigned duty.
2. It arises from superior subordinate relationship because subordinate is bound to perform the duty assigned by his superior.
3. Responsibility flows upward because subordinate will always be responsible to his superior.

## **Accountability**

To make sure that the employees or subordinates perform their responsibilities in their expected manner, the accountability is created. Accountability means subordinates will be answerable for the non-completion of the task: The accountability cannot be passed or delegated.

## **Features of Accountability**

1. Accountability refers to answerable for the final output.
2. It cannot be delegated or passed.
3. It enforced through regular feedback on the extent of work accomplished.
4. It flows upward, i.e. subordinate will be accountable to his superior.

## **Relation between authority, responsibility and accountability:**

1. Authority is delegated, Responsibility is assumed and Accountability is imposed.
2. Responsibility is derived from authority and accountability is derived from responsibility.

## **Centralisation and Decentralisation**

- Centralisation refers to concentration of power or authority in few hands, i.e., top level. An organisation is centralised when the decision-making authority is in the hands of top level management only.
- Decentralisation can be defined as even and systematic distribution of authority at every level of management. Under decentralisation every employee working at different levels gets some shares in the authority.
- Complete centralisation means concentration of all decision making functions at top level. On the other hand, complete decentralisation imply delegation of all the decision making functions to lower level.

## **Features of Decentralisation**

1. Decentralisation is much more than a mere transfer of authority to lower level.
2. It implies selective dispersal of authority.
3. It shows the belief that people are competent, capable and resourceful.
4. Decentralisation indicates that employees at middle and lower level can assume the responsibility for effective implementation of their decisions.
5. Decentralisation recognises the need of authority for decision-makers.



6. The top management carefully selects those decisions which will be pushed down to lower level and those that will be retained at higher level.

### **Importance of Decentralisation**

**1. Develop initiative among subordinates:** Passing of authority at middle and lower level shows the trust and faith of top level in their subordinates and this trust and faith motivate the employees working at different levels as they are allowed to take decisions without seeking the approval of superiors.

**2. Develop managerial talent for future:** Decentralisation gives chance to employees to prove their abilities and creates a reservoir of qualified manpower, who can be considered to fill up more challenging positions through promotions. It also helps to identify those who may not be successful in assuming greater responsibility.

**3. Quick decision-making:** In the decentralisation process, decision-making is not restricted in few hands only but decision-making power is entrusted to all the managers who are taking actions or performing the activities. This leads to faster decision. There are also less chances of information getting distorted because it doesn't have to go through long channels.

**4. Relief to top level management:** Decentralisation reduces the amount of direct supervision by a superior over the activities of a subordinate because they are given freedom to act and decide within the limits set by superior. The time saved by superior can be utilised taking policy decisions as well as operational decisions.

**5. Facilitates growth:** Decentralisation grants more autonomy or freedom to lower level. This helps the subordinates to do the work in the manner best suited for their department. When each department is doing its best then productivity increases and it will generate more revenue which can be used for expansion.

**6. Better control:** In decentralisation, employees working at different levels take their own decisions and they are personally accountable for their decisions, they cannot pass the blame to their superiors. Feedback from all levels helps to analyse variances and improve operations.

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