

CHAPTER - 1

INTRODUCTION

CONCEPT OF MANAGEMENT:

It is realized that no definition of management has been universally accepted. It is very difficult to define management. Many experts and professionals have defined management in different ways. Sometimes it refers to the process of planning, organizing, staffing, directing, coordinating and controlling, at other times it is used to describe it as a function of managing people. It is also referred to as a body of knowledge, a practice and discipline. There are some who describe management as a technique of leadership and decision-making while some others have analyzed management as an economic resource, a factor of production or a system of authority.

The concept of management in different perspectives are as follows:

1. Functional Concept Of Management:

Functional concept of management states that, **management is meant what manager does to accomplish the objective**. The main followers of this concept are Louis Allen, George R. Terry, Henry Fayol, E.F.L. Brech, James L. Lundy, Koontz and O. Donnel, G.E Milward, mcfarland etc. The functional concept explained by some authors as:

- a. **Louis Allen**, "Management is what a manager does."
- b. **James L. Lundy**, "Management is principally the task of planning, coordinating, motivating and controlling the effort of others towards a specific objective. Management is what management does. It is the task of planning, executing and controlling."
- c. **George R. Terry**, "Management is a distinct process consisting of planning, organizing, activating and controlling performed to determine and accomplish the objective by the use of human beings and other resources."
- d. **Howard M. Carlisle**, "Management is defined as the process by which the elements of a group are integrated, coordinated and/or utilized so as to effectively and efficiently achieve organizational objectives."
- e. **Henry Fayol**, "To manage is to forecast and plan, to organize, to command, to coordinate and to control."

2. Human Relation Concept Of Management:

Human relation concept of management states that **management is meant to get things done through others to perform the organizational tasks or activities through people**. This concept is concerned with **an art of getting things done through others**. The followers of this concept are Koontz and O Donnell, Mooney and Railey, Lawrence A. Appley, S. George, Mary Parker Follet etc. The Human Relation concept explained by some authors as:

- a. **Mary Parker Follet**, "Management is the art of getting things done through others."
- b. **Harold Koontz**, "Management is the art of getting things done through and with people in formally organized groups. It is the art of creating and environment in which people can perform as individuals and yet cooperate towards attaining of group goals."

- c. **J.D. Mooney and A.C. Railey**, "Management is the art of directing and inspiring people."

3. Leadership and Decision Making Concept Of Management:

According to this concept, **management is meant as an art and science of decision making and leadership**. Most of the time of managers is consumed in taking decisions. Achievement of objects depends on the quality of decisions. Leadership and decision-making concept explained by some authors as:

- a. **Donald J. Clough**, "Management is the art and science of decision-making and leadership".
- b. **Ralph, C. Davix**, "Management is the function of executive leadership anywhere."
- c. **Association of Mechanical Engineers, U.S.A.**, "Management is the art and science of preparing, organizing and directing human efforts applied to control the forces and utilize the materials of nature for the benefit to man."
- d. **F.W. Taylor**, "Management implies substitution of exact scientific investigation and knowledge for the old individual judgment or opinion, in all matters in the establishment."

4. Productive Concept Of Management:

According to the productive concept, **management is considered as an art of increasing productivity**. This concept emphasizes upon increasing in productivity. The main followers of this concept of management are John F. Mee, Marry Cushing Niles, F.W. Taylor etc. The productivity concept explained by some authors as:

- a. **Jon, F. Mee**, "Management may be defined as the art of securing maximum prosperity with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give the public the best possible service."
- b. **F. W. Taylor**, "Management is the art of knowing what you want to do in the best and cheapest way."
- c. **Marry Cushing Niles**, "Good management achieves a social objectives with the best use of human and material energy and time and with satisfaction of the participants and the public."

5. Integration Concept Of Management:

This concept is focused as management which coordinates the human and material resources. Integration concept of management assumes that organizational objectives could be achieved if human and other resources are well and effectively coordinated and integrated. The Integration Concept is explained by some authors as:

- a. **Keith and Gubellini**, "Management is the force that integrates men and physical plant into an effective operating unit." Management integrates physical and human resources for operating the manufacturing process in a better way.
- b. **Barry M. Richman**, "Management entails the co-ordination of human and material resources towards the achievement of organizational objectives as well as the organization of the productive functions essential for achieving stated or accepted economic goals."

6. Universality Concept:

According to this concept, “**Management is universal**”. Management is universal in the sense that it is applicable anywhere whether social, religious or business and industrial. The followers of this concept are Henry Fayol, Lawrence A. Appley, F.W. Taylor, Theo Haimann etc. Universality concept is explained by some authors as:

- a. **Henry Fayol**, “Management is a universal activity which is equally applicable in all types of organization whether social, religious or business and industrial”.
- b. **Meggison**, “Management is management, whether it is in Lisbon, or in London or in Los Angeles.”
- c. **Theo Haimann**, “Management principles are universal. It may be applied to any kind of enterprises, where the human efforts are coordinated.”

FUNCTIONS OF MANAGEMENT:

Management is the soul of organization and plays a key role. The success of any organization depends upon effective organization. Business organizations and management are not separable. Management without business organization and business organization without management cannot exist and are meaningless. The functional approach of management is widened. We can describe the managerial functions as follows:

1. Planning:

Planning is the basic function of management. It is the art of predicting and deciding future activities. Planning is related with determination of goals and objectives to be achieved and the course of action to be followed to achieve them. Planning consists decisions and give rise to some questions that what to do, how to do, when to do and who will do a particular task.

2. Organizing:

Organizing function of a firm relates with managing the resources like labor, money, time, materials and machines and their proper allocation as per the need of time and work so that proper utilization and control could be made possible to this regard. Therefore, organizing involves bringing together the human and material resources for achievement of corporate goals, determining the rights and duties clearly so that scale of effectiveness could be maintained and work efficiency could be established within the organization.

3. Staffing:

Staffing is concerned with human resources planning and it is an executive task. This executive task is related to determination of manpower requirement, their recruitment, selection and training. Further the task also involves employee’s promotion, their transfer, remuneration and job satisfaction.

4. Directing:

Another function of management is directing. Directing is providing all guidance and inspiration to people at work to carry out their assigned duties and responsibilities. It is an important managerial function performed by all managers of different levels of management. It is the act of

giving order or suggestions or guidelines to the staffs for achieving the organizational goals. Directions given by top level management should be very clear and understandable.

5. Communicating:

Communication is one of the most important managerial function. The success of an organization depends very much on the effective communication system. There should be two way communication. Downward communication carries the orders and instructions to the subordinates and upward communication enables a manager to understand the subordinates and their performance.

6. Controlling:

Controlling is the basic managerial function. It is the process of ensuring that actual activities conform to plan activities. Controlling involves guiding and regulating operations. The main objective of controlling is to make sure that actual performance is consistent with plans.

7. Coordinating:

Coordinating is such managerial function which helps the organization to harmonizing the activities of various departments and specialists for the achievement of organizational goals. It ensures a unified action throughout the organization.

8. Motivating:

Motivating is the managerial function to inspire the subordinates and other staff members to work hard and to achieve the goals of the organization. It relates with creating interest and willingness among the staffs. The effective motivation depends upon the fulfillment of the personal objectives of the employees of the organization.

9. Leading:

Leading is an act of influencing the staffs towards the accomplishment of organizational goals. It is very important function of management. A manager cannot manage effectively unless he can lead his subordinates effectively. It is the ability to persuade others to seek defined goals.

10. Budgeting:

Budgeting, when done properly, can serve as a planning and controlling system. The company's goals and performance objectives are documented in financial terms. Once formulated, these plans are used throughout the year. Monthly performance reports compare budgeted results with actual results. To control operations, management can examine the performance reports and take necessary corrective actions.

LEVELS OF MANAGEMENT:

Level of management is to divide authority and responsibility of the organization among the various managerial positions. Basically management is divided into three levels in which different managerial functions are to be performed by different managerial positions holders who are named differently in different levels. Their authorities and responsibilities are different, however, they all perform well, effectively, efficiently and coordinately the corporate goals surely achieved.

These three levels of management can be studied as follows:

1. Top Level Management:

Top level management is concerned with the broad policy framework and is related to develop attitude. It consists of board of directors, chairman, managing directors, strategists and alike. They are responsible for the welfare, and survival of the organization. In this level, the corporate goals, missions and objectives are determined and a detailed action plan and strategies for the same are formulated.

Functions of top level management

- To formulate and determine the objectives and define the goals of the business.
- To establish policies and prepare plans to attain goals.
- To set up an organizational structure to conduct the operations as per the plans.
- To provide overall direction in the organization.
- To assemble the resources necessary for the attainment of the policy and execution of the plan.
- To control effectively the business operations.
- To judge and evaluate the results.

2. Middle Level Management:

The middle level consists of departments, divisions and sections, in which the respective chiefs, heads or managers are concerned with the tasks of implementing the policies and plans prepared by the top level management. They are the real subordinates to top managers. Being in the middle, the managers have to perform as a link between top level and lower level management.

Functions of middle level management

- To implement the task set by top management.
- To interpret the policies framed by the top management.
- To run the organization effectively and efficiently.
- To cooperate for the smooth functioning of the organization.
- To coordinate between different departments.
- To recruit, select and train the employees for better functioning of the departments.
- To issue the instructions to the lower level management.
- To motivate the workers and staffs for higher productivity.
- To lead the department and build-up and organizational spirit.
- To report and make suitable recommendations to the top level management for the better execution of the plans and policies.

3. Lower Level Management:

Lower level management is also known as supervisory level of management in which the supervisors and foremen and others like sales officers, accounts officers etc. take responsibilities of the implementation and control of the operational plans developed by the middle level managers. It is clear that the actual operations are performed in this level of management. This level is concerned with actual implementation and control of operational plans.

Functions of lower level management

- To issue the orders and instruction to the workers.
- To supervise and control the performance.
- To plan the activities of the sections.
- To direct and guide the workers about the work procedures.
- To provide on the job training to the workers.
- To arrange necessary tools, equipment, materials for the workers and look after their proper maintenance.
- To solve the problems of workers.
- To develop sense of co-operation and high group spirit among the workers.
- To advise the middle level about the work environment.
- To inform the unsolved problems of the workers to the middle level management.

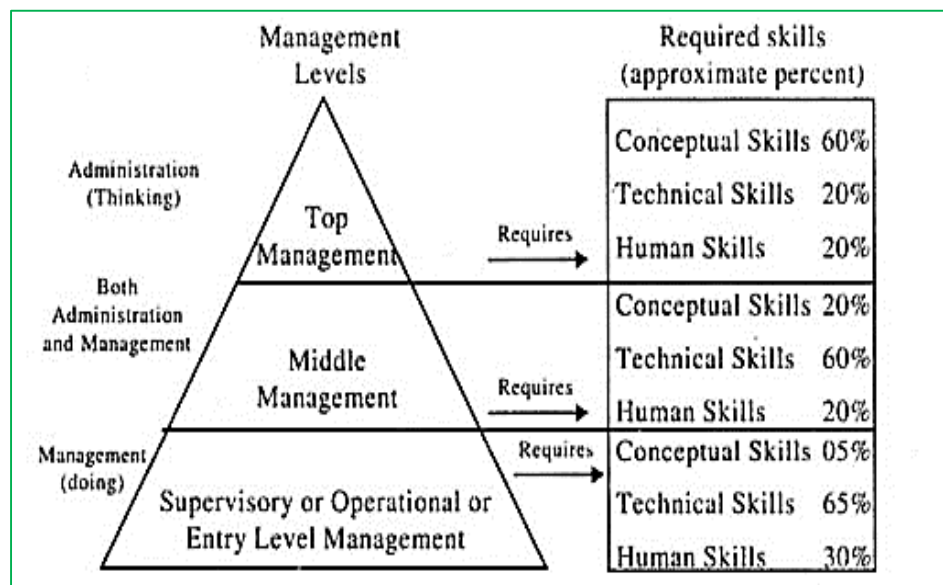


Fig: Levels of Management

CHARACTERISTICS OF MANAGEMENT:

1. Management Is A Distinct Process:

Management is a distinct process which is followed and performed by the organization to determine the accomplishment of the organizational objective and continue till the objectives are achieved.

2. Management Is Art And Science:

Management is an art because the result of management depends upon the capacity and skill of personnel, managers and administrators. Management is science because it has develop certain principles which are universally accepted and can be applied.

3. Management Is A Profession:

Due to the established principles of management, it has become profession. Management has a systematic and specialized body of knowledge, principles and techniques which can be taught as well as applied in practice.

4. Management Is Goal Oriented:

Principles of management are goal oriented. The goals may be to maximize profit, to maximize efficiency, to determine economy, to render social satisfaction and welfare to the people.

5. Management Is A Group Activity:

Management is a group activity because it is a collective approach to management. It refers to group efforts.

6. Management Is An Integrating Process:

The important element of management is the integration of human and other resources for effective performance. Management integrates men, money and materials for carrying out the operations for achieving the stated goals.

7. Social Process:

Management is social process. It comes under humanistic concept and deals with people.

8. Management Is A Dynamic Function:

Management is a dynamic function because it has to be performed regularly and continuously. Management also operates in an ever-changing environment.

9. Intangible:

Management is virtually intangible. It is an unseen force and process, however its results are apparent. It can be felt on the basis of work environment and working conditions; and its effectiveness and productiveness can be judged on the basis of the results.

10. Multidisciplinary Activity:

Management is a mixture of knowledge of different disciplines. It draws knowledge and concepts from economics, psychology, sociology, mathematics, statistics, operation research, production technology etc. It integrates the ideas and concepts of other discipline and uses those all in managing the organization.

SCOPE AND APPLICATION OF MANAGEMENT:

Although it is difficult to precisely define the scope of management, yet the following areas are included in it:

1. Production Management:

Production means creation of utilities by converting raw material in to final product by various scientific methods and regulations. It is very important field of management. Various sub-areas of the production department are as follows.

- **Plant Lay Out And Location:** This area deals with designing of plant layout, decide about the plant location for various products and providing various plant utilities
- **Production Planning:** Managers has to plan about various production policies and production methods.
- **Material Management:** This area deals with purchase, storage, issue and control of the material required for production department.
- **Research and Development:** This area deals with research and developmental activities of manufacturing department. Refinement in existing product line or develop a new product are the major activities.
- **Quality Control:** Quality control department works for production of quality product by doing various tests which ensure the customer satisfaction.

2. Marketing Management:

Marketing management involves distribution of the product to the buyers. It may need number of steps. Sub areas are as follows:

- **Advertising:** This area deals with advertising of product, introducing new product in market by various means and encourage the customer to buy these products.
- **Sales Management:** Sales management deals with fixation of prices, actual transfer of products to the customer after fulfilling certain formalities and after sales services.
- **Market Research:** It involves in collection of data related to product demand and performance by research and analysis of market.

3. Finance And Accounting Management:

Financial and accounting management deals with managerial activities related to procurement and utilization of fund for business purpose. Its sub areas are as follows

- **Financial Accounting:** It relates to record keeping of various financial transactions their classification and preparation of financial statements to show the financial position of the organization.
- **Management Accounting:** It deals with analysis and interpretation of financial record so that management can take certain decisions on investment plans, return to investors and dividend policy
- **Taxation:** This area deals with various direct and indirect taxes which organization has to pay.
- **Costing:** Costing deals with recording of costs, their classification, analysis and cost control.

4. Personnel Management:

Personnel management is the phase of management which deals with effective use and control of manpower. Following are the sub areas of Personnel management

- **Personnel Planning:** This deals with preparation inventory of available manpower and actual requirement of workers in organization.
- **Recruitment and Selection:** This deals with hiring and employing human being for various positions as required.

- **Training And Development:** Training and development deals with process of making the employees more efficient and effective by arranging training programmers. It helps in making team of competent employees which work for growth of organization.
- **Wage Administration:** It deals in job evaluation, merit rating of jobs and making wage and incentive policy for employees.
- **Industrial Relation:** It deals with maintenance of overall employee relation, providing good working conditions and welfare services to employees.

CONCEPT OF ORGANIZATION:

Organization refers to a mechanism which enables people to live together and perform the activities collectively. Organization is the foundation on which the whole structure of management is built. Organization is the backbone of management, without which managers cannot perform what they have to perform.

Organization or organizing is one of the important function of management. To achieve corporate goals, strong, reliable and effective organization is needed. Goals may not be achieved if all the sections, departments and divisions are not well organized, coordinated and integrated. Organizing involves those means, techniques, methods and procedures which help to integrate and coordinate different functions and units of the business.

'Organization' as a word is being used in two sense. These two concepts of organization are as follows:

1. Organization As A Structure/Organization In Static Sense:

Organization as a structure is a static concept. It is a framework of the business and a structure of relationship between various positions of the organization. It can be understood as a structural framework of duties and responsibilities through which an organization functions.

2. Organization As A Process/Organization In Dynamic Sense:

Organization as a process is a dynamic concept. It is most acceptable concept of organization. As a process, organization determines, arranges, groups and assigns the activities of the enterprise to achieve the common goals.

PRINCIPLES OF ORGANIZATION:

1. Principle Of Unity Of Objectives:

Organizational goals, departmental goals, and individual goals must be clearly defined. All goals and objectives must have uniformity. When there is contradiction among different level of goals desired goals can't be achieved. Therefore, unity of objectives is necessary

2. Principle Of Specialization:

Sound and effective organization believes on organization. The term specialization is related to work and employees. When an employee takes special type of knowledge and skill in any area, it is known as specialization. Modern business organization needs the specialization, skill and knowledge by this desired sector of economy and thus, efficiency would be established.

3. Principle Of Coordination:

In an organization many equipment, tools are used. Coordination can be obtained by group effort that emphasize on unity of action. Therefore, coordination facilitates in several management concepts

4. Principle Of Authority:

Authority is the kind of right and power through which it guides and directs the actions of others so that the organizational goals can be achieved. It is also related with decision making. It is vested in particular position, not to the person because authority is given by an institution and therefore it is legal. It generally flows from higher level to lowest level of management. There should be unbroken line of authority.

5. Principle Of Responsibility:

Authentic body of an organization is top level management, top level management direct the subordinates. Departmental managers and other personnel take the direction from top level management to perform the task. Authority is necessary to perform the work .only authority is not provided to the people but obligation is also provided. So the obligation to perform the duties and task is known as responsibility. Responsibility can't be delegated. It can't be avoided.

6. Principle Of Delegation:

Process of transferring authority and creation of responsibility between superior and subordinates to accomplish a certain task is called delegation of authority. Authority is only delegated, not responsibilities in all levels of management. The authority delegated should be equal to responsibility

7. Principle Of Efficiency:

In enterprise different resources are used. Therese resources must be used in effective manner. When the organization fulfill the objectives with minimum cost, it is effective. Organization must always concentrate on efficiency.

8. Principle Of Unity Of Command:

Subordinates should receive orders from single superior at a time and all subordinates should be accountable to that superior. More superior leads to confusion, delay and so on.

9. Principle Of Span Of Control:

Unlimited subordinates can't be supervised by manager, this principle thus helps to determine numerical limit if subordinates to be supervised by a manager. This improves efficiency.

10.Principle Of Balance:

The functional activities their establishment and other performances should be balanced properly. Authority, centralization, decentralization must be balance equally. This is very challenging job but efficient management must keep it.

11. Principle Of Communication:

Communication is the process of transformation of information from one person to another of different levels. It involves the systematic and continuous process of telling, listening and understanding opinions ideas, feelings, information, views etc, in flow of information. Effective communication is important

12. Principle Of Personal Ability:

For sound organization, human resources is important. Employees must be capable. Able employees can perform higher. Mainly training and development programs must be encouraged to develop the skill in the employees.

13. Principle Of Flexibility:

Organizational structure must be flexible considering the environmental dynamism. Sometimes, dramatically change may occur in the organization and in that condition, organization should be ready to accept the change

14. Principle Of Simplicity:

This principles emphasizes the simplicity of organizational structure, the structure if organization should be simple with minimum number of levels do that its member an understand duties and authorities.

CHARACTERISTICS OF AN ORGANIZATION:

1. Outlining the Objectives:

Born with the enterprise are its long-life objectives of profitable manufacturing and selling its products. Other objectives must be established by the administration from time to time to aid and support this main objective.

2. Identifying and Enumerating the Activities:

After the objective is selected, the management has to identify total task involved and its break-up closely related component activities that are to be performed by and individual or division or a department.

3. Assigning the Duties:

When activities have been grouped according to similarities and common purposes, they should be organized by a particular department. Within the department, the functional duties should be allotted to particular individuals.

4. Defining and Granting the Authority:

The authority and responsibility should be well defined and should correspond to each other. A close relationship between authority and responsibility should be established.

5. Creating Authority Relationship:

After assigning the duties and delegations of authority, the establishment of relationship is done. It involves deciding who will act under whom, who will be his subordinates, what will be his

span of control and what will be his status in the organization. Besides these formal relationships, some informal organizations should also be developed.

IMPORTANCE / NEED / SIGNIFICANCE OF ORGANIZATION:

1. Facilitated Administration And Management:

Organization is an important and the only tool to achieve enterprise goals set by administration and explained by management. A sound organization increases efficiency, avoids delay and duplication of work, increases managerial efficiency, increases promptness, motivates employees to perform their responsibility.

2. Help in the Growth of Enterprise:

Good organization is helpful to the growth, expansion and diversifications of the enterprise.

3. Ensures Optimum Use of Human Resources:

Good organization establishes persons with different interests, skills, knowledge and viewpoints.

4. Stimulates Creativity:

A sound and well-conceived organization structure is the source of creative thinking and initiation of new ideas.

5. Tool of Achieving Objectives:

Organization is a vital tool in the hands of the management for achieving set objectives of the business enterprise.

6. Prevents Corruption:

Usually corruption exists in those enterprises which lack sound organization. Sound organization prevents corruption by raising the morale of employees. They are motivated to work with greater efficiency, honesty and devotion.

7. Co-ordination in the Enterprises:

Different jobs and positions are welded together by structural relationship of the organization. The organizational process exerts its due and balanced emphasis on the co-ordination of various activities.

8. Eliminates Overlapping and Duplication of work:

Overlapping and duplication of work exists when the work distribution is not clearly identified and the work is performed in a haphazard and disorganized way. Since a good organization demands that the duties be clearly assigned amongst workers, such overlapping and duplication is totally eliminated.

CULTURES OF ORGANIZATION:

Basically, organizational culture is the personality of the organization. Culture is comprised of the assumptions, values, norms and tangible signs (artifacts) of organization's members and their behaviors. Members of an organization soon come to sense the particular culture of an organization. Culture is one of those terms that are difficult to express distinctly, but everyone knows it when they sense it. For example, the culture of a large, profit corporation is quite different than that of a hospital which is quite different than that of a university. We can tell the culture of an organization by looking at the arrangement of furniture, what they brag about, what members wear, etc. similar to what we can use to get a feeling about someone's personality. There are different types of culture just like there are different types of personality.

1. Authoritarian Culture:

There is centralization of power with the leader and obedience to orders and discipline are stressed. Any disobedience is punished severely to set an example to others. The basic assumption is that the leader always acts in the interests of the organization.

2. Participative Culture:

Participative culture tends to emerge where most organizational members see themselves as equals and take part in decision-making.

3. Mechanistic Culture:

The mechanistic culture exhibits the values of bureaucracy. Organizational jobs are created around narrow specializations and people think of their careers mainly within these specializations. There is a great deal of departmental loyalty and inter-departmental animosity. This sort of culture resists change and innovation.

4. Organic Culture:

In this case, authority hierarchy, departmental boundaries, rules and regulations, etc. are all frowned upon. The main emphasis is on task accomplishment, team work and free flow of communication. The culture stresses flexibility, consultation, change and innovation.

5. Sub-cultures and Dominant culture:

Each department of an organization may have its own culture representing a sub-culture of the system. An organizational culture emerges when there is integration of all the departments into a unified whole.

6. Normative Culture:

This is our everyday corporate workplace. Normative culture is very cut and dry, following strict regulations and guidelines that uphold the policies of the organization. Employees rarely deviate from their specific job role, break rules or do anything other than what is asked of them. These type of organizations run a tight ship and are not suited for every type of employee. Know anything about The Carrot, The Whip or The Plant? These are object-oriented approaches to motivating our employees.

7. Pragmatic Culture:

We know that saying the customer is always right? Well, that is the first and only rule of a pragmatic culture workplace. The customer or client comes before anything or anyone else. Because every customer is different, these type of work places are very opposite of the normative culture environment as employees don't adhere to strict rules. Whatever the customer wants, the customer gets (within reason, of course).

8. Bet Your Company Culture:

This culture is for the patient risk-takers. Organizations that follow this culture are known to literally bet the success or failure of their company on single decisions of which the outcome is completely unknown. It can be a wild ride working for this type of company as you don't know what each day is going to bring. The consequences of the decisions made by the individuals working in the bet-your-company culture can be so dire that the company goes under; contrarily, they can be so excellent that the company thrives more than ever before.

9. Academy Culture:

Employees are highly skilled and tend to stay in the organization, while working their way up the ranks. The organization provides a stable environment in which employees can develop and exercise their skills. Examples are universities, hospitals, large corporations, etc.

10. Baseball Team Culture:

Employees are "free agents" who have highly prized skills. They are in high demand and can rather easily get jobs elsewhere. This type of culture exists in fast-paced, high-risk organizations, such as investment banking, advertising, etc.

11. Club Culture:

The most important requirement for employees in this culture is to fit into the group. Usually employees start at the bottom and stay with the organization. The organization promotes from within and highly values seniority. Examples are the military, some law firms, etc.

12. Fortress Culture:

Employees don't know if they'll be laid off or not. These organizations often undergo massive reorganization. There are many opportunities for those with timely, specialized skills. Examples are savings and loans, large car companies, etc.

FORMAL AND INFORMAL ORGANIZATION:

1. FORMAL ORGANIZATION:

When the managers are carrying on organizing process then as a result of organizing process an organizational structure is created to achieve systematic working and efficient utilization of resources. This type of structure is known as formal organizational structure. Formal organizational 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 organization. This structure is created intentionally by the managers for achievement of organizational goal.

Features of Formal organization:

- The formal organizational structure is created intentionally by the process of organizing.
- The purpose of formal organization structure is achievement of organizational goal.
- In formal organizational structure each individual is assigned a specific job.
- In formal organization every individual is assigned a fixed authority or decision-making power.
- Formal organizational structure results in creation of superior-subordinate relations.
- Formal organizational structure creates a scalar chain of communication in the organization.

Advantages of Formal Organization:

- a. **Systematic Working:** Formal organization structure results in systematic and smooth functioning of an organization.
- b. **Achievement of Organizational Objectives:** Formal organizational structure is established to achieve organizational objectives.
- c. **No Overlapping of Work:** In formal organization structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.
- d. **Co-ordination:** Formal organizational structure results in coordinating the activities of various departments.
- e. **Creation of Chain of Command:** Formal organizational structure clearly defines superior subordinate relationship, i.e., who reports to whom.
- f. **More Emphasis on Work:** Formal organizational structure lays more emphasis on work than interpersonal relations.

Disadvantages of Formal Organization:

- a. **Delay in Action:** While following scalar chain and chain of command actions get delayed in formal structure.
- b. **Ignores Social Needs of Employees:** Formal organizational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.
- c. **Emphasis on Work Only:** Formal organizational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

2. INFORMAL ORGANIZATION:

In the formal organizational 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 organization. This network of social and friendly groups forms another structure in the organization which is called informal organizational structure.

The informal organizational structure gets created automatically and the main purpose of such structure is getting psychological satisfaction. The existence of informal structure depends upon the formal structure because people working at different job positions interact with each other

to form informal structure and the job positions are created in formal structure. So, if there is no formal structure, there will be no job position, there will be no people working at job positions and there will be no informal structure.

Features of Informal Organization:

- Informal organizational structure gets created automatically without any intended efforts of managers.
- Informal organizational structure is formed by the employees to get psychological satisfaction.
- Informal organizational structure does not follow any fixed path of flow of authority or communication.
- Source of information cannot be known under informal structure as any person can communicate with anyone in the organization.
- The existence of informal organizational structure depends on the formal organization structure.

Advantages of Informal Organization:

- a. **Fast Communication:** Informal structure does not follow scalar chain so there can be faster spread of communication.
- b. **Fulfills Social Needs:** Informal communication gives due importance to psychological and social need of employees which motivate the employees.
- c. **Correct Feedback:** Through informal structure the top level managers can know the real feedback of employees on various policies and plans.
- d. **Strategic Use of Informal Organization.** Informal organization can be used to get benefits in the formal organization in the following way:
 - The knowledge of informal group can be used to gather support of employees and improve their performance.
 - Through grapevine important information can be transmitted quickly.
 - By cooperating with the informal groups the managers can skillfully take the advantage of both formal and informal organizations.

Disadvantages of Informal organization:

- a. **Spread Rumors:** According to a survey 70% of information spread through informal organizational structure are rumors which may mislead the employees.
- b. **No Systematic Working:** Informal structure does not form a structure for smooth working of an organization.
- c. **May Bring Negative Results:** If informal organization opposes the policies and changes of management, then it becomes very difficult to implement them in organization.
- d. **More Emphasis to Individual Interest:** Informal structure gives more importance to satisfaction of individual interest as compared to organizational interest.

3. KEY DIFFERENCES BETWEEN FORMAL AND INFORMAL ORGANIZATION:

The difference between formal and informal organization can be drawn clearly on the following grounds:

- ☑ Formal Organization is an organization in which job of each member is clearly defined, whose authority, responsibility and accountability are fixed. Informal Organization is formed within the formal organization as a network of interpersonal relationship when people interact with each other.
- ☑ Formal organization is created deliberately by top management. Conversely, informal organization is formed spontaneously by members.
- ☑ Formal organization is aimed at fulfilling organization's objectives. As opposed to an informal organization is created to satisfy their social and psychological needs.
- ☑ Formal organization is permanent in nature; it continues for a long time. On the other hand, informal organization is temporary in nature.
- ☑ The formal organization follows official communication, i.e. the channels of communication are pre-defined. Unlike informal organization, the communication flows in any direction.
- ☑ In the formal organization, the rules and regulations are supposed to be followed by every member. In contrast to informal communication, there are norms, values, and beliefs that work as a control mechanism.
- ☑ In the formal organization, the focus is on the performance of work while in the case of an informal organization, interpersonal communication is given more emphasis.
- ☑ The size of a formal organization keeps on increasing, whereas the size of the informal organization is small.
- ☑ In a formal organization, all the members are bound by the hierarchical structure, but all the members of an informal organization are equal.

ORGANIZATIONAL CHART:

The organization chart is a diagram showing graphically the relation of one official to another, or others, of a company. It is also used to show the relation of one department to another, or others, or of one function of an organization to another, or others. This chart is valuable in that it enables one to visualize a complete organization, by means of the picture it presents.

A company's organizational chart typically illustrates relations between people within an organization. Such relations might include managers to sub-workers, directors to managing directors, chief executive officer to various departments, and so forth. When an organization chart grows too large it can be split into smaller charts for separate departments within the organization. The different types of organization charts include:

- Hierarchical
- Matrix
- Flat (also known as horizontal)

There is no accepted form for making organization charts other than putting the principal official, department or function first, or at the head of the sheet, and the others below, in the order of their rank. The titles of officials and sometimes their names are enclosed in boxes or circles. Lines are generally drawn from one box or circle to another to show the relation of one official or department to the others.

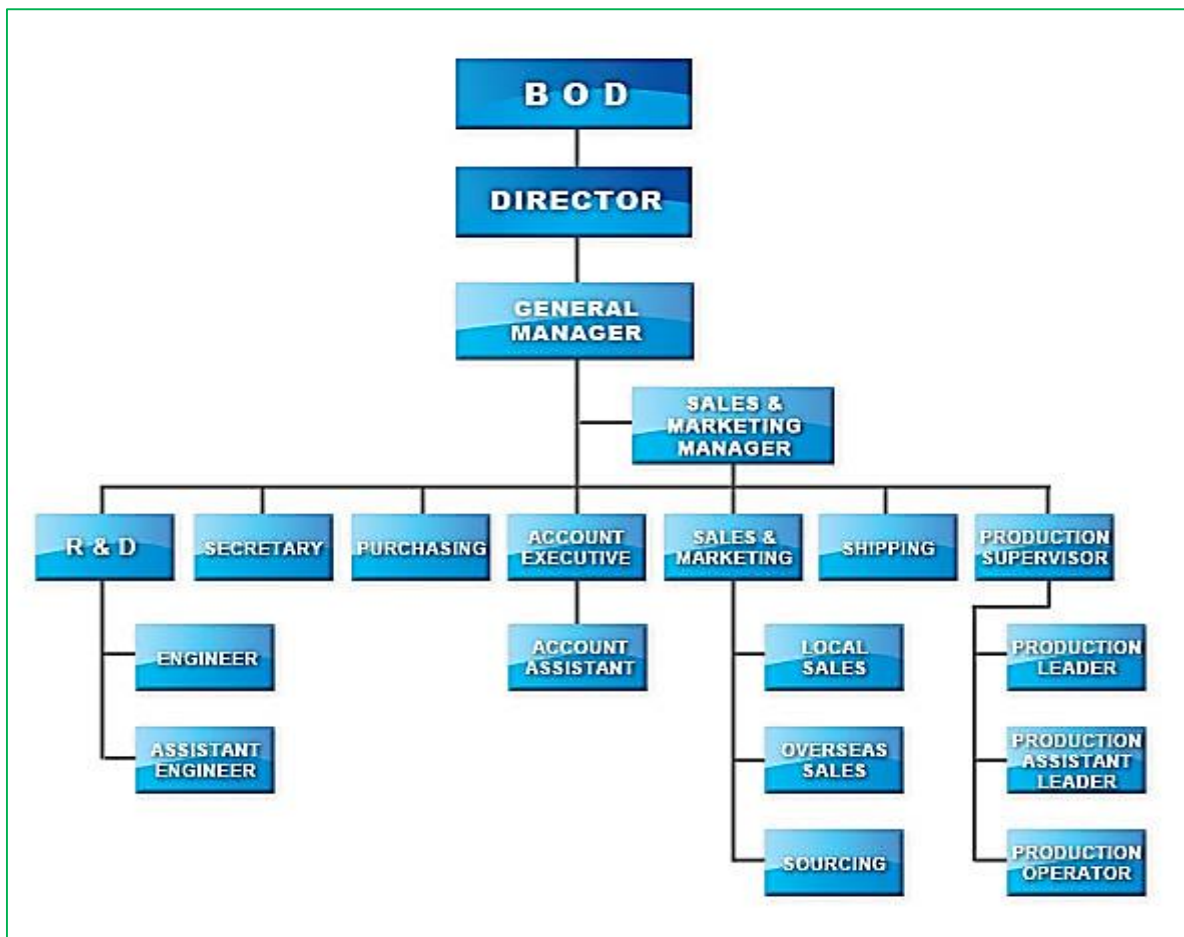


Fig: Organizational Chart

TYPES OF ORGANIZATION STRUCTURES:

An organizational structure defines how jobs and tasks are formally divided, grouped and coordinated. The type of organizational structure would depend upon the type of organization itself and its philosophy of operations. Basically the structure can be mechanistic or organic in nature or a combination of thereof. However, most organizational structures are still designed along mechanistic or classical lines.

1. LINE ORGANIZATION:

It is the simplest and oldest form of organizational structure. The line of authority flows vertically from top most executive to the lowest subordinate throughout the organization. Where, managers have direct authority over their respective subordinates through the chain of command. Authority flows directly from top to bottom through various managerial positions. It is simple form of organization. Only one form of authority that is line authority exists in this form of organization. Line authority refers to the direct authority of a manager over his subordinates. The authority responsibility relationship is clearly established. All managers in line organization have full authority to decide things and act with respect to their related functions. In line organization department are created for basic activities and departmental heads are responsible for all activities performed in the department.

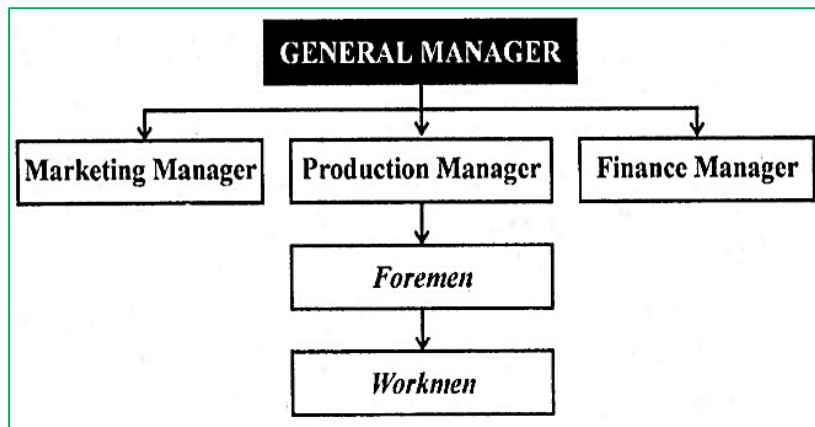


Fig: Line Organization

Merits of Line Organization:

- ✓ It is very simple to establish.
- ✓ It clearly defines the authority, responsibility and accountability of a job
- ✓ It can be easily adapted to the requirement of the organization.
- ✓ Managers have exclusive authority over their unit so they can easily make changes in the functioning of the unit when required
- ✓ There is definite authority at every level so that everyone can take decisions quickly.
- ✓ Every employee knows to whom he/she is responsible and from whom they receive their orders.
- ✓ It confirms scalar principle of organization where one subordinate receives the orders from single superior.
- ✓ All activities relating to single department are managed by one individual.
- ✓ There is clear cut definition of authority and identification of responsibility, relationships and so on.

Demerits of Line Organization:

- ✓ The line executives are generalists and not specialists.
- ✓ The top level managers are overloaded with work.
- ✓ There is concentration of authority at top level only. If top level managers are not capable there may be failure.
- ✓ All managers and supervisors handle their job on their own ways independently with grow the line organization my find it difficult to maintain effective coordination between different departments and units.
- ✓ There is only one way communication i.e. from top to bottom
- ✓ It is not suitable for large organization
- ✓ There is possibility of nepotism and favoritism.
- ✓ There is replacement problem during absenteeism of top authority
- ✓ It can be autocratic.

2. LINE AND STAFF ORGANIZATION:

In this type of organization structure two type of authority relationship exists. They are staff and line authority. Staff authorities' means authority to advice, support and serve the line managers.

All managerial functions are practiced by line authority with the help of specialized skill of staff authority. It is modification of line organization and is more complex than it. Staff managers and line managers are distinguished on the basis of their role. There is more specialization and division of work. However conflict may arise between line and staff authority.

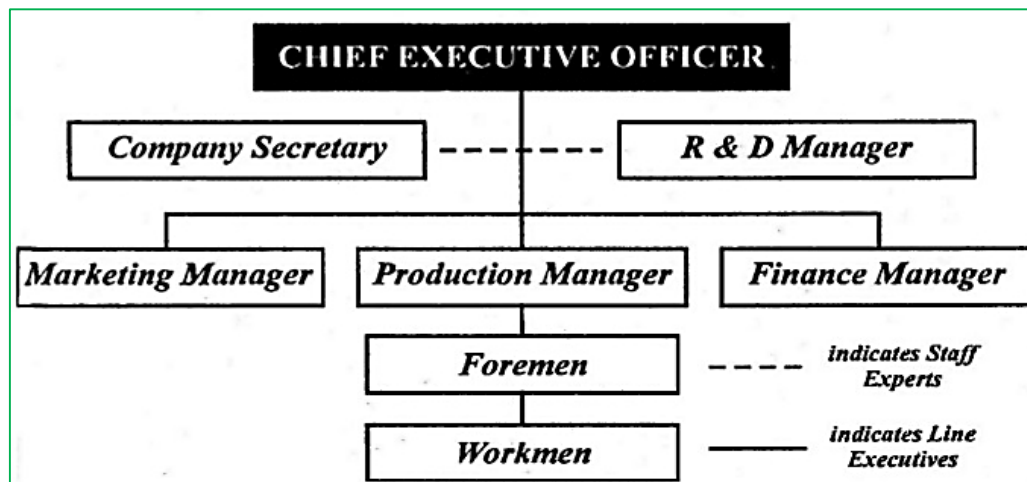


Fig: Line and Staff Organization

Merits of Line and Staff Organization Structure:

- ✓ The line executives are generalists and staff executives are specialists and they work together with coordination
- ✓ The top level managers are not overloaded with work. Staff specialists give relief in critical matters.
- ✓ There is no concentration of authority at top level only. Even if top level managers are not capable there is no failure because staff managers can help to overcome the problematic issues through proper decisions and specialization..
- ✓ All problems are handled with care and are tries to solve with the help of staff specialists..
- ✓ There is two way communications i.e. from top to bottom and bottom to top. There can be feedback and suggestion with orders too.
- ✓ There is better decision taking and improvement in efficiency.
- ✓ It is suitable for large organization
- ✓ There is better utilization of personnel skills and knowledge.

Demerits of Line and Staff Organization:

- ✓ It is difficult to establish and is costly too.
- ✓ There is possibility of conflict between the line managers and staff managers. Line managers may ignore staff's advice and complain that staff doesn't give right type of advice. Staff managers can complain that their advice is not properly implemented.
- ✓ The allocation of authority and responsibility between the line and staff official I generally not clearly defined.
- ✓ Line managers may be too much dependent upon the staff authority. Staff authority however is not accountable for the result. Sometimes when staff authority do no perform well there may be failure
- ✓ There is wide difference between the approach of line managers and staff managers.
- ✓ There can be reduction of initiative power o line authority.

3. FUNCTIONAL ORGANIZATION:

In functional organization all business activities of an enterprise are divided into number of fractions and each function is entrusted to a specialist, each specialist is known as functional specialist and authority delegated to him is known as functional authority. One of the main features of this organization is that a functional manager can exercise functional authority over his own sub-ordinate but also over all sub ordinates in all other functional departments. The principle of unity of command is not applied in his type of organizational structure. The sub-ordinate may be confused by the multiple command system. The functions are divided into units like marketing, production, research and development, human resource etc.

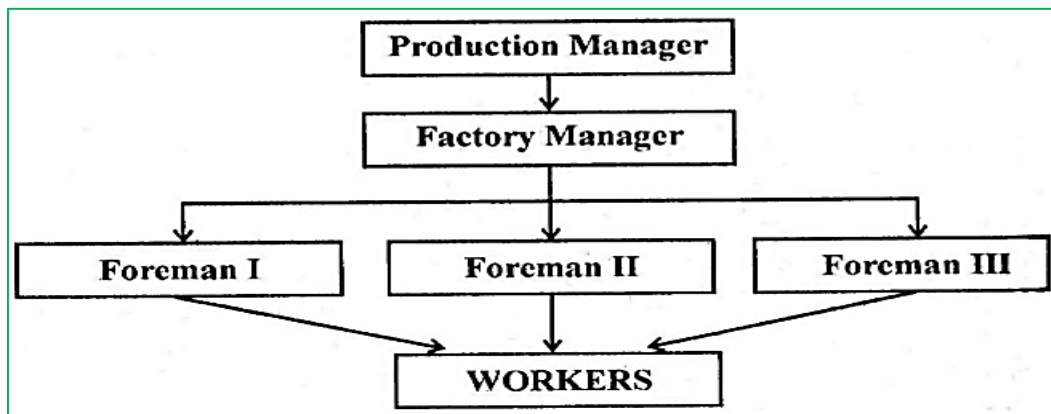


Fig: Functional Organization

Merits of Functional Organization Structure:

- ✓ It provides benefits of specialist. Every manager is expert in his own field of knowledge. There is advantage of best managerial decisions
- ✓ Here each department is given under supervision of specialist. All decisions about the departments are also taken with the help of specialists.
- ✓ There is no concentration of authority at top level only. Even if top level managers are not capable there is no failure because functional managers can help to overcome the problematic issues through proper decisions and specialization.
- ✓ Functional organization provides preference for growth and expansion of business activity.
- ✓ There is separation of mental and manual work.
- ✓ It is suitable for large organization

Demerits of Functional Organization

- ✓ Subordinates are always in confusion to obey the orders due to multiple command system.
- ✓ No formal relationship among the departmental specialist.
- ✓ There is lack of mutual understanding and coordination of activities of different department
- ✓ There is delay in decision making.
- ✓ Narrow vision of departmental specialist creates problems in functional organizational.
- ✓ There is weak discipline among the employees.
- ✓ There is lack of fixed responsibility.

4. MATRIX ORGANIZATION:

This type of organization is often used when the firm has to be highly responsive to a rapidly changing external environment.

In matrix structures, there are functional managers and product (or project or business group) managers. Functional manager are in charge of specialized resources such as production, quality control, inventories, scheduling and marketing. Product or business group managers are in charge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources.

The problem with this structure is the negative effects of dual authority similar to that of project organization. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organization, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.

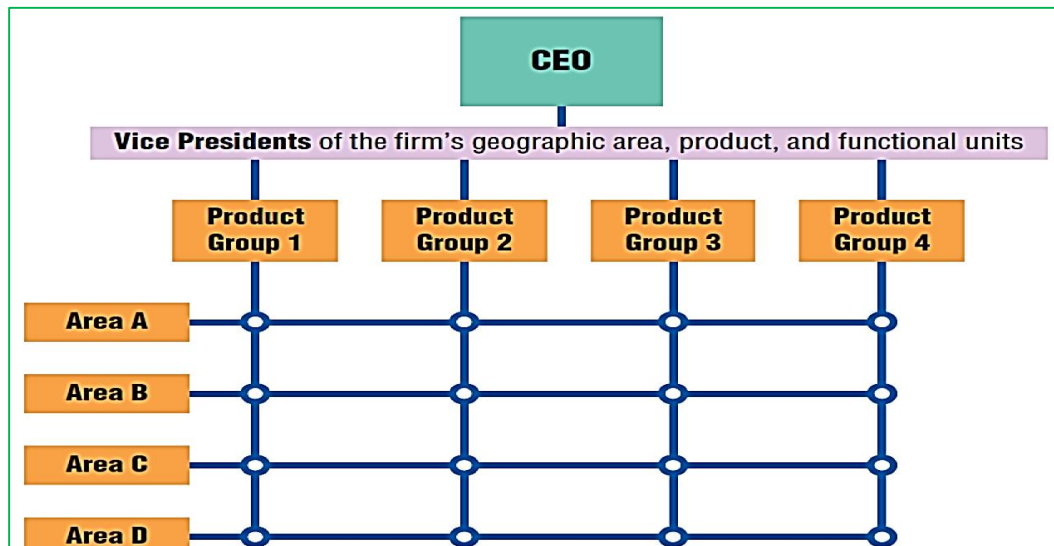


Fig: Matrix Organization

Merits of Matrix Organization:

- ✓ Decentralized decision making.
- ✓ Strong product/project co-ordination.
- ✓ Improved environmental monitoring.
- ✓ Fast response to change.
- ✓ Flexible use of resources.
- ✓ Efficient use of support systems.

Demerits of Matrix Organization:

- ✓ High administration cost.
- ✓ Potential confusion over authority and responsibility.
- ✓ High prospects of conflict.
- ✓ Overemphasis on group decision making.
- ✓ Excessive focus on internal relations.

5. DIVISIONAL ORGANIZATION:

The divisional or departmental organization involves grouping of people or activities with similar characteristics into a single department or unit. Also known as self-contained structures, these departments operate as if these were small organizations under a large organizational umbrella, meeting divisional goals as prescribed by organizational policies and plans. The decisions are generally decentralized so that the departments guide their own activities. This facilitates communication, coordination and control, thus contributing to the organizational success. Also, because the units are independent and semi-autonomous, it provides satisfaction to the managers that in turn improves efficiency and effectiveness.

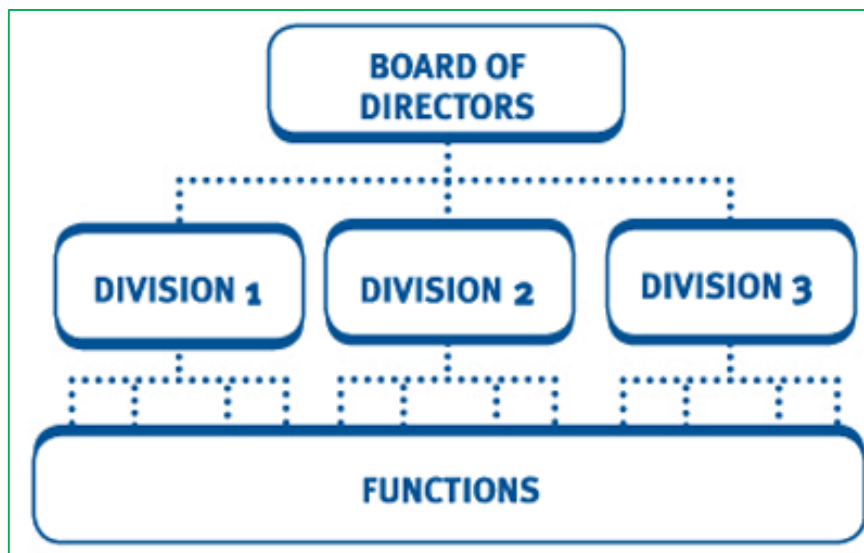


Fig: Divisional Organization

This division and concentration of related activities into integrated units is categorized on the following basis:

✓ **Departmentalization by Product:**

In this case, the units are formed according to the type of product and it is more useful in multi-line corporations where product expansion and diversification, and manufacturing and marketing characteristics of the product are of primary concern. The general policies are decided upon by the top management within the philosophical guidelines of the organization.

✓ **Departmentalization by Customers:**

This type of departmentalization is used by those organizations that deal differently with different types of customers. Thus, the customers are the key to the way the activities are grouped. Many banks have priority services for customers who deposit a given amount of money with the bank for a given period of time. Similarly, business customers get better attention in the banks than other individuals.

✓ **Departmentalization by Area:**

If an organization serves different geographical areas, the division may be based upon geographical basis. Such divisions are especially useful for large scale enterprises that are geographically spread out such as banking, insurance, chain department stores or a product that is nationally distributed.

✓ **Departmentalization by Time:**

Hospitals and other public utility companies such as Telephone Company that work around the clock are generally departmentalized on the basis of time shifts. For example, the telephone company may have a day shift, an evening shift and a night shift, and for each shift a different department may exist, even though they are all alike in terms of objectives.

6. PROJECT ORGANIZATION:

These are temporary organizational structures formed for specific projects for a specific period of time and once the goal is achieved, these are dismantled. For example, the goal of an organization may be to develop a new automobile. For this project, the specialists from different functional departments will be drawn to work together.

These functional departments are production, engineering, quality control marketing research, etc. When the project is completed, these specialists go back to their respective duties. These specialists are basically selected on the basis of task related skills and technical expertise rather than decision-making experience or planning ability.

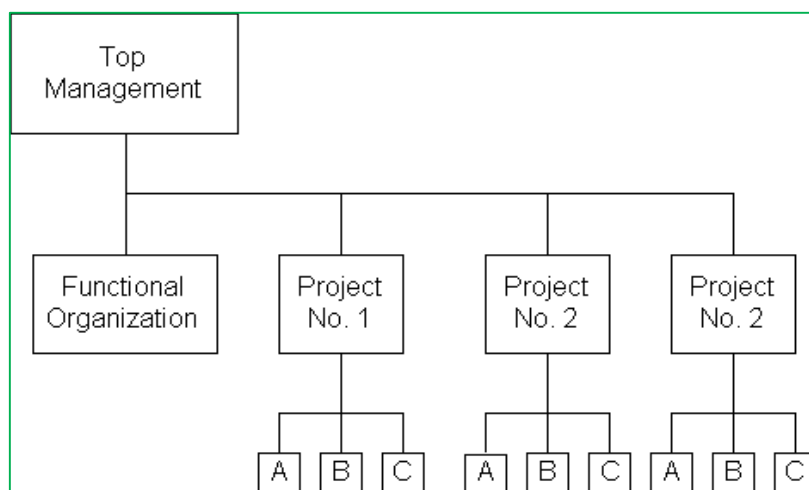


Fig: Project Organization

These structures are very useful when:

- ✓ The project is clearly defined in terms of objectives to be achieved and the target date for the completion of the project is set. An example would be the project of building a new airport.
- ✓ The project is separate and unique and not a part of the daily work routine of the organization.
- ✓ There must be different types of activities that require skills and specialization and these must be coordinated to achieve the desired goal.
- ✓ The project must be temporary in nature and not extend into other related projects.

AUTHORITY AND RESPONSIBILITY AND THEIR INTERRELATIONSHIP:

1. AUTHORITY:

We define 'authority' as the legal and formal right of the manager or supervisor or any of the top level executives, of the organization to command subordinates, give them orders, instructions and directions, and access obedience. The manager is entitled to make decisions, concerning performance or non-performance of a task in a particular manner, so as to accomplish organizational objectives. It comprises of some permissions and the right to act for the organization in a particular area.

Authority is derived by virtue of the position of an individual in the organization, and the degree of authority is maximum at the top level and decreases consequently as we go down the corporate hierarchy. Therefore, it flows from top to bottom, giving authority to superior over the subordinate.

One cannot occupy a superior position in an organization if he does not have any authority. It is the authority; that distinguishes one position from that of another and vests the power to the concerned individual, to order his subordinates and obtain necessary compliance.

Types of Authority:

- a. Official Authority:** The authority which gives the manager, power to command his subordinates, by virtue of his designation in the organization.
- b. Personal Authority:** It indicates the ability by which a person influences the behavior of other persons in an organization.

2. RESPONSIBILITY:

Responsibility is the obligation of an individual, whether a manager or any other employee of the organization to carry out the task or duty assigned to him by the senior. The one who accepts the task are held responsible for their performance, i.e. when an employee takes the responsibility of an action, at the same time, he becomes responsible for its consequences too.

The obligation is the kernel of responsibility. It is originated from the superior-subordinate relationship, formed in an organization. Hence, the manager can get the tasks done from his subordinates, by virtue of their relationship, as the subordinate is bound to perform the tasks assigned.

3. INTERRELATIONSHIP BETWEEN AUTHORITY AND RESPONSIBILITY:

Authority and Responsibility are two sides of the same coin. The term 'authority' stands for power or rights assigned to an individual to make decisions, whereas 'responsibility' is a duty to maintain and manage the assigned authority.

Authority and Responsibility are the basic functions considered at the primary stage in a management system. In successful enterprises, these are the basic functions that are maintained by the respective superior authorities of an organization. Moreover, responsibility is often considered as control and management over something.

They need proper consideration while introducing delegation of authority within an Organization. In the process of delegation, the superior transfers his duties/responsibilities to

his subordinate and also give necessary authority for performing the responsibilities assigned. At the same time, the superior is accountable for the performance of his subordinate.

Authority and responsibility are notable features in the field of management. There are various authoritative powers in the society, which are solely responsible for conducting and following operations and tasks related to development. The authoritative powers are to be managed with the all care and effort possible, in order to maintain stability in an organization. On the other hand, responsible duties have to be followed with by working hard and observing good management. They both work in correspondence to one another in a business enterprise.

4. DIFFERENCE BETWEEN AUTHORITY AND RESPONSIBILITY:

Basis	Authority	Responsibility
Meaning	Authority refers to the power or right, attached to a particular job or designation, to give orders, enforce rules, make decisions and exact compliance.	Responsibility denotes duty or obligation to undertake or accomplish a task successfully, assigned by the senior or established by one's own commitment or circumstances.
What is it?	Legal right to issue orders.	Corollary of authority.
Results from	Formal position in an organization	Superior-subordinate relationship
Task of manager	Delegation of authority	Assumption of responsibility
Requires	Ability to give orders.	Ability to follow orders.
Flow	Downward	Upward
Objective	To make decisions and implement it.	To execute duties, assigned by superior.
Duration	Continues for long period.	Ends, as soon as the task is accomplished.

RELATION BETWEEN ORGANIZATION AND MANAGEMENT:

Organization is simply, an organized group of people with a particular purpose, such as a business or government department. Management is an individual or a group of individuals that accepts responsibilities to run an organization.

Both organization and management are related to each other, they cannot be separable. Any organization needs managers to run it. Management helps to create chain of command in an organization. In a highly decentralized organization we need management because there may arise chaos without management. Organizations need management in making organizational structure and determine different aspects of the organization. Link of management and organization is the most important role in productivity and success of an organization.

A car cannot move without a driver. Similarly, a computer cannot performs tasks without a user giving it what to do. Here, driver and user are symbolizing management and car and computer are symbolizing the organization. Without each other they are incomplete.

Good management helps the organization to get success and bad management might give reverse effect. Good management offers a bridge by connecting each and every corner. There is direct relation between each other.