
UNIT 7 DEPARTMENTATION AND FORMS OF AUTHORITY RELATIONSHIPS

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7.0 OBJECTIVES

After studying this unit you should be able to:

- explain the concept and nature of **departmentation**
- describe and evaluate different bases of departmentation
- make an assessment of the **significance** and limitations of departmentation
- enumerate and outline the important forms of **authority relationships** in an organisation
- suggest measures for harmonising relationships among different line and staff position in any organisation.

7.1 INTRODUCTION

Grouping homogeneous activities into one organisational unit on the basis of special and continuous nature of activities is called departmentation. The appropriate division of organisational activities into departments for the purposes of administration has been one of the fundamental concerns of management. In the previous unit, you have learnt about the nature of organisation, its elements structural **forms**, the usefulness of organisation chart and manuals, span of control, and about **informal** and formal aspects of organisational relations. In the present unit, we shall discuss the basis of departmentation and **forms** of authority relationships. The basis of departmentation used traditionally are: function, product, manufacturing process, territory and customers. New patterns of organisation which have gained wide acceptance these days are project and matrix organisation.

7.2 DEFINITION OF DEPARTMENTATION

Departmentation may be **defined** as the process of forming departments or grouping activities of an **organisation** into a number of separate **units** for the purpose of **efficient** functioning. **This** term vary a great deal **between** different organisations. For example,

in business undertakings, terms are **division**, department and section; in Government these are called branch, department and section; in military, regiment, batallion, groups and company.

The impact of departmentation is a delineation of executive responsibilities and a grouping of operating activities. Every level in the hierarchy below the apex is departmentalised and each succeeding lower level involves further departmental differentiation.

7.3 NEED FOR DEPARTMENTATION

The necessity of departmentation arises because of the **anxiety** on the part of management to achieve the organisational goals through coordinated efforts of the individuals working in the organisation. More specifically it is necessitated by the following considerations.

- i) Departmentation permits an organisation to take advantage of specialisation.
- ii) Departmentation enables each person to know the role he is expected to play in the total activities of the company.
- iii) **Departmentation** facilitates communication, coordination and control and contributes to the organisational success.
- iv) Departmentation provides a platform around which the loyalties of organisational members may be built.
- v) It enables a manager to locate the sources of information, skills and competence to take certain vital managerial decisions.

7.4 BASES OF DEPARTMENTATION

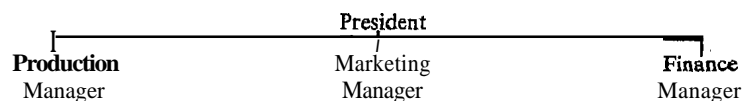
Following are the cases used for the departmentation of the business enterprises.

7.4.1 Function

The most common form of grouping activities prevalent almost in every enterprise is the functional departmentation. The word function refers to the principal activities of an enterprise. It may be defined as any task involved in the **performance** of activities of an enterprise that can be clearly distinguished from any other task. In a manufacturing organisation, the important functions are production, sales, finance, and personnel.

Functional departmentation may also be carried out at the lower levels of the **organisation**. For example, activities in the marketing department may be classified and grouped into marketing research, sales and advertising. In other words, the process of functional differentiation may take place through successive levels in the hierarchy. The process can continue as long as there exists a sound base for further differentiation.

In the following figure this has been divided in Production, Marketing & Finance function.



Advantages of functional departmentation: The advantages of functional departmentation are as follows:

- i) It is the most logical and natural form of departmentation,
- ii) It brings about specialisation **which** ensures optimum utilisation of manpower and other resources.
- iii) It lays emphasis on each and every activity. Every department makes its contribution to the organisation's objectives.

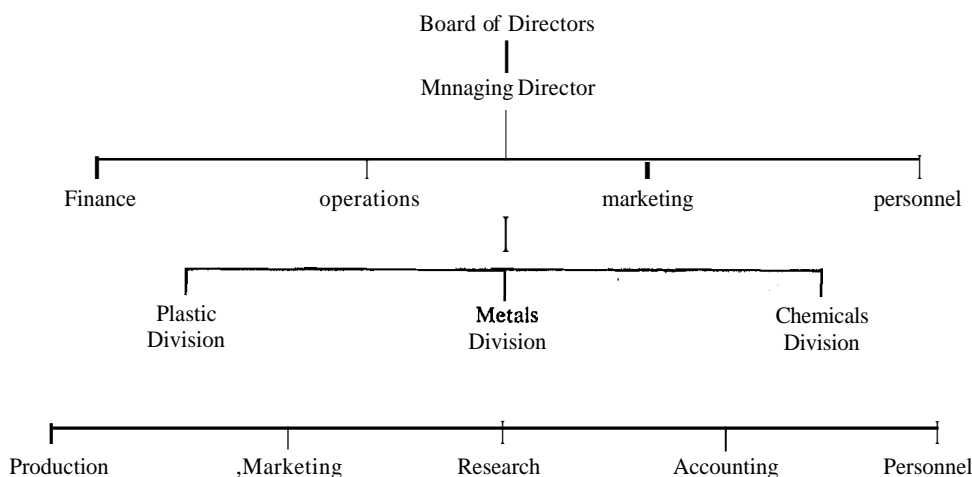
- iv) It facilitates **delegation of authority** and thus reduces the burden of the chief executive.
- v) **Specialists can be employed** to perform various activities requiring specialised knowledge.

Disadvantages of functional departmentation: Following are the disadvantages of functional departmentation:

- i) There is too much emphasis on specialisation which hampers the broadening of outlook of various **people**. This might also discourage the organisation. **They may think** that they are insignificant parts of the total **organisation**.
- ii) **There** may be conflicts between different departments. For instance, delivery dates promised by the sales department may not be honoured by the production department.
- iii) There may be difficulties in coordination and control of the activities of different departments.
- iv) Functional specialisation may reduce costs through higher efficiency but such saving may not be sufficient to compensate for increased expenses resulting through departmentation. Managers may try to build their **Junctional empires**.

7.4.2 Product

In the case of product departmentation, departments are created on the basis of products. Each department is known as a Division. Product departmentation is useful when product expansion and diversification, and the engineering, manufacturing and marketing characteristics of the product are of primary concern. Under the **product diversification**, all activities related to a product line are grouped together under the direction of semi-autonomous divisional manager. The divisional manager has the authority to develop the product according to the nature of demand in the market. It is used when the product is relatively complex and a great deal of capital is required for plant and equipment such as in automobile and electronic industries. For instance, a big company may have metal division, chemical division and plastic division, as shown in the following figure.



Advantages of product departmentation: Following are the advantages of product departmentation:

- i) Product departmentation reduces the coordination problems which are created under **functional departmentation**. There is integration of activities relating to a particular line of product. It facilitates product expansion and diversification.
- ii) It focuses attention on each product line.
- iii) It leads to **specialisation** of physical facilities on the basis of products which results in economy.
- iv) It is easier to evaluate and compare the performance of various product divisions.
- v) It keeps problems of production isolated from those of others.

Disadvantages of product departmentation: The disadvantages of product departmentation are given below:

- i) There is duplication of **physical** facilities and many functions. Each **products** division maintains its separate facilities and functional personnel.
- ii) Advantages of centralisation of certain activities like accounting, financing, marketing, etc., cannot be achieved.
- iii) There may be under-utilisation of plant capacity if the demand of product not sufficient.
- iv) It may be difficult for a company to adapt itself to certain changes in demand technology, etc.

7.4.3 Territory

Departmentation by territory takes place when a company is organised into a number of divisions located in different areas. It is also known as geographical departmentation. Territorial departmentation is specially useful for banks, insurance companies, transport companies, etc. They can divide their activities into zones, divisions and **branches**. For instance, Life Insurance Corporation of India has followed territorial departmentation in the organisation of its activities. The **organisation** chart of Life Insurance Corporation is given below:

LIC Head Office (Bombay)				
Eastern (Calcutta)	Central (Kanpur)	Northern (Delhi)	Southern (Madras)	Western (Bombay)
New Delhi	Jalandher	Chandigarh	Ajmer	
Branch 1	Branch 2	Branch 3	Branch 4	

Advantages of territorial departmentation

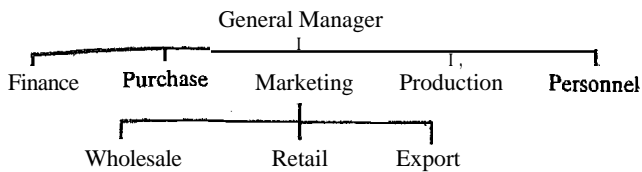
- i) It helps in **achieving the** benefits of local operations. The local managers are most conversant with their needs and those of their customers. **They can** adapt to the local situation with speed and accuracy.
- ii) A marketing division can meet local demands more effectively.
- iii) There is better coordination of activities in a locality through the setting of a regional division.
- iv) It facilitates the expansion of business in various regions.
- v) **It is** beneficial from the point of view of country's economic development.

Disadvantages of territorial departmentation: The disadvantages of territorial departmentation are as follows:

- i) There is duplication of **physical** facilities. It leads to uneconomical operations.
- ii) There may be problem of integration between various regional offices.
- iii) There may be lack of talented personnel to take charge of regional departments.
- iv) There will also be problems in providing **centralised** services to various departments which are located in different regions.

7.4.4 Customers

Under this basis of departmentation, separate departments are created to serve the needs of particular customers. Such an organisation helps managers to satisfy the customer's requirement more conveniently and successfully. **A marketing** organisation may group its activities **according** to the classes of customers served by it, depending on their volume of demand, languages and liking. For **example** a departmental store may have **childrens** department, ladies **department**, gents department, each catering to the various requirements of different classes of customers. Another organisation may **organise** its marketing activities into wholesale, **retail** and export as shown below.



Advantages of customer departmentation

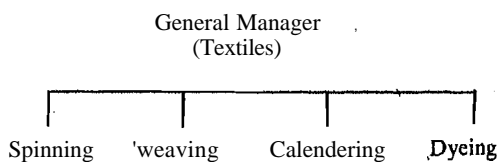
- i) **An organisation can** consider the needs of baffling variety of customers.
- i) **Such organisation** can concentrate on clearly identified and potential customers.
- ii) It is easier to develop **rapport** with attractive and resourceful **customers**.
- iv) It is **highly** useful in customer-oriented organisation,

Disadvantages of customer departmentation

-) It is almost impossible to **consider** all the customers, their interests, habits and customs.
- i) Departmentation by customer leaves coordination problems between sales personnel and production people.
- ii) Organisation may discriminate between **rich** and poor customers.

7.4.5 Process or Equipment

Under this departmentation, activities are **grouped** on the basis of various manufacturing processes. In this process similar types of labour and equipment are brought together. A manufacturing enterprise may departmentalise its activities on the basis of production process of equipment involved. For example, a textile organisation may organise its departments into spinning, weaving, calendering and **dyeing** as shown below. Similarly, a printing press **may** consist of **composing**, proof-reading, printing and binding departments. This type of departmentation **may** also be followed in engineering and oil **industries**. The justification of a separate department around **equipment** is that it is not always possible to install a costly **equipment** in every department which needs its use. Moreover, skilled personnel are required **to** operate the equipment.



Advantages of process departmentation

- i) This departmentation is very helpful when machines or equipment used require special operating skills.
- ii) It enables the organisation to gain the advantages of specialisation, optimum maintenance of equipment and resources.
- iii) It is better suited to manufacturing companies.

Disadvantages of process departmentation

- i) Departmentation by process **makes** coordination of various functions and products difficult.
- ii) It results in **conflicts** between different managers at different levels.

Check Your Progress A

1 Which of the following statements are **True** and **which are False**.

- i) **Departmentation** does not **take** place at all levels **of** the hierarchy in an organisation.
- ii) The process of **departmentation** on **functional** basis **is** restricted to the top and middle levels of **organisational** hierarchy.

- iii) There is duplication of facilities and resources in the case of both product and geographical departmentation.
 - iv) Customers cannot be the basis of departmentation if a firm deals in only a single product.
 - v) Process departmentation is neither beneficial nor possible in all types of enterprises.
2. Fill in the blanks selecting the most appropriate words from those given within brackets.
- i) Departmentation enables the chief executive to locate the source of for decision making. (raw materials/information/finished products)
 - ii) Functional departmentation may reduce (efficiency/costs/authority of managers)
 - iii) Expansion of business in various regions is facilitated by departmentation. (product/process/territorial)
 - iv) Textile mills generally organise departments on the basis of (customers/territories/process)
 - v) Product departmentation reduces problems which are created under functional departmentation. (decision-making/control/coordination)

7.5 CHOOSING A BASIS OF DEPARTMENTATION

The following factors should be kept in mind while selecting a suitable basis of departmentation.

- 1 **Specialisation:** Specialisation brings about internal economies in the business. Therefore, it is an important consideration **while** choosing a particular basis of departmentation. The management should group various activities into units in such a way which leads to specialisation of work. **Overspecialisation** should be avoided because it may result in loss of motivation among the personnel.
- 2 **Economy:** This factor is of great relevance to the number of departments to be created. Creation of a new department increases various costs. This is because the new department requires additional personnel, **space** and equipment. Therefore, management, should see that the departments created make the best possible use of these factors and maximum economy is achieved by creating the departments.
- 3 **Appreciation of key areas:** All the important areas of the business on which the success of the business depends must be given proper weightage. That is why, in practice, function is taken at the top of the organisation structure. Separate departments are created for important functions like production, financing, marketing etc. Sometimes, local conditions are very important. Therefore, the management should give necessary attention to the local conditions at the time of determining the basis of departmentation.
- 4 **Minimum conflicts:** The jurisdiction of the departments should be clearly laid down in order to avoid conflict among them. The authority of the managers of different departments should be clearly specified.
- 5 **Coordination:** The basic purpose of departmentation is the achievement of organisational goals. Coordination in the operations of different departments is essential to achieve the **organisational** goals. Therefore, departmentation should always facilitate coordination in the organisation.
- 6 **Control:** Control is an important function of management by which it guides and **checks** the activities of different departments and personnel. The selected basis of **departmentation** should ensure effective **control** to achieve the organisational goals more economically and **efficiently**. Departmentation **should** make easier for top management to **ensure** performance and to hold people **accountable** for results.

7 **Human consideration:** Departmentation should not only consider the technical aspects of the organisation, but it should also give due attention to the human factor. The existence of informal groups, cultural pattern, value system, etc., should be given due weightage at the time of grouping the personnel.

In short, whatever may be the basis, the departmentation should be directed to promote the attainment of organisational objective economically and efficiently. Naturally, managers concerned with taking such a decision will consider the relative advantages and disadvantages of various types of departmentation. In practice, in many cases, it is not possible to follow a single basis in grouping the activities throughout the organisation. Most of the big organisations follow schemes of departmentation that are a composite of several basis. Thus, there is no ideal pattern to suit all occasions and situations. Therefore, the management has to be very careful and use high degree of imagination at the time of choosing a pattern of departmentation. Once the pattern is chosen, it is very difficult and costly to switch over to another pattern.

In India, the most commonly followed basis of departmentation at the top level of the organisation is functional departmentation. At the intermediate and lower levels, other bases are used wherever further functionalisation is not feasible.

7.6 BENEFITS OF DEPARTMENTATION

Departmentation helps in achieving the following benefits:

- 1 **Specialisation:** Departmentation leads to the benefits of specialisation as various organisational activities are grouped according to their relation with the specific functions or objectives. Every departmental manager specialises in the tasks assigned to him.
- 2 **Administrative control:** Departmentation helps in effective managerial control because the standards of performance for each and every department can be laid down precisely. Every department has a specific objective. This also facilitates keeping expenditure within limits.
- 3 **Fixation of responsibility:** Since organisation work is divided into manageable units, and authority and responsibility are precisely defined, it is easier to fix the accountability of different managers for the performance of various tasks.
- 4 **Freedom or autonomy:** The departments created through departmentation are semi-autonomous units. Their heads are given a sufficient degree of authority to run their departments. This increases the efficiency of the departments.
- 5 **Development of managers:** Departmentation helps in the development of managerial personnel by providing them opportunities to take independent decisions and initiative. The executives can develop themselves for promotion to higher jobs.

7.7 AUTHORITY RELATIONSHIPS

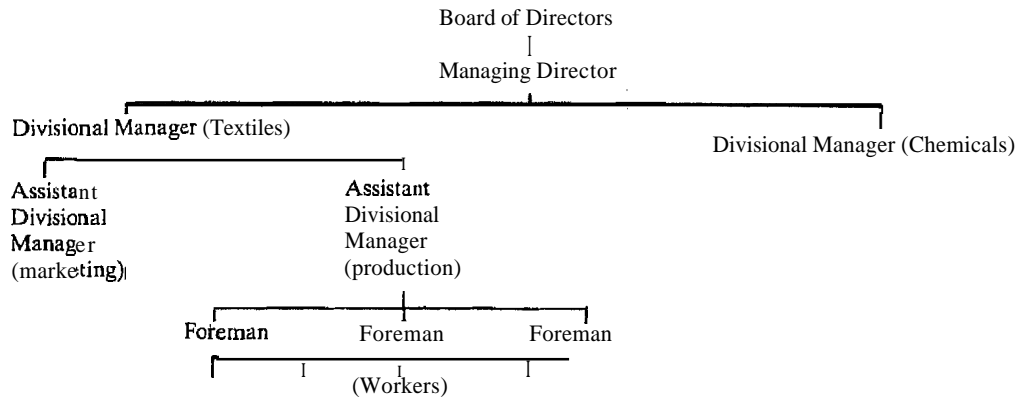
Creation of an appropriate structure is indispensable for any organisation. Organisation structure represents the hierarchical arrangement of various positions in the enterprise. It helps in allocating authority and responsibility formally. It also lays down the pattern of communication and coordination in the enterprise. Thus, the need for clear-cut authority/responsibility relationships has led to three different forms of administrative organisation as follows:

- 1 Line organisation/authority
- 2 Line and staff organisation/authority, and
- 3 Functional organisation/authority.

7.7.1 Line Organisation

It represents a direct vertical relationship through which activity flows. It is also known as Scalar or military organisation. The line of authority flows from top to bottom

throughout the organisation. The quantum of authority is highest at the top and reduces at each successive level down the hierarchy. Every person in the organisation is in the direct chain of command as shown below. The line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement. The line of authority not only becomes the avenue of command to operating personnel, but also provides the channel of communication, coordination and accountability in the enterprise.



Merits of line organisation: Following are the merits of line organisation:

- i) It is very simple to establish and can be easily understood by the employees.
- ii) There is a clear-cut identification of authority and responsibility relationship.
- iii) It ensures better discipline in the enterprise because every individual knows to whom he is responsible.
- iv) It facilitates prompt decision making because there is definite authority at every level. An executive cannot shift his decision-making to others nor can the blame be shifted.
- v) It facilitates unity of command and thus conforms to the scalar principle of organisation.

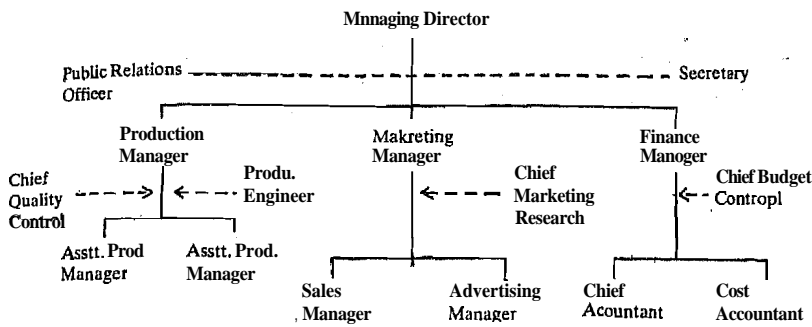
Demerits of line organisation: Following are the demerits of line organisation:

- i) There is concentration of authority at the top. If the top level executives are not capable persons, the enterprise will not be successful.
- ii) With growth, the line organisation makes the top executive overloaded with work.
- iii) There is practically no communication from bottom upward because of concentration of authority at the higher levels. If superiors take wrong decision, it would be carried out without anybody having the courage to point out its deficiencies.
- iv) Line organisation is not suitable in a big organisation because there is lack of specialisation. Many jobs create problems of their own which may not be within the competence of the superior and require handling by specialists.

Despite these drawbacks, the line organisation is very popular. Particularly in small organisations where there are fewer levels of authority and a small number of people. A modification of this structure is line and staff organisation under which specialists are attached to line executives to provide them specialised assistance on matters of great importance to the organisation.

7.7.2 Line and Staff Organisation

In line and staff organisation, line authority moves down in the same manner as in the line organisation, but in addition, specialists (known as 'staff') are attached to line managers to advise them on important matters. Those specialists stand ready to advise and assist line men as and when required, which enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organisation as they are employed only to provide advice to the line officers. Staff means a supporting function intended to help the line managers. In most organisations, the use of staff can be traced to the need for help in handling details, gathering data for decisions and offering advice on specific managerial problems. Staff investigates, supplies information and makes recommendations to managers who take decisions. Line and staff structure is shown below.



Merits of line and staff organisation: The line and staff organisation has all the benefits of line organisations. In addition, it has the following advantages.

- i) Line managers get the benefit of specialised knowledge of staff specialists.
- ii) Many problems that are ignored or poorly handled in line organisation can be **properly resolved** in the line and staff organisation with the **help of staff specialists**:
- iii) Staff specialists relieve the line managers from the botheration of concentrating on **the specialised functions like budgeting, selection** and training, public relations, etc.
- iv) Staff specialists help the line executives in taking better decisions by providing them with adequate information of the right type at the right moment and render expert advice.
- v) Line and staff organisation is more flexible as compared to the line organisation. General staff can be employed to help line managers at the various levels.

Demerits of line and staff organisation: The biggest drawback from which this form of organisation suffers is the conflict between line and staff. The major source of line owned staff conflict is the difference in their viewpoints and perception. Conflict arises when any of them fails to appreciate the viewpoint of the other. When a conflict between line and staff arises both the parties try to explain the causes of conflict in terms of behaviour of the others. The important causes of line and staff conflict as reported by line men are as follows:

- i) Staff officers encroach upon the line authority. They interfere in the work of line managers and try to tell them how to do their work.
- ii) Staff specialists are academicians and are not well acquainted with the practical problems of the enterprise.
- iii) Since staff men are not directly accountable for any result, they are generally overzealous and recommend a course of action which is not practical.
- iv) Staff men generally fail to view the whole organisation objectively as they are specialists in particular areas.
- v) Staff men have the tendency to take credit for the decisions which prove successful and lay the blame on line men in case the decisions do not prove successful.

The important causes of line and staff conflict as reported by staff men are discussed below:

- i) Line managers generally do not make a proper use of the services of the specialists.
- ii) Sometimes, staff advice is sought only as a last resort as line executives feel that asking for the advice is admitting defeat.
- iii) Staff specialists lack authority to have their ideas implemented. This creates **frustration** among them.
- iv) Line managers often resist new ideas given by the staff specialists and are sometimes not prepared to listen to the arguments of staff specialists.

Achieving cordial line-staff relationship: In order to achieve cordial relationships between the line and the staff people, the following steps should be taken:

- i) The limits of line and staff authority should be laid down clearly. It should be made **clear** that line has the ultimate responsibility for the implementation of various decisions and staff is responsible only for providing advice and **service to the line** executive.
- ii) Line executives should give due consideration to the **staff advice** and should state reason for not accepting the staff advice.

- iii) The staff specialists should try to appreciate the difficulties in implementing new ideas. They should not consider it as a prestige issue if sometimes their advice is not followed.
- iv) Line and staff people should try to understand the orientation of each other. They should try to achieve cooperation for the achievement of enterprise objectives.
Some people argue that the distinction between line and staff is an obsolete concept and should be done away with. They argue that it is meaningless to segregate organisation activities on the basis of their contribution to the achievement of goals. Moreover in recent years, the horizontal and diagonal relationships and work flows are gaining greater importance than the vertical relationships represented by the line authority.

Superiority of line and staff organisation over line organisation

Line and staff organisation structure has gained popularity because certain problems of management have become so complex that in order to deal with them expert knowledge is necessary which can be provided by the staff officers. For instance, personnel department is established as a staff department to advise the top executives and other line executives on personnel matters. Similarly, accounts, law and public relations departments may be set up to advise on problems relating to accounting legal issues and public relations.

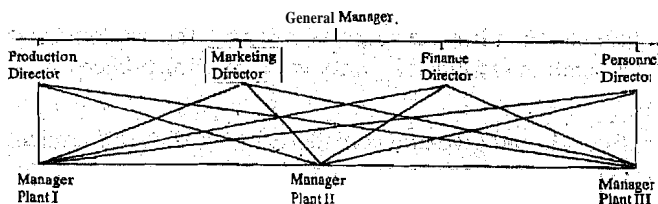
7.7.3 Line Organisation Vs. Line and Staff Organisation

Line Organisation	Line and Staff Organisation
Line refers to those positions which have the responsibility of achieving the primary objectives of the organisation.	Staff refers to those positions which have the responsibility of providing advise and service to the line in attainment of organisational objectives.
There are no experts to assist and advise the line officials.	There are experts known as staff to assist and advise the line officials.
There is no scope of friction between line and staff.	There is always a risk of friction between line and staff people over their respective roles.
It is not based upon planned specialisation.	It is based upon planned specialisation.
Certain line men become key men as they occupy those positions on which the survival of the organisation depends.	This is not possible in case of line and staff organisation as staff officials share credit with line officials.

7.7.4 Functional Organisation

Functional authority occupies a mid-way position between line and staff authority. It is a means of putting the specialists in top positions throughout the enterprise. It confers upon the holder a limited power of command over the people of other departments concerning their function. Functional authority remains confined to functional guidance of different departments. It helps in maintaining ability and uniformity of the performance of functional areas throughout the organisation.

Under functional organisations various activities of the enterprise are classified according to certain functions like production, marketing, finance, personnel, etc. and are put under the charge of functional specialists. A functional head directs the subordinates in his particular areas. That means the subordinates receive instructions not from one superior but from several functional specialists. In other words, the subordinates are accountable to different functional specialists for the performance of different functions.



It was P. W. Taylor who evolved functional organisation for planning and controlling manufacturing operations on the basis of specialisation. But, in practice, functionalisation is restricted to the top levels of the organisation structure and is not carried down to the lowest level in the organisation as recommended by Taylor.

Merits of functional organisation: The merits of functional organisation have been discussed below:

- i) **Specialisation:** Functional organisation helps in achieving the benefits of specialisation of work. Every functional incharge is an expert in his area and can help the subordinate to perform better in his area.
- ii) **Executive development:** A functional manager is required to have expertise in one function only. This makes it easy to develop executive.
- iii) **Reduction of work-load:** Functional organisation reduces the burden on the top executives. There is point supervision in the organisation. And every functional incharge looks after his functional area only.
- iv) **Scope for expansion:** Functional organisation offers a greater scope for expansion as compared to line organisation. It does not face the problem of limited capabilities of a few line managers.
- v) **Better control:** The expert knowledge of the functional manager also facilitates better control and supervision in the organisation.

Demerits of functional organisation: Functional organisation suffers from the following drawbacks:

- i) **Double command:** Functional organisation violates the principles of unity of command since a person is accountable to a number of bosses.
- ii) **Complexity:** The operation of functional organisation is too complicated to be easily understood by the workers. Workers are supervised by a number of bosses. This creates confusion in the organisation.
- iii) **Problems of succession:** Functional organisation develops specialists rather than generalists. This may create problem in succession of top executive positions.
- iv) **Limited perspective:** A functional manager tends to create boundaries around himself and thinks only in terms of his own departments rather than the whole enterprise. This results in loss of overall perspective in dealing with business problems.
- v) **Delay in decision making:** There is generally lack of coordination among the functional executives and delay in decision making when a decision problem requires the involvement of more than one specialist.

7.7.5 Line Organisation Vs, Functional Organisation

Line Organisation	Functional Organisation
The line of authority is vertical as it follows the principle of scalar chain.	The line of authority is functional or diagonal. The functional manager has authority over his function wherever it is performed.
Line managers are generalists.	Functional managers are specialists in their respective areas.
There is unity of command.	Unity of command is not followed as each subordinate gets instructions from his line boss and the functional bosses.
There is strict discipline.	There is loose discipline.
It is suitable for small scale operations.	It is suitable for large scale operations where experts knowledge in certain fields is a must.

Check Your Progress B

1 Fill in the blanks:

- i) Specialisation should be kept in view but should be avoided while choosing the basis of departmentation.
- ii) The of departments to be created must be clearly laid down to minimise inter-departmental conflicts.
- iii) Not only technical aspects of the organisation but also factors should be given due attention in departmentation.
- iv) In the line organisation flow from top to bottom and forms a chain of command.
- v) Line and staff conflict is mainly due to difference in their

2 Which of the following statements are True and which are False.

- i) Functionalisation is restricted to the top levels of the organisation structure.
- ii) Departmental heads are given full autonomy to run their departments as they like.
- iii) Different basis may be adopted for departmentation in the same organisation.
- iv) Functional organisation increases the workload of top executives.
- v) Staff specialists do not have authority to implement their ideas.

7.8 LET US SUM UP

Departmentation, the process of grouping activities on certain basis, is an important element of organisation. It can be done on the basis of function, product, territory, customers, process, or project. But, whatever may be the basis, the departmentation should be directed to promote the attainment of organisational objectives economically and efficiently.

In choosing the basis of departmentation several factors like specialisation, economy, appreciation of key areas, minimum conflicts, coordination, control and human consideration should be kept in mind.

Departmentation is a means of dividing the large and complex organisation into smaller, flexible, administrative units. By doing so, the organisation achieves the benefit of specialisation, administrative control, fixation of responsibility, freedom or autonomy and development of managers.

Another concept related to organisation is that of the form of authority relationships which lays down the pattern of communication and coordination in the enterprise. There are three basic types of forms, viz., line organisation, line and staff organisation and functional organisation. Though line and staff are sometimes argued to be obsolete concepts, they are still used.

There are occasions when the line and staff are in conflict because of the differences in viewpoints and perceptions of the two. Efforts should be made to minimise the conflict in the interest of the organisation. Functional organisation should be restricted to the top levels of the organisation.

7.9 KEY WORDS

Authority: It denotes certain rights granted to a position holder in an institution. It includes rights to take decisions and get them executed.

Departmentation: It is the process of grouping activities on certain well defined basis.

Functional authority: It confers upon the holders a limited power to command over the people of other departments concerning their function.

Line authority: It refers to those positions and elements of the organisation, which have

responsibility and **authority** and are accountable for the accomplishment of primary objectives.

Staff authority: Staff refers to those elements which have responsibility and authority for providing advise **and** service to line — in attainment of objectives.

7.10 ANSWERS TO CHECK YOUR PROGRESS

- A) 1 i) False ii) False iii) True iv) False, v) True
 2 i) information, ii) costs, iii) territorial, iv) processes, v) coordination.
- B) 1 i) over-specialisation, ii) jurisdiction, iii) human, iv) authority, v) perception/
 points of view.
 2 i) False, ii) False, iii) True, iv) False, v) True.

7.11 TERMINAL QUESTIONS

- 1 Discuss the meaning and importance of departmentation.
- 2 Suggest a scheme of departmentation for a large business enterprise with a **field** network of sales all over the country. Discuss its merits and demerits.
- 3 Distinguish between product departmentation and process departmentation. Outline the respective advantages of the two.
- 4 What are the benefits derived from departmentation of activities? Discuss.
- 5 What are the factors which has to be considered while selecting a suitable bases of departmentation?
- 6 The chief executive of a large manufacturing enterprise is upset over frequent conflicts between the production department and the personnel department. The enterprise is organised on line and staff pattern. What can be the possible causes of this conflict and what steps can be taken to reduce and overcome it ?
- 7 Compare line, functional and line and staff organisation. Which of these will be appropriate for a large manufacturing enterprise?

Note: **These questions** will help you to understand the unit better. Try to write answers for them. But, do not submit your answers to the university. These are for your **practice only.**