
UNIT 13 ORGANISING: BASIC CONCEPTS

Structure

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13.0 OBJECTIVES

After studying this unit, you should be able to

- narrate the importance of organising :
- describe the different interpretations of the word organising;
- distinguish between the different types of organisation structure viz. functional, divisional and adaptive
- analyse the formal and informal dimensions of any organisation, and
- explain the significance of span of supervision, organisational charts and manuals.

13.1 INTRODUCTION

In the preceding Unit, you have learnt about the managerial function of planning. The present Unit relates to the organising function of management and its integral aspects such as organisation structure, charts, manuals, formal and informal organisations, forms of organisation and span of control.

13.2 NATURE OF ORGANISING FUNCTION

As a function of management, organising refers to the process involving the identification and grouping of activities to be performed, defining, and establishing the authority responsibility relationships. This enables people to work most effectively together in achieving the enterprise objectives. In a general sense, organising consists of determining and arranging for men, materials, machines and money required by an enterprise for the attainment of its goals. In a restricted and operational sense, the term organising means defining the duties and responsibilities of the people employed, and determining the manner in which their activities are to be interrelated. The end result of organising is the creation of a structure of duties and responsibilities of people in different positions, grouped according to the similarity and interrelated nature of activities. In other words, the outcome of the organising process is an 'Organisation' consisting of a group of people working together for the achievement of one or more common objectives.

13.2.1 Characteristics of Organisation

The characteristics of an organisation are:

- a) **Group of people:** An Organisation comes into existence when a group of people combine their efforts for some common purpose and willingly contribute towards their common endeavor.
- b) **Division of work:** Setting of an organisation involves division of the total work into various activities and functions, and assigning the tasks to different persons according to their skill, ability and experience.
- c) **Common purpose:** Every organisation comes into existence on the basis of goals of the enterprise which are separate from the personal goals of the people employed. It is the common purpose of the organisation which provides the basis of co-operation among the members of the organisation.
- d) **Vertical and horizontal relationships:** An organisation creates cooperative relationship between different departments and divisions as well as between superiors and subordinates. Different functions and activities like production, marketing, financing etc. are integrated for the achievement of proper coordination. The duties and responsibilities of superiors and subordinates in each department or division are also unified so as to serve the purpose of their joint efforts.
- e) **Chain of command:** The superior-subordinate relationships established in an organisation are based on the authority which flows from the higher levels of management to the next lower levels, thereby forming a hierarchical chain. This is known as the chain of command, which also determines the line of communication.

- f) **Dynamics of organisation:** Besides the structural relationships among people which are based on their activities and functions, there exists an organising interactions based on sentiments, attitudes and behavior of individuals and groups. These aspects of relationship provide a dynamic element to the organisational functioning. They are subject to change from time to time.

13.2.2 Importance of Organisation

Sound organisation contributes greatly to the continuity and success of the enterprise. Its importance can be discussed below.

- i) **Facilitates administration:** Sound organisation facilitates management to relate resource flows continually to overall objectives. It provides an appropriate platform from where management can perform the functions of planning, direction, coordination, motivation and control.
- ii) **Facilitates growth and diversification:** It helps in organisational elaboration. Growth and diversification of activities is facilitated by clear division of work, proper delegation of authority etc. As the organisation expands to a reasonable proportion, the functional type can be replaced by a more flexible decentralised organisation.
- iii) **Permits optimum use of resources:** Sound organisation permits optimum use of technological and human resources. The organisation can incorporate the latest technological improvements like computers, electronic data processing machines etc. It permits optimum use of human efforts through specialisation. It also develops people by creating appropriate training and promotion opportunities. Thus, organisation gives a company the greatest possible strength for meeting predicted needs – changing conditions.
- iv) **Stimulated creativity:** Specialisation provides individuals with well-defined duties, clear lines of authority and responsibility. Sound organisation structure enables managers to turn over routine and repetitive jobs to supporting positions and concentrate on important issues where they can exploit their potential better. Thus, it encourages the creativity of the people.
- v) **Encourages humanistic approach:** People can work in team and not like robots or machines. Organisation provides job rotation, job enlargement. Jobs are designed to suit human needs and are made meaningful and interesting. Organisation adopts efficient methods of selection, training, remuneration and promotion of employees. Proper delegation and decentralization, conducive working environment and democratic and participative leadership provide higher job satisfaction to the employees. It enhances the inter-action among different levels of the management.

Although we have discussed the importance of the organisation, a sound organisation structure by itself does not guarantee success. According to Prof. Drucker good organisation structure does not by itself produce good performance just as a good constitution does not guarantee great presidents, or good laws or a moral society. But a poor organisation structure makes good performance impossible no matter how good the individuals may be.

Systems concept recognises that organisations are made up of components, each of which has unique properties, capabilities and mutual relationships. It further recognises the significance of system and emphasises that a whole composed of various parts may be quite different from the simple sum of its parts. There are many and varied definitions of the term 'system'. Most definitions involve such phrases as 'complex whole', 'set of entities', 'set of relationships', 'resources network', and 'conglomeration of interrelated parts'. For the purpose of our analysis, we may define system as an arrangement of relationships among multiple parts operating as a whole. An organisation viewed as system is composed of many interdependent and interrelated parts known as sub-systems. Every sub-system is itself a system composed of smaller interrelated parts of sub-systems.

13.3.1 Components of an Organisational System

An organisation as a social system consists of the following components:

- a) **Inputs:** As depicted in Fig.13.1, the system takes certain inputs from its environment. These inputs are human resources, material resources, energy and information.

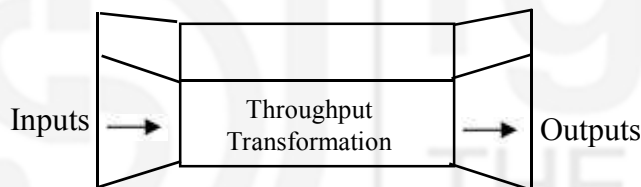


Figure 13.1 Organisation as a System

- b) **Processor:** The processor or throughput involves the utilisation of inputs within the organisation to produce the desired outputs. A number of sub-systems such as production, marketing, finance, personnel and research and development must be created for processing or transformation. There are further sub-systems within each sub-system. The individual employee is also a sub-system. Interrelatedness among all the sub-systems must be kept in mind all the time.
- c) **Output:** The output of an organisation may be both intended and unintended. Intended outputs are usually labeled objectives. For instance, high productivity is an intended objective. The output may consist of goods and services. An unintended output may be informal relation among the group members.
- d) **Management:** The management component of the system is concerned with the determination and implementation of processor activities in order to achieve intended output. Managing involves planning, organising, staffing, directing and controlling. For managing, feedback of information concerning the quality, quantity, cost and time of system outputs is necessary. Standards concerning desired results must be established and enforced by management through the feedback initiation activity. If output are named

improper or inadequate according to the predetermined standards, corrective measures such as guidance and warning of workers, improvement of planning and organising, revision of standards, etc. are initiated.

13.4 STEPS IN THE ORGANISATION PROCESS

Organisation involves the following interrelated steps:

- 1) **Determination of objectives:** Organisation is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. It will help the management in the choice of men and materials with the help of which it can achieve its objectives. Objectives also serve as the guidelines for the management and the workers. They will bring unity of direction in the Organisation.
- 2) **Identification and grouping of activities:** If the members of the groups are to pool their efforts effectively there must be proper division of the major activities. Each job should be properly classified and grouped. This will enable the people to know what is expected from them as members of the group and will help in avoiding duplication of efforts. For instance, the total activities of an individual industrial organisation may be divided into major functions like production, purchasing, marketing, and financing, and each such function is further subdivided into various jobs. The jobs then may be classified and grouped to ensure the effective implementation of the other steps.
- 3) **Allotment of duties:** After classifying and grouping the activities into various jobs, they should be allowed to the individuals so that they could perform them effectively. Each individual should be given a specific job to do according to his ability and made responsible for that. He should also be given the adequate authority to do the job assigned to him.
- 4) **Developing relationships:** Since so many individuals work in the same organisation, it is the responsibility of management to lay down structure of relationships in the organisation. Everybody should clearly know to whom he is accountable. This will help in the smooth working of an enterprise by facilitating delegation of responsibility and authority.
- 5) **Integration of these groups of activities :** Integration can be achieved in all activities in following ways- (a) through authority relationships- horizontally, vertically, and laterally and (b) through organised information or communication systems, i.e, with the help of effective coordination and communication. We can achieve unity of objectives, team work and team spirit by integration of different activities.

13.5 ORGANISATION STRUCTURE

Organisation structure may be defined as the established pattern of relationships among the component parts of the organisation. Organisation structure in this sense refers to the network of relationships among individuals and positions in an organisation. It describes the organisation framework. Just as human beings have skeletons that define their parameters, organisations have structures that define theirs. It is like the architectural plan of a building. Just as the architect consider various factors like cost, space, special features needed etc. While

designing a good structure, the managers too must look into factors like benefits of specialization, communication problems, problems in creating authority levels etc, before designing the organisation structure.

The manager determines the work activities to get the job done, writes job descriptions, and organises people into groups and assigns them to superiors. He then fixes goals and deadlines and establishes standards of performance. Operations are controlled through a reporting system. The whole structure takes the shape of a pyramid. The structural organisation implies the following things:

- i) The formal relationships with well-defined duties responsibilities :
- ii) The hierarchical relationships between superior and subordinates within the organisation;
- iii) The tasks or activities assigned to different persons and the departments;
- iv) Coordination of the various tasks and activities;
- v) A set of policies, procedures, standards and methods of evaluation of performance which are formulated to guide the people and their activities.

The arrangement which is deliberately planned is the formal structure of organisation. But the actual operations and behavior of people are not always governed by the formal structure of relations. Thus the formal arrangement is often modified by social and psychological forces and the operating structure provides the basis of the organisation.

13.5.1 Significance of Organisation Structure

The organisation structure contributes to the efficient functioning of organisation in the following ways.

- a) **Clear-cut authority relationships:** Organisation structure allocates authority and responsibility. It specifies who is to direct whom and who is accountable for what results. The structure helps and organisation member to know what his role is and how it relates to other roles.
- b) **Pattern of Communication:** Organisation structure provides the patterns of communication. By grouping activities and people, structure facilitates communication between people centered on their job activities. People who have joint problems to solve often need to share information.
- c) **Location of decision centres:** Organisation structure determines the location of centres of decision making in the organisation. A departmental store, for instance may follow a structure that leaves pricing, sales promotion and other matters largely up to individual departments to ensure that various departmental conditions are considered.
- d) **Proper balancing** Organisation structure creates the proper balance and emphasises on coordination of group activities. Those more critical aspects for the success of the enterprise may be given higher priority in the organisation. Research in a pharmaceutical company, for instance, might be singled out for reporting to the general manager or the managing director of the company. Activities of comparable importance might be given, roughly equal levels in the structure to give them equal emphasis.

- e) **Stimulating creativity:** Sound Organisation structure stimulates creative thinking and initiative among organisational member by providing well defined patterns of authority. Everybody knows the area where he specializes and where his efforts will be appreciated.
- f) **Encouraging growth:** An organisation structure provides the framework within which an enterprise functions. If it is flexible, it will help in meeting challenges and certain opportunities for growth. A sound organisation structure facilitates growth of the enterprise by increasing its capacity to handle increased level of activity.
- g) **Marking use of technological improvements:** A sound organisation structure which is adaptable to change can make the best possible use of latest technology. It will modify the existing pattern of authority-responsibility relationships in the wake of technological improvements.

In short, existence of good organisation structure is essential for better management. Properly designed organisation can help in improving team work and productivity by providing a framework within which the people can work together most effectively. Therefore, an organisation structure should be developed according to the needs of the people in the organisation.

13.5.2 Types of Organisation Structure

Different types of organisation structure can be distinguished on the basis of arrangement of activities. Accordingly, three broad types of structural forms are:

- 1) Functional,
- 2) Divisional, and
- 3) Adaptive

Functional structure: When units and sub-units of activities are created in an organisation on the basis of functions, it is known as functional structure. Thus, in any industrial organisation specialized functions like manufacturing, marketing, finance and personal are constitute as separated units of the organisation. All activities connected with each such function are placed in the same unit and the number of persons under each manager at various levels get added. This results in the interrelated positions taking the shape of a pyramid. The figure below shows the functional structure of a medium-size organisation.

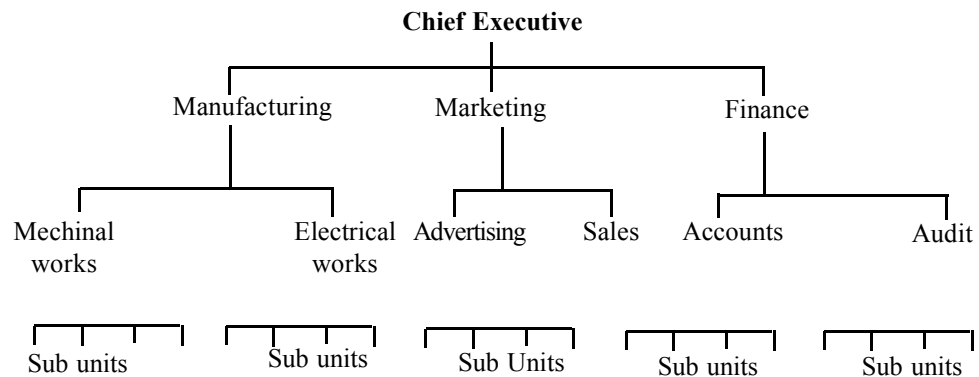


Figure 13.2 Functional structure

The main advantage of the functional structure of organisation is that there is functional specialisation in each unit, which leads to operational efficiency of people engaged, and the organisation as a whole derives the benefit of specialised operations. The head of the functional units are in direct touch with the chief executive who can sort out inter-functional problems, if any, and also coordinate the interrelated functions. The chief executive is also able to be in direct touch with lower level subordinates and thereby have full knowledge of the state of affairs in the organisation.

However, while the functional arrangement may be well suited to small and medium size organisation, it is incapable of handling the problems of an organisation as it grows in size and complexity. Problems of sub-units at lower levels do not receive adequate attention of higher level managers while some of the activities tend to be over-emphasised.

Functional units become unwieldy and difficult to manage when there are diverse kinds of activities performed in large number of sub-units. Personal contact between superiors and subordinates becomes rare, and flow of communication is slow leading to problems of coordination and control.

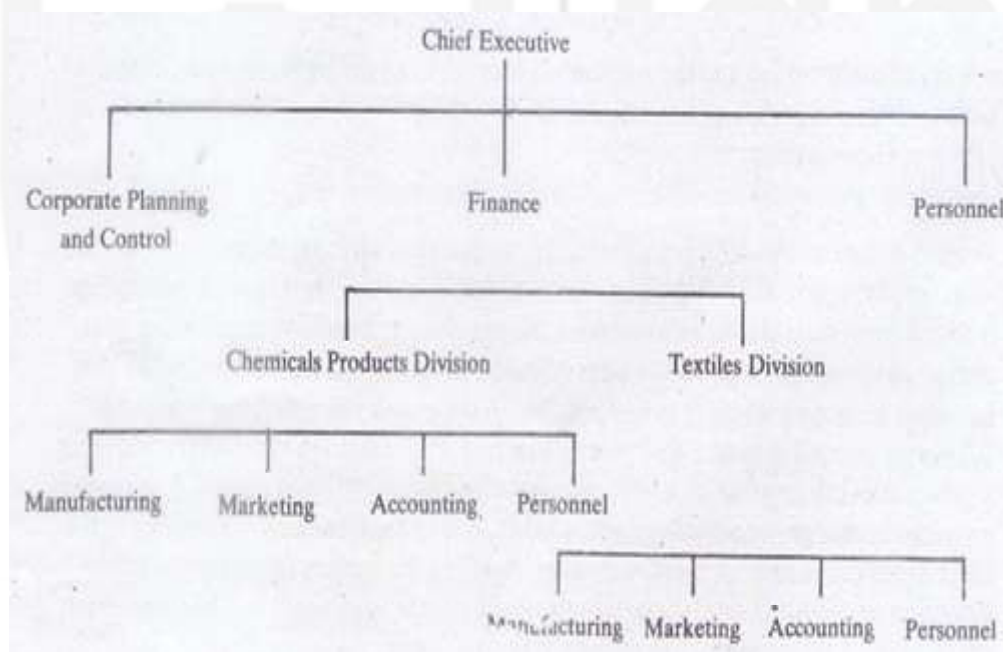


Figure 13.3 Product Divisionalisation

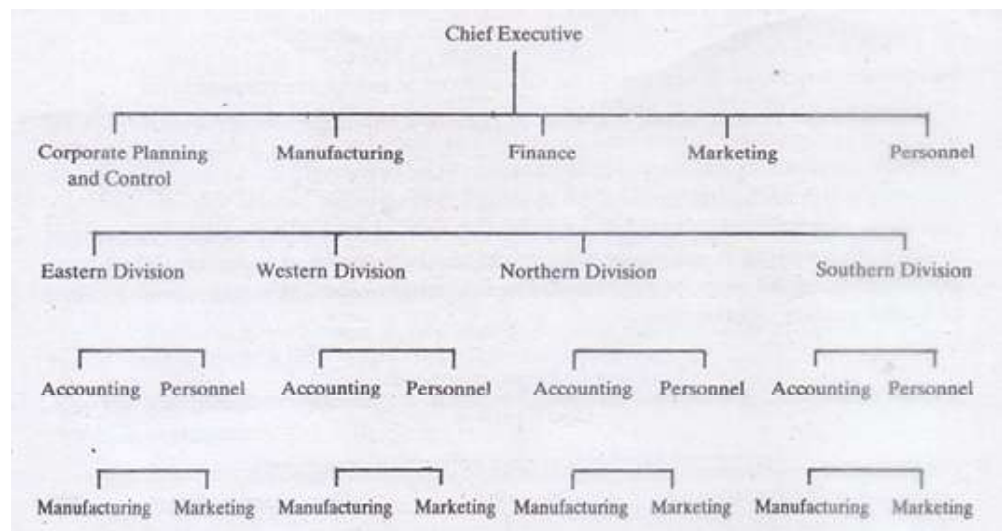


Figure 13.4 Territorial Divisionalisation

Divisional structure: The divisional organisation structure is more suited to very large enterprises particularly those which deal in multiple products to serve more than one distinctive market. The organisation is then divided into smaller business units which are entrusted with the business related to different products or different market territories. In other words, independent divisions (product divisions or market divisions) are created under the overall control of the head office. Each divisional manager is given autonomy to run all functions relating to the product or market segment or regional market. Thus, each division may have a number of supporting functions to undertake.

A divisional structure may consist of two or more product divisions or market or territorial divisions as depicted in the diagrams 13.3 and 13.4.

In a divisional structure each division contributes planned profits to the organisation, but otherwise operates as an independent business. The functional units are headed by managers while the final authority vests in the divisional manager, who coordinates and controls the activities of the various functional units in the division. The top management of the organisation, besides providing funds, determines the organisational goals and formulates policies.

The divisional structure is characterised by decentralisation of authority. Thus it enables managers to take decisions promptly and resolve problems appropriate to the respective divisions. It also provides opportunity to the divisional managers to take initiative in matters within their jurisdiction. But such a structure involves heavy financial costs due to the duplication of supporting functional units for the divisions. Moreover, it requires an adequate number of capable managers to take charge of the respective divisions and their functional units.

Adaption structure: Organisation structures are often designed to cope with the unique nature of the undertaking and the situation. This type of structure is known as an adaptive structure. There are two types in structures.

- i) Project Organisation and
- ii) Matrix Organisation

- i) **Project organisation:** When an enterprise undertakes any specialized, time-bound work involving one-time operations for a fairly long period, the project organisation is found most suitable. In this situation the existing organisation creates a special unit so as to engage in a project work without disturbing its regular business. This becomes necessary where it is not possible to cope with the special task or project. Within the existing system, the project may consist of developing a new project, installing a plant, building an office complex, etc. A project organisation is headed by a project manager in charge who holds a middle management rank and reports directly to the chief executive. Other managers and personnel in the project organisation are drawn from the functional departments of the parent organisation. On completion of the project they return to their parent departments.

The main advantage of such a structural arrangement is that it leaves regular business undisturbed. It is exclusively concerned with the task of completing the project work on time and in conformity with the standards of performance relevant to its goal. There is better management control over the project activities as the project manager enjoys necessary authority and is alone responsible for the results. But project organisations may create problem as well. Functional managers often resent the exercise of authority by the project manager in the functional areas and hence conflict arises. The stability of the functional departments is disturbed by transfer of personnel to project work from time to time. Shifting of personnel from project to project disrupts their developments in the specialised fields.

- ii) **Matrix organisation:** This is another type of adaptive structure which aims at combining the advantages of autonomous project organisational and functional specialisation. In the matrix organisation structure, there are functional departments with specialised personnel who are deputed to work full time in different projects sometimes in more than one project under the overall guidance and direction of project managers. When a project work is completed, the individuals attached to it go back to their respective functional department to be assigned again to some other project. This arrangement is found suitable where the organisation is engaged in contractual project activities and there are many projects to manage, as in a large construction company or engineering firm.

Matrix organisation provides a flexible structure ideally suited to the requirements of changing conditions. It facilitates pooling of specialized and technical personnel from different functional departments, who can be deputed to a number of projects. They acquire valuable experience of handling varied and complex problems in project work. There is speedy exchange of information and decision-making as they work under the coordinating authority of project managers.

The major drawback of matrix organisation is that the personnel drawn from specialized functional departments are subjected to dual authority, that of the functional head and the project managers. The principles of unity of command is thereby sacrificed. This generates stresses and strains in project management, because there is simultaneous engagement of the same individual in a number of projects.

Check Your Progress A

- 1) Which of the following statements are True and which are False.
 - 1) The outcome of the process of organising is an 'organisation' consisting of a group of people working together for the achievement of common goals.
 - 2) The chain of command does not indicate the time of communication.
 - 3) The formal structure of an organisation is not affected by social or psychological forces.
 - 4) The divisional structure of organisation is characterised by decentralisation of authority.
 - 5) Project organisation is concerned with time bound one-time operations.
- 2) Fill in the blanks:
 - i) Viewed as a system, an organisation consists of parts known as sub systems.
 - ii) It is through the process of organising that the and of people are determined.
 - iii) The structure of organisation established hierarchical relations between and
 - iv) As the volume of activity increases, a functional organisation requires addition of sub-units atunits.
 - v) The divisional structure of organisation is more suited to enterprises.

13.6 PRINCIPLES OF ORGANISATION

The principles of organisation are guidelines for planning an efficient organisation structure. Let us discuss the important principles of organisation:

- 1) **Unity of objectives:** An enterprise strives to accomplish certain objectives. The organisation and every part of it should be directed towards the attainment of objectives. Every member of the organisation should be familiar with its goals and objectives. There must be unity of objectives so that all efforts can be concentrated on the set goals. The principle requires objectives to be clearly formulated and well-understood.
- 2) **Division of work and specialisation:** The entire work in the organisation should be divided into various parts so that every individual is confined to the performance of a single job. This facilitates specialisation which in turn leads to efficiency and quality. However, each area of specialisation must be interrelated to the total integrated system by means of coordination of all activities of all departments.

- 3) **Definition of jobs:** Every position in the organisation should be clearly defined in relation to other positions in the organisation. The duties and responsibilities assigned to every position and its relationship with other positions should be so defined that there is no overlapping of functions.
- 4) **Separation of line and staff functions:** Whenever possible, line functions should be separated from staff activities. Line functions are those which accomplish the main objectives of the company. In many manufacturing companies, the manufacturing and sales departments are considered to be accomplishing the main objectives of the business and so are called the line functions. Other functions like personnel, plant maintenance, financing and legal are considered as staff functions.
- 5) **Chain of command or scalar principle:** There must be clear lines of authority running from the top to the bottom of the organisation. Authority is the right to decide, direct and coordinate. The organisation structure should facilitate delegation of authority. Clarity is achieved through delegation by step or levels from the top positions to the operating level. From the chief executive, a line of authority may proceed to departmental managers, to supervisors or foremen and finally to workers. This chain of command is also known as scalar principle of organisation.
- 6) **Parity of authority and responsibility or principle of correspondence:** Responsibility should always be coupled with corresponding authority. Each subordinate must have sufficient authority to discharge the responsibility entrusted to him. This principle suggests that if a plant manager in a multiplant organisation is held accountable for all activities in his plant, he should not be subject to seek orders from company headquarters for his day to day activities.
- 7) **Unity of command:** No one in the organisation should report to more than one line supervisor. Everyone in the organisation should know to whom he reports and who reports to him. Stated simply, everyone should have only one boss. Receiving directions from several supervisors may result in confusion, chaos, conflicts and lack of action.
- 8) **Unity of direction:** According to this principle a group of activities that have a common goal should be managed by one person. There should be one head and one plan for a common objective of different activities. This facilitates smooth progression towards the achievements of overall organisational goals.
- 9) **Exception principle:** This principle suggests that higher level managers should attend to exceptional matters only. All routine decisions should be taken at lower level, whereas problems involving unusual matters and policy decisions should be referred to higher levels.
- 10) **Span of supervision:** The term 'span of supervision' means the number of persons a manager or a supervisor can direct. No manager should be required to supervise more subordinates than he can effectively manage within the limits or available time and ability. The exact number may vary according to the nature of the job and the frequency or intensity of supervision needed.

- 11) **Principle of balance:** There should be proper balance between various parts of the organisation and no function should be given undue importance at the cost of others. Balance should be maintained also between centralisation and decentralisation, span of supervision and lines of communication, and authority allocated to department and personnel at various levels.
- 12) **Communication:** A good communication network is essential to achieve the objectives of an organisation. No doubt the line of authority provides channels of communication downward and upward, still some blocks in communication occur in many organisation. The confidence of superior in his subordinates and two-way communication are the factors that unite an organisation into an effectively operating system.
- 13) **Flexibility:** The organisation structure should be flexible so that it can be easily and economically adapted to the changes in the nature of business as well as technological innovations. Flexibility of organisation structure ensures the ability to change with the environment without disrupting the basic design.
- 14) **Continuity:** Change is the law of nature. Many changes take place outside the organisation. These changes must be reflected in the organisation. For this purpose the form of organisation structure must be able to serve the enterprise to attain its objectives for a long period of time.

13.7 SPAN OF CONTROL

The term 'span of control' is also known as 'span of supervision' or 'span of authority'. Simply stated it refers to the number of individuals a manager can effectively supervise. Thus, it is expected that the span of control, that is the number of subordinates directly reporting to a superior should be limited so as to make supervision and control effective. This is because executive have limited time and ability.

It is sometimes suggested that the span of control should neither be too wide nor too narrow. In other words, the number of subordinates should not be too large or too small. According to some experts, the ideal span is four at higher levels and eight to twelve at lower levels. But the number of subordinates cannot be easily determined because the nature of jobs and capacity of individuals vary from one organisation to another. Moreover, the actual span of supervision affects the organisation in different ways. A wide span results in fewer levels of supervision and facilitates communication. But it permits only general supervision due to the limited availability of time. Narrow span, on the other hand, requires multiple levels of supervision and hence longer time for communication. It is more expensive and complicates the process of communication. A narrow span, however enables managers to exercise close supervision and control.

Factors affecting Span of Control

Although there are certain limits to the span of control, the tendency in recent years has been to avoid specifying absolute numbers because it has been

recognised that the ideal span depends on number of factors. Some of the more important of these factors are discussed below:

- i) **Nature of the work:** If the work is simple and repetitive, the span of control can be wider. However, if the work requires close supervision the span of control must be narrow.
- ii) **Ability of the manager:** Some managers are more capable of supervising large numbers of people than others. Thus for a manager who possesses qualities of leadership, decision-making ability, and communication skill in greater degree the span of control may be wider.
- iii) **Efficiency of the organisation:** Organisations with efficient working systems and competent personnel can have larger span of control.
- iv) **Staff assistants:** When staff assistants are employed, contact between supervisors and subordinates can be reduced and the span broadened.
- v) **Time available for supervision:** The span of control should be narrowed at the higher levels because top managers have less time available for supervision. They have to devote the major part of their work time in planning, organising, directing and controlling.
- vi) **Ability of the subordinates:** Fresh entrants to job take more of a supervisor's time than trained persons who have acquired experience in the job. Subordinates who have good judgment, initiative, and a sense of obligation seek less guidance from the supervisor.
- vii) **Degree of decentralisation:** An executive who personally takes many decisions is able to supervise fewer people than an executive who merely provides encouragement and occasional direction.

It should be clear that the size of the span of control is related to numerous variables, and no single limit is likely to apply in all cases. A variety of factors can influence the resulting number of employees comprising the optimum span of control in any particular organisation.

Check Your Progress B

1) Fill in the blanks:

- i) The chain of command is based on the principle of organisation.
- ii) Principle of correspondence suggests of authority and responsibility.
- iii) Higher level managers should be required to attend to matters only.
- iv) The organisation structure should beso that it can be adapted to change.
- v) A wide span of control results in levels of supervision.

- 2) Which of the following statements are True and which are False.
- i) A narrow span is less expensive than a wide span.
 - ii) Unity of command means that a manager must issue the same instruction to all his subordinates.
 - iii) Personal functions are not line, but staff functions.
 - iv) The size of the span of control can be broadened if there are more staff assistants.
 - v) A department with all freshly recruited personal must have a wide span.

13.8 ORGANISATION CHART

An organisation chart shows a diagrammatic representation of important aspects of an organisation including the major functions and their relationships. It is a blue print of company organisation, its functions lines of authority and way positions. In other words it is a graphic portrayal of positions in the enterprise and of the formal lines of accountability among them. It provide a birds eye view of the relationship between different departments of divisions of an enterprise as well as the relationships between the executives and subordinates at various levels. It enables each executive and employee to understand his position in the organisation and to know to whom he is accountable. Thus it is obvious that an organisation chart has the following characteristics.

- 1) It is diagrammatic presentation.
- 2) It shows principle lines of authority in the organisation.
- 3) It shows the interplay of various functions and relationships.
- 4) It indicates the channels of communications.

The organisation chart should not be confused with the organisational structure. An organisation chart is merely a type of record showing the formal organisational relationships which management intends should prevail. It is therefore, primarily a technique of presentation. It presents diagrammatically the lines of authority and responsibility among different individuals and positions. It may be either a personnel chart or functional chart. Personnel organisation chart depicts the relationship between positions held by different persons. Functional organisation chart depicts the functions or activities of each unit and sub-unit in the organisation.

Advantages of Organisation Chart

Following are the advantages of an organisation chart:

- i) It is a tool of administration which indicates graphically to the employees how their positions fit into the total organisation and how they relate to each other.
- ii) It shows at a glance the lines of authority and responsibility. It is a reliable blue print of how the positions are arranged. From it, the individuals can have a sense of the limit of their authority, and can see who their associates

are, to whom they have to report, and from whom they are to receive instructions.

- iii) It serves as a valuable guide to the new personnel in understanding the organisation structure and the inter relationship between its units and sub-units.
- iv) It provides a framework of personnel classification and evaluation systems.
- v) It plays a significant part in organisational improvement by reflecting inconsistencies and deficiencies.

With an overview of the total organisation depicted in the chart management may discover unintended gaps, overlaps, etc, in the distribution of tasks and functions.

Limitations of Organisation Chart

While the organisation chart is an important tool of management, its existence alone does not ensure effectiveness of organisation because of the following limitations:

- i) Organisation chart shows only the formal relationships and fails to show the informal relations within the organisations. In modern enterprises, informal relationships significantly effect the functioning of organisations.
- ii) It shows the lines of authority, but it is not able to answer questions like the degree of authority that can be exercised by a particular executive, how far he is responsible for his functions, and to what extent he is accountable.
- iii) It introduces rigidity in the relationships. Updating is not possible without disturbing the entire set up.
- iv) Faulty organisation chart may cause confusion and misunderstanding among the organisational members. Moreover it gives rise to a feeling of superiority and inferiority which causes conflicts in the organisation.
- v) It does not show the relationship which actually exist in the organisation, but shows only the 'supposed relationships'.

13.9 ORGANISATIONAL MANUAL

An organisation chart shows who has authority over whom, but it does not show the extent of authority of the duties each person in the organisation is expected to perform, except in so far as duties are implied by job titles. For this reason, big undertakings prepare organisation manual that include job description and other information in addition to the charts. A job description includes factual statements of job contents in terms of its duties and responsibilities. An organisation manual is an authoritative guide to the organisational members. It consists of records of top management decisions, standard practices and procedures and the description of various jobs. With such information available in the manual, employees are not required to approach their superiors for instruction and guidance, causing interruption of work and resulting in wastage of time and energy of the superior and the subordinates.

13.9.1 Importance of Manuals

A manual can be a valuable aid to management which more than justifies the amount of work and money involved in its compilation. The availability of good manual helps individuals to determine the responsibilities of their jobs and their relationship with other jobs in the organisation. Jurisdictional conflicts and overlapping can be avoided. The sources and degree of authority are also made clear. Thus it can help to make instructions definite and shows how each employee and his job fits into the total organisation and how he can contribute to the achievement of organisational objectives as well as maintain good relationships with other employees. A reference to the manual can quickly remove misunderstanding. It relieves managers the necessity of repeating the same information time and again. It provides uniformity and consistency of procedures and practices. It facilitates training of new employees as it contains in writing the established routines and practices with respect to the jobs. Since manuals are revised periodically or after every major changes, they serve as effective refreshers for employees who have been on the payroll for some time. Both delegation of authority and management by exception are promoted by the use of manuals.

13.9.2 Types of Manual

Manuals may be prepared by an organisation with different contents and purposes in view, such as, (1) Policy manual, (2) Operation manuals, (3) Organisation manual, (4) Rules and Regulations manual, and (5) Departmental manual. These are discussed below:

- 1) **Policy manual:** It is prepared to state the policies of the enterprise. It is a basic guide to action. Policy manual describes the overall framework within which activities are to take place and thus reveals the board courses of managerial action likely to take place under certain conditions. It contains decision, resolutions and pronouncements of the management of the enterprise
- 2) **Operations manual:** The purpose of manual is to inform the employees of established methods, procedures and the desired standards of performance of work. It lists the authorised steps and supplements them by the use of diagrams sketches, charts etc. of each department and division.
- 3) **Organisation manual:** It describes the organisational setup indicating the duties and responsibilities of various departments and their respective subdivisions. It is portrayal of the formal chain of responsibilities and authorities among different persons working in the enterprise. The levels of authority and responsibility of each executive is indicated in the manual so as to avoid conflicts in the organisation. Promotional charts may be included in the organisation manual showing the possible promotional avenues throughout the entire organisation.
- 4) **Rules and Regulations manual:** This manual provides information relating to the operating rules and employment regulations. It contains regulations governing hours of work, timings, procedure for taking leave, etc. It is actually a handbook of employment rules. It may also indicate the various

benefit plans for employees including rules regarding the use of library, cafeteria, recreation club, etc.

- 5) **Departmental manual:** This manual includes procedures to be adopted with regard to departmental work. It gives in detail the internal policies and operating rules of the department. It shows with the help of charts and diagrams the inter-departmental relationships. For instance, the filing manual contains the organisation of filing department, responsibilities of various jobs, relationship between the employees, and the standard procedures for different operations. Similarly, other departments may also have such manuals.

13.9.3 Advantages of Manual

- 1) It contains procedural rules and regulations and various other information in a written form. These need not be explained to the employees time and again.
- 2) It provides a ready reference with regard to all important decisions relating to the internal organisation of the enterprise.
- 3) It presents jurisdictional conflicts by clear indication of the sources of authority.
- 4) It enables new employees to learn the standard procedures and practices in the shortest possible time. They have a clear understanding of the responsibilities of their jobs and their relationship with other jobs.
- 5) It enables quick decisions as instruction and policies are stated in definite terms.

13.9.4 Drawbacks of Manual

- 1) Small enterprises cannot afford to have a manual because its preparation is costly and a time-consuming process.
- 2) Manuals may cause rigidity of operations in the organisation by putting the standard procedures and practices in writing. It leaves little scope for individual initiative and discretion.
- 3) Manuals may put on record those relationships which no one would like to see exposed.

13.10 FORMAL AND INFORMAL ORGANISATIONS

Formal organisation is a planned structure which represents the officially established pattern of relationships among individuals, groups, sections, units, departments and divisions so as to accomplish the goals of the enterprise. Typically, it is represented by a chart and set forth in organisation manuals, position descriptions, and other formalised documents. The formal organisation provides a board framework and delineates certain prescribed functions and the relationships between them. Formal organisation may be defined as a system of consciously coordinated activities of two or more persons towards a given objective. It is a group working together cooperatively under authority toward goals that mutually benefit the participants and the organisation. Moreover, stable

and consistent relationships promote order and facilitate planning and controlling functions. Formal organisation may also be defined as (i) the pattern of formal relationships and duties, the organisation charts, job descriptions and positions guides; and (ii) formal rules, policies, work procedures and similar devices adopted by management to guide employee behaviour in certain ways within the structure of formal relationships.

The formal organisation facilitates the determination of objectives and policies. Communication, delegation of authority, and coordination take place according to a prescribed pattern. In fact, formal structure restricts and circumscribes the area of operations of individuals working within an organisation based on interest, personal attitudes, emotions, prejudices, likes, dislikes, physical location, similarity of work, etc. The informal organisation comes into existence because of the limitations of the formal structure. It represents natural grouping of people in working situation. The birth of small groups in an organisation is a natural phenomenon. The informal groups may overlap also because an individual may be a member of more than one informal group. In many cases, informal groups came into being to support and supplement the formal organisation. Indeed, the formal and informal organisations are inextricably interlinked. The difference between the two aspects of organisational life is only analytical and it should not be given undue emphasis.

13.10.1 Difference between Formal and Informal Organisations

The formal and informal organisations differ from each other in the following respects:

- 1) **Origin:** Formal organisations are created by conscious managerial decisions. But informal organisations arise spontaneously within the formal organisation because of the natural tendency of the individuals to associate and interact. Management has no hand either in the emergence or abolition of informal groups.
- 2) **Purpose:** Formal organisations are created for realizing certain well-defined objectives. But informal organisations are created by organisational members for their social and psychological satisfaction.
- 3) **Activities:** Activities in case of formal organisation are differentiated and integrated around the objectives of the enterprise and are formalized into work-units or departments on a horizontal basis. In case of informal organisation, there are no specific activities. They arise from time to time as a result of interactions and sentiments of the individuals. Informal groups may be based on common values, language, culture or any other factor.
- 4) **Structure:** Formal organisation is hierarchical, pyramid shaped in structure with well defined positions, roles and superior-subordinated relationships. It involves enforcement of organisational order through a set of policies, procedures and rules, emphasises on status differentiation based on authority, upward and downward oriented communication system, etc. On the other hand, informal organisation is non-hierarchical; it looks like a complicated social network of interpersonal relationships. Informal organisation is loosely structured, with only unwritten norms of behaviour enforced by consent. Communication is informal and multidimensional. There are no rigid status differentials.

- 5) **Membership:** In a formal organisation every individual belongs to one work group only and works under one superior. But in case of an informal organisation, a person can be a member of more than one group, according to his choice. He may be a leader in one group and a follower in another. There is no rigidity about group membership.
- 6) **Orientation:** In case of formal organisation, values, goals and tasks are dominantly economic and technical, and they concern productivity, profitability, efficiency, survival and growth. But in case of informal organisation values, goals, and tasks are predominantly psycho-social, centered around individual and group satisfaction, affiliation cohesiveness and friendship.
- 7) **Norms of behaviour:** In a formal organisation individuals are required to behave in the prescribed manner in their work situation. They are expected to behave in a rationale manner. Deviations from the standard are dealt with according to the organisational rules and regulations. There is also a system of rewards and punishments. But in case of informal organisation, individual behaviour and group behaviour influence each other. Moreover, behaviour is more natural and socialized. Informal groups develop their own norms of behaviour and system of rewards and punishments. Reward takes the form of a continuous membership of the groups, social status, recognition etc. While punishment includes censure by the group, isolation from the group, etc.

13.10.2 Characteristics of Informal Organisation

In the informal organisation, authority-responsibility relationship, channels of communication, pattern of coordination, etc. are not predetermined. Such as, organisation operates without any structured set up. The informal organisation interacts with formal organisation quite frequently. It affects and is affected by the formal organisation. Following are the characteristics of the informal organisation:

- 1) **Authority:** There is a network of relationships in an informal organisation which may cut across the formally prescribed pattern of relationships. An informal organisation has its own code of conduct, system of communication, and system of reward and punishment. The authority in an informal organisation is personal rather than positional as in case of formal organisation. Power in informal organisation is earned or given by group members, rather than delegated; therefore, it does not follow the official chain of command. It is more likely to come from peers (equals) than from superiors in the formal hierarchy; and it may act across authority, since it is subject to the sentiments of people. Because of its subjective nature, informal organisation cannot be controlled by management, in the way as formal organisation.
- 2) **Objectives:** Groups evolve their own goals reflecting their own special interests. Group members are dedicated to group goals. Group cohesiveness results in the group acting in a unified manner. This cohesiveness is the result of the degree to which the group goals help the satisfaction of individual needs. Therefore, the group objectives should be related to the individual needs of the members of the group.

- 3) **Communication:** Informal organisation comes into existence because of the deficiencies of the formal channels of communication. The formal channels of communication may be inadequate and they may be slow. The need for speedier communication may give birth to informal channels of communication. Informal communication is very fast but the greatest danger is that it may give rise to rumours. Rumours may prove to be detrimental to the interests of the organisation.
- 4) **Leadership:** The informal group has its own leader. An informal leader may not be the superior under whom the group members are working. An informal group leader performs the following functions: (i) he facilitates consensus among the group members, (ii) he initiates action, and (iii) provides a link with the outside world. If the formal leader is able to perform these functions, he may be accepted as an informal leader also. Workers will go to him for their personal problems, counseling, etc. The important factors which determine informal leadership are age, seniority, work location, technical competence, etc. It may be noted that persons who emerge as informal leaders are perceived by other group members as being the best people who can satisfy the goals of the group. The group may have a number of leaders for different purposes. For instance, the group may have a task leader whose function is to drive the group towards its goals and a human relations leader who helps in promoting co-operation among the members.

13.10.3 Functions of Informal Organisation

Informal organisation is a psycho-social system and helps the organisation in the following ways:

- 1) **Filling in gaps in managerial abilities:** Informal organisation may fill in gaps, if any, in the abilities of managers. For example, if a manager is weak in planning his subordinates may help him informally in such a situation.
- 2) **Solving work problems:** Informal organisations help in solving work problems of members. It allows sharing knowledge and taking decisions which may affect a number of jobs.
- 3) **Better coordination:** Informal groups evolve short cuts and eliminate red-tapism. They facilitate smooth flow of information and quick decision making. All these ensure better coordination among various individuals and departments.
- 4) **Channel of communication:** Informal groups often fill up communication gaps which might arise in the organisation. Informal communication cuts across the hierarchical and departmental boundaries and transmits information with greater speed. Management can use informal channels to share information with the workers and get their reaction to management proposal.
- 5) **Restraint on managers:** Informal groups do not allow managers to cross the limits of authority. They resist them from exercising unlimited power and from using their power unjudiciously.
- 6) **Better relations:** A manager can build better relations with his subordinates through informal contacts. He can consult the informal leaders and seek their cooperation in getting the things done from the workers.

- 7) **Norms of behaviour:** Informal groups develop certain norms of behaviour which differentiate between good and bad conduct and between legitimate and illegitimate activities. These bring discipline and order among the employees of the organisation.
- 8) **Developing future executives:** Informal groups recognise talented workers as their leaders. Such leaders can be picked up by the management to fill vacancies at the junior executive level in future.

13.10.4 Problems of Informal Organisation

Informal group have negative aspects too. They may create problems for the organisation as outlined below:

- 1) **Negative attitude of informal leaders:** The informal leader may turn out to be a trouble shooter for the organisation. In order to increase his influence, he may work against the policies of management, and manipulate the behaviour of his followers. Thus, he can be a source of conflict between the management and workers. He may induce the followers to work against the interests of the organisation. If such a leader is promoted to the rank of an executive, he may prove to be work shirker and an arrogant and autocratic boss.
- 2) **Conformity:** The informal group exerts strong pressure on its members for conformity. The members may become so loyal to their group that following the group norms becomes a part of their life. This implies that members become subject to willful control of the group leader who may lead the group toward selfish ends. This may lead to dilution of the effect of organisational policies and practices on the group members.
- 3) **Resistance to changes:** Informal groups generally have a tendency to resist change. Change requires new skills but groups want to maintain status quo. Sometimes, groups react violently to the changes proposed by management. This creates obstructions in implementing new ideas and thus organisation's growth.
- 4) **Rumour:** Informal communication may give rise to rumours which may create conflict and misunderstanding among the people. Rumour tends to change as it passes from person to person. Its general theme may be maintained, but not its details. The rumour gets twisted and distorted always when it passes from one mouth to another. It may originate due to employee's anxiety, insecurity and poor communication of the organisation. Rumours may prove very dangerous for the organisation.
- 5) **Role conflict:** Every member of the informal group is also a member of the formal organisation. Sometimes role conflict may arise because the ideas, expectation and requirement of both the organisation may be opposite to each other. For example an individual wants to follow the formal instructions of his boss; he may be compelled by the informal leader to follow informal norms. Thus organisational interests are likely to suffer in case of conflicts between formal and informal roles.

Check Your Progress C

- 1) Which of the following statements are True and which are False.
 - i) An organisation chart indicates the lines of communication as well as lines of authority.
 - ii) Both formal and informal relationships are depicted in the organisation chart.
 - iii) The existence of organisation manual totally relieves managers of their responsibility of issuing instructions to subordinates.
 - iv) Informal organisation is created by conscious managerial decision.
 - v) Informal groups in an organisation consist of members drawn from the same department.

- 2) Fill in the blanks:
 - i) Organisation manuals enable employees to quickly learn the standard and.....
 - ii) An organisational chart shows the of authority but not the of authority with respect of the various managerial positions.
 - iii) Formal organisation is typically reflected in the organisational
 - iv) Informal organisation cuts across..... and..... boundaries.
 - v) In a formal organisation every individual belongs to only one

13.11 LET US SUM UP

As a function of management organising refers to the process involving the identification and grouping of activities to be performed and defining and establishing the authority responsibility relationships. This enables people to work most effectively together in achieving the enterprise objectives. The outcome of the organising process is the ‘organisation’ consisting of a group of people working together for the achievement of one or more common goals. The characteristics of an organisation thus are: Willingness of a group of people to willingly contribute their efforts towards a common endeavour, division of work, common purpose, vertical and horizontal relationships, chain of command and dynamic functioning.

An organisation provides the framework within which co-operative work can be carried out without friction, and people can perform their tasks more effectively. Organising is the process by which managers bring order out of chaos and create proper conditions for effective team-work. An organisation viewed as a system is composed of many inter-dependent and interrelated parts known as sub-systems. As a social system, components of an organisation consist

of: inputs of human and material resources along with information, the processor (also known as throughput); and output consisting of goods and services.

Organising involves: (1) determination of objectives, (2) identification and grouping of activities; (3) allotment of duties; (4) developing relationships. The structure of organisation refers to the pattern of relationships formally established by top-management among various parts or components of the organisation. Three different types of organisation structure can be distinguished on the basis of arrangement of activities as follows:

- 1) Functional,
- 2) Divisional,
- 3) Adaptive.

Principles of organisation which have been enunciated by management experts, are guidelines for planning an efficient organisation structure. These include: (a) unity of objectives; (b) division of work and specialization, (c) definition of jobs; (d) separations of line and staff functions; (e) chain of command; (f) principle of correspondence; (g) unity of command; (h) exception principle; (i) span of supervision; (j) principle of balance; (k) communication; (l) flexibility; and (m) continuity.

Span of control refers to the number of individuals a manager can effectively supervise. The ideal span depends on a number of factors like nature of work, ability of the manager, staff assistance, ability of subordinates, etc.

An organisation chart gives a diagrammatic view of the major functions, their relationships, as well as the positions and formal lines of accountability among them. It serves as a valuable aid to management and personnel. An organisation manual consists of records of top management decisions, standard practices and procedures, and job descriptions in terms of duties and responsibilities.

Formal organisation is a planned structure which represents the officially established pattern of relationships among individual groups, sections, units, departments and divisions. Informal organisation refers to relationship between individuals based on their social and psychological needs.

13.12 KEY WORDS

Chain of Command: The line of authority running from the top to the bottom of the organisation.

Departmentation: Grouping of various activities on some well defined basis.

Formal Organisation: A planned structure which represent the officially established pattern of relationship among individuals, groups, sections, units, departments and divisions.

Informal Organisation: A network of relationship among the participants of an organisation which arises spontaneously on the basis of social and psychological needs.

Organisaton Chart: A graphical portrayal of positions in the enterprise and of the formal lines of accountability among them.

Organisational Manual: A recorded document containig job descriptions and other information in addition to the organisation chart.

Organisation Structure: The authority and responsibility relationships between various positions in the organisation showing who reports to whom.

Span of Control: The number of subordinates a manager can effectively supervise.

Structure: A framework of relationship among parts

System: An arrangement and act of relationship among multiple parts operating as a whole

Unity of Command: The principle of every subordinate being under one supervisor.

13.13 ANSWERS TO CHECK YOUR PROGRESS

- A)** 1) i) True, ii) False, iii) False, iv) True, v) True
2) i) Interrelated ii) tasks, responsibilities iii) superior, subordinates
iv) lower, v) large
- B)** 1) i) Scalar, ii) parity, iii) False, iv) flexible, v) fewer,
2) i) False, ii) False, iii) True, iv) True v) False.
- C)** 1) i) True, ii) False, (iii) False, iv) True, v) False.
2) i) Procedures, practices, (ii)line, extent, iii) chart, iv) hierarchical,
departmental v) workgroup.

13.14 QUESTIONS FOR PRACTICE

- 1) What do you understand by organising? What are the important principles of sound organisation?
- 2) Explain the components of organisational system.
- 3) Discuss the important steps involved in organisation process.
- 4) Under what circumstances is a divisional structure of organisation superior to the functional structure? Compare their relative merits.
- 5) What do you mean by span of control? Discuss factors affecting span of control
- 6) "Organisation chart provides a broad picture of positions of authority and their relationships in the organisation structure " Explain this statement and point out limitations of organisation chart.
- 7) What is meant by organisational manual? What are its uses? What information should it contain?
- 8) "Beneath the cloak of formal relationship in every institution there exists a more complex system of social relationships, called the informal organisation". Elucidate this statement and explain the nature of informal organisation.
- 9) Distinguish between formal and informal organisation. What should be the attitude of management towards informal organisation?

10) Write notes on:

Organising: Basic Concept

- a) Organisation structure
- b) Project organisation

Note: These questions will help you to understand the Unit better. Try to write answer for them. But do not send your answers to the University. These are for your practice only.

