

Concept of Organisation- Organisation is the foundation upon which the whole structure of management is built. It is the backbone of management. Without organizing managers cannot function as managers. Organisation means the determination and assignment of duties to people, and also the establishment and the maintenance of authority relationships among these grouped activities.

Meaning of Organisation- Organising is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organisational function helps in achievement of results which in fact is important for the functioning of a concern.

According to Chester Barnard- “Organizing is the system of co-operative activities of two or more persons.

According to Mooney and Reiley-“Organisation is the form of every human association for the attainment of common purpose.”

Classification of Organisation- There are two types of organisations formed on the basis of relationships in an organisation.

1. Formal Organisation - This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure. This kind of organization is an arbitrary set up in which each person is responsible for his performance. Formal organization has a formal set up to achieve pre-determined goals.

2. Informal Organisation - It refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organisations. There is no conscious effort made to have informal organisation. It emerges from the formal organisation and it is not based on any rules and regulations as in case of formal organisation.

Formal and Informal Organisations Distinguished- Formal and Informal Organisation differences are as under:

1. Meaning- Formal Organisation means as such organisation in which authority, responsibility and accountability of each member are clearly defined. In

Informal organisation authority, responsibility and accountability of each member are not clearly defined.

2. Objectives- The objective of establishing formal organisation is to achieve Pre-determined goals of an enterprise. Informal organisation is just to fulfill the psychological and social needs of its members.

3. Need- Formal organisation is more needful to every organisation but informal organisation is not as essential to every organisation.

4. Size- Formal organisation is generally too large in size, in comparison to informal organisation. Informal organisation is generally too small in size.

5. Types of Communication- In formal organisation written or formal communication take place to express the order, views and feedback. Informal organisation generally oral or informal communication take place to express the order, views and feedback.

Nature of Organisation- There are some common features of organisation. These are indicated below:

1. **Process-** Organisation is a process of defining, arranging and grouping the activities of an enterprise and establishing the authority relationships among the persons performing these activities. It is the framework

within which people associate for the attainment of an objective. In other words, organisation is the process by which the chief executive, as a leader, groups his men in order to get the work done.

2. Structure- The function of organising is the creation of a structural framework of duties and responsibilities to be performed by a group of people for the attainment of the objectives of the concern. The organisation structure consists of a series of relationships at all levels of authority.

An organisation as a structure contains an “**identifiable group of people contributing their efforts towards the attainment of goals.**” It is an important function of management to organise the enterprise by grouping the activities necessary to carry out the plans into administrative units, and defining the relationships among the executives and workers in such units.

3. Dividing and Grouping the Activities- Organisation is a process of dividing and combining the activities of an enterprise. Activities of an enterprise are required to be distributed between the departments, units or sections as well as between the persons for securing the benefits of division of labour and specialisation, and are to be integrated or combined for giving them a commonness of purpose.

4. Accomplishment of Goals or Objectives- An organisation structure has no meaning or purpose unless

it is built around certain clear-cut goals or objectives. In fact, an organisation structure is built-up precisely because it is the ideal way of making a rational pursuit of objectives. Haney defines organisation as: **“a harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes”**.

5. Authority-Responsibility Relationship- An organisation structure consists of various positions arranged in a hierarchy with a clear definition of the authority and responsibility associated with each of these. An enterprise cannot serve the specific purposes or goals unless some positions are placed above others and given authority to bind them by their decisions.

6. Human and Material Aspects- Organisation deals with the human and material factors in business. Human element is the most important element in an organisation. To accomplish the task of building up a sound organisation, it is essential to prepare an outline of the organisation which is logical and simple. The manager should then try to fit in suitable men. Henry Fayol says in this connection: **“see that human and material organisations are suitable”** and **“ensure material and human order”**.

Importance of Organising Function

1. Specialisation - Organisational structure is a network of

relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.

2. Well defined jobs - Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.

3. Clarifies authority - Organizational structure helps in clarifying the role positions to every manager. This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuse of powers does not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.

4. Co-ordination - Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensures mutual co-operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager.

Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organisation, the co- ordination between authority- responsibilities is very important. There should be co- ordination between different relationships. Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, - Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective. “Therefore, co- ordination of authority- responsibility is very important.

5. Effective administration – The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialisation is achieved through division of work. This all leads to efficient and effective administration.

6. Growth and diversification - A company’s growth is totally dependant on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grows. This is possible only when the organization structure is well- defined. This is possible through a set of formal structure.

7. Sense of security - Organisational structure clarifies the job positions. The roles assigned to every manager are clear. Co- ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

8. Scope for new changes - Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organisational structure.

Principles of Organising Function- The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organise in an effective manner, the following principles of organisation can be used by a manager.

1. Principle of Specialisation - According to the principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can

be achieved which results in effective organisation.

2. Principle of Functional Definition - According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority-responsibility relationships helps in achieving co-ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments should be clearly defined to every person attached to that department. Clarification in the authority responsibility relationship helps in efficient organization.

3. Principles of Span of Control/Supervision- According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either from a wide or narrow span. There are two types of span of control:-

a. Wide span of control- It is one in which a manager can supervise and control effectively a large group of persons at one time. The features of this span are:-

- a. Less overhead cost of supervision
- b. Prompt response from the employees
- c. Better communication
- d. Better supervision
- e. Better co-ordination
- f. Suitable for repetitive jobs

According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

b. Narrow span of control- According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervises and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time. The features are:-

a. Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.

- b. Co-ordination is difficult to be achieved.
- c. Communication gaps can come.
- d. Messages can be distorted.
- e. Specialization work can be achieved.

Factors influencing Span of Control:

1 Managerial abilities- In the concerns where managers are capable, qualified and experienced, wide span of control is always helpful.

2 Competence of subordinates- Where the subordinates are capable and competent and their understanding levels are proper, the subordinates tend to very frequently visit the superiors for solving their problems. In such cases, the manager can handle large number of employees. Hence wide span is suitable.

3 Nature of work- If the work is of repetitive nature, wide span of supervision is more helpful. On the other hand, if work requires mental skill or craftsmanship, tight control and supervision is required in which narrow span is more helpful.

4 Delegation of authority- When the work is delegated to lower levels in an efficient and proper way, confusions are less and congeniality of the environment can be

maintained. In such cases, wide span of control is suitable and the supervisors can manage and control large number of sub-ordinates at one time.

5 Degree of decentralization- Decentralization is done in order to achieve specialization in which authority is shared by many people and managers at different levels. In such cases, a tall structure is helpful. There are certain concerns where decentralization is done in very effective way which results in direct and personal communication between superiors and sub-ordinates and there the superiors can manage large number of subordinates very easily. In such cases, wide span again helps.

4. Principle of Scalar Chain- Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimized,

communication is affected, overlapping of work is avoided and easy organization takes place. A scalar chain of command facilitates work flow in an organization which helps in achievement of effective results. As the authority flows from top to bottom, it clarifies the authority positions to managers at all level and that facilitates effective organization.

5. Principle of Unity of Command - It implies one

subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt. Unity of command also helps in effective combination of resources, that is, physical, financial resources which helps in easy co- ordination and, therefore, effective organization.

Authority Flows from Top to Bottom



According to the above diagram, the Managing Director has got the highest level of authority. This authority is shared by the Marketing Manager who shares his authority with the Sales Manager. From this chain of hierarchy, the official chain of communication becomes clear which is helpful in achievement of results and which provides stability to a concern. This scalar chain of command always flows from top to bottom and it defines the authority positions of different managers at different levels.

Steps in Organisation Process- The management function of organising consists in making a rational division of work and integration of the activities into specific groups to achieve a well-co-ordinated and or-derly structure for the accomplishment of work.



The organisation Process

The various steps involved in this process are the following:

- 1. Determination of Activities-** The first step in organising is to divide the total job of an enterprise into several essential activities such as-production, financing, purchasing, sales, personnel, and so on. Identification of work enables the managers to concentrate attention on important activities, to avoid duplication of work, and eliminate overlapping or wastage of effort.
- 2. Grouping or Classification of Activities-** The various activities identified under the first step are then classified into appropriate departments, divisions, sections, sub-divisions etc. on the basis of functions, products,

territories or customers. For example, the various activities connected with production may be grouped and classified as 'production department activities.' This will facilitate specialisation.

3. Allocation or Assignment of Duties to Individuals- After the creation of departments or divisions, the next step will be to fix suitable and qualified persons into the activities of each department. Each person in the department will be given a specific part of the job to do and will be made responsible for it.

So, the task of management in this step is to appoint workers, foremen, supervisors, etc. and to define the responsibility of each one of them. While assigning duties, the requirements of the job and the competence of the individual should be properly matched together.

4. Establishment of Relationships- Through the assignment of tasks to individuals superior-subordinate relationships between various positions are established in the enterprise. The superior manager commands his subordinates and the subordinate manager gives him the reports of his performances. Such relationships and channels of communication should be clearly defined.

5. Delegation of Authority- Appropriate amount of authority is delegated to people to enable them to perform the assigned duties with confidence. No one can discharge his responsibilities regarding a particular work in the absence of requisite authority to do the same. So the manager will have to pass on authority for completing

the assigned work to the sectional managers and the sectional managers to others below them. Delegation of authority means conferring of operational decision-making power by the top manager to the subordinate manager.

Note- Next topic is Structures of Organisation.