

UNIT-II

Designing Organizational Structures

Unit ①

organisation :-

Organisation may be defined as the process of identifying and grouping the work to be performed, refining & delegating responsibility and authority, establishing relationships for the purpose of enabling people to work most efficiently together in accomplishing objectives.

organisation is different from organising.

Organising is one of the functions of management where as organisation refers to the institution where in the management functions are performed.

characteristics of organisation :-

- (i) organisation is a group of people i.e. small or ^{large} group.
- (ii) organising is a function or tool of management.
- (iii) organisation leads to division of work & responsibilities.
- (iv) The group works under an executive leadership.
- (v) organisation establishes a relationship between authority and responsibility and controls the efforts of the group.
- (vi) organisation is a step towards the achievement of established goals.
- (vii) organisation defines and ^{fixes} the duties and responsibilities of employees.

Elements of organization:

The main components of the organization are

- (a) well defined objectives.
- (b) well organised and coordinated groups of people.
- (c) proper division of work & labour.
- (d) clear and well defined policies & procedures
- (e) proper division of authority & Responsibility.
- (f) An effective system of communication.

Process of organization:

The process of organization may be described as the managerial function of organising. The important steps involved in the process of organization are:

(i) determination of objectives

Objectives decide as to why the proposed organization be set up (purpose) and what will be the nature of work to be accomplished through the organization.

(ii) deciding various activities

To achieve the objectives, the process of organization is divided into functions, sub functions and further subfunction to be performed by an individual. The principles of division of work, specialization etc are followed. This avoids confusion, wastage of men, machine, money and material.

(iii) Grouping of Activities

Activities of similar nature are grouped under departments, sections or divisions. These may be grouped on the basis of use, consultation, policy & control etc. There may be different departments in an enterprise like finance, purchase, production, sales etc.

(iv) Assignment of responsibilities of definite persons

Specific job assignments are made to different persons (subordinates) for ensuring a certainty of work performance. Right man is put on the right job.

(v) Delegation of Authority

Corresponding to the responsibility given to a subordinate, authority is delegated to him, to enable him to show work performance.

(vi) Providing physical facilities and proper environment

Physical facilities include — proper machinery, tools etc.

Right environment means proper lighting, ventilating & heating/cooling arrangements at the place of work, reasonable hours of work, rest intervals, safety devices, job security, job satisfaction and above all human approach by management.

Principles of organisation :-

Principles of organisation assist in arriving at the final structure of an industrial organisation to carry out the basic objectives of the organisation.

A few common principles of organisation have been listed and explained below.

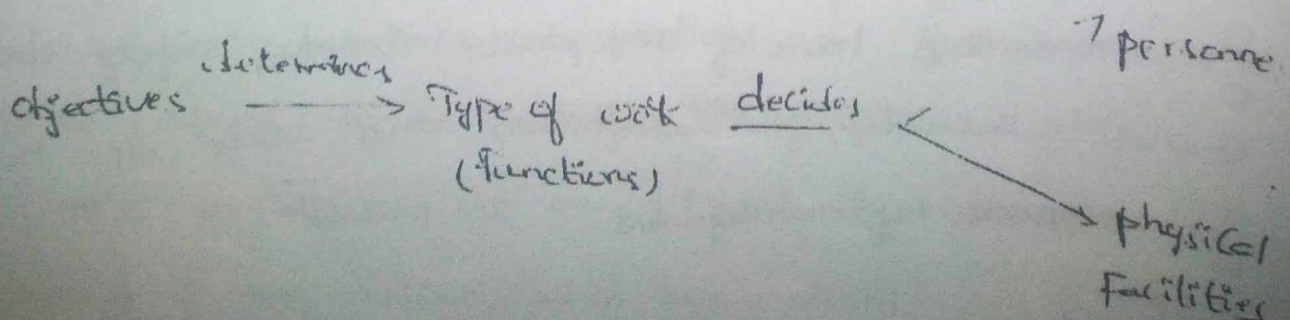
(1) Consideration of objectives

Since the objectives of the enterprise have an important bearing on the organisation's structure, only those objectives should be taken up and accomplished for which there is real need in the organisation.

Eg. measures may be taken in to increase productivity, improve product quality etc.

(2) Relationship of Basic Components of the organisation

Objectives as decided how to determine the work to be performed and the type of work decides the selection of personnel & physical facilities.



(3) Responsibility and Authority

Responsibility means accountability. It may be considered as the obligation of a subordinate to his boss to do a work given to him.

Authority means right (to command) and power to act.

Since the topman in the organisation cannot do each and every thing himself alone, a definite chain of responsibility and authority is provided from the top executive to each employee of course through all levels.

Authority empowers the superior to make a subordinate to do the work.

(4) Span of Control

Span of Control or span of management refers to the number of subordinates that report to an executive or the number of subordinates that an executive can supervise directly.

If the span is small, an executive may tend to over-supervise and may do even span feeding to his subordinates on the other hand - If the span is large, the executive may not be able to supervise his subordinates efficiently and they may start thinking that they are too remote from the point of control and may become careless or they may feel that they are unimportant part of the organisation machinery.

depending upon the conditions of the enterprise, the span of control may be any number varying from 2 to 20.

(5) principle of division of labour :-

The work load is so divided that each member of the organisation is called upon to perform a single function. If man is fitted into a job, his productivity increases and he becomes specialised in that field. ~~therefore~~

(6) principle of unity of efforts :-

organisation involves division of work among people whose efforts must be coordinated to achieve common goals. Coordination is the orderly arrangement of group effort to provide unity of action in the pursuit of common purpose.

(7) principle of definition :-

There are authority and responsibility relationships in an organisation. The scope of authority & responsibility must be spelled out in definite terms. Every one in the organisation must clearly know what is his authority and what is his responsibility and how he stands in relationship with other positions in it.

(8) principle of span of control :-

The span of control is the number of subordinates that a manager can supervise. The basic questions surrounding span of control are : How many subordinates should be assigned to a superior? Should the organisation structure be wide or narrow?

Generally speaking no superior at a higher level should have more than six immediate subordinates .

(9) principle of continuity and flexibility :-

An organisation is a continuous process. The organisation structure must adopt itself to the environmental changes. As the enterprise grows, its activities become varied and complex.

The existing organisational structure must be flexible enough to incorporate such a growth.

Reorganisation is a sign of continuous and dynamic organisation . No company is static. Its goals may change for many reasons.

Types of organisations :-

An organisation can be classified on the basis of authority relationships or on the basis of its departments.

The types of organisation based on authority relationships are

- (a) Line organisation
- (b) Line & staff organisation
- (c) Functional organisation
- (d) Committee organisation
- (e) Matrix organisation

The organisation can also be divided into the following groups based on its activities or departments.

They are :-

- (a) Functional organisation
- (b) product organisation
- (c) Regional (or) geographical organisation.
- (d) Customer organisation
- (e) Committee organisation
- (f) Matrix organisation

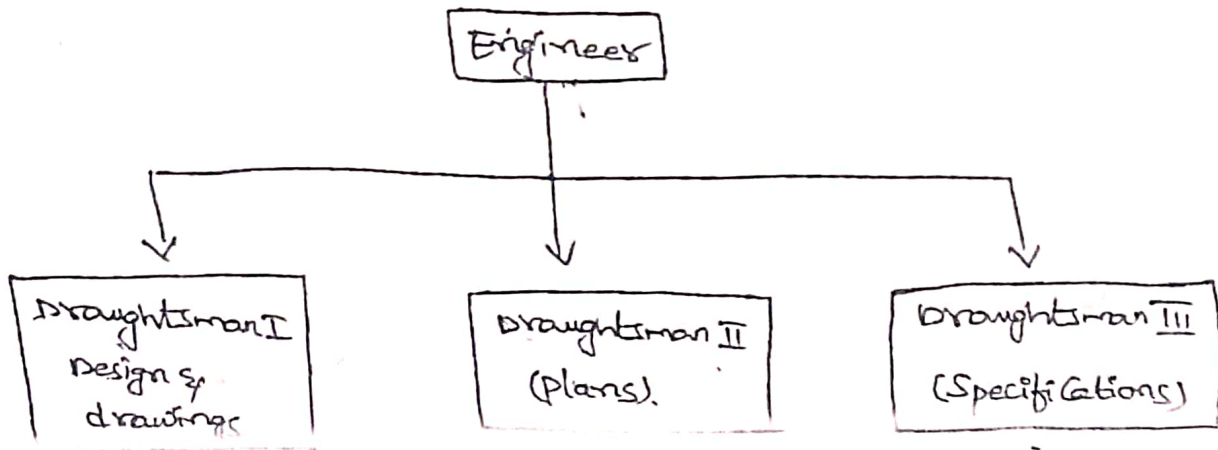
Line organisation :-

Line organisation is also called military or scalar organisation. It is said to be the oldest and most traditional type of organisation, which is widely used even today. This is called Line organisation because managers in this organisation have direct responsibility for the results.

Consider this example, An engineer setting up a consultancy, employs a few young graduate engineers &

(5)

'draughtsmen to prepare designs and drawings, plans and specifications. The Line organisation is the most suitable in this case.



Merits :-

(1) It is simple to understand.

(2) It sets clearly the direct lines of Authority & responsibility of a line manager.

(3) Each section (or) department can be treated as a unit for control purposes.

(4) It is flexible

(5) It facilitates quick decisions and prompt actions.

Demerits :-

There is no scope for specialisation, Instability is likely due to lack of continuity.

(1) It may lead to low morale in the organisation. ^{confidence}

(2) It is likely that the line manager is overburdened with all tasks relating to a particular section or department.

(3) There is no scope for favouritism & nepotism. → partially

Applications :-

(1) This is used for small concerns like paper, sugar, textile etc.

Line and staff organisation:-

This concept is drawn from ancient civilisations and ancient. In this organisation, we have both line managers and staff managers. Staff managers support the functions of the line managers.

The word 'staff' means a stick for support. The staff managers are specially appointed to give advice, suggest or assist the line managers in their day to day matters. The line manager may require legal updates and counselling and for this purpose, he is provided with a specialist who can offer valuable suggestions in the matters of latest rules and regulations on a given issue. The line manager can take the support of their staff managers to get a full view of the issue under consideration.

Line and staff organisation in a service organisation:
In practice, it is not necessary that the line manager has to follow the suggestions offered by the staff managers. The line manager has the authority to consider or ignore such suggestions. In other words, he may or may not consider the suggestions made by the staff managers.

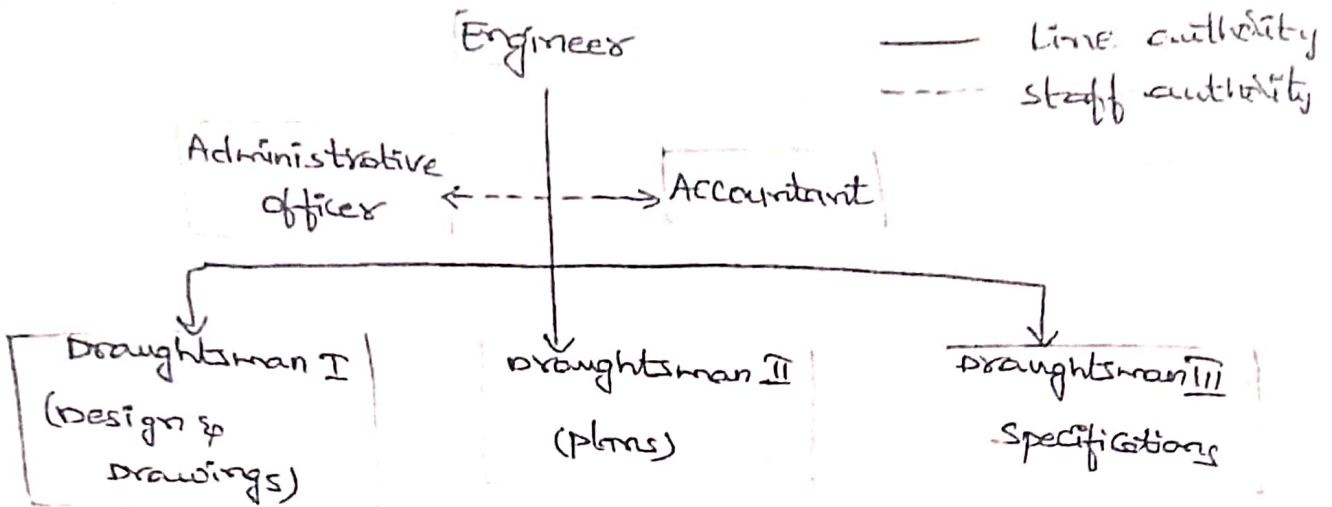


Fig:- Line and staff organisation in a services organisation, from the figure; which depicts the line and staff relationship in a service organisation.

If the organisation expands, the engineer may appoint an accountant and an administrative officer to take care of the support functions such as maintaining the cost records or preparation of financial statements, and so on.

Line & staff organisation in a Manufacturing unit:

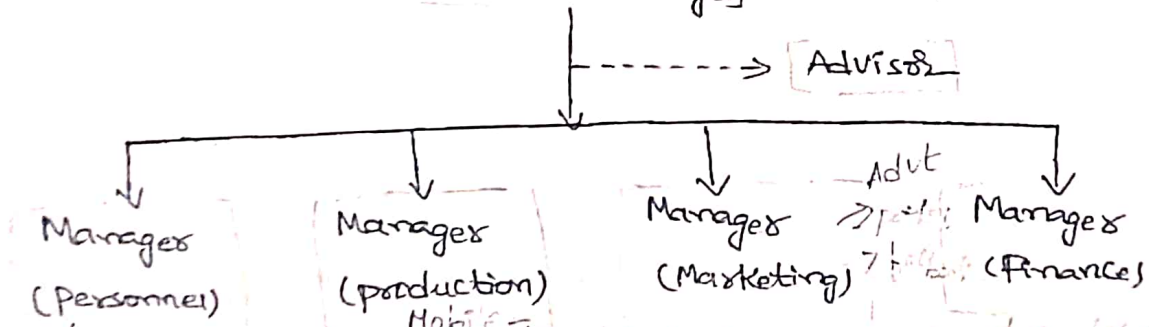


Fig:- Line & staff organisation for a manufacturing unit

The line & staff organisation in a manufacturing unit is depicted as shown in the figure.

Here the purchasing, production and sales departments are generally considered as line departments. The finance, accounting, personnel & administrative services are regarded as staff managers.

Merits :-

- (1) Quality of product is better
 - (2) Wastage is less
 - (3) Discipline is possible
 - (4) More labour is available
 - (5) Better quality of decisions
- 1) It enhances the quality of decisions
2) Greater scope for advancement
3) Relieves line managers
4) ~~and~~

Demerits :-

- (1) Line officers may not give importance to the advice given by the staff people because they may think their status and influence is hurt by the high tide of staff prestige.
1) It may create more friction or conflict between line & staff managers.
- (2) Staff officers do not have authority, so it is not possible for them to carry out good decisions directly.
a) Staff suggestions are seldom implemented
- (3) It is expensive to have line & staff managers.

Applications :-

Line & staff managers organisation is very common among the medium and larger enterprises.

Functional organisation :-

FW Taylor suggested functional organisation in his theory of scientific management in support of his 'one best way' of doing things.

Taylor observed that one single foreman was overburdened with all the operations such as task setting, time recording, quality inspection, disciplinary jobs and so on. He divided this job into eight functional foreman - four dealing with the planning task and four dealing with the implementation task. In other words, the planning and implementation tasks are divided to ensure the division of labour. He suggested the functional type of organisation structure as shown in fig.

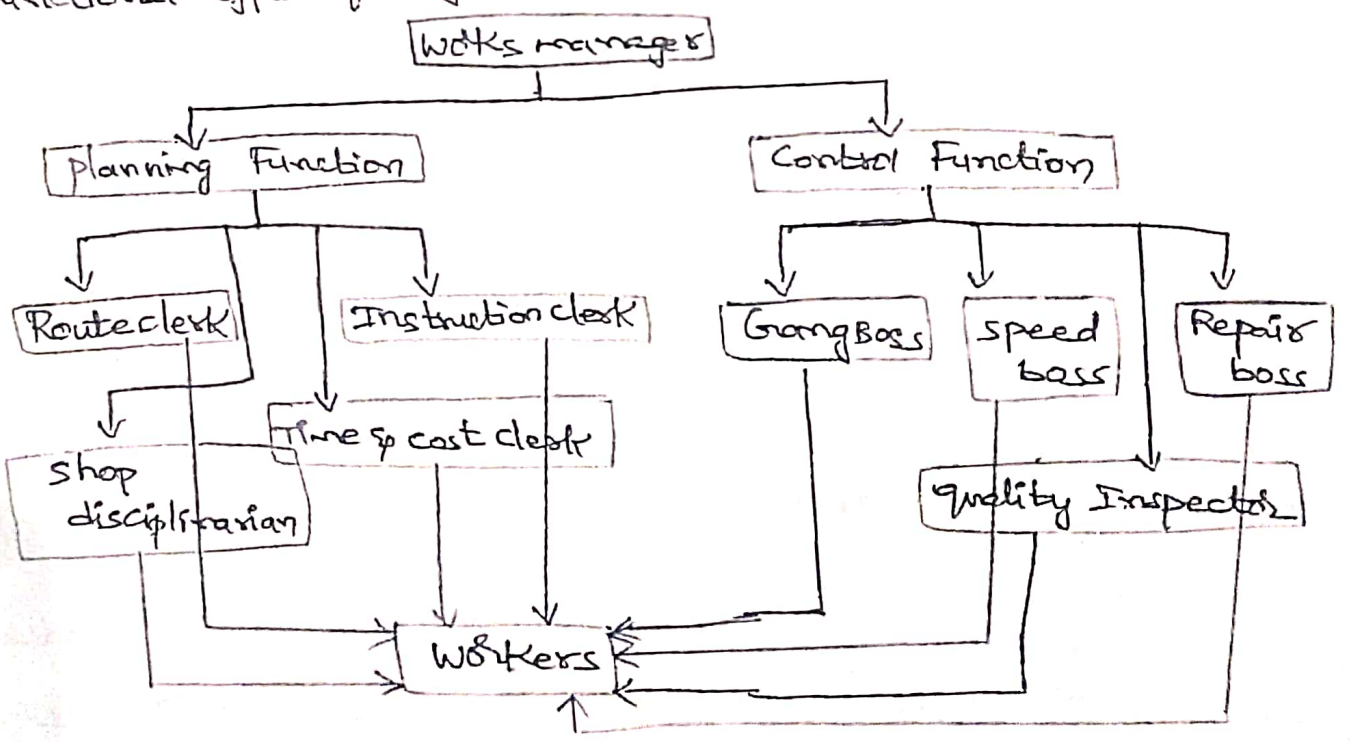


Fig:- Taylor's Functional Organisation

The Foremen involved in the planning task were :

- (1) Route clerk (identifies the route for the materials to pass on)
- (2) Instruction clerk (gives instructions to the workers about what to do and what not).
- (3) Time & cost clerk (identifies the time & cost for each job).
- (4) Shop disciplinary (maintains the discipline on the shop floor).

The Foremen involved in the control/Implementation task were :

- (5) Gang Boss (assembles the machinery needed for the workers)
- (6) Speed Boss (standardises and sets the speed of the machines)
- (7) Repair Boss (repairs the machinery in case of breakdown).
- (8) Quality Inspector (responsible for the matters relating to quality).

Merits :-

- (1) provides opportunity to acquire better skills.
- (2) Better output (quantity & quality wise)
- (3) facilitates large scale production through standardisation
- (4) Separates activities related to planning & control.
 - * Disciplinary controls are well defined.
 - * Appropriate when there is a single service.

Demerits :-

→ No clear line of Authority.

1) It is unstable because a person/worker has to work under different bosses.

2) It is too complicated in operation.

3) Weakness to disciplinary control.

4) Very costly. 5) Calls for more coordination.

Applications :-

It is frequently used in some most modern & advanced concerns. *eg* Industrial engineer, safety engineer

Committee organisation :-

A committee is formed when two or more persons are appointed to work as a team to arrive at a decision on the matters referred to it. It is intended to utilise the knowledge, skills and experiences of all the concerned parties. particularly in large organisations, problems are too big to be handled by one single expert.

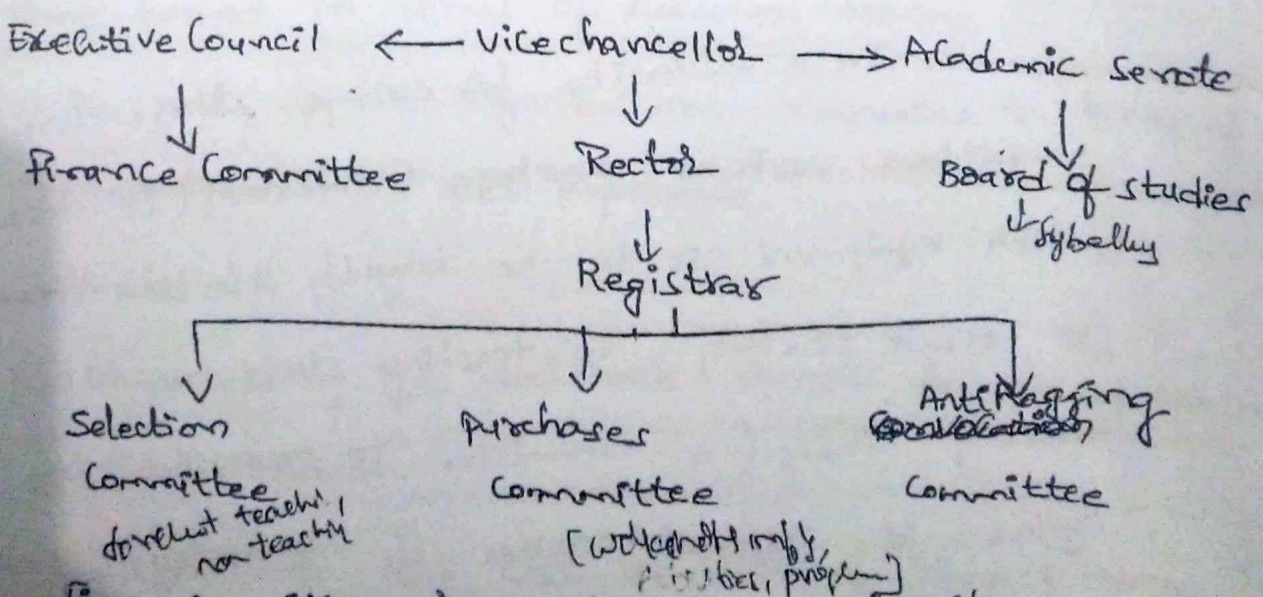


Fig:- Committee organisation in a university

Figure represents a typical committee organisation in a university. Here the Finance Committee is responsible for executive council directly. Similarly, the Board of Studies (intended to review, revise and update the syllabus of different academic courses in the university) submits its report to the Academic Senate. The chairman of both academic senate and executive council is the vice chancellor.

The members of committees for selection, convening, purchase and others meet discuss the issues placed before them, decide and submit their report to the registrar. Some of the issues that call for appointment of committees are revision of wages, selection of faculty & technical staff, disciplinary matters, purchase of equipment & so on.

In a university for example, there are various committees such as purchase committee (to decide which equipment is to be bought), selection committee (to recruit teaching & non-teaching staff members), board of studies (a committee to prescribe the syllabus for different courses of engineering),

anti ragging Committee (to prevent ragging) (9)

→ These Committees are supportive in nature.

In an Industry setting, there are several committees such as production, Committee, Finance Committee, welfare Committee and so on.

Conceptually the Committee is intended to gain cooperation of all the parties involved, coordinate the efforts necessary and utilise the resources of all members associated with the Committee.

Merits :-

→ It minimises the fear of too much authority vested in one person.
→ It represents all interested groups and concerned or affected groups to participate. (thus facilitates group discussion)

(1) It motivates all the concerned or affected groups to participate.

(2) It yields good results if the Committees are headed by the taskmaster like chairman and time bound in terms of decision making.

(3) It pools up the organisational resources in terms of knowledge, skills and experience.

Demerits :-

(1) Responsibility for decisions cannot be fixed on a particular person.

(2) It involves high cost in terms of time & money.

(3) It calls for higher degree of coordination.

Matrix Organisation :-

This is also called project organisation. It is a combination of all relationships in the organisation is vertical, horizontal, ^{diagonal}. It is mostly used in complex projects. It provides a high degree of operational freedom, flexibility and adaptability for both the line and staff managers in performing their respective business roles.

The main objective of matrix organisation is to secure a higher degree of coordination than what is possible from the conventional organisational structures such as the line and the staff.

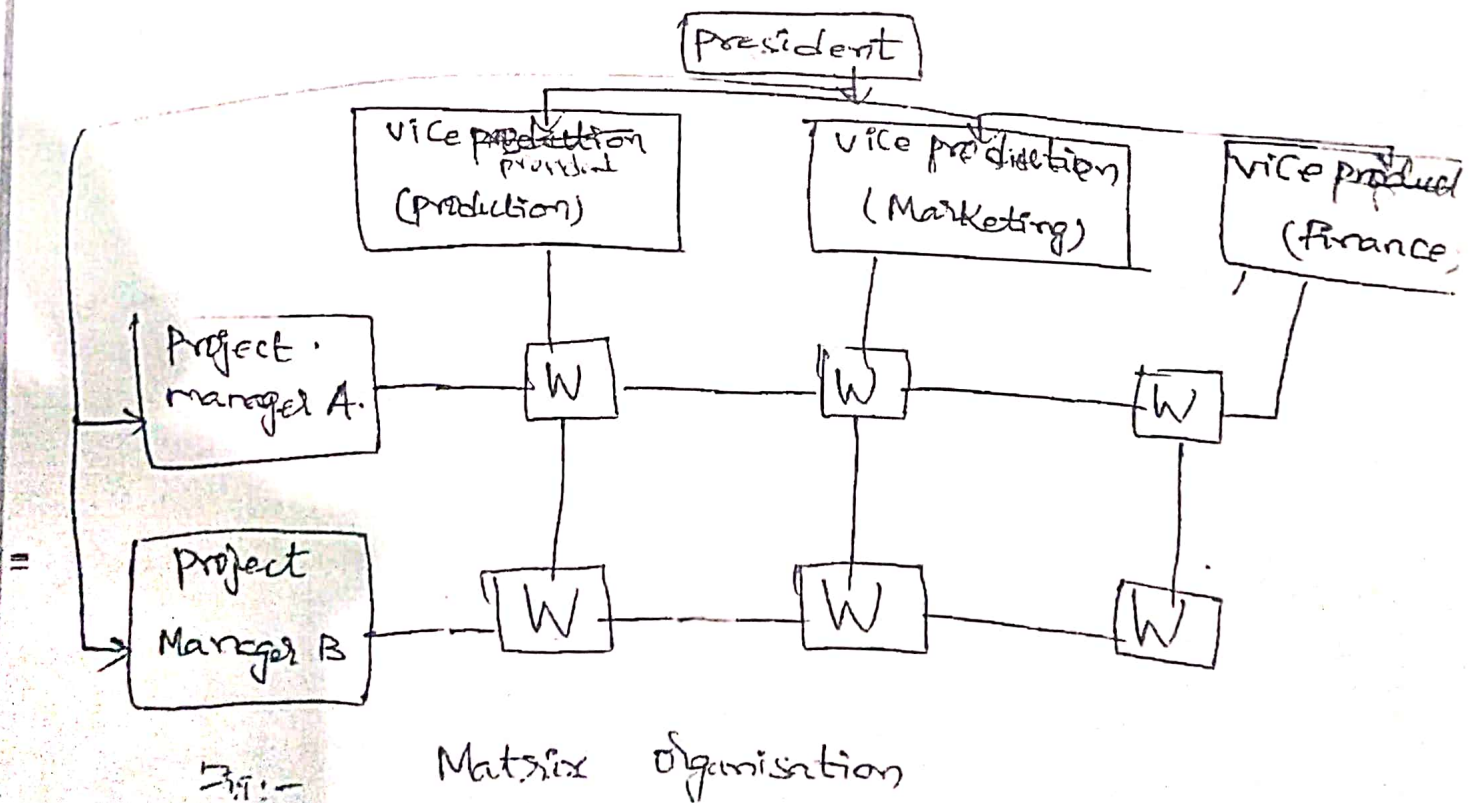


Figure shows that the president having 3 vice presidents, each representing a functional area, production, finance, sales. Additionally there are two project managers for two locations A and B. The figure reveals that both the functional manager and the project manager exercise authority over those working in the matrix unit.

* It offers operational freedom & flexibility
* It seeks to optimize utilization of resources
* It holds an employee responsible for management of resources

Merits :-

- (1) It focuses on end results.
- (2) It maintains professional Identity.

Demerits :-

- 1) It may be difficult to define authority & responsibility.
- * Employee may find it frustrating to work with two bosses.

Organisation structure :-

organisation structure simply means the systematic arrangement of the people working for the organization in order to achieve goals.

- NO organisation can work without people.
- organisation structure is concerned with the establishment of positions (persons) and the relationships between positions.
- This provides an appropriate framework for authority and responsibility relationships between various positions.

Departmentation and Decentralisation:-

Departmentation:-

Departmentation is the process of breaking down an enterprise into various departments.

(a)

Identifying and grouping of similar activities on some logical basis so that a team of persons can be organized in order to attain the objectives of the enterprise may be called departmentation.

(2)

A department is a work group combined together for performing certain functions of similar nature. The process of division of the enterprise into different parts is broadly called departmentation.

Aims of departmentation:-

- (1) To group activities & personnel to make manageable unit
- (2) To bring specialisation in the performance of various activities.
- (3) To fix responsibility of the heads of various departments for the achievement of organization goals.

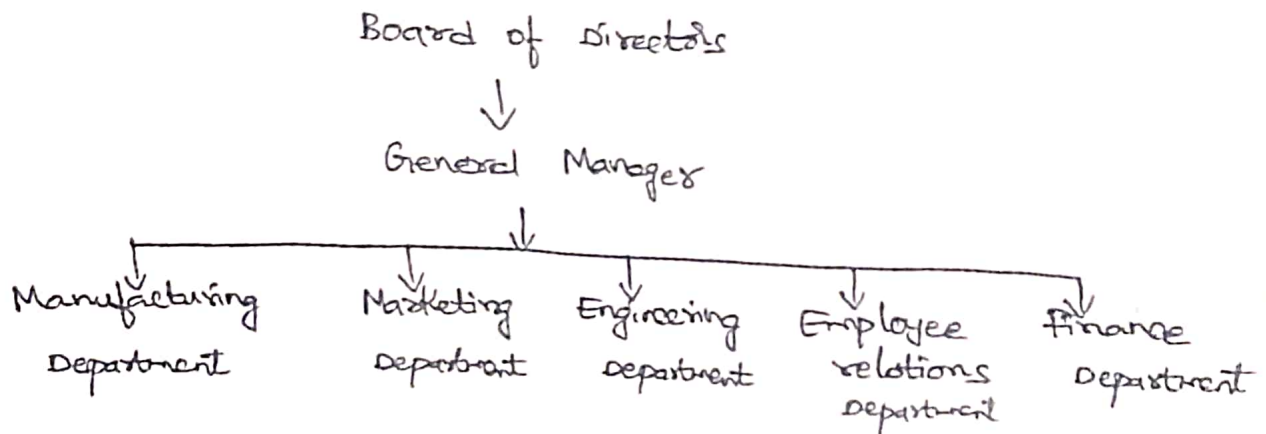
Advantages of departmentation:-

- (1) Since every one knows precisely his duties and authority, the efficiency of the enterprise increases.
- (2) As jobs are well defined and responsibilities well clarified, it is easy to fix accountability for the results.
- (3) The departmental managers are given opportunity

Methods of Departmentation :-

(1) Functional Departmentation :-

Departmentalization by functions is shown in fig ; where in the activities of the organization are divided in to the primary functions to be performed - manufacturing, marketing, engineering, research & development, employee relations & finance.



→ This arrangement has the advantage of the specialization and concentration of similar activities within a departmental unit.

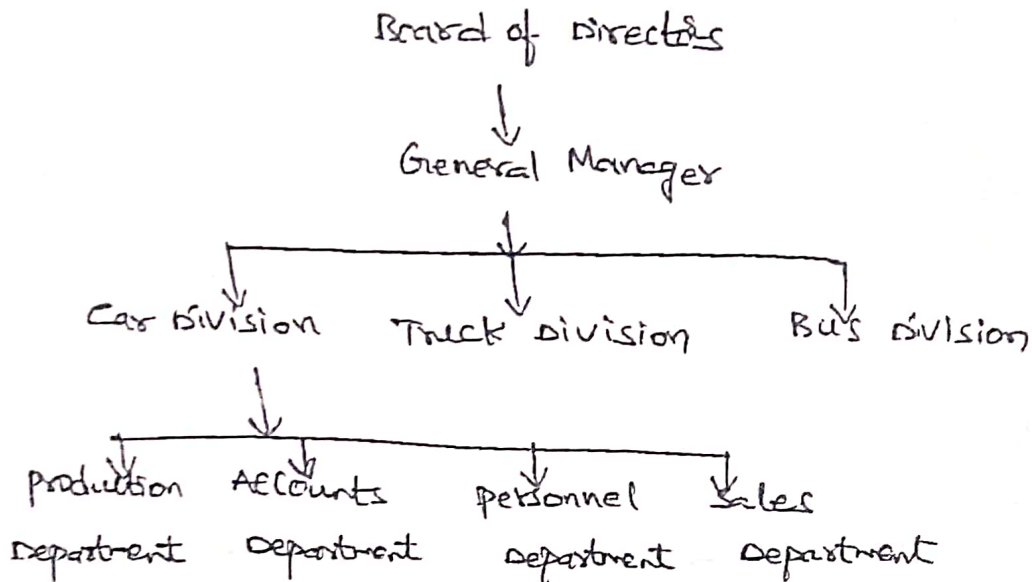
→ The major problem associated with this form is the coordination of the specialized activities.

(2) product departmentation :-

product departmentation has become increasingly important, especially for large, complex organizations.

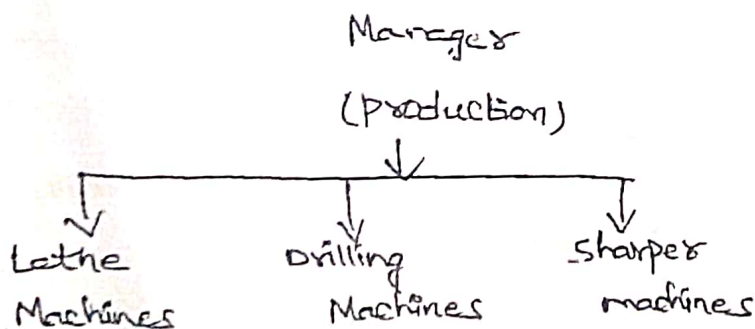
→ In this, product lines are separated and each product line has its own manager, its own manufacturing, selling etc.

→ An automobile Industry, for example may departmentalize its activities as follows.



→ Classification by product permits to make a maximum use of specialization in technical skill, managerial knowledge, capital equipments.

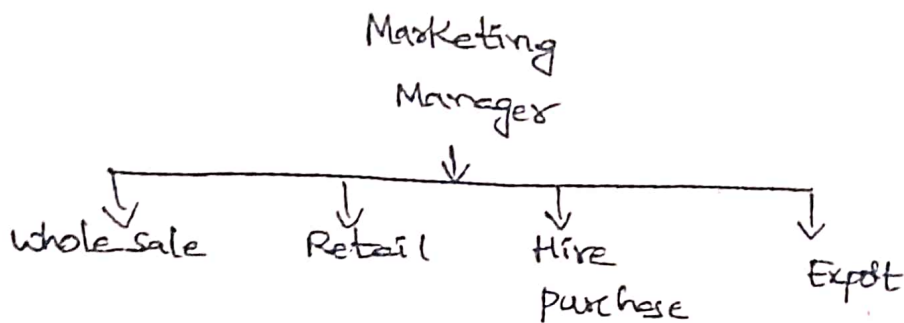
(3) process departmentation:-



The manufacturing activities may be subdivided on the basis of their process of production. Similar machines such as all lathes, all drilling machines,

each kept at one place and used for distinct operation on the job.

(4) Customer departmentation:-



Sales is the exclusive field of its application.

→ when the products are offered to an extensive market through numerous channels and outlets, it has the special merit of supplying goods according to the peculiar needs of customers.

Decentralisation:-

Centralisation:- This brings under control of a central authority.

The process of transferring authority from the top to the lower levels in the organisation is called delegation.

→ Although a task may be delegated or passed down the chain of command from a manager to a subordinate, the manager continues to be responsible for making sure that his/her instructions to be carried out.

The organisation is said to be centralised when the authority to take decisions is held by the corporate office.

If the authority is delegated to the regional offices, then the organisation is said to be decentralised.

Factors determining the degree of decentralisation :-

To what extent the authority is to be centralised or decentralised depends on a number of factors such as :

→ How significant and costly is the decision.

→ Is it necessary to implement policy in a uniform manner

→ How big is the organisation.

→ Does the department have enough economic resources & managerial talent?

→ How was the business built? Had it been built from within & expanded under the directions from the promoters? If it was built from within, it has a tendency for centralised authority. If it was expanded under the directions of the promoters, it provides adequate evidence for handling matters with decentralised authority.