Syllabus: Organization: Definition, Theories of Organization, Forms of organization, Formal and Informal Organization, Types of Formal Organizations, Departmentation, Line and Staff Relationship, Span of Management, Authority, Responsibility, Delegation, Centralization, Decentralization, Committees.

The term 'organisation' is used in management literature in two different ways: 1) as

a structure, and 2) as a process.

1 Organisation as a Structure

Organisation structure refers to the network of relationships among jobs and positions in an organisation. It is the skeleton framework of an enterprise, just like the architectural plan of a building, designed to achieve its common goal. According to McFarland, organisation is Man identifiable group of people contributing their efforts towards the attainment of goals." It is a group of interacting and interdependent individuals working toward a common goal. Thus, as a structure organisation is the structural framework within which the efforts of different people are coordinated and related to each other. It is a blueprint of how the management will like the various activities and functions to be performed. It is a structure manned by group of individuals who are working together towards a common goal. In this sense, organisation is a static mechanical entity.

2 Organisation as a Process

As a process, organisation refers to one of the important functions of management. It is the process of determining, arranging, grouping and assigning the activities to be performed for the attainment of objectives. According to Haimann, "Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organising function, the manager defines, departmentalises and assigns activities so that they can be most Reflectively executed." Organising involves identifying the work to be done, dividing the work, and coordinating efforts to accomplish goals.

Organising process involves differentiation and integration of activities. Differentiation is the segmentation of structure into sub-systems while integration Involves creating unity of effort among the various sub-systems. This is the dynamic and humanistic meaning of the term organisation.

13.2 Nature of Organisation

The main characteristics of an organisation are as follows:

1. Common Purpose. Every organisation exists to accomplish some common goals. The structure must reflect these objectives as enterprise activities are derived from them. It is bound by common purpose.

2. Division of Labour. The total work of an organisation is divided into functions and sub-functions. This is necessary to avoid the waste of time, energy and resources which arises when people have to constantly change from one work to another It also provides benefits of specialisation.

3. Authority Structure. There Is an arrangement of positions into a graded series. The authority of every position is defined. It is subordinate to the position above it and superior to the one below it. This chain of superior-subordinate relationships is known as chain of command.

4. People: An organisation is basically a group of persons. Therefore, activity groupings and authority provisions must take into account the limitations and customs of people. People constitute the dynamic human element of an organisation.

5. Communication: Every organisation has its own channels of communication. Such channels are necessary for mutual understanding and cooperation among the members of an organisation.

6. Coordination. There is a mechanism for coordinating different activities and parts of an organisation so that It functions as an integrated whole. Cooperative effort is a basic feature of organisation.

7. Environment. An organisation functions in an environment comprising economic, social, political and legal factors. Therefore, the structure must be designed to work efficiently in a changing environment. It cannot be static or mechanistic.

8. Rules and Regulations. Every organisation has some rules and regulations for orderly functioning of people. These rules and regulations may be in writing or implied from customary behaviour.

Formal and Informal Organisation

Definition of Formal Organization

By the term formal organisation, we mean a structure that comes into existence when two or more people come together for a common purpose, and there is a legal & formal relationship between them. The formation of such an organisation is deliberate by the top

level management. The organisation has its own set of rules, regulations, and policies expressed in writing.

The basic objective of the establishment of an organisation is the attainment of the organisation's goal. For this purpose, work is assigned, and authorities are delegated to each member and the concept of division of labour and specialisation of workers are applied and so the work is assigned on the basis of their capabilities. The job of each is fixed, and roles, responsibilities, authority and accountability associated with the job is clearly defined.

In addition to this, there exists a hierarchical structure, which determines a logical authority relationship and follows a chain of command. The communication between two members is only through planned channels.

Types of formal organization structure

- Line Organization
- Line and Staff Organization
- Functional Organization
- Project Management Organization
- Matrix Organization

Definition of Informal Organization

An informal organisation is formed within the formal organisation; that is a system of interpersonal relationships between individuals working in an enterprise, that forms as a result of people meet, interact and associate with one another. The organisation is created by the members spontaneously, i.e. created out of socio-psychological needs and urge of people to talk. The organisation is featured by mutual aid, cooperation, and companionship among members.

In an informal organisation, there are no defined channels of communication, and so members can interact with other members freely. They work together in their individual capacities and not professional.

There is no defined set of rules and regulations that govern the relationship between members. Instead, it is a set of social norms, connections, and interaction. The organisation is personal i.e. no rules and regulations are imposed on them, their opinions, feelings, and views are given respect. However, it is temporary in nature, and it does not last long.

Key Differences Between Formal and Informal Organization

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

1. Formal Organization is an organisation in which job of each member is clearly defined, whose authority, responsibility and accountability are fixed. Informal

Types of formal Organisation

Organisation structure is primarily concerned with the allocation of tasks and delegation of authority. There are several ways of division of work and distribution of authority. As a result, several types of organisation structure have been evolved.

The six main types of organisation structure are given below:

1. Line organisation.

2. Functional organisation.

3. Line and staff organisation.

4. Project organisation.

5. Matrix organisation.

6. Committee organisation.

1. Line organisation.

Line organisation is the oldest type of organisation structure. It is also known as 'military* or 'scalar* organisation because it originated in the army. In line organisation, there is an unbroken vertical line through which authority flows from the top to the bottom of organisation. Every manager exercises a direct authority over his subordinates who are in turn directly responsible to their superior. There
is thus a hierarchical arrangement of authority.
Line organization is the simplest framework for the whole administrative organization. Line organization approaches the vertical flow of the relationship. In line organization, authority flows from the top to the bottom. It is also known as the chain of command or scalar principle.

PURE LINE ORGANISATION

Pure Line Organisation

```
                    General Manager
                          |
                    Sales Manager
                          |
    ┌───────────────┬──────────┴───────┬─────────────────┐
Assistant Sales  Assistant Sales   Assistant Sales   Assistant Sales
Manager Div.1    Manager Div.2     Manager Div.3     Manager Div.4
    |                |                 |                  |
 Sales people    Sales people      Sales people      Office staff
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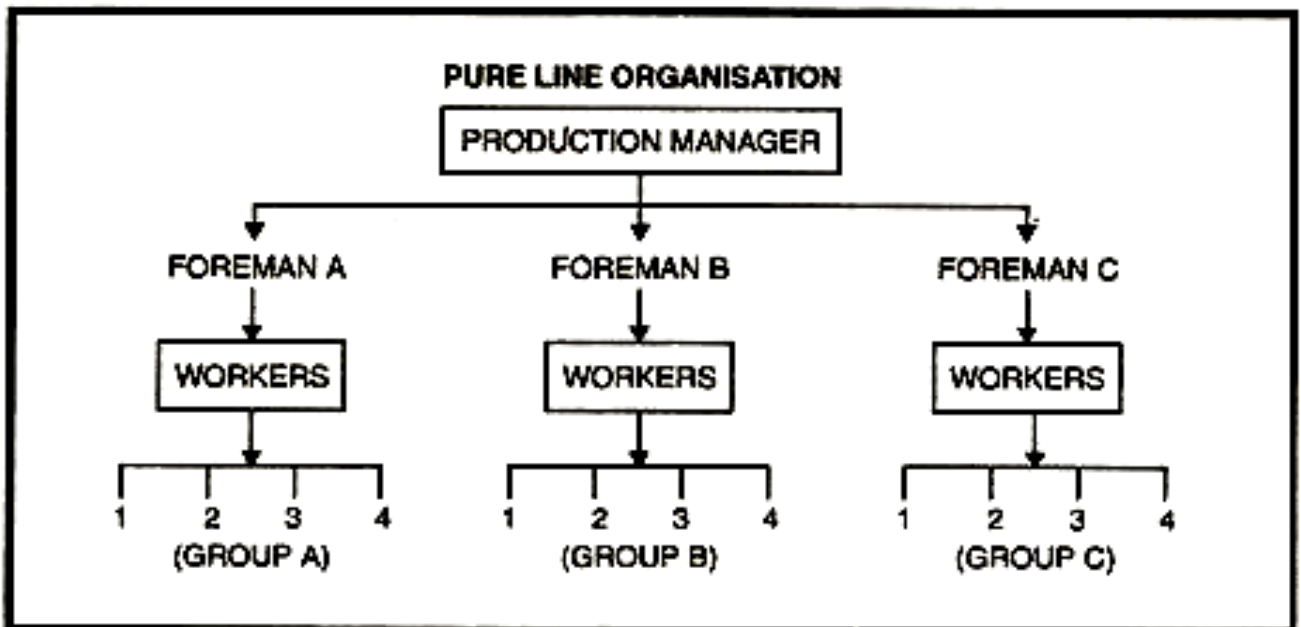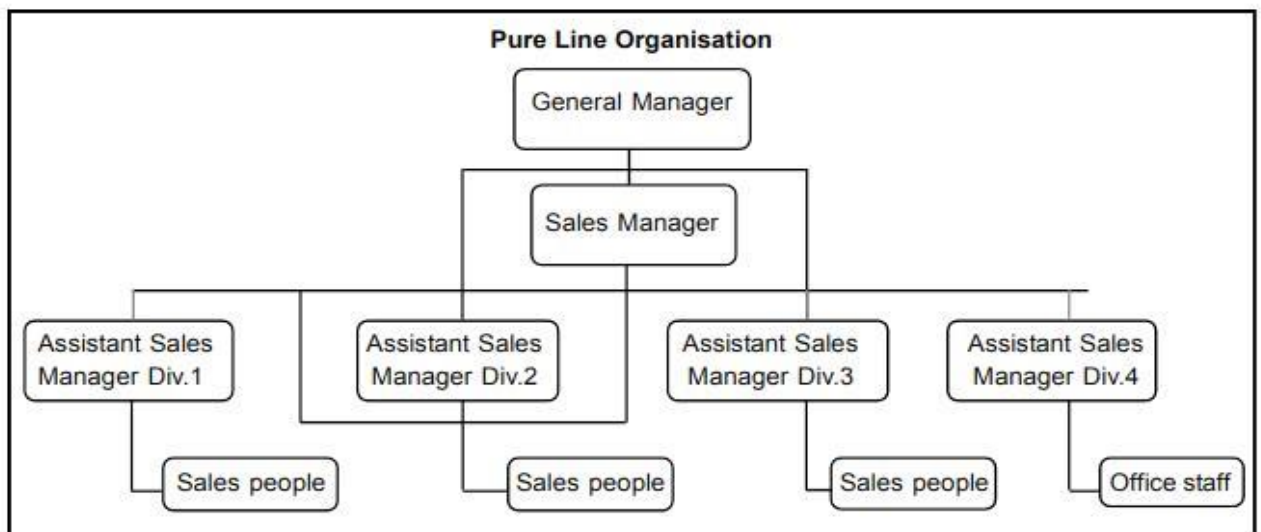
Advantages. Line organisation has the following merits:

(1) Simplicity. Line organisation is the most simple to establish and operate. Lines of authority and responsibility are direct, simple and clear.

(2) Prompt Decision. Every manager can take decisions independently without consulting others. Therefore decision-making process is easier and less time- consuming

(3) Effective Discipline. Each position is under the direct control of its immediate superior position. Therefore, it is easy to maintain discipline among the people in the organisation.

(4) Orderly Communication. Communication between superiors and subordinates flows in a direct vertical line. Such communication is easy to maintain and it is orderly in nature. It supports the authority of the superior.

(5) Unified Control. Unity of command results in close personal contacts between superiors and subordinates. Direct and close contacts facilitate effective supervision and control.

(6) Economical. Line organisation is quite economical because staff specialistare not required.

(7) Fixed Responsibility. Every manager can be held responsible for the results of his unit.

(8) Executive Development. As every manager has to perform a variety of functions, there is an opportunity for the development of all-round executives.

(9) Coordination. As all activities relating to one department are managed by one person, coordination can be effective.

Disadvantages. Line organisation suffers from the following drawbacks:

(1) Lack of Specialisation. There is no scope for specialisation. A manager has to perform a variety of functions. Any manager cannot be equally good in all the functions and, therefore, the quality of management tends to be poor.

(2) Overloading. As managers are overloaded with day-to-day work, they do not find time for innovations and creativity and independent thinking.

(3) Autocratic Approach: The line of authority is direct and requires high level of obedience on the part of subordinates. There is concentration of authority at the top.

(4) Low Morale. Subordinates are expected to carry out the decisions taken

by superior. There may be lack of initiative on the part of subordinates. Their opinions and grievances are not properly communicated upward.

(5) Instability. The success and continuity of the organisation depend upon a few competent managers. Succession problem is acute and there may be lack of continuity when key executives retire.

(6) Rigidity. Discipline is emphasised so much that it may be difficult to change.

Suitability.

Line organisation is suitable in the following cases:

(7) Where the business is carried on a small scale and few subordinates are employed.

(8) Where the work is largely of routine nature and the methods of operation are simple.

(9) Where continuous processes are employed, e.g.. sugar industry.

2. Functional Organisation

Under functional organisation, the organisation is divided into a number of functional areas. Each function Is managed by functional expert in that area. Every functional area serves all other areas in the organisation.

For example, the purchase department handles purchases for all departments. The executive in charge of a particular function Issues orders throughout the organisation with respect to his function only.

For example, the personnel manager will decide the questions relating to salary, promotions, transfers, etc. for every employee in the organisation whether he is in production, sales or any other department.

Thus, an individual in the organisation receives instructions from several functional heads. Every functional expert enjoys functional authority over subordinates in other departments. Within a functional department, every operating executive receives orders from several functional

specialists..

Features:
The main characteristics of functional organisation are as follows:
(1) The whole task of the enterprise is divided into specialised functions.
(2) Each function is performed by a specialist.
(3) The specialist in charge of a functional department has the authority over all other employees for his function.
(4) Specialists operate with considerable independence.

Advantages: Functional organisation contains the following benefits:

1. Specialisation. Functional organisation promotes logical division of work. Every functional head is an expert in his area and all workers get the benefit of his expertise.
2. Reduction of Workload. Every functional head looks after one function only and, therefore, burden on top executive is reduced. Mental and manual functions are separated. Career paths within functions are clear.
3. Better Control. One-man control is done away with and there is joint super-vision of work. As a result, functional control becomes more effective.
4. Easier Stuffing. Recruitment, selection and training of managers is simplified because each individual is required to have knowledge of one functional area only. There is in-depth training and skill development within functions.
5. Higher Efficiency. Every individual in the organisation concentrates on one function only and receives the expert guidance from specialists. Therefore, efficiency of operations is high.
6. Scope for Expansion. The success and growth of the organisation is not limited to the capabilities of a few line managers. Standardisation and specialisation facilitate mass production. There is flexibility.

Disadvantages.
 Functional organisation suffers from the following weaknesses:

1. Double Command. A person is accountable to several superiors. As a result, his responsibility and loyalty get divided. In the absence of unity of command, responsibility for results cannot easily be fixed.

2. Complexity. There are many cross relationships which create confusion. A worker may receive conflicting orders. Discipline may be poor.

3. Delay in Decision-making. A decision problem requires the involvement of several specialists. Therefore, decision-making process in functional organisation is slow.

4. Problem of Succession: Executives at lower level do not get opportunity of all-round experience. This may create problem in succession to top executive positions.

5. Lack of Coordination. A functional manager tends to have a limited perspective. He thinks only in terms of his own department rather than of the whole enterprise.

6. Expensive. As a large number of specialists are required, functional organisation is expensive.

3. Line and Staff Organisation

Line and staff organisation is a combination of line and functional structures. Under it, line authority flows in a vertical line in the same manner as in the line organisation.
In addition, staff specialists are attached to line positions to advise them on Important matters. These specialists do not have power of command over subordinates In other departments. They are purely of advisory nature.

Advantages: Line and staff organisation offers the following advantages:

1. Expert Advice. Line managers receive specialised advice and assistance. They are enabled to discharge their responsibilities, etc,

2. Reduced Workload. Staff carry out detailed investigation and analysis.Therefore, the burden of line executives to reduced. They get a chance for creative thinking to generate new idea.

3. Quality Decisions. Staff specialists provide adequate information and expert advice. At a result, line executive can take better decision.

4. Training of Personnel. As every executive concentrates in one field, he acquires valuable experience. There are greater opportunities for advancement

5. Flexibility. Line and staff organisation is comparatively more flexible. As the organisation expands, staff can be added to help the line managers.

Disadvantages: Line and staff organisation suffers from the following; drawbacks:
1. Line Staff Conflicts. The main problem of line and staff organisation is that conflicls often arise between line managers and staff specialists.

2. Confusion. In actual practice, it la often very difficult to define clearly the authority relationships between line and staff. In the absence of dear allocation of duties, coordination may be hampered.

3. Ineffective Staff. Staff personnel are not accountable for the results. Therefore, they may not take their tasks seriously. They may also be Ineffective due to lack of command authority.

4. Expensive. Line and staff organisation is quite expensive for small firms because several experts have to be employed.
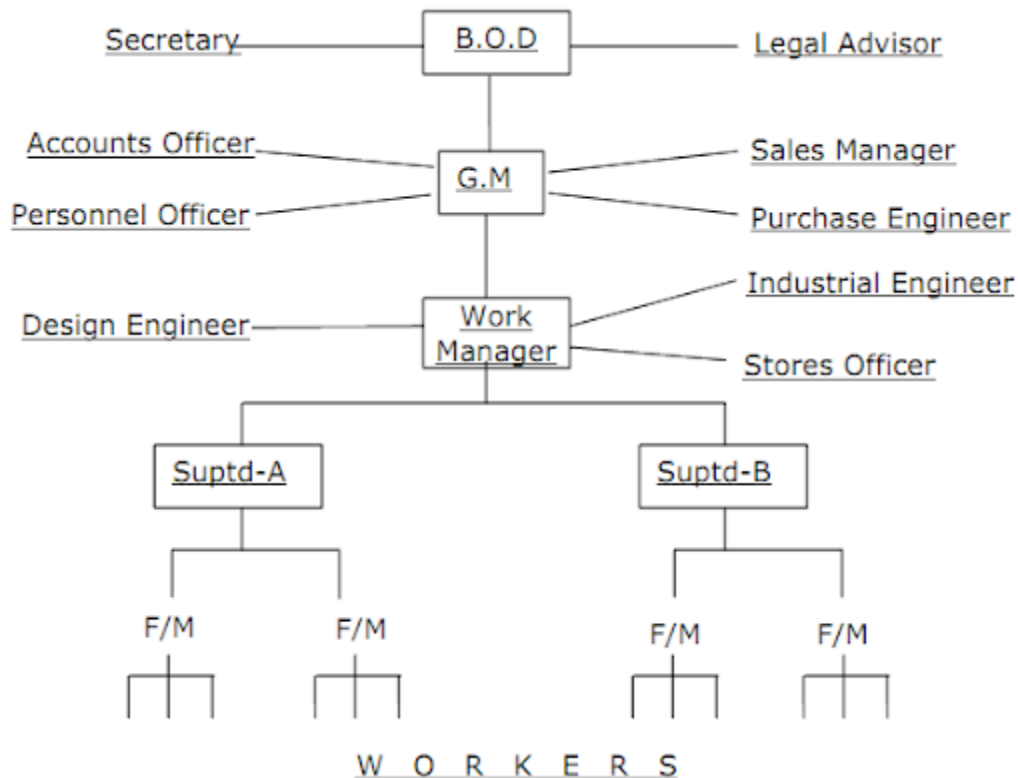
Line and Staff Organisation Chart
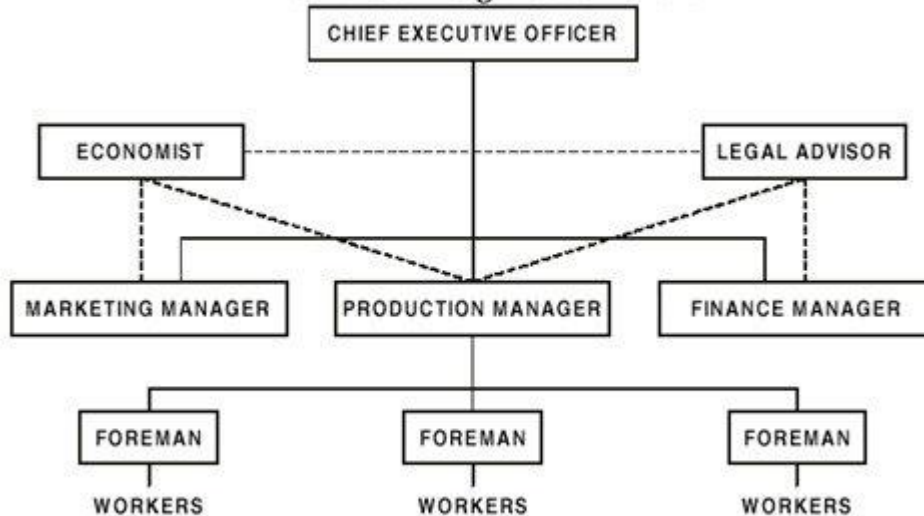
*Note: Straight lines represent **line** and broken lines represent **staff**.*

4. Project organisation.

Introductory Observations of Project Organisation:
Traditional organisational structures are unsuitable for undertaking big projects of a technical nature, under the present-day volatile and turbulent external environmental conditions.

Hence, the need for a project organisational structure.

Project organisation might be defined as follows:
A project organisation is one, in which a project structure is created as a separate unit or division within a permanent functional structure; drawing specialists and workers from various functional departments who work under the overall leadership, control and co-ordination of a project manager to complete projects of a technical and costly nature.

Functioning of Project Organization:
Under a project organisation, a team of specialists and workers is drawn from various functional areas, out of the permanent functional structure of the organisation – to work on a project. The project manager may taker assistance from outside sources also.
The project team functions under the overall control and leadership of the project manager. During the continuance of the project, functional managers renounce their authority over subordinates (comprised in the project team) in favour of the project manager.

Point of comment:
When the project completion is over; the project team is disbanded and team personnel go back to their respective functional department. In fact, a project organisational system is a permanent feature with many functional organisations. As such, after completion of one project, the old project team members may be assigned roles towards softie new project.

Conditions Requiring a Project Organization:
Conditions requiring the creation of a project organisation are as follows:
(i) Project is of a technical nature, requiring utmost precision and accuracy e.g. ship-building, designing and launching of satellites, aircraft manufacture etc.
(ii) Project completion requires huge cost.
(iii) Time factor is a critical factor; requiring project-completion within a limited prescribed time. Any delays in completion of project within time may tell upon the reputation of the organisation.

Chart of Project Organization:
The following chart depicts a typical project organisational structure:

A typical Project Organisation
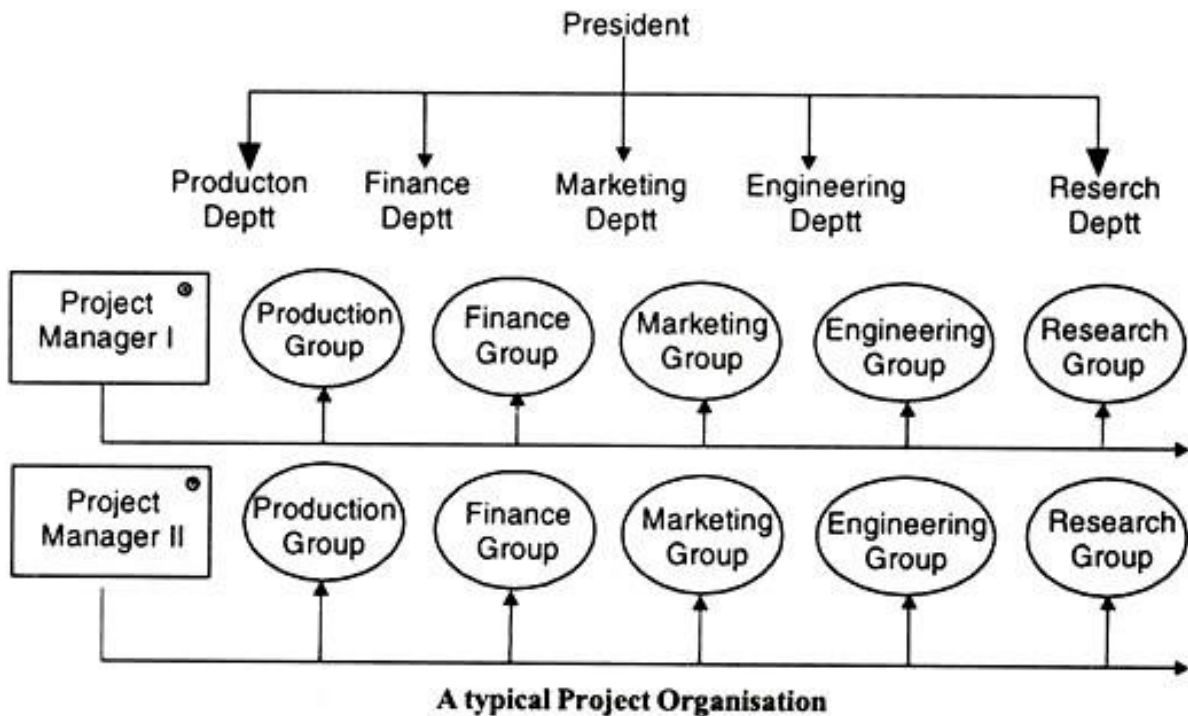
The chart illustrates the permanent functional structure of the organisation, consisting of production, finance, marketing, engineering and research departments. There are two project managers for project I and II. Each project manager has a project team consisting of personnel drawn from various functional departments; and working under the leadership and control of their project managers.

Merits and Limitations of the Project Organization:

(a) Merits:

Following are the chief merits of a project organisation:

(i) Concentrated attention on project work:

In a project organisation, there is full and concentrated attention of the project manager on project work; as the project manager has no work other than attending to project management. He has full powers to co-ordinate and control project activities. In fact, during continuance of the project, functional managers renounce their authority over their project-team personnel, in favour of the project manager.

(ii) Advantages of team specialization:

The project team formed for purposes of undertaking project work consists of specialists drawn from many functional areas. This phenomenon makes available to the project organisation, the advantages of team specialisation.

(iii) Ability to cope with environmental influences:

Due to the leadership of the project manager coupled with specialised knowledge of project team members, the project organisation is in a better position to cope with environmental challenges. In fact, one of the reasons for creating a project structure is to successfully combat environmental forces.

(iv) Timely completion of the project:

The project organisation ensures a timely completion of projects; without disturbing the normal functioning of the whole organisation.

(b) Limitations:

Following are the chief limitations of a project-organisation:

(i) Accentuated problems of co-ordination:

In a project organisation, there are increased problems of co-ordination; because of the diverse viewpoints of team specialists. As a matter of fact, specialists have a tendency to over-emphasize on their specialised viewpoints vis-a-vis the manner of project designing and implementation.

This tendency of specialists creates a serious headache for the project manager; who, all the time, may be found busy in reconciling conflicting viewpoints of specialists getting little time for attention towards project progress.

(ii) Unclearly defined relationship:

Usually, in a project organisation, the relationships between the project manager and functional specialists are not very clearly defined. This situation may lead to tension between them; resulting in poor human relations, in the project organisation. Ultimately, the project work efficiency may be considerably reduced.

(iii) Feeling of insecurity among personnel:

Usually, there is a feeling of uncertainty in the minds of the project team personnel as to where they will seek shelter; after a particular project (on which they were engaged) is over. This feeling of uncertainty about assignment creates feeling of insecurity among personnel; and then they tend to unduly stretch the existing project work-causing delays in timely completion of the project.

(iv) Duplication of efforts:

A project organisation suffers from the limitation of duplication of efforts, involved in the completion of project activities. When e.g. in a project organisation more than one or two projects is/are undertaken; it is quite likely that the same types of activities might be duplicated, during the completion of various projects. This phenomenon ultimately tells upon the overall organisational efficiency and profitability.

Matrix Organisation

Matrix organisation may be defined as follows:

Matrix organisation is the imposition of a project structure over the permanent functional structure of the organisation; and members of the project team being subject to a dual line of command (that of the project manager and the concerned functional specialist whose department they originally belong to) forming a matrix or a grid. Hence called a matrix organisation.

Conceptually, a matrix organisation is illustrated below:

Matrix organisation = Dual line of command + matrix culture + matrix behaviour

Following are cited a few definitions of matrix organisation:

(1) "Matrix organisation represents a combination of functional departmental organisation and project organisation."

-Fred Luthans

(2) "Matrix organisation is any organisation that employs a multiple command system, that includes not only the multiple command structure but also related mechanisms and an associated organisational structure and behaviour pattern."

-S.M. Davis and P.R. Lawrence

Functioning of the Matrix Organization:

Under a matrix organisation project teams are formed; drawing personnel from the permanent functional structure. Different project managers share resources and authority

with functional heads. The project teams members are subject to a dual line of command that of the project manager and the concerned functional specialist whose department they originally belong to during the continuance of the projects.

When one project is over, its personnel and resources are diverted to some new project; as undertaking a large number of small projectors, is a typical feature of a matrix organisation.

The following chart depicts a typical matrix organization:
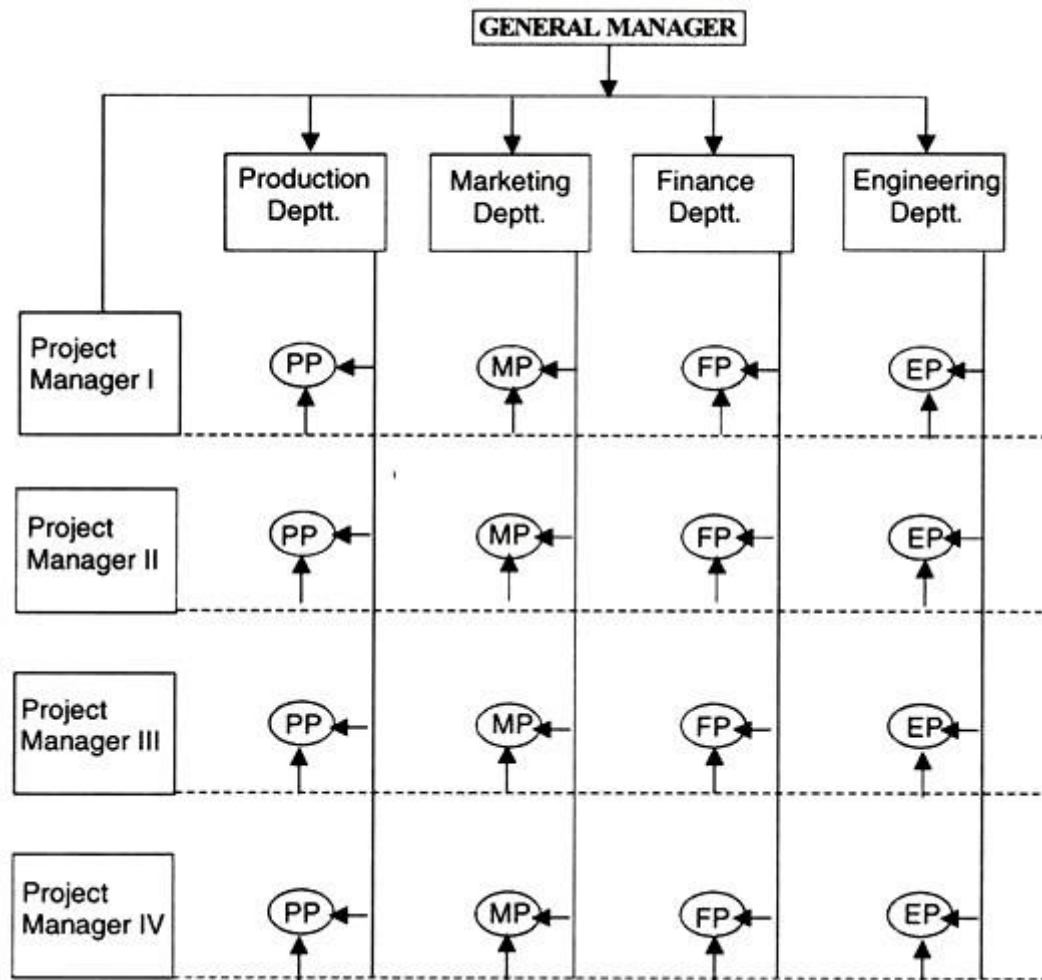
Explanations to the chart:

…………………… Authority of project manager

_____ Authority of Functional head

PP = Production of personnel

MP = Marketing personnel

FP = Finance personnel

EP = Engineering personnel

A Typical Matrix Organisation:

There are four project managers-I, II, III and IV. Each one has a project team consisting of personnel from – production, marketing, finance and engineering functional departments. Project team personnel are subject to double command that of project manager and the function heads as shown by arrows in the diagram.

Merits of the Matrix Organization:

Following are the chief merits of a matrix organisation:

(i) Best utilisation of organisational resources:

Under a matrix organisation, there is best utilisation of organisational resource – manpower, machines, raw-materials, technology etc.; since after completion of one project the resources are diverted immediately to some new project. This avoids wastage of precious organisational resources; and ads to the overall profitability of the enterprise.

(ii) Flexible structure:

The matrix structure is a flexible structure. It undertakes the completion of a large number of small projects. Depending on needs of environmental situations and other organizational factors, more projects could be undertaken by the organization by forming additional project teams.

Or alternatively, the number of projects undertaken by the enterprise may be limited or restricted to a small number; as is practical under the circumstances.

(iii) Development of personnel:

Matrix organisation provides a system of organisational functioning; under which people learn new skills through involvement in many projects. This leads to development of personnel. In fact, a matrix organisation becomes a training ground for personnel for developing a diversity of professional skills.

(iv) Heightened motivation and morale of employees:

Under a matrix organisation, the motivation and morale of people are heightened; as they have no problem of insecurity about job assignments. Immediately after the completion of one project, people are assigned to some new project. As such, people in a matrix organisation work with enthusiasm and dedication.

Limitations of the Matrix Organization:

Following are chief limitations of a matrix organisation:

(i) Confusion caused by double line of command:

The serious most limitation of a matrix organisation is the confusion caused by the double line of command; so that a project team member is always in a state of flux as to whose orders the project manager or the functional head to obey first. This feature of 'double command system' creates a situation of 'shifting-loyalties'; and tells upon the operational efficiency of the project work.

(ii) The phenomenon of friction and passing the buck:

In a matrix organisation, if, during the process of progress on project work, something goes wrong somewhere; it becomes a problem for management to trace whose fault it is and where the difficulties actually lie. Project managers and functional heads believe in passing the buck to one another for wrongs done during the project work.

Not only does it become difficult for management to take corrective action; but also conflicts develop between project managers and functional heads, which spoil human relations permanently.

(iii) Conflicts over division of authority and sharing of resources:

In a matrix organisation, usually the authority relationships between project managers and functional heads are not properly defined. As such, there are conflicts between the two over the question of division of authority vis-a-vis project team personnel, and sharing of organisational resources. This phenomenon, again, leads to spoiling human relations, in the organisation.

(iv) Increased paper work:

In a matrix organisation, there is usually continuous communication – horizontally (from the project managers) and vertically (from the functional heads). This causes increased paper

work. Because of conflicting communications from two quarters, completion of projects becomes costlier and time consuming.

(v) Problem of adjustment:

In a matrix organisation, after the completion of one project, people are assigned to some new project. Many persons may face a problem of adjustment to the new project; because of entirely new conditions surrounding the new project. A best fit in one project, may be a misfit in a second project.

6. Committee Organization:

A committee is a group of persons who consciously and deliberately formed to discuss a problem and provide solutions to overcome it. They meet on an organized basis to discuss and deal with the matter placed before it.

The following are the characteristics of a committee:

a. A committee is a group of people. There must be a minimum of two people and there is no limit for maximum.

b. The scope of committee is limited to the extent of task assigned to it.

c. Democratic principle of 'One man one vote' is followed

d. It may be executive committee or non-executive committee. Executive committee takes decisions and implements them. Non-executive committee only provides suggestions and recommendations.

Merits of Committee Organization:

1. Pooling of knowledge and experience- Knowledge and experience are pooled together to take joint decisions on the principle of two heads are better than one.

2. Motivation through participation- Members are allowed to participate in the decision making process. It makes them more committed to the decision.

3. Effective and proper coordination- Through coordination of experts bringing together diverse viewpoints many problems could be solved effectively.

4. Tool for management development- Every member has an opportunity for learning from the experience and mistakes of others. Thus it helps for management development.

5. Representation of diverse interest groups- When different interest groups are represented in a committee, conflicting views can be easily settled through motivation and participation.

6. Effective communication- By convening a committee any information can be easily passed on the all members of the organization.

7. Consolidation of authority- It enables management to consolidate splintered authority. This is helpful to a manager who has limited authority with which he cannot solve the problem without simultaneous exercise of authority by other managers related to the problem.

Demerits of Committee Organization:

The committee is one made of the unfit, selected by the unwilling to do the unnecessary.

The excessive or lack of use of committees creates problems to the management as follows:

a. It is costly and time consuming activity. The cost incurred is far below its benefits.

b. Committees do not help in taking quick decisions.

c. To arrive at unanimous decisions agreements are arrived at on the basis of a compromise which may not be really a right decision, Compromise is not the solution.

d. When unanimous decisions are taken by dominant members, a few persons may accept them under pressure.

e. Committees fix group responsibility where no individual can be made accountable. This leads to inefficiency.

f. Committee is a tool to misuse to delay or avoid or to take unpleasant decision.

Meaning of Departmentalisation:

'Departmentation' or 'Departmentalisation' is the process of grouping the activities of an enterprise into several units for the purpose of administration at all levels.

The administrative units so created may be designated as departments, divisions, units, branches, sections, etc.

What are Advantages of Departmentalization?

The advantages of departmentalization are depicted in the image below.

The main benefits or advantages of departmentalization are listed as follows:

1. Specialization.
2. Growth and expansion.
3. Fixing responsibility.
4. Better customer service.
5. Performance appraisal.
6. Management development.
7. Optimum utilization of resources
8. Facilitates better control.

Now let's discuss briefly each advantage of departmentalization.

1. Specialization

In departmentalization, each department performs a different function. For example, Finance department looks after finance, Marketing department looks after sales, etc. This results in specialization. Specialization leads to speed, accuracy, efficiency and improvement in quality and quantity of work.

2. Growth and expansion

There are many different departments in the organization. Therefore, the organization can easily grow and expand. Without departmentalization, the organisation cannot grow and expand. It will remain small and static.

3. Fixing responsibility

Departmentalization helps to fix the responsibility of a specific job on a particular department. If there is a mistake in the accounts, then the accounts department will be held responsible. Similarly, if there is a mistake in the production, the production department will be held liable, and so on.

4. Better customer service

Departmentalization results in a better customer service. The customers get quick and efficient service. Many organizations do Geographic Departmentalization and Customer Departmentalization.

5. Performance appraisal

In departmentalization, a specific job is given to a particular person or department. Therefore, it is very easy to do the performance appraisals. That is, the performance of a person or department can be easily measured.

6. Management development

Training given to managers is called management development. Departmentalization facilitates management development. This is because the junior or trainee managers can be sent to different departments to get an On-the-Job-training. They are allowed to take part in planning, decision making, implementation of strategies, etc. This results in management development.

7. Optimum utilization of resources

Departmentalization facilitates optimum utilization of resources. The men, money, materials, machines, methods and markets are put to maximum use. There are many organizations that use Time Departmentalization. Here, there are working shifts like morning shift, evening shift, night shift, etc. This results in optimum utilization of resources.

8. Facilitates better control

In departmentalization, the organization is divided into small manageable departments. These departments can be easily supervised and controlled. Hence, departmentalization also facilitates a better <u>control</u>.

Span of management

Span of management, also known as 'span of control', refers to the number of people a manager directly manages.

The **Span of Management** refers to the number of subordinates who can be managed efficiently by a superior. Simply, the manager having the group of subordinates who report him directly is called as the span of management.

The concept of span of control was developed in the United Kingdom in 1922 by Sir Ian Hamilton. It arose from the assumption that managers have finite amounts of time, energy, and attention to devote to their jobs

Based upon the intricacies of these relationships, Lyndall F. Urwick concluded, 'No executive should attempt to supervise directly the work of more than five or at the most six direct subordinates whose work interlocks.' This is considered as ideal because too wide a span would put a heavy burden on management in ineffective guidance and control and too narrow a span would mean under utilization of <u>managerial capacity</u>, ability and resources.

The Span of Management has two implications:

1. Influences the complexities of the individual manager's job
2. Determine the shape or configuration of the Organization

The span of management is related to the horizontal levels of the organization structure. There is a wide and a narrow span of management. With the wider span, there will be less hierarchical levels, and thus, the organizational structure would be flatter. Whereas, with the narrow span, the hierarchical levels increases, hence the organizational structure would be tall.
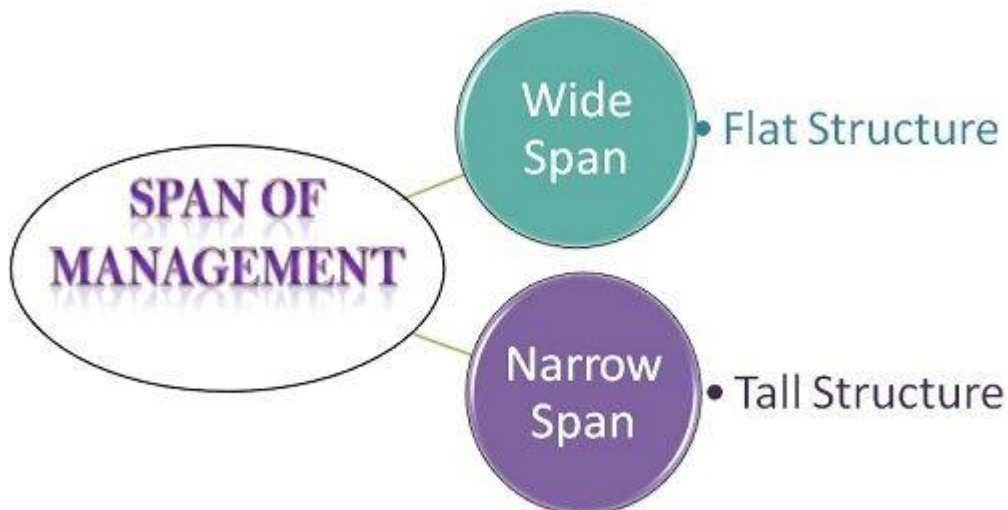
Both these organizational structures have their advantages and the disadvantages. But however the tall organizational structure imposes more challenges:

- Since the span is narrow, which means less number of subordinates under one superior, requires more managers to be employed in the organization. Thus, it would be very expensive in terms of the salaries to be paid to each senior.
- With more levels in the hierarchy, the communication suffers drastically. It takes a lot of time to reach the appropriate points, and hence the actions get delayed.
- Lack of coordination and control because the operating staff is far away from the top management.

    The major advantage of using this structure is that the cross communication gets facilitated, i.e., operative staff communicating with the top management. Also, the chance of promotion increases with the availability of several job positions.

    In the case of a flatter organizational structure, where the span is wide leads to a more complex supervisory relationship between the manager and the subordinate. It will be very difficult for a superior to manage a large number of subordinates at a time and also may not listen to all efficiently.

    However, the benefit of using the wider span of management is that the number of managers gets reduced in the hierarchy, and thus, the expense in terms of remuneration is saved. Also, the subordinates feel relaxed and develop their independent spirits in a free work environment, where the strict supervision is absent.

Factors Determining Span of Management

The span of management can be determined on the basis of a number of relationships that a manager can manage. These are:

1. **Capacity of Superior:** Here the capacity means the ability of a superior to comprehend the problems quickly and gel up with the staff such that he gets respect from all. Also, the communication skills, decision-making ability, controlling power, leadership skills are important determinants of supervisory capacity. Thus, a superior possessing such capacity can manage more subordinates as compared to an individual who lack these abilities.

2. **Capacity of Subordinate:** If the subordinate is trained and efficient in discharging his functions without much help from the superior, the organization can have a wide span. This means a superior can manage a large number of subordinates as he will be required just to give the broad guidelines and devote less time on each.

3. **Nature of Work:** If the subordinates are required to do a routine job, with which they are well versed, then the manager can have a wider span. But, if the work is complex and the manager is required to give directions, then the span has to be narrower.Also, the change in the policies affects the span of management. If the policies change frequently, then the manager needs to devote more time and hence the span would be narrow whereas if the policies remain stable, then a manager can focus on a large number of subordinates. Likewise, policies technology also plays a crucial role in determining the span.

4. **Degree of Decentralization:** If the manager delegates authority to the subordinates then he is required to give less attention to them. Thus, higher the degree of decentralization, the wider is the span of management. But in case, subordinates do not have enough authority, then the manager is frequently consulted for the clarifications, and as a result superior spends a lot of time in this.

5. **Planning:** If the subordinates are well informed about their job roles, then they will do their work without consulting the manager again and again. This is possible only because of the standing plans that they follow in their repetitive decisions. Through a proper plan, the burden of a manager reduces manifold and can have a wider span of management.

6. **Staff Assistance:** The use of staff assistance can help the manager in reducing his workload by performing certain managerial tasks such as collecting information, processing

communications and issuing orders, on his behalf. By doing so, the managers can save their time and the degree of span can be increased

7. **Supervision from Others:** The classical approach to the span of management, i.e., each person should have a single supervisor is changing these days. Now the subordinates are being supervised by other managers in the organization such as staff personnel. This has helped the manager to have a large number of subordinates under him.

8. **Communication Techniques:** The mode of communication also determines the span of management. If in the manager is required to do a face to face communication with each subordinate, then more time will be consumed. As a result, the manager cannot have a wider span. But in case, the communication is in writing and is collected through a staff personnel; the manager can save a lot of time and can have many subordinates under him.

The span of management is also called as the **span of supervision** or **span of control**, which influences the complexity of the individual manager's job and determine the shape or configuration of the organization.

A manager cannot perform all functions of an organisation. Therefore, the manager passes down the authority to a subordinate.

There are 3 elements of delegation. These are authority, responsibility and accountability.

Authority refers to the right to take decisions inherent in a managerial position. It tells people what to do and expect them to do it. Authority maintains order in the organisation.

Responsibility is the obligation of a subordinate to perform the assigned duty. Responsibility flows upwards. That is, a subordinate will always be responsible to his superior.

Delegation of authority, undoubtedly empowers an employee to act for his superior. But the superior would still be accountable for the outcome.

Delegation of Authority - Meaning, Importance and its Principles

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to

give commands, orders and get the things done. The top level management has greatest authority.

Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability can not be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

For achieving delegation, a manager has to work in a system and has to perform following steps : -

1. Assignment of tasks and duties
2. Granting of authority
3. Creating responsibility and accountability

Delegation of authority is the base of superior-subordinate relationship, it involves following steps:-

1. **Assignment of Duties** - The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.

2. **Granting of authority** - Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

3. **Creating Responsibility and Accountability -** The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

Importance of Delegation

Delegation of authority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager gets beyond his capacity, there should be some system of sharing the work. This is how delegation of authority becomes an important tool in organization function. Through delegation, a manager, in fact, is multiplying himself by dividing/multiplying his work with the subordinates. The importance of delegation can be justified by -

1. Through delegation, a manager is able to divide the work and allocate it to the subordinates. This helps in reducing his work load so that he can work on important areas such as - planning, business analysis etc.
2. With the reduction of load on superior, he can concentrate his energy on important and critical issues of concern. This way he is able to bring effectiveness in his work as well in the work unit. This effectivity helps a manager to prove his ability and skills in the best manner.
3. Delegation of authority is the ground on which the superior-subordinate relationship stands. An organization functions as the authority flows from top level to bottom. This in fact shows that through delegation, the superior-subordinate relationship become meaningful. The flow of authority is from top to bottom which is a way of achieving results.
4. Delegation of authority in a way gives enough room and space to the subordinates to flourish their abilities and skill. Through delegating powers, the subordinates get a feeling of importance. They get motivated to work and this motivation provides appropriate results to a concern. Job satisfaction is an important criterion to bring stability and soundness in the relationship between superior and subordinates. Delegation also helps in breaking the monotony of the subordinates so that they can be more creative and efficient.

   Delegation of authority is not only helpful to the subordinates but it also helps the managers to develop their talents and skills. Since the manager get enough time through delegation to concentrate on important issues, their decision-making gets strong and in a way they can flourish the talents which are required in a manager. Through granting powers and getting the work done, helps the manager to attain communication skills, supervision and guidance, effective motivation and the

leadership traits are flourished. Therefore it is only through delegation, a manager can be tested on his traits.

5. Delegation of authority is help to both superior and subordinates. This, in a way, gives stability to a concern's working. With effective results, a concern can think of creating more departments and divisions flow working. This will require creation of more managers which can be fulfilled by shifting the experienced, skilled managers to these positions. This helps in both virtual as well as horizontal growth which is very important for a concern's stability.

Therefore, from the above points, we can justify that delegation is not just a process but it is a way by which manager multiples himself and is able to bring stability, ability and soundness to a concern.

Centralization and Decentralization

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, "Centralization" is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be :-

1. Reservation of decision making power at top level.
2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people. Therefore in this case, decision making power remain in the hands of father & son.

On the other hand, **Decentralization** is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority in retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, "Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points.

Decentralization is not the same as delegation. In fact, decentralization is all extension of delegation. Decentralization pattern is wider is scope and the authorities are diffused to the lowest most level of management.

Delegation of authority is a complete process and takes place from one person to another. While decentralization is complete only when fullest possible delegation has taken place. For example, the general manager of a company is responsible for receiving the leave application for the whole of the concern. The general manager delegates this work to the personnel manager who is now responsible for receiving the leave applicants. In this situation delegation of authority has taken place. On the other hand, on the request of the personnel manager, if the general manager delegates this power to all the departmental heads at all level, in this situation decentralization has taken place.

There is a saying that "Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization". Decentralization is wider in scope and the subordinate's responsibility increase in this case. On the other hand, in delegation the managers remain answerable even for the acts of subordinates to their superiors.

Implications of Decentralization

1. There is less burden on the Chief Executive as in the case of centralization.
2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
3. In decentralization, diversification and horizontal can be easily implanted.
4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.
5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
6. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.
7. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches. Centralization and decentralization are the categories by which the pattern of authority relationships became clear. The degree of centralization and de-centralization can be affected by many factors like nature of operation, volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is suitable in it.