

## BBA (ITM) SEM. - I

# PRINCIPLES OF MANAGEMENT

## (CODE: UM01DBBI21)

### UNIT 2: ORGANISING

#### ORGANISATION

- Meaning and definition of organisation
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#### UNIT 2

#### ORGANISATION

#### CONCEPT

The word ‘organisation’ is derived from the word ‘organism’ which means an organised body with connected interdependent parts sharing common life. When a group of persons working together to achieve a common goal, the problems such as who decides what issues, who does what work and what action should be taken on the basis of certain conditions may arise.

#### MEANING

Organisation is the detailed arrangement of work and working conditions in order to perform the assigned activities in an effective manner.

Organisation can be compared to a human body. The human body consists of handle feet, eyes, nose, fingers, mouth, etc. these parts are performing their work independently and at the same time, one part cannot be a substitute to another. The same principles can be identified in the organisation also. The organisation consists of different departments. Each department performs it's independently and cannot be a substitutes to another.

## DEFINITIONS

Haney, "Organisation is a harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes."

Mc Farland, "An identified group of people contributing their efforts towards the attainment of goals is called an organisation."

Chester Bernard, "A system of co-operative activities of two or more persons is called organisation."

Mooney and Reily, "Organisation is the form of every human association for the attainment of a common purpose."

Louis A. Allien, "Organisation is the process of identifying and grouping the work to be performed defining and delegation, responsibility and authority and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives."

Theo Haiman, "Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationship among them in performing the organizing function, the manager defines departmentalizes and assigns activities so that they can be most effectively executed."

## GUIDING PRINCIPLES OF ORGANISATION

The work can be completed in time whenever a technique or principles is adopted. So, the success or failure of an organisation depends upon the principles to be followed in the organisation. The principles of organisation may be termed as a tool used by the organisation. Some experts like Tayler, Faylor and Urwick have given the principles of organisation. They are briefly discussed below.

1. **Principles of definition:** It is necessary to define and fix the duties, responsibilities and authority of each worker. In addition to that the organizational relationship of each worker with others should be clearly defined in the organizational set up.
2. **Principles of objectives:** The activities at all levels of organisation structure should be geared to achieve the main objectives of the organisation. The activities of the different department or sections may be different in nature and in approach, but these should be concentrated only for achieving the main objectives.
3. **Principles of specialization or division of work:** The work is assigned to each person according to his educational qualification, experience, skill and interests. He should be mentally and physically fit for performing the work assigned to him. The required training may be provided to the needy persons. It will result in attaining specialization in a particular work or area.
4. **Principles of co-ordination:** The objectives of the organisation may be achieved quickly whenever co-ordination exists among the workers. At the same time each work can be done effectively by having co-ordination. The final objective of all organisation is to get smooth and effective co-ordination.
5. **Principles of authority:** When many persons are working together in one place, there will be a difference of power and authority. Of these persons, some will rule and others will be ruled. Normally, maximum powers are vested with the top executives of the organisation. These senior members should delegate their authorities to their subordinates on the basis of their ability.
6. **Principles of responsibility:** Each person is responsible for the work completed by him. Authority is delegated from the top level to the bottom level of the organisation. But the responsibility can be delegated to some extent. While delegating the authority, there is no need of delegation of responsibility. So, the responsibility of the junior staff members should be clearly defined.
7. **Principles of explanation:** While allocating duties to the persons, the extent of liabilities of the person would be clearly explained to the concerned person. It will enable the person to accept the authority and discharge his duties.
8. **Principles of efficiency:** Each work can be completed efficiently whenever the climate or the organizational structure facilitates the completion of work. The work should be completed with minimum members, in less time, with minimum resources and within the right time.

9. **Principles of uniformity:** The organisation should make the work distribution in such a manner that there should be an equal status and equal authority and power among the same line officers. It will avoid the problems of dual subordination or conflicts in the organizational set up. Besides, it increases co-ordination among the officers.
10. **Principles of correspondence:** authority and responsibility should be in parity with each other. If it is not so, the work cannot be effectively discharged by any officers, whenever his ability may be. At the same time, if authority alone is delegated without responsibilities, the authority may be misused. In other sense, if responsibility is delegated without the authority, it is a dangerous one.
11. **Principles of unity of command:** This is also sometimes called the principles of responsibility. The organisation set up should be arranged in such a way that a subordinate should receive the instruction or direction from one authority or boss. If there is no unity of command in any organisational set up, the subordinate may neglect his duties. It will result in the non-completion of any work.
12. **Principles of balance:** there are several units functioning separately under one organisational set up. The work of one unit might have been commenced after the completion of the work by another unit. So, it is essential that the sequence of work should be arranged scientifically.
13. **Principles of equilibrium balance:** the expansion of business activities require same changes in the organisation. In certain periods, some sections or departments are overloaded and some departments are under loaded. During this period, due weightage should be given on the basis of the new work load.
14. **Principles of continuity:** It is essential that there should be a re-operation of objectives, re-adjustment of plants and provision of opportunities for the development of future management. This process is taken over by every organisation periodically.
15. **Principles of span of control:** This also called span of management or span of supervision, levels of organisation. This principle is based on the principles of relationship.

Span of control refers to the maximum number of members effectively supervised by a single individual. The number of members may be increased or decreased according to the nature of work done by the subordinate or the ability of the supervisor. In the administration area, under one executive, nearly four or five

subordinates may work. In the lower level of the factory level, under one supervision, the twenty or twenty five number of workers may work. The span of control enables the smooth functioning of the organisation.

16. **Principles of leadership facilitation:** The organizational set up may be arranged in such a way that the persons with leadership qualities are appointed in key position. The leadership qualities are honesty, devotion, enthusiasm and inspiration.
17. **Principles of exception:** The junior officers are disturbed by the seniors only when the work is not done according to the plans laid down. It automatically reduces the work of middle level officers and top level officers. So, the top level officers may use the gained by reduction in workload for framing the policies and chalking out the plans of organisation.
18. **Principles of flexibility:** The organisational set up should be flexible to adjust to the changing environment of business. The organisation should avoid the complicated procedures and permit an expansion or contraction of business activities.
19. **The scalar principle:** This is also called chain of command or line of authority. Normally, the line of authority flows from the top level to bottom level. It also establishes the line of communication. Each and every person should know who is his superior and to whom he is answerable.
20. **Principles of simplicity and homogeneity:** The organisation structure should be simple. It is necessary to understand a person who is working in the same organisation. If the organisation structure becomes a complex one, junior officers do not understand the level and the extent of responsibility for a particular activity. The simplicity of the organizational structure enables the staff members to maintain equality and homogeneity.
21. **Principles of unity of direction:** this is also called the principles of co-ordination. The major plan is divided into sub-plans in a good organisational set up. Each sub-plan is taken up by a particular group or department. All the group or departments are requested to co-operate to attain the main objectives or in implementing major plan of the organisation.
22. **Principles of joint decisions:** In the business organisation, there are number of decision taken by the officers to run the business. If a complicated problem arises more than one member examines the problems and taken the decisions. Whenever

the decision is taken jointly, the decision gives the benefit for a long period and the decision is based on various aspects of the organisational set up.

## PROCESS OF ORGANIZATION

Classical theories have used the term organisation in the form of process of organizing through which organisation structure is created. Because of the use of the term organisation as a process, more confusion has been created in management literature. In the present context, the term organisation is mostly referred to as entity. Whenever it is used as a process, it is termed as organizing rather as organisation. In this part of the text, we shall call it organizing through which organisation structure is designed. Organizing, being a process, consists of the following elements:

### 1. Departmentation

The first basic element in organizing is the departmentation, which is, creating various departments, divisions, and sections in order to perform various organisational activities. For creating departments, it is necessary to identify those activities whose performance would lead to the achievement of organisational objectives. While identifying such activities and grouping them into departments, it must be ensured that:

- (i) All the necessary activities are performed
- (ii) There is no duplication in performing various necessary activities and
- (iii) Activities are performed in a synchronised and coordinated way.

Another issue that emerges because of grouping of activities and assigning these to individuals is the determination of span of management, that is, how many individuals should be put under the direct supervision of a superior manager.

### 2. Linking Departments

After creating different departments (these may be called divisions, sections, etc. besides departments as all these emerge from grouping of activities), the next issue comes before the management is to decide how various

departments of the organisation will be linked together so that they operate in a coordinated manner. The way these departments are linked together gives shape to overall organisation structure. Since there are different ways in which activities are grouped and linked, there are different forms of organisation structure.

### **3. Defining Authority and Responsibility**

When a particular activity or group of activities is assigned to an individual, he becomes responsible for the performance of those activities. He can discharge this responsibility properly only when he has corresponding authority. Therefore, he needs authority which comes to him through the process of delegation.

### **4. Prescribing Authority Relationships**

Since every individual who functions in the capacity of a superior has some authority, there is need for prescribing authority relationships among different individuals and departments in which they function. Such authority relationships may be in different forms because a particular activity of the organisation is related to other activities in different forms.

Various elements of organizing do not show patterns in all organisations because two organisations may not be similar. Further, a particular organisation does not remain the same over the period of time. Therefore, a particular structure is not suitable for all organisations or for the same organisation over the period of time. Thus, there is need for designing structure according to the requirements of an organisation. In order to meet these requirements, either managers may go through the process of experimentation, that is, trial and error which is a costly affair or base their decisions on the previously developed theoretical framework. Organisation theory provides some insights about designing organisation structure by providing theoretical framework. Therefore, it is desirable to go through this theory.

## DELEGATION OF AUTHORITY

### INTRODUCTION

Delegation of authority is one of the important factors in the process of Organising. It is essential to the existence of a formal organisation. The organisational units created through the process of departmentation require the authority to the managers charged with their respective management. Assignment of activities to various managers creates responsibilities and in order to carry out these responsibilities, managers need appropriate authority. In fact, the authority should match responsibility.

To delegate means to grant or confer. Here delegation means conferring authority from one manager or organisational unit to another in order to accomplish particular assignments. A manager simply does not delegate authority; he delegates authority to get certain work accomplished. By means of delegation, his actions are confirmed to what he himself can perform.

### ELEMENTS OF DELEGATION

There are three elements of delegation which are as follows:

#### 1. Assignment of duties or responsibilities

This work is being done only at the time, when a superior has no time to accomplish all the work. The superior automatically assigns the work of responsibility to his immediate subordinate.

#### 2. Delegation of authority

If the work is assigned to any subordinate, there will be a need for authority to accomplish it. After the delegation of authority, the subordinate can get powers to accomplish the tasks in a specified time and in order.

#### 3. Accountability

Accountability means that the subordinate is answerable to his immediate senior. If there is any mistake or fault committed by the subordinate, the subordinate should accept responsibility for it. In certain cases, the assignment may be made in the subordinate if the work is not accomplished as per the

instructions issued by the superior. The superior is answerable to the management but not the subordinate.

### CENTRALISATION VS DECENTRALISATION

Sr. No.	Points	Centralisation	Decentralisation
1.	Meaning	The retention of power and authority with respect to planning and decisions, with the top management, is known as Centralisation.	The dissemination of authority, responsibility and accountability to the various management levels, is known as Decentralisation.
2	Involves	Systematic and consistent reservation of authority	Systematic dispersal of authority.
3	Communication flow	Formal and vertical	Open and free
4	Decision making	Slow	Comparatively faster
5	Advantage	Proper co-ordination and leadership	Sharing burden and responsibility
6	Power of decision making	Lies with the top management	Multiple persons have the power of decision making
7	Reasons	Inadequate control over the organisation	Considerable control over the organisation
8	Best suited for	Small sized organisation	Large sized organisation
9	Environment	Mostly stable	Mostly uncertain and complex

### FORMS OF ORGANISATIONAL STRUCTURE

Design of organisational structure is considered to be a matter of choice among a large number of alternatives. There are various forms of organisation structure; however, not all of them are suitable for all situations because of the difference in contextual variables which affect the organisation structure. From this point of view, managers must be aware of the various alternatives so that they are able to choose a suitable structure for their organisations.

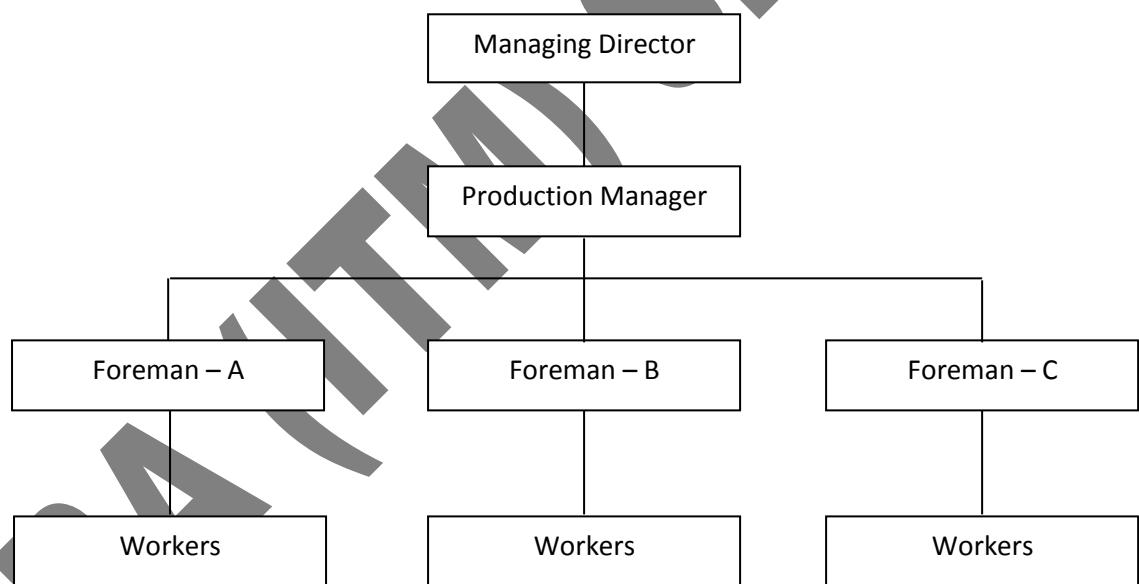
The classification of organisation structure is based on the way various activities are grouped together to create departments and units and prescribing their relationships in

the organisation. Thus, there are seven types of organisation structure – line, line and staff, functional, divisional, project, matrix, and free – form.

## LINE ORGANISATION STRUCTURE

Line organisation structure is also known as scalar, military, or vertical organisation and perhaps is the oldest form. This concept holds that in any organisation or hierarchy derived from a scalar process, there must be a single head who commands it. Although an executive can delegate authority, he has ultimate responsibility for results.

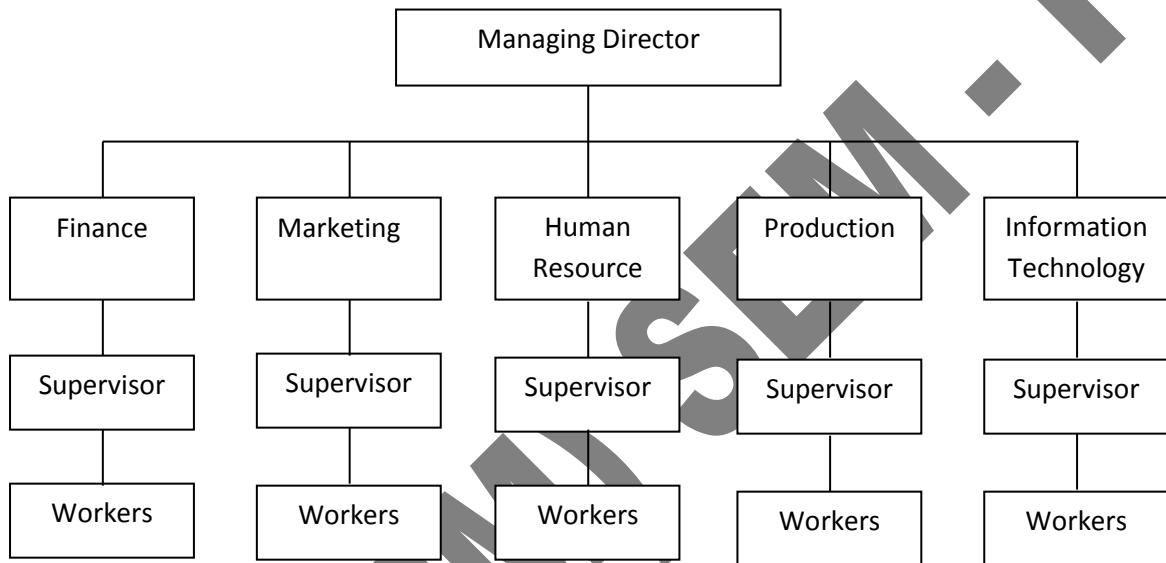
1. **Pure line organisation:** under this, form similar activities are performed at a particular level. Each group of activities is self-contained unit and is able to perform the assigned activities without the assistance of others. Pure line organisation may be depicted as follows:



2. **Departmental line organisation:** under this form, entire activities are divided into different departments on the basis of similarity of activities. Each department is placed under one departmental superintendent, all persons in the department are subject to control by the departmental head. The basic objective of this form is to have uniform control, authority and responsibility.

### Advantages

1. **Simplicity:** Line organisation is the most simple to establish and to operate. Lines of authorities and responsibilities are direct, simple and clear. Every individual understands to whom he is responsible. The authority and responsibility of every position is clearly defined.
2. **Prompt decision:** Every manager can take decision independently without consulting others. He is not to depend upon others or advice, assistants or service. Therefore decision making process is easier and less time consuming.



3. **Effective discipline:** Each position 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 superiors.
5. **Unified control:** Unity of command results in close personal contact between superior and subordinates. Direct and close contact facilitates effective supervision and control.
6. **Economical:** Line organisation is quite economical because staff specialist is not required

7. **Fixed responsibility:** Every manager can be held responsible for the results of his unit.
8. **Executive responsibility:** As every manager has to perform a variety of functions, there is an opportunity for the development of all round executives.
9. **Co-ordinates:** As all activities relating to one department are managed by one person, coordination can be effective.

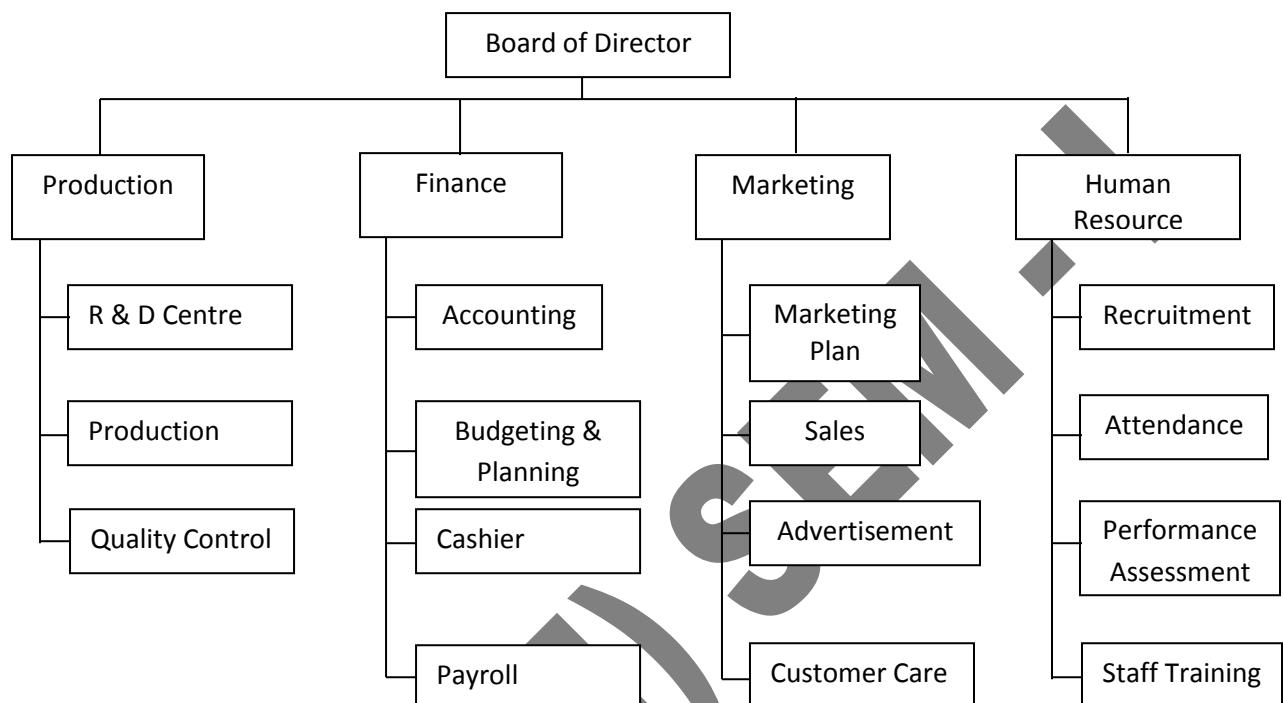
### Disadvantages

1. **Lack of Specialisation:** There is no scope for specialization. A manager cannot be equally good in all the functions and therefore the quality of management tends to be poor.
2. **Over loading:** 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 required high level of obedience on the part of the subordinates. There is concentration of authority at the top and one way communication.
4. **Low moral:** Subordinates are expected to carry out the decisions taken by superiors. There may be lack of initiative on the part of subordinates. Their opinions and grievances are not properly communicated upward.
5. **Rigidity:** Discipline is emphasized so much that it may be difficult to change.

### FUNCTIONAL ORGANISATION

The functional organisation is based on the concept of "Functional Foremanship" suggested by F W Taylor. Functional organisation is divided into a number of functional areas. Each function is managed by functional experts in their area. Every functional area serves all other areas in the organisation. For e.g. 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. i.e. the personnel manager will decide the question relating to salary, promotion, transfers, etc. for every employee in the organisation whether he is production, sales or any other department. Thus, an individual in the organisation receives instructions

from several functional heads. Every functional manager enjoys functional authority over subordinates within a functional department. Every operating executive receives orders from several functional specialists. i.e. each foreman in the factory receives order from factory superintendent, chief engineer, chemist, etc.



### Advantages

- Specialization:** Functional organization promotes logical division of work. Every functional head is an expert in his area and all workers get the benefit of his expertise knowledge.
- Reduction of work load:** every functional head after one function only, therefore burden on top executives is reduced.
- Better control:** One man control is done in a way which and there is joint supervision of work. As a result functional control becomes more effective.
- Easier staffing:** Recruitment, selection, transfer, promotion and training of workers is simplified because each individual is required to have knowledge of one functional area only.
- High efficiency:** Every individual in the organisation concentrates on one function only and receives the expert guidance from specialist. Therefore

efficiency of operation is high. There is scope for functional improvement through application of expert knowledge.

6. **Scope for expansion:** The success and growth of the organisation is not limited to the capabilities of new line manager. Standardization and specialization facilities mass production. A change can be introduced without disturbing the entire organisation. There is flexibility.

### Disadvantages

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 result cannot be easily fixed.
2. **Complexity:** There are many cross relationships which create confusion. A worker may receive conflicting orders. He cannot easily understand his place in the organisation.
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 the lower level do not get opportunity of all round expertise. They create problems in succession to top executives' positions.
5. **Lack of co-ordinations:** A functional manager tends to have a limited perspective. He thinks only in terms of his own section rather than of the whole enterprise.
6. **Expensive:** As a large number of specialists are required, functional organisation is expensive.
7. **Suitability:** Functional organisation is generally suitable for large and medium size industries. But it should be applied at higher levels because it does not work well at the lower levels.

## LINE AND STAFF ORGANISATION

Line and staff organisation is combination of line and functional structures. Under it line authority flow in a vertical line in a same manner as in the line organisation. In addition staff specialists are attached to line position to advice their subordinates on important matters. This specialist does not have power of command over subordinates in other departments. They are purely of advisory nature. When the work of line executive increase; they need advice, information and help of staff specialist.

### Advantages

1. **Expert advice:** Line managers receive specialised advice and assistance from staff experts. These enable to discharge their responsibility more efficiently.
2. **Relief to top executives:** Staff carries out detail investigation and supply information to line executives. Therefore the burden of time executives is reduced.
3. **Quality decisions:** Staff specialist provides adequate information and expert advice as a result line executives can take better decisions.
4. **Training of personnel:** As every executive function trains in one field they acquire valuable experience. Young staff executives get opportunity of acquiring expertise in their respective fields of activity. There are greater opportunities of advance payment.
5. **Flexibility:** Line and staff organisation is comparatively more flexible. As the organisation expands, staff can be added to help to line managers. There is more opportunity for advance payment because a variety of responsible jobs is available.

### Disadvantages

1. **Line staff conflicts:** The main problem of line and staff organisation is that conflicts often arise between managers and staff specialist.
2. **Confusion:** In actual practice it is often very difficult to define clearly the authority relationship between line and staff. Different managers may not be clear as to what the actual area of operation is and what is expected of them.

3. **Ineffective staff:** Staff persons are not accountable for the results. Therefore, they may not take their task seriously. They may also be ineffective due to lack of command authority.
4. **Expensive:** Line and staff organisation is quite expensive for small forms because several experts and line managers have to be employed. Line and staff organisation very suitable for large organisations.

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