



**LILHA EDUCATION CENTRE**

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# Chapter – 5

## Organising

**Meaning** – Organising essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilized for achieving specified objective.

### □ Steps in the process of organizing –

- i. Identification and division of work
- ii. Departmentalization
- iii. Assignment of duties
- iv. Establishing reporting relationship



## Importance of organizing

- i. Benefit of specialization
- ii. Clarity in working relationship
- iii. Optimum utilization of resources
- iv. Adaptation to change
- v. Effective administration
- vi. Development of personnel
- vii. Expansion and growth

❖ **Organisational Structure** – It seek to establish relation among all the person working in the organisation. Under the organizational structure, various posts are created to perform different activities for the attainment of the objective of the enterprise



❖ **Span of Management** – Span of management refers to the number of subordinates that can be effectively managed by a superior.

❖ **Functional Structure** – In functional structure activities all grouped & departments are created on the basis of specific function to be performed. Ex – All the jobs related to production are grouped under production department etc.

**Suitability** –

- i. Large organisation producing one line of product.
- ii. Organisation which requires high degree of functional specialization with diversified activities



## ❖ Advantage

- I. Specialization
- II. Easy Coordination
- III. It helps in increasing managerial efficiency
- IV. Minimize cost
- V. Effective training
- VI. Due attention

## ❖ Disadvantage

- i. Difficulty in achieving organization's goal
- ii. Difficulty in Inter departmental coordination
- iii. Inflexibility
- iv. Difficult to fix accountability



**Divisional Structure** – When the organisation is large in size & is producing more than one type of product then activities related to one product are grouped under one department.

**Suitability** –

1. This structure is suitable in organisation producing multi product or different lines of products.
2. Organisation which require product specialization.
3. Growing companies which plan to add more line of product in future.

**Advantage**

- i. Product specialization
- ii. Flexibility
- iii. Growth & Expansion
- iv. Division result can be assessed –



## Disadvantage –

- i. Conflict
- ii. Duplication
- iii. Product focus department

## ❖ Formal & Informal organisation

### Formal Organization

**Definition** – The formal organisation is a system of well defined jobs, each bearing a definite measure of authority, responsibility and accountability.

### Features –

- i. It is deliberately created by the top management.
- ii. It is based on rules & procedures which are in written form.



- iii. It is impersonal i.e. does not takes into consideration emotional aspect.
- iv. It clearly defines the authority and responsibility of every individual.
- v. It is created to achieve organisational objectives.

## Informal organisation

**Definition** – Informal organisation is a network of personal and social relations not established or required by the formal organisation but arising spontaneously as people associate with one another.

### Features –

- i. It originates from within the formal organisation as a result of personal interaction among employees.





- ii. It has no written rules & procedures.
- iii. It does not have fixed lines of communication.
- iv. It is not deliberately created by the management.
- v. It is created on the basis of personal interest of the employee having common interest form groups.

**Delegation of authority** – Delegation refers to the downward transfer of authority from a superior to a subordinate. Delegation is the entrustment of responsibility & authority to another & the creation of accountability for performance.

## Elements of delegation

1. **Authority** – Authority refers to the rights to take decision inherent in a managerial position to tell people what to do & expect them to do it.



**2. Responsibility** – It is the obligation of a subordinate to properly perform the assigned duty. When a superior issues order, it becomes the responsibility of the subordinate to carry it out.

**3. Accountability** – When a superior assigns some work to a subordinate he is answerable to his superior for its success or failure.



# *Difference between Authority, Responsibility and Accountability*



<b>Basis</b>	<b>Authority</b>	<b>Responsibility</b>	<b>Accountability</b>
<b>Meaning</b>	Right to command	Obligation to perform an assigned task	Answerability for outcome of the assigned task
<b>Delegation</b>	Delegation Can be delegated	Cannot be entirely delegated	Cannot be delegated at all
<b>Origin</b>	Arises from formal position	Arises from delegated authority	Arises from responsibility
<b>Flow</b>	Flows downward from superior to subordinate	Flows upward from subordinate to superior	Flows upward from subordinate to superior

# Importance of delegation

- i. Effective Management
- ii. Employee Development
- iii. Motivation of Employees
- iv. Facilitation of growth
- v. Basis of management hierarchy
- vi. Better coordination

**Decentralisation** – Decentralisation refers to delegation of authority throughout all the levels of the organisation. In other words, decision making authority is pushed down the chain of command.



## Relation between centralization and decentralization

1. An organisation is centralized when decision making authority is retained by higher management levels whereas it is decentralized when such authority is delegated to lowest levels of management.
2. The extent of centralization & decentralization depends upon the kind of organisation & complexity in decision making.
3. Centralisation & Decentralisation co-exist with each other i.e. an organisation is not completely centralized or decentralized.
4. As the size & complexity grows decentralization increase & with decrease in size & complexity organisation, gets centralized.



## Importance of Decentralisation –

1. Develops initiative among subordinates.
2. Develops managerial talent for the future
3. Quick decision making
4. Relief to top management
5. Facilitates growth
6. Better control

