Module No. 3: Organizing
Introduction-Meaning-Concept and Process of Organizing – An overview-Span of management-Different types of authority (line, staff and functional)-Decentralization Delegation of authority; Formal and Informal Structure-Principles of Organizing; Network Organisation Structure.

Organizing

Definition: Organizing is the second key management function, after planning, which coordinates human efforts, arranges resources and incorporates the two in such a way which helps in the achievement of objectives. It involves deciding the ways and means with which the plans can be implemented.

Meaning of Organizing
Once the objectives and plans are laid down, management has to identify and establish productive relationships between various activities and resources for implementing plans. In general words organising refers to arranging everything in orderly form and making the most efficient use of resources. The aim of organizing is to enable people to work together for a common purpose.

'Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.'

Steps Involved in the Process of Organizing

1. Identification & Division of Work: –
The total work to be done should be divided into specific jobs as according to predetermined plans. –
Job = a set of related tasks that can be performed by an individual. It should have specific and definite tasks to be performed. As far as possible, it should define expected results along with the job.
– Division of work → specialization of efforts and skills + avoids duplication of work.
– Management must ensure that all the activities required to achieve organizational objectives are identified.
2. Departmentalization:
– Grouping similar and related jobs into larger units called departments, divisions or sections and placing them under a department head. It facilitates specialization.
– The departments are linked together and are interdependent.
– Aims at achieving co-ordination and facilitate unity of action. Departmentation can be done on the basis of:

•Functions: marketing, personnel, finance etc.
•Products: Textiles, chemical, power division etc.
•Territories: Western, northern, central, eastern etc.

3. Assignment Of Duties:
– Define the work of different job positions and allocate work accordingly.
– Once departments are formed, the dept is placed under the charge of an individual.
– Jobs are assigned to an individual best suited to perform it.
– Qualifications, experience, ability and aptitudes of people should be matched with duties.
– E.g. activities of finance should be assigned to persons having qualifications and experience in finance.

4. Establishing Reporting Relationships:
– Granting requisite authority to enable employees to perform the job satisfactorily.
– Superior subordinate relations between different people and job positions created, so that everybody knows from whom he is to take orders and to whom he can issue orders.
– Creates management hierarchy = a chain of command from the top manager to the individual at the lowest level.
– This helps in coordination.

Importance of Organizing
1. Benefits of specialization: In organizing every individual is assigned apart of total work and not the whole task. This division of work into smaller units and repetitive performance leads to specialization. Thus organizing promotes specialization which in turn leads to efficient & speedy performance of tasks.
2. Clarity in working relationship: It helps in creating well defined jobs and also clarifying the limits of authority and responsibility of each job. The superior-subordinate relationship is clearly defined in organizing.
3. Effective Administration: It provides a clear description of jobs and related duties which helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work which results ineffective administration.
4. Optimum utilization of resources: The proper assignment of jobs avoids overlapping/duplication of work. This helps in preventing confusion and minimizing the wastage of resources and efforts.
5. Adoption to Change: A properly designed organizational structure is flexible which facilitates adjustment to changes in workload caused by change in external environment related to technology, products, resources and markets.
6. Development of Personnel: Sound organization encourages initiative and relative thinking on part of the employees. When managers delegate their authority, it reduces their workload so they can focus on more important issues related to growth & innovation. This also develops the subordinates' ability and helps him to realize his full potential.

7. Expansion and growth: It helps in growth & diversification of an enterprise by adding more job positions, departments, products lines, new geographical territories.

Span of Management

Span of Management refers to the number of subordinates who can be managed efficiently by a superior.

Span of control or Span of Management refers to the number of employees who report to one manager. It is the number of direct repartees that a manager has and whose results he is accountable for.
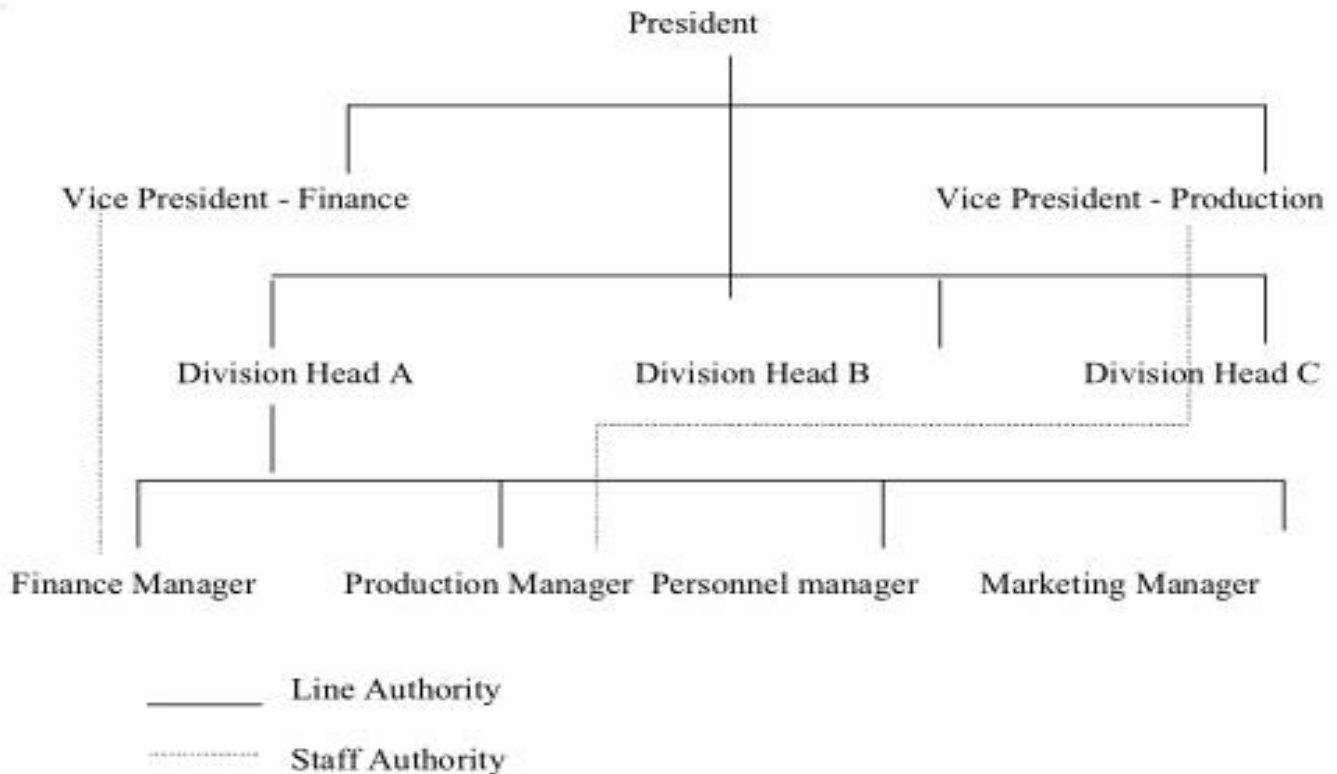
Span of control is critical in understanding organizational design and the group dynamics operating within an organization. Span of control may change from one department to another within the same organization.

The span may be wide or narrow. A wide span of control exists when a manager has a large number of employees reporting to him. Such a structure provides more autonomy. A narrow span of control exists when the number of direct reportees that a manager has is small. Narrow spans allow managers to have more time with direct reports, and they tend to spark professional growth and advancement.

Types of Authority

Three types of authority are;

- Line Authority
- Staff Authority
- Functional Authority

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                              President
                                  |
        +-------------------------+-------------------------+
        |                         |                         |
Vice President - Finance                          Vice President - Production
        |                         |                         |
  +-----+-----------------+-------+------------------+------+
  |                       |                          |
Division Head A      Division Head B           Division Head C
        |
  +-----+------------+----------------+-----------------+
  |                  |                |                 |
Finance Manager  Production Manager  Personnel manager  Marketing Manager
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_____ Line Authority

.... Staff Authority

Line Authority

The work of an employee is directed with the help of line authority. It takes the form of an employer-employee relationship that moves from top to bottom. So certain decisions are made by the line manager without consulting any other person. In some cases, line managers are differentiated from the staff managers by using the word "line". Hence the manager whose functions are linked directly with the achievement of organizational objectives is called line manager.

Staff Authority – Staff authority is the right to advise or counsel those with line authority. For instance, human resource department staff assists other divisions by selecting and developing a qualified workforce. A quality control manager helps a production manager by confirming the acceptable quality level of products or services, initiating quality programs, and executing statistical analysis to ensure compliance with quality standards. Therefore, staff authority provides staff personnel the right to offer advice in an effort to improve line operations.

Functional Authority – Functional authority (limited line authority) gives a staff member power over a particular function, such as safety or accounting. Generally, functional authority is provided to specific personnel with expertise in a certain subject. For instance, members of an accounting department might have authority to request documents they need to prepare financial reports. Functional authority is a special type of authority for staff personnel, which must be designated by top management.

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Decentralization:

Decentralization can be defined as the organizational structure. In such a structure, the top management of a firm entrusts the middle and lower-level management with the responsibility to take decisions pertaining to the firm's daily operations.

Advantages of Decentralization

1. Facilitates Smooth Communication
With the presence of fewer hierarchical levels, there is a smooth flow of communication between the superiors and subordinates in each department. In turn, such a set-up comes in handy for the top management and keeps them informed about the grievances and functioning of each department.

2. Promotes Expansion

With the middle and lower-level management being more involved with the everyday operation, the top management seeks the opportunity to focus on expansion and sustenance of profitability.

3. Motivates Subordinates

Decentralization is an effective way to boost the morale and feeling of job satisfaction among employees. Being entrusted with responsibilities around the department offers them a sense of belonging and further inculcates a team spirit in them.

4. Improves Administration

As the manager at each level is allowed to make decisions pertaining to their department, it offers them more room to bring necessary adjustments through the course of operation. In turn, it not only helps to improve the quality of the department's performance as and when required but also allows them to come up with suitable solutions to tackle departmental challenges. All of this helps to improve the quality of administration at each level significantly.

5. Facilitates Greater Control

With the help of decentralization**,** top management can evaluate the performance of different departments more effectively. Further, it helps them to review and identify the prevailing shortcomings and helps to bring necessary changes to the same. This not just helps to lower the occurrence of operational shortcomings but also offers greater control over each area of operation.

Disadvantages of Decentralization
1. External factors
Factors like market fluctuations, government policies and intervention and trade union movement often present a challenge to optimize the productivity of a company through decentralization.
2. Lack of coordination
Each department is given due powers to delegate their operations adequately. However, different departments may not be eager to cooperate, which defeats the purpose of a decentralized structure altogether.

Delegation of Authority

Delegation of Authority
Meaning: It means the granting of authority to subordinates to operate within the prescribed limits. The manager who delegates authority holds his subordinates responsible for proper performance of the assigned tasks. To make sure that his subordinates perform all the works effectively and efficiently in expected manner the manager creates accountability.
**Process/Elements of Delegation**
1. Authority: The power of taking decisions in order to guide the activities of others. Authority is that power which influences the conduct of others.
2. Responsibility: It is the obligation of a subordinate to properly perform the assigned duty. When a superior issues orders, 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.
Principle of Absoluteness of Accountability: Authority can be delegated but responsibility/accountability cannot be delegated by a manager. The authority granted to a subordinate can be taken back and re-delegated to another person. The manager cannot escape from the responsibility for any default or mistake on the part of his subordinates. For example, If the chief executive asks marketing manager to achieve a sales target of sale of 100 units/day. The marketing manager delegates this task to deputy sales manager, who fails to achieve the target. Then marketing manager will be answerable for the work performance of his subordinates. Thus, accountability is always of the person who delegates authority.
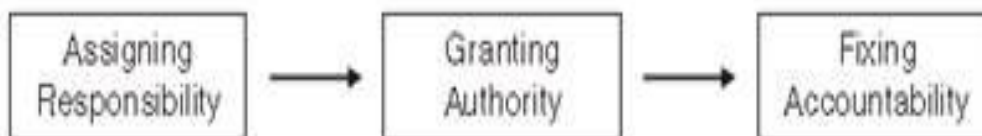
Formal and Informal Organisation:

FORMAL ORGANISATION

Informal Organisation refers to the organization . structure that is designed by the management to accomplish organizational objectives. It specifies clearly the boundaries of authority & responsibility and there is a systematic coordination among the various activities to achieve organizational goals.

INFORMAL ORGANISATION

An informal organization is that organization which is not established deliberately but comes into existence because of common interests, tastes and religious and communal relations. The main purpose of this organization, structure is getting psychological satisfaction. For example, employees with similar interest in sports, films, religion etc. may form their own informal groups.

Difference between Formal and Informal Organisation:

SL. NO.	INFORMAL ORGANIZATION	INFORMAL ORGANIZATION
1.	A formal organization is defined as an organization that has set rules and regulations to be followed by the employees.	On the other hand, an informal organization is defined as an organization that focuses on building social relationships and networks.
2.	The main aim of a formal organization is to achieve the long-term and short-term goals of the organization.	The main purpose of the informal organization is to build social networks and create a positive work environment.
3.	The formal organization has a hierarchical structure.	An informal organization does not have a hierarchical structure.
4.	The formal organization is created by the management.	Informal organization is created spontaneously by the members. The organization is made based on personal interactions.
5.	Achievement of goal is the priority of a formal organization.	Fulfilling the psychological and social needs of the employees is the priority of the informal organization.
6.	A formal organization is stable, i.e., it continues for a long time.	An informal organization is spontaneously made and is not stable.
7.	Formal organization follows official communication.	An informal organization has a grapevine communication.
8.	The employees are controlled by rules, regulations, and protocols.	The employees are controlled by values, morals, norms, and beliefs.

9.	There are different levels of authority in a formal organization. The employees are bounded by the hierarchical structure.	All the members in the informal organization are equal.
10.	The size of the formal organization is large.	The size of an informal organization is small.

Principles of Organizing

- **Work Specialization**

Also called **division of labor**, work specialization is the degree to which organizational tasks are divided into separate jobs. Each employee is trained to perform specific tasks related to their specialized function.

Specialization is extensive, for example running a particular machine in a factory assembly line. The groups are structured based on similar skills. Activities or jobs tend to be small, but workers can perform them efficiently as they are specialized in it.

In spite of the obvious benefits of specialization, many organizations are moving away from this principle as too much specialization isolates employees and narrows down their skills to perform routine tasks.

Also it makes the organization people dependent. Hence organizations are creating and expanding job processes to reduce dependency on particular skills in employees and are facilitating job rotation among them.

- **Authority**

Authority is the legitimate power assigned to a manager to make decisions, issue orders, and allocate resources on behalf of the organization to achieve organizational objectives.

Authority is within the framework of the organization structure and is an essential part of the manager's job role. Authority follows a top-down hierarchy. Roles or positions at the top of the hierarchy are vested with more formal authority than are positions at the bottom.

The extent and level of authority is defined by the job role of the manager. Subordinates comply with the manager's authority as it is a formal and legitimate right to issue orders.

- **Chain of Command**

The chain of command is an important concept to build a robust organization structure. It is the unbroken line of authority that ultimately links each individual with the top organizational position through a managerial position at each successive layer in between.

It is an effective business tool to maintain order and assign accountability even in the most casual working environments. A chain of command is established so that everyone knows whom they should report to and what responsibilities are expected at their level. A chain of command enforces responsibility and accountability.

Unity of command states that an employee should have one and only one manager or supervisor or reporting authority to whom he is directly accountable to. This is done to ensure that the employee does not receive conflicting demands or priorities from several supervisors at once, placing him in a confused situation.

However, there are exceptions to the chain of command under special circumstances for specific tasks if required. But for the most part organizations to a large extent should adhere to this principle for effective outcomes.

Scalar principle states that there should exist a clear line of authority from the position of ultimate authority at the top to every individual in the organization, linking all the managers at all the levels. It involves a concept called a gang plank using which a subordinate may contact a superior or his superior in case of an emergency, defying the hierarchy of control. However, the immediate superiors must be informed about the matter.

- **Delegation**

Another important concept closely related to authority is delegation. It is the practice of turning over work-related tasks and/or authority to employees or subordinates. Without delegation, managers do all the work themselves and underutilize their workers. The ability to delegate is crucial to managerial success.

Authority is said to be delegated when discretion is vested in a subordinate by a superior. Delegation is the downward transfer of authority from a manager to a subordinate. Superiors or managers cannot delegate authority they do not have, however, high they may be in the organizational hierarchy.

Delegation as a process involves establishment of expected outcomes, task assignment, delegation of authority for accomplishing these tasks, and exaction of responsibility for their accomplishment. Delegation leads to empowerment, as employees have the freedom to contribute ideas and do their jobs in the best possible ways.

- **Span of Control**

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NETWORK ORGANIZATIONAL STRUCTURE:

A network organization is a decentralized company structure that operates as a network of autonomous businesses or business units as opposed to a traditional centralized, hierarchical structure.

Each unit is responsible for its own profit and losses, and all units share a common goal of maximizing the value of the network as a whole. Units can share resources and collaborate where it makes sense to do so commercially. Units can be under the same consumer brand or operate under independent brands.

Network organizations can be described as a structure in which individuals are connected through a series of relationships. These relationships can be categorized into various types:

1. **Vertical:** Refers to status relationships (boss/employee)
2. **Horizontal:** Refers to task relationships (colleague/co-worker)
3. **Initiative/Assignment based**: Refers to forming and adjourning teams that only exist for a specific purpose and then disbands
4. **3rd party relationships**: Relationships with vendors or sub-contractors that are not permanent members of the organization
5. **Partnerships:** Collaborating with other organizations or sharing resources to the benefit of both parties.

Network organization theory suggests that organizations should be structured as a network of teams instead of a hierarchy of departments and individual managers to allow for more flexibility and adaptability to changing market conditions.

here are two types of network organizations: Internal network organization and external network organization.

- **Internal:** Within organizational design, a network organization consists of various internal working relationships operating across multiple departments, functions and levels (as well as outside parties) to deliver the organizational goals.

- **External:** Network organizations form a group of companies that share resources via formal and informal relationships to deliver on individual goals. For example, sharing of workspaces in a building or bulk ordering from a supplier to reduce logistics costs.

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