

# Management Structure

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# Organizing Function Defined

- ▶ "It is grouping of activities necessary to attain enterprise objectives and the assignment of each grouping to a manager with authority necessary to supervise it". Koontz and O'Donnel
- ▶ "The process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work more effectively together in accomplishing objects". Louis A. Allen
- ▶ "The structure and process by which a cooperative group of human beings allocates its tasks among its members, identifies relationship, and integrates its activities towards common objectives". Joseph L. Massive

# Organizing means

- ▶ An analysis of the above definitions reveals the following:
  1. It is a group of individuals which may be large or small.
  2. The group in the organization works under the executive leadership.
  3. It is a machine or mechanism of management.
  4. It has some directing authority or power which controls the concerted efforts of the group.
  5. The division of labour, power and responsibilities are deliberately planned.
  6. It implies a structure of duties and responsibilities.
  7. It is established for accomplishment of common objectives
  8. It is a functional concept.

# Advantages of Organizing

1. Facilitates attainment of the objectives of the enterprise.
2. Facilitates optimum use of resources and new technological development.
3. Facilitates growth and diversification.
4. Stimulates creativity and innovation.
5. Facilitates effective communication.
6. Encourages better relations between the labour and the management.
7. Increase employee satisfaction and decreases employee turnover.

# Nature of Organizing

The term **Organizing** ' is used in two different senses. In the first sense it is used to denote the process of organizing. In the second sense, it is used to denote the results of that process, namely, the organizational structure. So, the nature of organization can be viewed in two ways :

- (a) Organization as a process; and
- (b) Organization as a structure or framework of relationship.

# Organizing as a process

As a process, organization is an executive function. It becomes a managerial function involving the following activities :

- (i) Determining activities necessary for the accomplishment of the business objective.
- (ii) Grouping of interrelated activities.
- (iii) Assigning duties to persons with requisite competence,
- (iv) Delegating authority, and
- (v) Coordinating the efforts of different persons and groups.

# Organizing as a structure or framework of relationships

As structure, organization is a network of internal authority, responsibility relationships. It is the framework of relationship of persons, operating at various levels, to accomplish common objectives. An organization structure is a systematic combination of people, functions and physical facilities. It constitutes a formal structure with definite authority and clear responsibility. It has to be first designed for determining the channel of communication and flow of authority and responsibility.



# STEPS IN THE PROCESS OF ORGANISING

**1. Clear definition of objectives:** The first step in developing an organizational structure is to lay down its objectives in very clear terms. This will help in determining the type, stability and basic characteristics of the organization. In fact, organization activities are detailed in terms of objective to be achieved.

**2. Determining activities:** In order to achieve the objectives of the enterprise, certain activities are necessary. The activities will depend upon the nature and size of the enterprise. For example, a manufacturing concern will have production, marketing and other activities. There is no production activity in retail establishment. Each major activity is divided into smaller parts. For instance, production activity may be further divided into purchasing of materials, plant layout, quality control, repairs and maintenance, production research etc.



# STEPS IN THE PROCESS OF ORGANISING

**3. Assigning duties :** The individual groups of activities are then allotted to different individuals according to their ability and aptitude. The responsibility of every individual should be defined clearly to avoid duplication and overlapping of efforts. Each person is given a specific job suited to him and he is made responsible for its execution. Right man is put in the right job.

**4. Delegating authority :** Every individual is given the authority necessary to perform the assigned activity effectively. By authority we mean power to take decisions, issue instructions, guiding the subordinates, supervise and control them. Authority delegated to a person should commensurate with his responsibility. An individual cannot perform his job without the necessary authority or power. Authority flows from top to bottom and responsibility from bottom to top.

# STEPS IN THE PROCESS OF ORGANISING

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**5. Coordinating activities** : The activities and efforts of different individuals are then synchronized. Such coordination is necessary to ensure effective performance of specialized functions. Interrelationship between different job and individuals are clearly defined so that everybody knows from whom he has to take orders and to whom he is answerable.

**6. Providing physical facilities and right environment** : The success of an organization depends upon the provision of proper physical facilities and right environment. Whereas it is important to have right persons on right jobs, it is equally important to have right working environment. This is necessary for the smooth running and the prosperity of the enterprise.

# STEPS IN THE PROCESS OF ORGANISING

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7. Establishment of structural relationship for overall control : It is very essential to establish well defined clear-cut structural relationships among individuals and groups. This will ensure overall control over the working of all departments and their coordinated direction towards the achievements of predetermined goals of business.

# PRINCIPLES OF ORGANISATION

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**(i) Division of work** : While structuring organization, division of work, at the very outset, should be considered as the basis of efficiency. It is an established fact that group of individuals can secure better results by having division of work. Therefore, while designing the organization we should aim at making suitable grouping of activities. This is also called the principle of specialization.

**(ii) Attention to objectives** : An organization is a mechanism to accomplish certain goals or objectives. The objectives of an organization play an important role in determining the type of structure which should be developed. Clearly defined objectives facilitate grouping of activities, delegation of authority and consequently effective coordination.

# PRINCIPLES OF ORGANISATION

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**(iii) Span of management** : Span of management also refers to span of control signifying the number of subordinates reporting directly to any executive. It is an established fact that larger the number of subordinates reporting directly to the executive, the more difficult it tends to be for him to supervise and coordinate them effectively. This important principle of management should also be kept in mind.

**(iv) Unity of command** : Organization structure should also be designed in such a way that there exists unity of command in the sense that a single leader is the ultimate source of authority. This facilitates consistency in directing, coordinating and controlling to achieve the end objectives.



# PRINCIPLES OF ORGANISATION

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**(v) Flexibility** : While designing the organization it should be kept in mind that organizational structure should not be regarded as static. Every organization is a living entity in a living environment which is fast changing . As such there must be sufficient room for changing and modifying the structure in the light of environmental changes so that the ultimate objective of the organization is achieved.

**(vi) Proper balance** : It is important to keep various segment or departments of an organization in balance. The problem of balance basically arises when an activity or a department is further divided and subdivided into smaller segments. The problems of balancing also crops up with the growing of any organization in its size and functioning.

# PRINCIPLES OF ORGANISATION

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**(vii) Management by exception** : It is a fundamental principle that makes any organization effective in its true sense. This principle signifies that problems of unusual nature only should be referred upward and decided by higher level executives in the managerial hierarchy, whereas the routine problems should be passed on to lower levels and resolved there. Application of this principle as such, certainly requires adhering to the principle of delegation of authority.

**(viii) Decentralization** : This principle is of great significance to big organizations. Decentralization implies selective dispersal of authority to help departments and units to run effectively and efficiently without frequent interruptions from the top of the enterprise. It requires very careful selection of what decisions to push down into the organization, of what to hold at or near the top specific policy making to guide the decision-making, selection and training of people and adequate control.



# PRINCIPLES OF ORGANISATION

**(ix) Departmentation** : Departmentation is the process of grouping activities into units for purposes of administration. In other words, it denotes grouping of related jobs and activities without violating the principle of homogeneity over which an executive has authority to exercise and assert. The main advantages of departmentation are that it enables individual executive to manage his subordinates effectively since a manageable number of persons are brought under the direct supervision of individual executive.

**(x) Efficiency** : The organization should be able to attain the predetermined objectives at the minimum cost. It is done so, it will satisfy the test of efficiency. From the point of view of an individual, a good organization should provide the maximum work satisfaction. Similarly, from the social point of view, an organization will be efficient when it contributes the maximum towards the welfare of the society.

# PRINCIPLES OF ORGANISATION

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**(xiii) Continuity:** The form of organization structure should be such which is able to serve the enterprise to attain its objectives for a long period of time.

**(xiv) Coordination:** The principal of coordination underlines that there should be proper liaison and cooperation between different departments and units of work. Unity of efforts for the accomplishment of desired objectives is the main aim of organization. This can be achieved through the principle of coordination.

**(xv) Authority and responsibility:** Authority should commensurate with responsibility. While assigning the responsibility, authority should also be assigned. If authority is not granted, the subordinates cannot discharge their responsibility properly.

# ADVANTAGES OF ORGANISATION

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1. Enhancement of managerial efficiency : A sound organization brings a proper coordination among various factors of production and leads to their optimum utilization. It avoids confusion, duplication and delays in work. It motivates the worker by proper division of work and labour. It reduces the work load of executives by delegation of authority.

2. Growth, expansion and diversification : Organization provides the framework within which an enterprise can expand and grow. Through organization, management can multiply its strength. In a good organization, the money and effort spent on different activities are in proportion to their contributions. It is through proper organization setup that many firms have grown from humble beginning to a giant size.

# ADVANTAGES OF ORGANISATION

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3. Specialization : A sound organization structure provides the benefits of specialization. Various activities are allocated between different individuals according to their qualifications, experience and aptitude. It increases their efficiency. Systematic organization of activities helps to secure economics and to minimize costs.

4. Adoption of new technology : A properly designed and wellbalanced organization permits prompt adoption and optimum use of technological improvements. It has the capacity to absorb changes in the environment of business and to provide a suitable reaction to such changes. A good organization helps in the development of new and improved means of doing things.

# ADVANTAGES OF ORGANISATION

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5. Coordination : Organization facilitates coordination of diverse activities. Different functions are welded together to accomplish the desired objectives. Clear lines of authority and responsibility between various positions, ensure mutual cooperation and harmony in the enterprise. A good organization enables people to work with team spirit.

6. Training and Development : By delegating authority to lower levels, training and development of future executives is made possible. A good organization puts 'right man at the right job' and provide them right training and managerial development programmes. By appointing employees in different department assigning them different jobs, their training needs can be ascertained.



# ADVANTAGES OF ORGANISATION

7. Creativity, initiative and innovation : A good organization encourages initiative and creative thinking. Employees are motivated to break new grounds and try unconventional methods. A sound organization offers the scope for recognition of merit followed by financial incentives to the personnel showing creativity.

8. Check on corrupt practices : A weak and unsound organization is source of corruption and inefficiencies. Well organized, well defined, disciplined and sound organizations boost the morale and motivation of workers. It develops a feeling of involvement, belongingness, devotion, honesty and sincerity among employees. It prevents corruption, inefficiencies and wastage in an enterprise.

# ADVANTAGES OF ORGANISATION

9. Proper weightage to all activities : A sound organization divides the entire enterprise into different departments, sections and subsections according to the functions to be performed by them. Each function of an enterprise has got its own importance. Emphasis is given according to their relative importance. Funds and manpower is allocated to their relative importance.

10. Better human relations : Human beings involved in an organization are only dynamic element of organization. A dedicated and satisfied group of persons proves an asset to any establishment. An organization, built on sound principles, helps harmony in human relations. With properly defined authority, responsibility and accountability, different persons enjoy job-satisfaction. Organization consists of human beings and their satisfaction helps in improving human relations



# FORMS OF ORGANISATION STRUCTURE

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In order to organize the efforts of individuals, any of the following types of organization structures may be set up : (i) Line organization, (ii) Line and staff organization, (iii) Functional organization, (iv) Committee organization, (v) project Organization, and (vi) Matrix organization.

# Line Organization

The line organization represents the structure in a direct vertical relationship through which authority flows. It is the simplest form of organization structure and is also known as scalar or military organization.

Under this, the line of authority flows vertically downward from top to bottom throughout the organization. The quantum of authority is highest at the top and reduces at each successive level down the hierarchy.

# Line Organization

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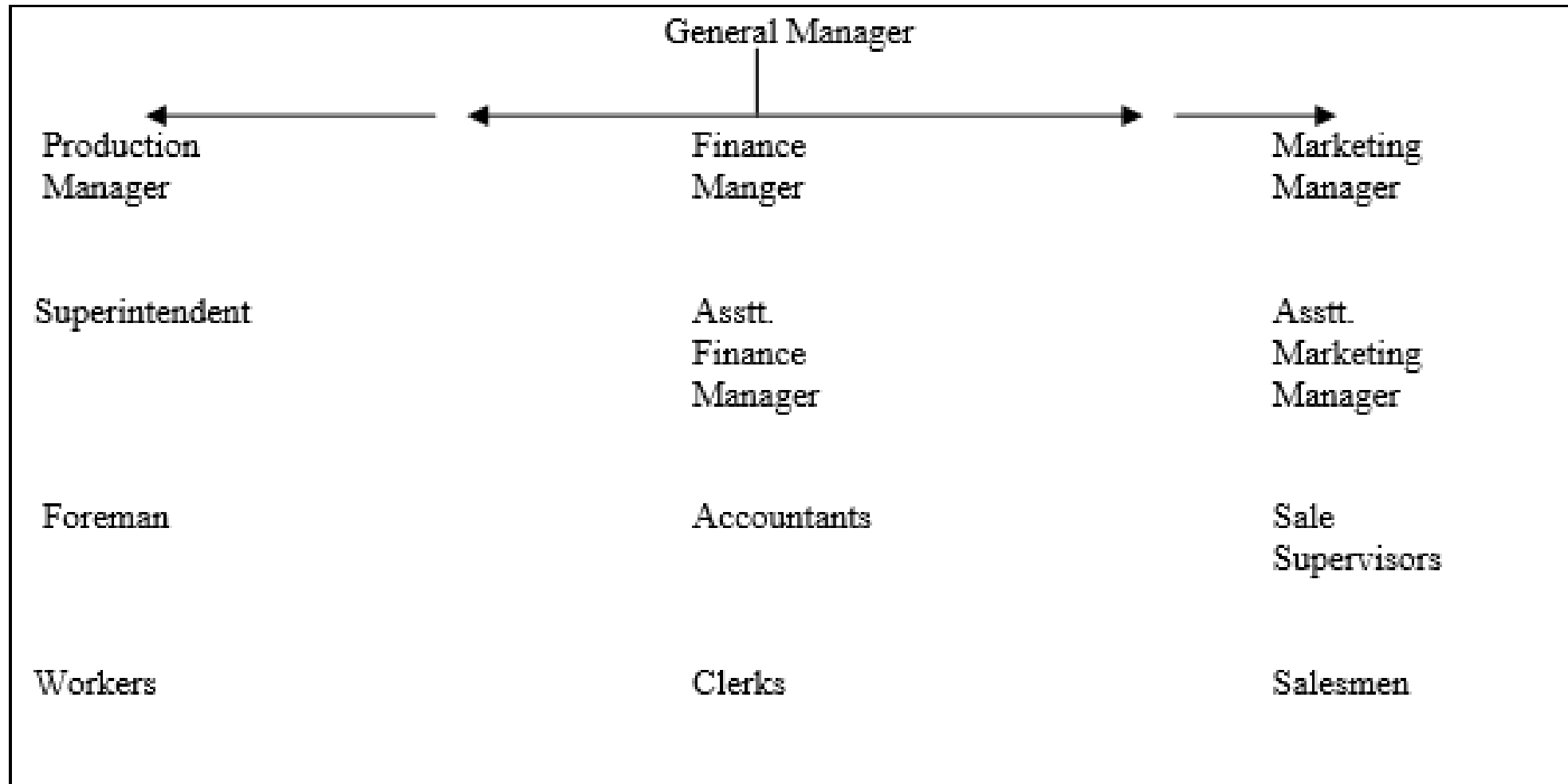


Fig. 6.1 : Line Organization

# Advantages of Line Organization

- (i) It is very easy to establish line organization and it can be easily understood by the employees.
- (ii) It facilitates unity of command and thus conforms to the scalar principle of organization.
- (iii) There is clear-cut identification of authority and responsibility relationship. Employees are fully aware of the boundaries of their jobs.
- (iv) It ensures excellent discipline in the enterprise because every individual knows to whom he is responsible.
- (v) It facilitates prompt decision-making because there is definite authority at every level. An executive cannot shift his decision making to others, nor can the blame be shifted.

# Disadvantages of Line Organization

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- (i) With growth, the line organization makes the superiors too overloaded with work. If the executive try to keep up with every activity, they are bogged down in myriad details and are unable to pay proper attention to each one. It will hamper their effectiveness.
- (ii) There is concentration of authority at the top. If the top executives are not capable, the enterprise will not be successful.
- (iii) Line organization is not suitable to big organizations because it does not provide specialists in the structure. Many jobs require specialized knowledge to perform them.
- (iv) There is partially no communication from bottom upwards because of concentration of authority at the higher levels. If superiors take a wrong decision, it would be carried out without anybody having the courage to point out its deficiencies.

# Line and Staff Organization

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The line executive is often described as the individual who stands in the primary chain of command and is directly concerned with the accomplishment of primary objectives. Line organization provides decision-making authority to the individuals at the top of the organization structure and a channel for the flow of communication through a scalar chain of authority. Line executives are generalists and do not possess specialized knowledge which is a must to tackle complicated problems. With a view to give specialist aid to line executives, staff positions are created throughout the structure. Staff elements bring expert and specialized knowledge to provide advice to line managers so that they may discharge their responsibilities successfully.

# Line and Staff Organization

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Fig. 6.2 Line and Staff Organization



# Advantages of Line and Staff Organization

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- (i) Specialized knowledge. Line managers get the benefit of specialized knowledge of staff specialists at various levels.
- (ii) Reduction of burden. Staff specialists relieve the line managers of the botheration of concentrating on specialized functions like accounting, selection and training, public relations, etc.
- (iii) Proper weightage. Many problems that are ignored or poorly handled in the line organization can be properly covered in the line and staff organization by the use of staff specialists.
- (iv) Flexibility. Line and staff organization is more flexible as compared to the line organization. General staff can be employed to help line managers at various levels.

# Advantages of Line and Staff Organization

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(v) Better decisions. Staff specialists help the line executives in taking better decisions by providing them with adequate information of right type at the right moment and expert advice.

(v) Flexibility. Line and staff organization is more flexible as compared to the line organization. General staff can be employed to help line managers at various levels.

(vi) Unity of command. Under this system, the experts provide special guidance without giving orders. It is the line manager who only has got the right to give orders. The result is that the enterprises takes advantage of functional organization while maintaining the unity of command i.e., one subordinate receiving orders from one boss only.

# Demerits of Line and Staff Organization

Line and staff organization suffers from the following drawbacks :

- (i) There is generally a conflict between the line and staff executives. There is a danger that the staff may encroach on the line authority. Line managers feel that staff specialists do not always give right type of advice, and staff officials generally complain that their advice is not properly attended to.
- (ii) The allocation of duties between the line and staff executives is generally not very clear. This may hamper coordination in the organization.
- (iii) Since staff men are not accountable for the results, they may not be performing their duties well.
- (iv) There is a wide difference between the orientation of the line and staff men. Line executives' deals with problems in a more practical manner. But staff officials who are specialists in their fields tend to be more theoretical.