### Introduction of Organizations (Lecture 1)

### What is Institution?

An institution is a social structure in which people cooperate and which influences the behavior of people and the way they live. An institution has a purpose. Institutions are permanent, which means that they do not end when one person is gone. An institution has rules and can enforce rules of human behavior.

#### Types of Institution

* **Crescive Institutions:** That take form in the culture are known as crescive institutions. Property, marriage, religion are all crescive institutions.
* **Enacted Institutions:** These contain business and credit Institutions that are related to profits and economy and hence consciously established.
* **Basic Institutions:** These are just those that are seen as important to maintain social order in society. The Family institutions, Political Institutions, Educational Institutions, Divine or Religious Institutions etc.
* **Subsidiary Institutions:** These Institutions are a bit complicated in the way that they aren’t necessarily so much to maintain social order. Like entertaining activities and clubs come under these Institutions.
* **Operative Institutions:** Those whose function is to organize patterns which are necessary to attain any objective. E.g. institution of Industrialism.
* **Relative Institutions:** Those who aren’t a part of the regulative institution themselves but help in controlling the custom and other forms of behavior.

#### Functions of Institutions

* They explain the actions and work of the individual.
* They give the means to control society and people who constitute it.
* Every individual is given a role depending on which he can achieve and regulate his status.
* Create balance or harmony and unity among the members of society.

|  |  |
| --- | --- |
|  |  |
|  |  |
|  | |
|  |  |
|  | |
|  |  |
|  | |
|  |  |
|  | |
|  |  |

**What is Organization?**

The organization is working together in a coordinated way to achieve goals. The organization allowed individuals to specialize and increase efficiency. There are two types of organizations.

* **Formal Organization:** In every enterprise, certain rules and procedures establish work relationships among the employees. These aptitudes the smooth functioning of the enterprise. Additional, they introduce a systematic flow of interactions among the employees. The formal organization clearly outlines the relationships among employees. Hence, it becomes easier to rack responsibilities. In the formal organization, the duties of each member clearly defined, there is no ambiguity or confusion in individual roles whatsoever. Besides, there is no duplication of efforts which eliminates any wastage. In a formal organization, there is a clear definition of rules and procedures. This means that behaviors and relationships among the members are predictable.
* **Informal Organization:** Informal organization arises out of the formal organization. This is because when people frequently contact each other we cannot push them into a stiff and completely formal structure. Rather, they bond over common interests and form groups, based upon friendship and social interactions. The informal organization is fluid and there are no written or predefined rules for it. It is a complex web of social relationships among members who are born spontaneously. Further, it cannot be forced or controlled by the management. Informal organization, getting true feedback and reactions is not easy. Hence, in an informal organization, various limitations of the formal organization are covered up.

**Main Difference**

The main difference between Organization and Institution is that Organization is a group of people who come together with a common goal and work towards achieving that goal, whereas Institution is an organization that dedicated to public service.

**Organization vs. Institution**

Organization refers to an organized group of people gathered to achieve a particular purpose. The institution is either a type of formal organization or practices and behavior pattern of society. The organization is a narrow term, and the institution is a broad term. Organization refers to a physical entity, whereas the institution refers to both abstract and concrete entities. Rules and regulations govern the organization. Conversely, the institution governed by customs and values. Examples of organizations include the Army, businesses, charity organizations, schools, etc. and examples of institutions include Church, marriage, family, Parliament etc

**Comparison Chart**

|  |  |
| --- | --- |
| **Organizations** | **Institutions** |
| **Goal** | |
| To earn money, or give service to the members etc. | To deliver knowledge to the people. |
| **Administration** | |
| Centralized or Decentralized | Decentralized |
| **Existence** | |
| It has a life cycle | It is long lasting |
| **Governing factor** | |
| Rules and Regulations | Customs and Values |

### Key Differences

1. An organization is a systematic or consistent collection of people, who work together for achieving the desired end, under a common identity. Conversely, an institution is an establishment, that dedicated to promoting a specific cause that can be educational, professional, social, etc.
2. An organization is controlled by rules, regulations, and policies, while customs and values are the regulating factors of an institution.
3. The structure of an organization can be centralized where power lies in the hands of the supreme authority, or decentralized where the power disseminated. On the other end, an institution has a decentralized structure, wherein power spread to various levels of management.
4. The main objective of an organization is to earn money or provide services to the members. On the contrary, the main objective of an institution is to impart education or knowledge to the users.
5. An organization has a definite life cycle, i.e. they have birth, growth, maturity, and decay. On the other hand, an institution is enduring in the sense that they have the capacity of constantly growing, overcoming ability and adapting itself to extreme conditions, to take a step towards the future.

### Conclusion

The primary objective of an organization is to maintain the internal order of the organization along with the effectiveness in the achievement of desired ends. Despite that, when it comes to the institution, it goes beyond the goals of the organization.

# 

# Definitions of Organizations (Lect. 2)

Organisation is the backbone of management because without an efficient organization no management can perform its functions smoothly.

In the management process this organization stands as a second state which tries to combine various activities in a business to accomplish pre-determined goals.

It is the structural framework of duties and responsibilities required of personnel in performing various functions with a view to achieve business goals. In other words, organization is simply people working together for a common goal. It is a group of people assembling or congregating at one place and contributes their efforts to achieve a common goal.

Hence, it is coordinates different activities for running the business enterprise efficiently so that the common goal can be achieved.

### Definitions by Eminent Thinkers

Organisation is the backbone of management because without an efficient organization no management can perform its functions smoothly. In the management process this organization stands as a second state which tries to combine various activities in a business to accomplish pre-determined goals. It is the structural framework of duties and responsibilities required of personnel in performing various functions with a view to achieve business goals

In other words, organization is simply people working together for a common goal. It is a group of people assembling or congregating at one place and contributes their efforts to achieve a common goal. Hence, it is coordinates different activities for running the business enterprise efficiently so that the common goal can be achieved.

Alike ‘management’ the term ‘organization’ has also been defined in a number of ways such as a process, as a structure of relationship, as a group of persons and as a open dynamic system and so on. So some quotable definitions are enlisted below to understand the term organization in its totality.

**Louis Allen:**

Organisation is the process of identifying and grouping work to be performed, defining ad delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.” In the words of Allen, organization is an instrument for achieving organizational goals. The work of each and every person is defined and authority and responsibility is fixed for accomplishing the same.

**Wheeler:**

“Internal organization is the structural framework of duties and responsibilities required of personnel in performing various functions within the company, it is essentially a blue print for action resulting in a mechanism for carrying out function to achieve the goals set-up by company management”. In Wheeler’s view, organization is a process of fixing duties and responsibilities of persons in an enterprise so that organizational goals are achieved.

**Koontz and O’Donnell:**

The establishment of authority relationships with provision for co-ordination between them, both vertically and horizontally in the enterprise structure. These authors view organization as a coordinating point among various persons in the business.

**Oliver Sheldon:**

“Organisation is the process so combining the work which individuals or groups have to perform with the facilities necessary for its execution, that the duties so performed provide the best channels for the efficient, systematic, positive and coordinated application of the available effort”. Organization helps in efficient utilization of resources by dividing the duties of various persons.

**Spriegel:**

In its broadest sense organisation refers to the relation­ship between the various factors present in a given endeavor. Factory organization concerns itself primarily with the internal relationships within the factory such as responsibilities of personnel, arrangement and grouping of machines and material control. From the standpoint of the enterprise as a whole, organization is the structural relationship between the various factors in the enterprise.

Spriegel has given a wide definition of the organization. He has described it as the relationship among persons, factors in the enterprise. All factors of production are coordinated in order to achieve organizational objectives.

**George Terry:**

Organizing is the establishing of effective authority relationships among selected work, persons and work places in order for the group to work together efficiently”. According to Terry organization is the creation of relationship among persons and work so that it may be carried on in a better and efficient way.

**C. H. Northcott:**

“The arrangement by which tasks are assigned to men and women so that their individual efforts contribute effectively to some more or less clearly defined purpose for which they have been brought together”. According to Northcott the purpose of organization is to co-ordinate the activities of various individuals working in the organization for the attainment of enterprise goals.

**L.H. Haney:**

“Organization is a harmonious adjustment of specialized parts for accomplishment of some common purpose or purposes. Organization is the adjustment of various activities for the attainment of common goals”.

Thus, from the above definitions, it may be concluded that organization is the mechanism developed by management to unite the efforts of the people (employees) in order to realize the set objectives.

### Meaning and Concept of Organisation

#### Meaning of Organisation:

In common parlance, the word ‘organisation’ refers to ‘institution’. Educational institution, a private agency, Government department or business firm; all are organisations. In the context of management, it means formal arrangement of work amongst members of the institution with clear identification of authority and responsibility so that organisational goals can be achieved optimally. If duties of every member and their relationship with peers, superiors and subordinates are not defined, the planning process will be ineffective.

**Different authors have defined ‘organisation’ as follows:**

Organisation 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.” — Louis A. Allen

Organising is a “process of defining the essential relationships among people, tasks and activities in such a way that all the organisation’s resources are integrated and coordinated to accomplish its objectives efficiently and effectively.”— Pearce and Richard B. Robinson

The above definitions highlight organising as a (i) structure and (ii) process.

**(i) As a Structure:**

Organising is a set of relationships that defines vertical and horizontal relationships amongst people who perform organisational tasks and duties. The organisational task is divided into units, people in every unit (departments) are assigned specific tasks and their relationship aims to maximise organisational welfare and individual goals.

The relationship amongst people is both **vertical and horizontal**. As vertical relationships, the authority-responsibility structure of people at different levels in the same department is defined.

**horizontal relationships**, authority-responsibility structure of people in different departments at same levels is defined.

Organisation structure specifies division of work and shows how different functions or activities are linked; to some extent it also shows the level of specialisation of work activities. It also indicates the organisation’s hierarchy and authority structure and shows its reporting relationships. — Robert H. Miles

*Organising as a structure is a network of relationships (authority-responsibility structure) amongst all those who are part of the organisation, working at different levels in different departments.*

*Organisation defines relationships amongst jobs and people working at the jobs at various levels. It emphasises more on positions than people.*

**(ii) As a Process:**

Organising defines relationships amongst people through a process that aims to achieve organisational goals efficiently.

**It Involves:**

(i) Identification of work

(ii) Grouping of work into smaller groups

(iii) Assigning work to every individual at every level in every department

(iv) defining its authority and responsibility, and

(v) Establishing relationships amongst people to make them contribute towards organisational goals in an integrated manner.

Organisation structure and process are not independent concepts. They are complementary to each other. Once the organisation process is defined, organisation structure is the end result or outcome of that process. Organisation structure is the result of organisation process. Organisation is, in fact, a structured, on-going process that defines how to achieve pre-defined goals.

#### Concept of Organization:

An organization refers to a structure in which people come together to attain some common goals. People feel that they can fulfill their needs more effectively when they become part of a group. In an organization, the individual goals are foregone for the group goals and the group goals are compromised for organizational goals so the maximum benefit can be derived by using limited available resources.

An organization is influenced by many external and internal factors. External factors include politics, country’s economy, and legal rules and regulations; whereas internal factors include plans, objectives, and policies of an organization. Internal factors can be controlled by an organization; however, external factors are beyond the organization’s control. An organization requires constant caution and adaptability to effectively manage situations arising due to such factors.

### 

### Scope of Organisation (Lecture.3)

Organisation is the executive structure of an enterprise and a basic framework within which the executive’s decision making behaviour occurs.

**Organisation, as an element of management, is concerned with the following aspects, called as scope of organisation:**

1. Identifying and grouping of activities to attain corporate objectives and goals.

2. Assigning these activities to appropriate divisions, departments, sections and individuals.

3. Providing authority, delegation, co-ordination and communication.

4. Providing facilities and equipment, i.e. physical factors of good work environment. ***There are four basic elements of all forms of living organisations around which any organisation centers – (i) The work (ii) The People, (iii) The authority, responsibility and (iv) The relationships.***

Clear-cut division of work defines and prescribes each part of the work to be handled by each person, giving allocation of duties and responsibilities and defining authority or power at each position in the organisation chart. Co-ordination and integration ensure elimination of duplication of work and unity of action.

**A good organisation has to fulfil four special functions:**

1. It must enable the management to maximise the outputs through provision of an efficient man-machine system.

2. It must ensure smooth and effective net-work of communication and information.

3. It must offer interesting and meaningful jobs to all individuals working in the organisation. This alone will ensure job satisfaction. Organisation is developed for people. It must, therefore, be humanistic also and not merely mechanistic. Both the approaches can be reconciled.

4. It must create, maintain and develop its own image or individuality. This ensures customer goodwill. Investors will also have confidence in the enterprise. Employees can develop a sense of belonging to the organisation.

### ****Different****Characteristics

**The following are the different characteristics of an organisation:**

**(a)** Modern organisational is too large in terms of number of people in employment and in terms of the amount of investment. Direct contact between employer and employee is not possible in modern organisation.

**(b) Division of Work:**

In organisation the total work of the enterprise is divided into activities and functions. For efficient accomplishment various activities are assigned to different persons. This brings in division of labour. Specialisation in different activities is necessary to improve one’s efficiency. Organisation helps in division of work into related activities so that they are assigned to different individuals.

**(c) Co-Ordination of Various Activities:**

Co-ordination among various activities of a department and of the organisation is necessary for the harmonious functioning of the organisation. Co-ordination is done by the divisional head and the organisation-head.

**(d) Huge Investment and Complicated Technology:**

Modern organisation involves huge investment and complicated technology, their management and operation is a complex affair. It needs assistance from specialists at all levels.

**(e) Mutually Agreed Purpose:**

There must be mutually agreed purpose because all activities in an organisation are goal-oriented.

**(f) Proper System of Working in All Organisations:**

There must be proper system of working in all organizations. It means there must be well defined hierarchical levels, a chain of command, rules and procedures and communication network, so that consistency and uniformity in behaviour may exist.

**(g) Differentiation is a Must:**

A chain of systematic division of labour takes place by assigning authority and responsibility to an individual who is supposed to be specialized in the job and this leads to differentiation.

**(h) Interaction with Other Systems is Also Must:**

All systems are interdependent and exert influence on others and are influenced by others. Mutual dependence necessitates interaction and consequently adaptation.

Thus, the modern organisation is an ideal co-ordination of the functions of a number of people for attaining the mutually agreed purposes through a well-defined system of working, i.e., hierarchical levels, chain of command, rules and procedures and communications and through the principle of division of labour. It influences and is influenced by the social systems.

### Nature of Organisation and Nature Business Organisation

#### Nature of Organization:

1. Common goal – The main reason for the existence of an organization is to accomplish some common goals. The structure of the organization is bound by a common purpose.

2. Division of labour – The work needed to accomplish the goals is divided into a number of functions and sub-functions. These, functions are organized in the form of departments. Each department is headed by a specialist. Such a division of function on specialty basis infuses specialisation.

3. Authority structure – There is an arrangement of positions into graded series. Such an arrangement creates a series of superior and subordinate relationships called chain of command. Authority and responsibility associated with various positions are defined.

4. Group – It is people who constitute the dynamic element of an organization. They work in groups in the various departments of an organization.

5. Communication – There is free flow of communication through various official channels among the people across various departments. Most of the communication is in a written form. However, grapevine communication is also in vogue.

6. Coordination – The diverse efforts of various functional departments are integrated towards the common objective through the process of coordination.

7. Environment – No organization is functioning in a vacuum. Social, political, economic and legal factors exert influence on the environment. Beside it is influenced by internal factors like materials, machines, level of technology, economic resources, human resources, etc.

8. Rules and regulations – Every organization is governed by a set of rules and regulations for the orderly functioning of people.

#### ****Nature of Business Organisation:****

At present a good deal of confusion has arisen about the nature of business organisation. Some authors are of this opinion that in nature of business organisation we may discuss whether business organisation is an art or a science.

**(1) Business Organisation—an Art:**

Before discussing business organisation as an art it is essential that we must know what is an art?

(a) “In any activity that is classed an art the emphasis is an applying skills and knowledge and accomplishing an end through deliberate effort.” – T. L. Massie

(b) “Art is bringing about of a desired result through application of skill”. – G. L. Terry

(c) According to C. L. Barnard-“The function of an art is to accomplish concrete ends, effect results, produce situations that would not come about without the deliberate effort to secure them”.

Therefore, an art is a system for the attainment of a given end. Art is concerned with the application of knowledge and skills. So, business organisation is an art in so far as one has to use his skill and knowledge in solving many complicated problems of business to achieve the enterprise objectives. Organisation is one of the most creative art in the sense that it is concerned with getting work done through others by motivating them to work and coordinating their activities.

In the ancient times it was felt that the skills of organizing business cannot be codified and communicated. But now, it has been realised that the principles of business organisation may be codified and communicated. This has given the concept of business organisation as a science.

**(2) Business Organisation—a Science:**

In the words of Keynes – “Science is a systematical body of knowledge which establishes relationship between cause and effect”.

**Science has three basic important features:**

(a) It is a systematized body of knowledge that uses scientific methods of observation.

(b) The principles are evolved on the basis of continued observation.

(c) The principles are exact and have universal applicability without any limitation.

Business organisation is a science as it is an organized body of knowledge built up by management practitioners, thinkers and philosophers, over a period of years. It has developed certain principles and rules after continued observation. But unlike Physics, Chemistry and Biology, business organisation is not an exact or accurate science. Its principles cannot be considered as fundamental truths.

Sometimes, they may not bring desired results and may not have universal applicability. The main reason for this in exactness is that it deals with human beings whose behaviour cannot be predicted. Thus, organisation is a ‘Soft Science’ or “Behavioural Science”.

### ****4 Important****Objectives (Lecture- 4)

**To achieve the following objectives a company sets up an organisation:**

**1. To Administer Economy in Production:**

Any company aims at reducing its cost of production. Similarly any commercial undertaking aims at a reduction of its operating cost. An effective and fruitful organisation also aims at a reduction on cost of production, distribution or operation to justify its very existence. To effect economy in the whole organisational structure is a main task of an organisation economy affected results into cheaper availability of goods to the ultimate consumer.

Even if the price of the commodity is not reduced due to some reason or the other; the quality improves, the workers get more wages and the profitability increases. Society stands benefited. Return on investment goes up ultimately leading to larger savings.

In the words of R. C. Davis, “the mission of the business organisation is to acquire, produce and distribute certain values. The business objective, therefore, is the starting point for business thinking. The primary objectives of a business organisation are always those of economic values with which we serve the customer.”

**2. To Serve the Society:**

Any organisation aims at – (i) service of the society, and (ii) service of the enterprise of which it is one of the part. From service to the society it gains – (a) recognition, (b) strength, and (c) stimulus.

Society needs goods at proper time, of standard quality, in adequate quality, at a cheaper rate and regularly. An organisation ensures the society that it would not be lacking. Social gain should be the main aim of any organisation.

If the organisation deviates from this goal certainly it is not going to stand benefited for a longer period since it is the society which helps an organisation, management and enterprise to grow in structure. Goodwill is a gift given by the society to the enterprise and on its own will the society can withdraw it even without a moment’s notice.

**3. To Economies the Use of Available Resources:**

Though in India men are in abundance and other resources are scarce. But the use, of both should be economised in order to guard against the future non-availability of resources. If this happens because of non-judicious and un-planned use of resources then future generation is not going to forgive us. For this reason also-economic use of available resources is desirable.

**4. To Establish Healthy Relations between Labour and Capital:**

Human relations and behavioural sciences form the basis of any organisational structure today. A capital labour harmonious relations may help in attaining the objectives of the enterprise quickly and honestly. Prosperity to both is ensured by good, relations. Profitability and productivity both increase.

In India the capital and labour a not at their mutual best. Though we talk of ‘workers sector’ but we have made no sincere efforts in this direction. We have not been able to develop even harmonious relations between the two. A developing country like India can ill afford this situation. We have to find out some way out for better relations and effective achievement of the objectives of the company.

### ****9****Essential Elements of a Good Organisation

**The essential and important elements of a good organisation are as follows:**

**Element # 1. It Must be Helpful in the Achievement of Objectives:**

A good organisation must be capable of overcoming the problems of an enterprise. An organisation is considered as good only when it is capable in achieving the predetermined objects of enterprise. It is not in a position to achieve these objects; it cannot be regarded as a good organisation.

**Element # 2. There Must be Harmonious Grouping of Functions:**

A good organisation should divide the functions of an enterprise in such a manner so that they may be implemented easily and successfully. There must be harmonious adjustment in different activities of the organisation.

**Element # 3. An Organisation Must be Complete in All Respect:**

A Very important essential element of a good organisation is that it must be complete in all respects. It must include all the activities of an enterprise. Further, there must not be the repetition of activities.

**Element # 4. There Must be Perfect Co-Ordination in All the Activities of an Organisation:**

Co-ordination is the essence of management. If the activities of an enterprise are not co-ordinated, the achievement of the objects of enterprise cannot be thought of. Therefore, all the activities of an organisation must be co-ordinated.

**Element # 5. There Must be Reasonable Span of Control:**

The span of control of officers must be limited because an officer cannot control a large number of sub-ordinates. Therefore, the number of sub-ordinates under the control of one officer should not be more than five to six. So that proper control may become possible at all levels of management.

**Element # 6. Proper Utilisation of Resources be Made:**

Success of a business and industrial enterprise depends to a large extent on the proper utilization of resources. If the resources are not properly utilized, the business enterprises cannot be successful.

**Element # 7. Provision of Expansion:**

The organisation must provide for adequate flexibility so that necessary adjustments may be made in it according to the need of changing circumstances. If it is not so, there may be a possibility of missing the opportunity.

**Element # 8. Employees Satisfaction is Essential:**

An organisation can be regarded as good and efficient if it satisfies its employees because it will increase the morale of its employees and they will be encouraged to do more work for the success of the enterprises.

**Element # 9. Policy be Such Which Can be Executed Easily and Economically:**

An organisation system can be regarded as good and efficient system, if the system can be easily understood and implemented. All the activities of the organisation should be framed in such a manner that all the employees may contribute their efforts in their execution. Therefore, all the functions of the organisation must be of the nature that they may be executed easily and economically.

### ****Lecture- 5****

### ****7 Important****Steps Involved in Organisation Process

Organising refers to the grouping of activities necessary for the attainment of objectives. It also indicates the authority and the responsibility assigned to individuals charged with the execution of their respective functions.

**Following steps are involved in organising the structure of an enterprise:**

**Step # 1. Knowledge of Objectives:**

While organising it is important to bear in mind the objectives or targets of the enterprise or department. The objectives must be determined keeping in view the environmental situation. They must be clear, precise but complete and free from ambiguity or confusion. Unless the manager or supervisor knows the objectives he may not be able to organise properly and motivate people towards the attainment of the objectives.

**Step # 2. Division of Work into Activities:**

After laying down the objectives, the manager must identify the total work involved in achieving them. The total work to be performed should be divided into component activities. For instance, the total work of a manufacturing enterprise may be divided into production, finance, personnel, marketing and such other activities.

**Step # 3. Grouping the Activities:**

The next step is to group the various activities into practical units based on similarity and importance as well as to indicate the person who would do the work. Similar activities should be grouped together under one heading, For instance purchasing, machining, assembling may be placed under manufacturing while recruiting, training, job grading, compensation may be placed under personnel, Other basis for grouping the activities may be utilised such as geographical location, particular equipment utilisation or process to be employed.

**Step # 4. Defining and Assigning Activities to Jobs:**

Jobs must be clearly defined and the activities related to them must be clearly identified and assigned. This will help the management to fix the authority and responsibility of the employees concerned.

**Step # 5. Fitting Personnel into Jobs:**

A job must be allotted to a properly qualified person so that none becomes a square peg in a round hole. Each person should be assigned specific job or jobs and be made responsible for it.

**Step # 6. Delegation of Required Authority:**

Proper authority must be vested in the personnel to enable them to carry out the job. Authority must be commensurate with responsibility. Authority without responsibility and vice-versa is meaningless and futile.

**Step # 7. Creating Organisational Relationships:**

Creation of different authority relationships such as line, functional or line and staff is essential for the achievement of the objectives. Everyone in the organisation must know as to whom he is accountable and his relationship with other persons in the organisation should be clearly established.

### ****7****Requirements of a Sound Organisation

**1. Realisation of Objectives:**

Organisation is an instrument for realising the objectives, goals and purposes of the enterprise as a whole. Therefore every division, branch, department and section as well as the entire organisation must be tuned to the objectives and must contribute to their realisation.

**2. Harmonious Grouping of Functions:**

For achieving the objectives and goals of a business concern, the functions and tasks involved in the enterprise should be grouped in such a manner that active consultation and co-ordination can take place with a minimum of over lapping, delay or confusion.

**3. Clear Allocation of Duties and Responsibilities:**

There should be a clear organisational plan with well-defined duties, responsibilities and relationships. It is often achieved with the help of organisation charts.

**4. Reasonable Span of Control:**

The number of sub-ordinates over whom control is to be exercised at each level of management should neither be so large as to be unwieldy nor too small for the effective performance of the work or fuller utilisation of the managers ability to control.

**5. Promotion of Satisfaction:**

The most important element in organisation is human beings. For biological necessity they first seek to achieve their own personal goals. The objectives of the enterprises are realised more easily where there are good chances of the achievement of such personal goals. Moreover, in an organisation men work in groups rather than as individuals. Therefore the success of an organisation depends largely on how far it can promote the satisfaction of its members as individuals and as groups.

Better results are achieved psychologically if, along with a formal organisation structure, some informal relationships are build up within it during the day-to-day functioning of the organisation.

**6. Effective Communication:**

This is very essential for smooth working of an organisation. Top management must explain the policies and programmes of the enterprise to the rank and file workers. The later must also be given the opportunity to convey their feelings, reaction and grievances to the former. The flow of information must be quick, easy and two-way. It removes uncertainty, ambiguities, misunderstanding and friction. It provides co- ordination. Information is to organisation is what headlights are to a driver and lighthouse to a sailor.

**7. Provision for Growth:**

While an organisation ought to be fairly stable over a long period, it must contain within itself, the elements of growth and expansion. The mechanism must be such that it can adapt itself, to changing circumstances. A business organisation has to be dynamic in character in this changing work environment.

**6 Main**Functions of Organisation

**The functions of organisation includes:**

1. Determination of activities,

2. Grouping of activities,

3. Allotment of duties to specified persons,

4. Delegation of authority,

5. Defining relationships, and

6. The co-ordination of various activities.

**1. Determination of Activities:**

It includes the deciding and division of various activities required to achieve the objectives of the organisation. The entire work is divided into various parts and again each part is sub-divided into various sub-parts. For example, the purchase work may be divided into requisition of items, placing of an order, storage and so on.

**2. Grouping of Activities:**

The next function of organisation is that the identical activities are grouped under one individual or a department. The activities of sales such as canvassing, advertisements and debt collection activities are grouped under one department i.e., sales department.

**3. Allotment of Duties to Specified Persons:**

In order to ensure effective performance, the grouped activities are allotted to specified persons. In other words, the purchasing activities are assigned to the Purchase Manager; the production activities are assigned to Production Manager; the sales activities are assigned to Sales Manager and the like. Besides, adequate staff members are appointed under the specified persons. The specified persons are specialised in their respective fields. If there is any need, appropriate training would be provided to such persons.

**4. Delegation of Authority:**

Assignment of duties or allotment of duties to specified persons is followed by delegation of authority. It will be very difficult for a person to perform the duties effectively, if there is no authority to do it. While delegating a authority, responsibilities are also fixed. Thus, the Production Manager may be delegated with the authority to produce the goods and fixed with the responsibility of producing quality goods.

**5. Defining Relationship:**

When a group of persons is working together for a common goal, it becomes necessary to define the relationship among them in clear terms. If it is done, each person will know who is his boss, from whom he has to receive orders and to whom he is answerable. In another sense, each boss should know what authority he has and over which person.

**6. Co-Ordination of Various Activities:**

The delegated authority and responsibility should be co-ordinated by the Chief Managerial Staff. The reason is that there must be a separate and responsible person to see whether all the activities are going on to accomplish the objectives of the organisation or not.

### ****Lecture- 6****

### ****22 Important****Principles of an Organisation

The work can be completed in time whenever a technique or a principle 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 Taylor, Fayol and Urwick have given the principles of organisation.

**They are briefly discussed below:**

**1. Principle of Definition:**

It is necessary to define and fix the duties, responsibilities and authority of each worker. In addition to that the organisational relationship of each worker with others should be clearly defined in the organisational set up.

**2. Principle of Objective:**

The activities at all levels of organisation structure should be geared to achieve the main objectives of the organisation. The activities of the different departments or sections may be different in nature and in approach, but these should be concentrated only for achieving the main objectives.

**3. Principle of Specialisation or Division of Work:**

Division of work means that the entire activities of the organisation are suitably grouped into departments or sections. The departments or sections may be further divided into several such units so as to ensure maximum efficiency. This will help to fix up the right man to the right job and reduce waste of time and resources.

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 specialisation in a particular work or area.

**4. Principle 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 organisations is to get smooth and effective co-ordination.

**5. Principle 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. In certain cases, the subordinates are motivated through the delegation of authority and they perform the work efficiently with responsibility.

**6. Principle 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. Principle 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. Principle of Efficiency:**

Each work can be completed efficiently wherever the climate or the organisational 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. Principle of Uniformity:**

The organisation should make the work distribution in such a manner that there should be an equal status and equal authority and powers among the same line officers. It will avoid the problems of dual subordination or conflicts in the organisational set up. Besides, it increases co-ordination among the officers.

**10. Principle 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, whatever his ability may be. At the same time, if authority alone is delegated without responsibility, the authority may be misused. In another sense, if responsibility is delegated without the authority, it is a dangerous one.

**11. Principle of Unity of Command:**

This is also sometimes called the principle of responsibility. The organisational 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. In the absence of unity of command, there is no guidance available to the subordinates and there is no controlling power for the top executives of the organisation. Further, some subordinates will have to do more work and some others will not do any work at all.

**12. Principle 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. Principle of Equilibrium Balance:**

The expansions of business activities require some 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. The overloaded sections or departments can be further divided into sub sections or sub-departments. It would entail in the effective control over all the organisational activities.

**14. Principle 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. Principle of Span of Control:**

This is also called span of management or span of supervision or levels of organisation. This principle is based on the principle 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 or 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. Principle of Leadership Facilitation:**

The organisational set up may be arranged in such a way that the persons with leadership qualities are appointed in key positions. The leadership qualities are honesty, devotion, enthusiasm and inspiration.

**17. Principle 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 time gained by reduction in workload for framing the policies and chalking out the plans of organisation.

**18. Principle 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. Principle 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 organisational structure enables the staff members to maintain equality and homogeneity. If equality and homogeneity are maintained in one organisation, it is possible to determine whether the staff members discharge their duties to realise the objective of the organisation.

**21. Principle of Unity of Direction:**

This is also called the principle 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 groups or departments are requested to co-operate to attain the main objectives or in implementing major plan of the organisation.

**22. Principle of Joint Decisions:**

In the business organisation, there are number of decisions taken by the officers to run the business. If a complicated problem arises more than one member examines the problems and takes 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.

### ****Lecture- 7****

### Analysis of Organization: Activities Analysis, Decisions Analysis and Relations Analysis

Since, the process of organizing is related to specific needs and purposes it is important that an organization structure is created with a careful and comprehensive analysis of the needs of the proposed organization. Peter Duckers recommends three types of analysis.

**They are:**

1. Activities analysis,

2. Decisions analysis and

3. Relations analysis.

**1. Activities Analysis:**

This refers to very purpose of analyzing the purpose of existence of organization. That is objective of the organization. Once this is known, the manager will be able to find the activities required to accomplish desired goals and group them in an order, hand over each department to suitable and capable person and delegate the authority, so that everybody work to get the desired objective.

**2. Decisions Analysis:**

Once a person made responsible to do a job and given adequate authority, he decides what kind of decisions will need to be made to carry out the work of the organization. He must also see that where or at what level these decisions will have to be made and how each manager must be involved in them. In other words, this analysis will help the managers to fix up decision levels of organization.

**3. Relations Analysis:**

It will include the examination of the various types of relationships that develop within the organization. These relationships are Vertical, Lateral and diagonal. Where a superior subordinate relationship envisaged it is vertical relationship. In case of an expert or specialist advising a manager at the same level, the relationship is lateral. Where a specialist exercises authority over a person in subordinate position in another department in the same organization, it is known as diagonal relationship.

**Parts of an Organisation: According to Henry Mintzberg (With the Coordinating Mechanism)**

#### Organizational Typology:

Henry Mintzberg (1979), the organizational theorist from McGill University, Canada has elegantly typified certain organizational configurations based on the key part of the organization and the predominating coordinating mechanism employed by that type.

**The key parts of an organization are as follows:**

**1. Operating Core:**

The operating core consists of operators who perform the main work directly related to the production of goods and services. For example, lecturers in a university or assembly line workers in an automobile plant would constitute the operating core of an organization.

**2. Strategic Apex:**

It refers to the top level management that has the ultimate responsibility of guiding the organization towards its mission and goals. For example, a company’s board of directors, its CEO, and VPs would constitute the strategic apex, primarily responsible to the company’s various stakeholders.

**3. Middle Line:**

The top management of a company is joined to its operating core by a chain of middle line managers, who are given formal authority. They play an important role in transferring information between the top-level management and the operating core.

For example, general managers, deputy-general managers, divisional managers, factory heads, managers, etc. of a multi-division, multi-unit company would constitute its range of middle-line managers.

**4. Techno-Structure:**

Different departments within an organization control particular forms of standardization in the organization. For example, the inspection department controls the quality of inputs, process, and the final output. The personnel department controls the quality of manpower according to their knowledge, expertise, skills, and attitude norms, while the design department specifies and standardizes product dimensions, processes, etc.

**5. Support Staff:**

This refers to all other departments/units that exist to provide support to the organization outside its main work area. For example, transportation department, canteen, security services unit, etc. Most of the times it makes a greater sense to outsource these specialized services.

Further as per Mintzberg (1979) there exist five types of mechanisms employed by the organizations to coordinate their various activities.

**These coordinating mechanisms are:**

1. Direct supervision – When one person supervises the work of others, as in the case of an entrepreneur in a small start-up who supervises his/her workers directly to achieve the objectives thus, acting as the main and only link to achieve coordination.

2. Mutual adjustment – This method of coordination can be achieved only when a degree of informal communication happens between different functional experts in a project team.

3. Work process standardization – The work process standardization itself can promote coordination between different units as is exemplified, for instance, in the process of an assembly line.

4. Outputs standardization – This happens when, for example, finished product or service specifications and standards act as means of coordinating work as the concerned departments have to coordinate till the output meets the specifications.

5. Skills or knowledge standardization – Often the qualifications, training, and experience of the personnel may act as a major source of coordination in an organization. For example, in an operation theatre of a hospital, the anesthetist, the surgeon, and the staff nurses coordinate to complete the operation successfully.

As an organization grows big and complex, the preferred means of coordination are from type 2 → 1 → 3 → 4, 5.

Taking into account the key role that the various parts of an organization play and the predominant or the main coordinating mechanism that they employ, Mintzberg further classifies organizations into the following configurations—simple structure, machine bureaucracy, professional bureaucracy, divisionalized form, and adhocracy.

**1. Simple Structure:**

A medium-sized retail store, a corporation run by an aggressive entrepreneur, a government run by an autocratic politician, etc. are all examples of a simple structure. The key part in this type of structure is the strategic apex that tries to centralize and control.

The main coordinating mechanism is direct supervision. The strategic apex, in order to centralize and coordinate by direct supervision, structures the organization as a simple structure.

**2. Machine Bureaucracy:**

A security agency, national post office, a steel company, a custodial prison, national railways, etc. are all examples of a machine bureaucracy. The chief component in this organization is the techno-structure and the main coordinating mechanism is the standardization of work processes.

The techno- structure strives to coordinate by the standardization of work processes and to structure the organization as a machine bureaucracy. The primary desire of the key part is to increase its influence.

**3. Professional Bureaucracy:**

A general hospital, a university, public accounting firms, and social work agencies are all examples of organizations that follow the structure of a professional bureaucracy. The key part in this type of structure is its operating core and the main coordinating mechanism is the standardization of skills.

The operators within this structure tend to professionalize, coordinate by standardization of skills, and structure the organization as a professional bureaucracy. The main desire of the key part is to maximize their autonomy.

**4. Divisionalized Form:**

The divisionalized structure is followed by a vast majority of private firms. The main part of such organizations is the middle line and the main coordinating mechanism is standardization of outputs. The middle management tries to group together the organization, with coordination restricted to the standardization of outputs, to structure the organization as a divisionalized form. The main desire of the key part is to garner autonomy so as to manage their units.

**5. Adhocracy:**

A space agency, an avant-garde film company, a factory manufacturing complex prototypes, consultancy organizations, etc. are all examples of adhocracy structures. The chief component in this structure is the support staff and the main coordinating mechanism, mutual adjustment.

The support staff tries to coordinate by mutual adjustment so as to structure the organization as an adhocracy. The main desire of the key part is for collaboration and innovation in decision-making.

### ****Lecture-8****

### 6 Important Types of Organisations

Industrial or business organisations are set up as a legal entity under the rules and regulations for companies, partnership firms, etc. Thus, a manager must, know the legal constitution/entity of organisation to which he/she is associated for employment.

**Broadly, there are following types of organisations:**

a. A sole trader or a trading or a proprietary firm

b. A partnership firm

c. A co-operative society

d. A joint stock company, which may be a public limited company or a private limited company

e. A holding company

f. A subsidiary company

g. A public sector company

h. A corporation

i. An autonomous corporation/enterprise/organisation

j. A bank or financial institution

k. A foreign company

l. A joint venture company

m. A multinational company (MNC)

A manager must know about these types of organisations, since he may be working there for all the time of his life till his superannuation.

**Here, very brief description about all these types of organisations is given to acquaint the manager as far as his interest and job requirements are concerned:**

**Type # 1. A Sole Trader or a Trading or a Proprietary Firm:**

This type of organisation is owned by a single owner. Owner may be an individual or an individual family. ‘Proprietary’ means that besides it being owned by the single owner, it holds a single source of supply for the particular product or service. The particular product may have a unique quality and other technical parameters, which may not be available from others. Therefore, this type of organisations are called proprietary firms.

**There are two categories:**

i. One is sole trader or trading house

ii. And another is a proprietary firm

**Type # 2. A Partnership Firm:**

Contrary to the sole trader and trading house, a partnership firm is owned by more than one owner. These owners form a partnership firm registered under partnership act. Partners will be two or three or more with the agreed proportion of their ownership and investments.

**Type # 3. A Co-Operative Society:**

Co-operative societies are formed under the Co-operative Societies Act. There are several members in the society and managers are appointed to run the business transactions of the society (the organisation).

**Type # 4. Joint Stock Company:**

Joint stock companies are formed under the Companies Act. These companies are subject to the regulatory authority such as SEBI, if their shares are listed on a stock exchange.

**Type # 5. Holding Company and Subsidiary Company:**

Holding company has a control of the management of the subsidiary company. Thus, if a company has a control over the other company, this is known as a holding company.

Subsidiary company-A company is known as subsidiary company of another company, when the latter company has a control over the former company.

**Type # 6. A Public Limited Company or a Private Limited Company or a Public Sector Company:**

The organisation may be a public limited company or a private limited company or a public sector company. There is a difference between the private limited company and a public limited company. In case of a private limited company there are certain restrictions that the company cannot go for public selling of its shares. At the same time, its number of shareholders cannot be more than 50.

Whereas in the case of public limited company, there are no restrictions for selling of its shares to the public and its number of shareholders can be any number for which the company has been registered and permitted under the Companies Act. There are certain advantages and disadvantages in case of both the types of companies.

**These are:**

I. Decision-making

II. Tax and duty implications

III. Financing, etc.

A public sector company on the contrary is different from the private limited or public limited company under the private sector. This type of company is under the 100% control of State or Central Government. The ownership is with the Central or State Government. These companies have many restrictions on its managers who have to work strictly under the rules and regulations laid down by the Government.

### ****Lecture- 9****

### Importance of Organisation

Once A. Carnagie, a famous American industrialist said, “Take away our factories, take away our trade, our avenues of transportation, our money. Leave nothing but our organisation, and in four years we shall have re-established ourselves.” Every word of Carnagie’s thundering is important. Each word speaks and spells out the need and importance of an effective and fruitful organisation.

Mark Carnagie’s leave nothing but our organisation. How confident he was about his managerial skill and organisation structure. No factory, no money, no trade even no transport but organisation and only organisation.

An effective organization – (1) makes the management simple and efficient, (2) encourages specialisation, (3) improves techniques, (4) encourages constructive thinking, (5) increases productivity, and (6) accelerates the progress. The management asks the organisation to accomplish the tasks set-forth before it which an effective organisation is capable of achieving through its fruitful organisational framework.

This is why it is said that organisation is a foundation upon which the whole structure of management can be successfully built.

### ****What is Organisation –****Simon’s Theory of Organisation (A Modern Approach)

**Base – Social Needs and Human Psychology:**

Professor H. A. Simon based his theory of organisation on – 1. social need, and 2. human psychology. His two important books ‘Administrative Behaviour’ and ‘Organisation’ have recently come to occupy an important place-in already available literature on organisation and administration.

**Organisation – A Decision Making Process:**

Simon’s organisation is decision-making structure. He has concluded the principle of management and organisation are ambiguous and sometime contradictory. He discards the traditional approaches so the problems of organisation; He firmly believes that we have to develop new thinking conduct researches and formulate principles a fresh for development and progress.

He has advocated that principles are not important as the traditional or classical thinkers believe but in our approach which is an important factor in making the organisation dynamic and responsible. Our approach should be to make the organisation a decision-making structure in which day-to-day happenings should also be taken note of and incorporated.

He believes that behaviour of the some individual cannot remain static in all the circumstances hence sticking to principles of traditional nature would not help the management to grow in stature and progress of the enterprise may then not be as satisfactory as it is planned and expected.

Simon’s principles of organisation, therefore, are principles of decision-making in true sense of the term since his approach to the organisation is not that of classical but is modern one, it is based on the thinking that function of an organisation is only to take decision on one matter or the other.

Simon has emphasised in his ‘Administrative Behaviour’ that management principles are helpful in decision-making process.

**His points of views are:**

(i) That organisation is a difficult decision-making process,

(ii) That human behaviour is an important instrument with the help of which organisation achieves its objectives, and

(iii) That the working strength of an organisation is the decision of distribution and allotment of the work.

**Simon’s Three Principles (Basic):**

From the above it is abundantly clear that Simon gives greater importance to decision-making process. The decision taken on the top affects all in the enterprise. However, the decision at middle or lowest level affects only those who are concerned with these decision. This is why he lays stress on three fundamental points (principles) in preparing the structure of an organisation.

**His three principles are as follows:**

(i) Communication,

(ii) Authority, and

(iii) Loyalty to the Organisation.

The organisation should have such a communication system which would pass on all relevant informations to all concerned so that decision-­making become easy and acceptable process. In the absence of complete information a sound decision cannot be taken. Communication, according to Simon, should have an authority so as to make it acceptable. The decision-making and its implementation become easy when communication are acceptable to all concerned without any reservation. Reserved loyalty does no good to an organisation. Therefore, as far as possible decisions should be laudable and foolproof.

**The Five Principles:**

**Based on his study and generalisations Simon later gave the following five principles of organisation:**

**(i) Suitability of a Decision:**

Though every decision cannot suit each individuals (neither the decision are acceptable nor are suitable in all the circumstances) but decision should reasonably the sound and appropriate to the circumstances in which it has been taken. Decisions always depend on informations compiled and received. Hence this principle only indicate to the fact that reasonably a decision should be in the best interest of the enterprise and personnel’s affects by such decisions.

**(ii) Acceptability of Authority:**

Authority is exercised always with an aim in mind. It is exercised for common good and not for safeguarding the interest of an individual, Great care is to be taken before exercising one’s authority; Authority, if not acceptable to those who are to abide by the authority, carries no meaning.

**(iii) Excellent Decision is no Substitute to a Satisfactory Decision:**

The organisation is not expected to take always an excellent decision. ‘Excellent’ is a relative terms hence remain insignificant in any sense of the term it is being used. Decisions may be the best or may be not the best but it must be satisfactory and based on sound judgement. It should be taken without any prejudice and should receive wide acceptance.

**(iv) Routine Process:**

As far as possible decision making process be made a routine job. Secrecy should not shroud it. It should be open and should pass through a democratic process if permitted by the prevalent circumstances.

**(v) Live to the Role:**

Simon believes that decisions affect the working condition and zeal of a human being assigned to do a particular job. Hence, his behaviour before a decision is taken. Should be given due weight. It should be live to the role which an organisation is required to play in preparing a dedicated sincere and responsible working force. Human Psychology and behaviour form the fundamentals of Simon’s principles of organisation and it is here where it differs from the traditional organisation approach.

**Koontz and O’Donnel:**

Koontz and O’Donnel in his famous book Principles of Management has propounded fourteen principles of organisation, He has divided his principles in three broader groups in order to facilitate the organisation work.

**(i) For the Purpose of Organisation:**

(a) Principle of Unity of Objective.

(b) Principle of Efficiency.

**(ii) For the Reason of Organisation:**

(a) The Span of Management

**(iii) For the Structure of Organisation:**

(a) The Scalar Principle

(b) The Principle of Delegation

(c) The Principle of Responsibility

(d) The Principle of Parity of Authority and Responsibility

(e) The Principle of Unity of Command

(f) The Authority level Principle

(g) The Principle of Division of Work

(h) The Principle of Functional Definition

**4. For the Process of Organisation:**

(a) The Principle of Balance

(b) The Principle of Flexibility

(c) The Principle of Continuity

### Lecture- 10

### Process of Creating an Organization

**The process of creating an organization includes:**

**1. Determination of Total Work:**

The first and foremost step in organizing is to estimate and determine the total activity required for realising the objectives of the organization. For example, the total activities in a manufacturing organization include acquiring materials, conversion of materials into finished goods, identifying and employing human resources, arranging finance, marketing and selling goods, ensuring quality, earning returns and so on.

**2. Departmentation:**

The various activities identified in the earlier step are grouped on a logical basis in the form of departments like materials management, production, marketing, finance, human resources, product development, quality control, finance, etc.

**3. Work/Duty Assignment:**

Under this step, the individuals working in each and every department are assigned work in terms of their specialisation. For example, persons employed in marketing department may be assigned responsibilities like promotion of products, distribution of products, price determination, advertisement, market research, branding, packaging and so on.

Similarly persons employed in inventory department may be assigned responsibilities like identifying source of supply, inventory maintenance, material issue, quality control, storage of materials and so on.

**4. Delegation of Authority:**

Employees who are assigned duties or responsibilities cannot be expected to perform unless adequate authority is delegated to them to translate the responsibility into reality. For example, person put in charge of materials should be allowed to spend money to identify the sources of supply, to get the materials delivered to stores, to negotiate better terms for the company, to inspect the quality, protect the materials from damage, etc.

Similarly person in charge of maintenance should be authorized to buy spares from various sources, periodically inspect the condition of machines, determine optimum speed of machinery, service the machines, ensure safety of machinist, etc.

**5. Creation of Accountability:**

Employees who are given responsibilities should be made accountable to his superior for the use of authority and work performance. Superiors ensure that subordinates do the duties as assigned and do not misuse the authority.

**6. Defining Relationship:**

Management should determine the network of relationship between superior and subordinates. Based on the relationship defined, titles are given to employees.

### Lecture – 10/11

### Policies, Procedures, Guidelines for Functioning of Organisations

Policies, procedures and guidelines help in the smooth functioning of various activities in the organisation. What are these? A manager may ponder himself in the context of his own job and performance, as to how to do, what to do, etc. There are many relevant points relating to these policies, procedures and guidelines, which are necessary to discuss and explain.

**Thus, the important aspects related to these are outlined as under:**

1. Meaning of policies, procedures and guidelines

2. Types of these

3. Need and importance

4. Who makes these?

5. Specific policies, procedures and guidelines

**1. Meaning of Policies, Procedures and Guideline:**

These are pre-decided, approved and declared directions, rules, regulations to be followed and implemented while performing various functions by the employees of the organisations for the output within the organisation, as well as outside the organisation.

As these are pre-determined and declared duly approved by the competent authorities, these are to be followed and implemented without any questions and clarifications by anyone in the organisation. Similarly, these are to be accepted by the outsiders also. Policies are made and approved by the Board of Directors, while the procedures and guidelines are prepared by the senior level managers and approved by the top level or chief executive officer of the organisation or unit.

Thus, these policies, procedures and guidelines are pre-determined written and approved rules, regulations, and manuals for conducting the business transactions of the organisation.

**2. Types of Policies, Procedures and Guidelines:**

**These are:**

I. External

II. Internal

When it is said external, it means that these policies, procedures, rules are mandatory to be followed by the organisations. These are made by the external agencies, specially the Government and its departments. As regards, the internal policies and procedures, it is stated that these are prepared by the organisation itself in respect of various functions with a view to perform the activities and perform the same smoothly.

**As regards policies, rules made by external agencies, particularly Government and its departments, following broad areas are:**

i. Income-tax on salaries and profit of the organisation

ii. Tax deduction at source (TDS)

iii. Service tax

iv. Sales tax

v. Entry tax

vi. Excise duty

vii. Customs duty

viii. Provident fund

ix. Employees State Insurance Contribution

x. Export/Import policies

xi. Licenses

xii. Insurance

xiii. Transport through external agencies including railways

xiv. Finance/funding Various rules/procedures by banks, Reserve Bank of India

xv. Foreign exchange regulations

xvi. Factories related rules and acts

xvii. Inspection of boilers, electrical connections, etc.

xviii. Labour related rules including gratuity act

xix. Mines lease and royalty payment rules

xx. Registration of companies

xxi. Listing of company with SEBI

xxii. Issue of shares

xxiii. Issue of bonds

xxiv. Public deposit schemes.

These are only a few. There may be many for which an organisation will depend upon the policies, procedures prepared by others. As regards internal policies and procedures, it is stated that internal policies, procedures, guidelines are made with the approval of the competent authority covering all the functions, where there is no external policy, procedure involved.

**3. Need and Importance of Policies and Procedures:**

Policies and procedures are useful and important in the context of management of organisations.

**The main highlights are:**

(i) Policies and procedures indicate the directions for doing the jobs.

(ii) They help in resolving the differences of opinion, as these are already approved policies and procedures, there will be no dispute and difference in carrying out a job by anybody.

(iii) They smoothen the working.

(iv) They save time, being transparent.

(v) They avoid confusion.

(vi) Therefore, functioning becomes easy and without any hindrance.

(vii) They avoid the duplication.

(viii) They help to adopt a right method of doing the things.

(ix) The policies and procedures become a basis for further improvements, modifications.

**4. Who Makes the Policies, Procedures and Guidelines?**

The next point is – Who makes these important working procedures and guidelines?

**Policies, Procedures Related to Government:**

Regarding Government dues, duties, taxes as brought out earlier, policies, procedures, rules, regulations, guidelines are issued by Government – Central, State including Government departments, as also Municipal and local bodies. For other matters like company formation, registration, licenses, export, imports, foreign exchange rules/regulations, etc., policies, procedures, rules/regulations are issued by various departments of Government.

**Policies, Procedures, Rules other than Governments (Central and State) and its Departments:**

Policies, procedures and guidelines in the organisation other than Government and Government departments are prepared by the prescribed/fully empowered/delegated authorities of the organisations.

**These authorities are:**

I. Board of Directors of the Company.

II. Chairman/Chief Executive/President of the Company.

III. Managing Director or a Director with delegation of powers by the Board of Directors.

IV. A Ministry concerned in case of a public sector organisation in case of certain policies, procedures not delegated to the Board of Directors of the public sector organisation.

V. A committee formed by the organisation.

To conclude, the policies, procedures, guidelines are the important matters in the context of the management of an organisation; hence these have to be issued by competent authorities only.

It may be added that there are other Government departments and organisations which make their own policies/procedures for their own workings as well as to be followed by the other organisations in connection with performance of their functions/jobs.

**These organisations/departments are:**

a. Banks including Reserve Bank of India

b. Insurance Companies

c. Income-tax Department

d. Sales-tax Department

e. Customs and Excise Department, etc.

**5. Specific Policies, Procedures and Guidelines:**

As has been stated, policies and procedures are the fundamentals and principles for the conduct and performance of the tasks of the organisations. Therefore, for almost all the areas of activities in the organisation, policies and procedures are made for proper and smooth functioning.

**Following are the broad areas for which organisations make policies and procedures:**

I. Investment decision-making and approval Project financing

II. Overall financing policy for debt and equity ratio

III. Personnel policy

IV. Personnel manual and various employee related policies and procedures

V. Marketing policy

VI. Research and Development policy

VII. Accounting policy

VIII. Credit policy

IX. Procurement policy

X. Payment policy and procedure

XI. Procedure for materials, stores and issues

XII. Risk insurance coverage

XIII. Procedure for dispatch, invoicing for sale of products

XIV. Rules and regulation for the earned leave, half pay leave, leave encashment, medical assistance, other perquisites, gratuity payment, final settlement of employees

XV. Procedure for contracts finalisation, i.e., contracts manuals, guidelines, procedure for contract closure, etc.

Similar to these policies and procedures pertaining to a manufacturing organisation, there may be policies and procedures identical or suiting to the organisational needs in respect of banks, insurance companies, construction companies, marketing and trading companies, consultancy organisations, etc.

**It is concluded that in the organisation to achieve the main objective, various functions are required to be performed:**

a. To accomplish these, there are laid down policies, procedures, rules and guidelines.

b. These policies and procedures provide direction to proceed to reach the final destination i.e., accomplishment of jobs, which are all centered towards achieving the main objective of the organisation.

c. These policies, procedures, guidelines are made by competent authorities including government departments and officials empowered to do so.

### Lecture-12

### Advantages

**1. Facilitates Administration:**

Without a good organisation, effective administration becomes impossible. Organisation allows delegation of authority. It allows, therefore, management by exception and avoids management by crisis. Jobs are described sharply, and so confusion in the organisation and duplication of efforts are avoided.

**2. Facilitates Growth and Diversification:**

The organisational structure is the framework within which the company grows. Expansion and diversification tracks its course in the direction of the organisation structure. Some types of organisation augur well for the small company in its infancy; however, with the advent of growth and diversification these structures may prove inadequate.

The firm that grows beyond the scope of its existing organisation finds itself in a serious administrative crisis. It then undertakes reorganisation to cope with the growing work­load. On the other hand, a live organisation believes in planning for change to facilitate growth well ahead of the crisis created of its own making.

**3. Provides Optimum Use of Technological Advances:**

Technological advances exert a great influence on organisational structures and the heavy fixed costs of such equipment calls for proper organisation. Organisations must, therefore, adapt themselves to technological changes in the environment.

**4. Encourages Human Relations Approaches:**

The organisational structure can deeply affect the staff of the company. Proper organisation facilitates the intensive use of human resources.

**5. Stimulates Creativity:**

Second organisation gives a fillip to independent, creative thinking and initiative by providing sharp spheres of activity with broad latitude for the development of unconventional and better ways of doing things.

In short, a properly-designed organisational structure affords creative results from creative people and will siphon off routine and repetitive work to lower levels. By introducing clear- cut accountability, it paves the path for achievement motivation for the professionals and specialists.

### ****What is Organisation –****Problems of Organisation

**The problems of organisation from its start to later stages of growth have been outlined by two authorities as follows:**

1. At the start, to create a new organisational system;

2. Thereafter to survive;

3. Then to stabilize;

4. To earn a good reputation;

5. To achieve uniqueness;

6. To earn respect and appreciation.

**Major problems in running an organisation are indicated below:**

1. How to integrate personal needs with organisational goals?

2. How to distribute power and authority?

3. How to develop mechanism capable of reducing intra-organisational conflicts?

4. How to ensure effective adaptation to changes in the environment? And

5. How to assure vitality and growth and prevent delay?

#### 1. Classical Theory:

It focuses on structure, design and features like specialisation, scalar chain, departmentation, span of control, centralisation/decentralisation etc. The structure is created and people are appointed to run the various departments. Human beings and their interaction as part of informal social groups are not considered important.

It considers organisations as closed systems with very little or no interaction with the environmental forces. It emphasises on tasks more than people. Hierarchy of authority, division of work, specialisation, impersonal relations, narrow span of control are the important factors of classical theories of organisation.

**It focuses on the following characteristics to design the organisation structure:**

1. Organisation structure focuses on division of work to promote performance and efficiency through specialisation. It believes that division of work can increase organisational efficiency. Division of work improves performance. It believes that high degree of specialisation will lead to high efficiency in performance. Work should be broken into smaller units so that it becomes simple and specialised for people to perform. Division of labour should be done for all the tasks at all the levels of the organisation.

2. It advocates functional departmentation where work load is divided into different activities and similar activities are re-grouped as departments. Major functional departments in a manufacturing organisation are production, personnel, finance and marketing. Functional grouping of activities helps in clear identification of work to be performed by various departments.

It avoids overlapping and splitting of activities. There is neither duplication of work nor any activity remains unidentified. Every divided and sub-divided activity is allotted to the specific department. It, thus, promotes departmentation where people can be appointed at various levels to perform the departmental activities.

Functional process also promotes line and staff relationships in the organisation. The major functional departments are the line departments and staff assistance is provided in the form of advisory body to assist the line managers in carrying out the line activities. There is clear demarcation of line and staff authority which smoothens the organisational tasks.

3. It strongly supports hierarchy of relationships or the scalar chain. Unity of control is the basis for coordinating varied activities of organisational members. One subordinate should have one boss is the basis of unity of control. Functional relationships are ignored. People take orders from their seniors in command and issue directions to their subordinates. Final decision-making authority vests at the top.

This creates superior- subordinate relationships in the organisation and promotes coordination amongst levels in different functional areas. It also reduces conflicts as every individual reports to a single superior. Obligation can be defined, and results can be measured.

4. It advocates narrow span of control as the relationships are hierarchical in nature. People are directed to work. They do not assume responsibilities on their own. Formal plans, motivational factors and communication channels are designed to get the subordinates to work. Cross functional and cross-hierarchical relationships promote networking, specialized exchange of knowledge and, thus, a wider span of control. Though narrow span of control promotes coordination and close supervision over activities of the subordinates, wide span can lead to organisational growth.

Main contribution to classical theory has come from Taylor, Fayol, Weber, Oliver Sheldon, Chester Barnard etc. Based on the nature of authority, three types of organisations are defined in the classical theory: Line organisation, Line and Staff organisation and Functional organisation.

**Limitations of Classical Theory:**

Though classical theory aims to promote discipline in the organisation, it is not a complete theory of managing organisations as focus is more on tasks than people.

**The theory is found inadequate on the following grounds:**

1. It assumes organisations to be closed systems with little or no interaction with the environment. Modern organisations are open systems that actively interact with the environment. There is constant ‘give and take’ relationship between the organisations and the environment. Organisation structures change with change in environmental variables to meet their stated goals.

2. The factors affecting organisation structure; technology, size, people, strategy, etc. change with changes in internal and external environmental variables and, therefore, it is unrealistic to assume that people can work in organisations which have little interaction with environmental forces.

3. Classical theory assumes all organisations to be designed on similar principles of organising like division of work, specialisation, scalar chain etc. while it is not actually so. Today’s business is based more on networking and knowledge management which cuts across vertical and horizontal boundaries. Depending upon how much an organisation interacts with its counterparts abroad, the structures keep changing every time a new relationship is formed either in terms of adding or deleting an alliance.

4. Classical organisations are based on universality of principles of management which does not apply to modern organisations. Unity of command, for example, does not hold true in the world of specialisation. People are highly specialised today and subordinates receive orders from various specialists like human resources manager, finance manager etc. This gives rise to functional organisation structures which follow principles contrary to those followed in the classical theory.

This theory represents a static form of organisation that does not interact with the environment. In practice, no organisation can ignore the influence of environmental factors. An organisation actively influences and is influenced by the environmental forces. It also ignores the behavioural aspect of organisations as it considers people as resources rather than human beings. Informal groups, social interactions and group thinking are ignored. It is, thus, not considered as an acceptable theory of organisation.

Though this theory has limitations, it has provided a ground work for contemporary organisations to change the principles according to needs of the environment. The theory perhaps developed in times when organisations had little interaction with the environment, employees’ social needs were not strong and, therefore, the focus was more on formal relationships.

#### 2. Human and Participative Theories:

The classical theory of organisation was opposed in 1950’s when behavioural theories emerged on the management scenario. The classical theory was criticised for being highly mechanistic, formal and impersonal. McGregor propounded Theory F which emphasised on human relationships as important contributors to organisational goals.

Hawthorne experiments conducted by Elton Mayo supported social and informal interactions amongst work groups to increase organisational efficiency. The human theories focused on people as means to achieve the tasks.

These theories characterised a shift from task – oriented approach to people – oriented approach. They are comparatively less mechanistic, impersonal and formal than the classical theory. They design organisation structures to suit the needs of people and aim to synthesise individual goals with organisational goals.

**Features of the Human and Participative Theories:**

**Following are the important features of these theories:**

(a) People do not wish to be directed. They self-direct and control their activities.

(b) Plans are made in consultation with subordinates. Participative styles of management are adopted.

(c) People not only accept responsibility; they also seek the responsibility.

(d) People use imagination, creativity and innovativeness in performing the organisational tasks.

(e) Both organisational resources and human potentialities are fully utilised.

(f) It improves productivity along with employee satisfaction.

(g) They harmonies individual goals with organisational goals rather than focus only on organisational goals.

(h) They view subordinates as innovative, creative and challenging and, thus, advocate a wide span of control.

(i) Human behaviour is determined by social and psychological factors and not just physiological factors.

(j) People work as a team and not individuals. They look after each others’ needs and also needs of the organisation.

(k) Informal organisations (or groups) co-exist with formal structures.

The human and participative theories, thus, focus on informal interaction amongst members that satisfy their psychological needs. This gives rise to flat, decentralised structure which smoothens the process of communication, decision-making and control. However, it is not free from limitations.

**Some of its limitations are as follows:**

1. People have different needs and, therefore, are motivated by different factors. This can give rise to conflicting opinions regarding technical and structural aspects of organisational working.

2. Human beings (people) is one of the factors to be considered in designing the organisation structure and not the only factor. This theory, thus, over emphasises on informal relationships in the organisations.

#### 3. Contingency Theory:

Classical and Participative theories are not unrealistic. However, managers may choose a theory which consists of features from both to adapt the organisation to its surrounding environment. A theory is, thus, contingent upon the situation faced by managers.

**The contingency theory identifies four factors that affect choice of theory. These are:**

**1. Nature of people:**

People who are lazy, lack responsibility, do not wish to work on their own, prefer to be led and guided, wish to satisfy their lower-order needs only, prefer to be governed by the classical theory of organisations while people who enjoy their work, wish to seek greater responsibility, exercise self-direction and self-control and want to satisfy their higher-order needs prefer participative theory to organising.

**2. Type of task and technology:**

Classical form of organisation is preferred when goods are produced through mass production technology while participative theory is more suitable where job-order (small scale) or continuous technology is adopted. If organisation is producing goods using different types of technology, it may adopt different structures depending upon the processes used for different parts of the company.

**3. The environment:**

Organisations differ in structures on account of factors like differentiation, integration and environment for different departments. Differentiation is the different orientation of functional departments and integration is the unity of efforts of different departments in the light of environmental factors, i.e. all factors that lie outside the organisation.

Based on these aspects, production department is normally oriented towards the classical theory and sales and R&D departments prefer participative theory of organisation. Besides, firms which operate in dynamic environment are more flexible in their operations and, therefore, adopt participative theory while firms operating in stable environment work better according to principles of classical organisation.

**4. Degree of change and uncertainty:**

Change is a continuous phenomenon. Changes in both internal and external environment cause changes in the organisation structures. Change in attitudes, perception and knowledge from simple to complex shifts the organisation structure from classical to participative.

Externally, as society moves from underdevelopment to development, managers become creative, trained and skilled labour is available in abundant supply, the level of education and specialisation increases and, therefore, a shift from classical to participative organisation structure is observed.

There are several theories which explain the organization and its structure (EXHIBIT 1). Classical organization theory includes the *scientific management approach,* Weber's *bureaucratic approach,* and *administrative theory.*

The***scientific management approach*** is based on the concept of planning of work to achieve efficiency, standardization, specialization and simplification. The approach to increased productivity is through mutual trust between management and workers. Taylor (1947) proposed four principles of scientific management:

 science, not rule-of-thumb;  
 scientific selection of the worker;  
 management and labour cooperation rather than conflict; and  
 scientific training of workers.

Show EXHIBIT 2 and discuss these principles.

Weber's***bureaucratic approach*** considers the organization as a part of broader society. The organization is based on the principles of:

 structure;  
 specialization;  
 predictability and stability;  
 rationality; and  
 democracy.

Show EXHIBIT 3, and discuss Weber's bureaucratic approach. Observe that this approach is considered rigid, impersonal, self-perpetuating and empire building.

***Administrative theory*** was propounded by Henry Fayol and is based on several principles of management (EXHIBIT 4). In addition, management was considered as a set of planning, organizing, training, commanding and coordinating functions.

Neoclassical theory emphasizes individual or group behaviour and human relations in determining productivity. The main features of the neoclassical approach are individual, work group and participatory management. Show EXHIBIT 5 and discuss the principles.

Show EXHIBIT 6 on a modern approach to organization characteristics. Modern theories are based on the concept that the organization is an adaptive system which has to adjust to changes in its environment. Discuss the important characteristics of the modern approach to organizations. Modern theories include the *systems approach,* the *socio-technical approach,* and the *contingency or situational approach.*

The ***systems approach*** considers the organization as a system composed of a set of inter-related - and thus mutually dependent - sub-systems. Thus the organization consists of components, linking processes and goals (EXHIBIT 7).

The***socio-technical approach*** considers the organization as composed of a social system, technical system and its environment. These interact among themselves and it is necessary to balance them appropriately for effective functioning of the organization.

The***contingency or situational approach*** recognizes that organizational systems are inter-related with their environment and that different environments require different organizational relationships for effective working of the organization.

### Organization theories

|  |
| --- |
| **CLASSICAL ORGANIZATION THEORY**   Scientific Management approach  Weber's *Bureaucratic approach*  Administrative theory. |

|  |
| --- |
| **NEOCLASSICAL THEORY** |

|  |
| --- |
| **MODERN ORGANIZATION THEORY**   Systems approach  Socio-technical approach  Contingency or Situational approach |

### Exhibit 2: Taylor's principles of scientific management

 Science, not rule-of-thumb;  
 Scientific selection of the worker  
 Management and labour cooperation rather than conflict  
 Scientific training of workers

### Exhibit 3: Weber's bureaucratic approach

Structure  
Specialization  
Predictability and stability  
Rationality  
Democracy

### Exhibit 4: Fayol's principles of management: Administrative theory

|  |
| --- |
|  Division of work (specialization)  Authority and responsibility  Discipline  Unity of command  Unity of direction  Subordination of individual interest  Remuneration of personnel  Centralization  Scalar chain  Order  Equity  Stability of tenure of personnel  Initiative  *Esprit de corps* **The concept of line and staff  Committees  Functions of management - planning - organizing - training - commanding - coordinating |

### Exhibit 5: Principles of the neoclassical approach

INDIVIDUAL  
WORK GROUP  
PARTICIPATIVE MANAGEMENT

### Exhibit 6: Characteristics of modern approaches to the organization

|  |
| --- |
|  Systems viewpoint  Dynamic process of interaction  Multilevelled and multidimensional  Multimotivated  Probabilistic  Multidisciplinary  Descriptive  Multivariable  Adaptive |

### Exhibit 7: Modern approaches to organization: The systems approach

|  |
| --- |
| **COMPONENTS**   The individual  The formal and informal organization  Patterns of behaviour  Role perception  The physical environment  **LINKING PROCESSES**   Communication  Balance  Decision analysis  **GOALS OF ORGANIZATION**   Growth  Stability  Interaction |

### Exhibit 8: The research organization as a social system

|  |
| --- |
| Characteristics of the research organization     Complexity Degree of inter-dependence between sub-systems Openness of the social organization Balance in the social organization Multiplicity of purposes, functions and objectives |

### Exhibit 9: The importance of goal settings

|  |
| --- |
|  Clarified what people have to do  Identifies problems and facilitates solution  Reduces ambiguity in work  Establishes a relationship between work and organizational achievements  Assists individuals to allocate time, efforts and personal resources  Provides a sense of accomplishment and contentment  Provide control over the people in the organization  Measures performance |

### Exhibit 10: The process of goal setting (management by objectives)

1. Setting overall organizational objectives and action plan

 identifying key result areas  
 identifying measures of performance  
 stating objectives  
 agreement on objectives and goals

2. Develop the organization  
3. Set individual objectives  
4. Periodic appraisal and feedback  
5. Appraisal by results

### Exhibit 11: The need for integration

 Environmental complexity, diversity and change

 Increase in structural dimensions

 Specialization

 Across various specialized units - each pursuing individual objectives - to ensure that organizational goals are being pursued

 Conflict resolution

 Better performance and productivity

### Exhibit 12: Methods of integration

|  |
| --- |
| COORDINATING VERTICALLY THROUGH THE HIERARCHY |
| DETERMINING THE DECISION MAKING LEVEL |
| DECIDING THE SPAN OF CONTROL |

### Exhibit 13: Organization-based power

|  |
| --- |
| REWARD POWER |
| COERCIVE POWER |
| EXPERT POWER |
| CHARISMATIC POWER |

### Exhibit 14: Communication in the organization

|  |
| --- |
|   UPWARD       HORIZONTAL       DOWNWARD   |

### Exhibit 15: The process of decision making

|  |
| --- |
| SETTING ORGANIZATIONAL GOALS    ESTABLISHING PERFORMANCE CRITERIA    CLASSIFYING AND DEFINING THE PROBLEM    DEVELOPING CRITERIA FOR A SUCCESSFUL SOLUTION    GENERATING ALTERNATIVES    COMPARING ALTERNATIVES TO CRITERIA    CHOOSING AN ALTERNATIVE    IMPLEMENTING THE DECISION    MONITORING THE DECISION AND GETTING FEEDBACK |

### Exhibit 16: Models of decision making

|  |
| --- |
| *Economic* or *Rational Choice* model |
| *Incremental Bargaining* method |
| Simon's *Bounded Rationality* model |
| Peters and Waterman's *Well Managed* model |
| Quantitative techniques |

## Reading note: Organizational theories

[Classical organization theory](http://www.fao.org/3/w7503e/w7503e03.htm#classical%20organization%20theory)[Neoclassical theory](http://www.fao.org/3/w7503e/w7503e03.htm#neoclassical%20theory)[Modern theories](http://www.fao.org/3/w7503e/w7503e03.htm#modern%20theories)  
[The research organization as a social system](http://www.fao.org/3/w7503e/w7503e03.htm#the%20research%20organization%20as%20a%20social%20system)  
[Process in the organization](http://www.fao.org/3/w7503e/w7503e03.htm#process%20in%20the%20organization)  
[References](http://www.fao.org/3/w7503e/w7503e03.htm#references)

Organizational theories which explain the organization and its structure can be broadly classified as classical or modern.

### Classical organization theory

[Taylor's scientific management approach](http://www.fao.org/3/w7503e/w7503e03.htm#taylor's%20scientific%20management%20approach)  
[Weber's bureaucratic approach](http://www.fao.org/3/w7503e/w7503e03.htm#weber's%20bureaucratic%20approach)  
[Administrative theory](http://www.fao.org/3/w7503e/w7503e03.htm#administrative%20theory)

Classical organization theories (Taylor, 1947; Weber, 1947; Fayol, 1949) deal with the formal organization and concepts to increase management efficiency. Taylor presented scientific management concepts, Weber gave the bureaucratic approach, and Fayol developed the administrative theory of the organization. They all contributed significantly to the development of classical organization theory.

#### Taylor's scientific management approach

The scientific management approach developed by Taylor is based on the concept of planning of work to achieve efficiency, standardization, specialization and simplification. Acknowledging that the approach to increased productivity was through mutual trust between management and workers, Taylor suggested that, to increase this level of trust,

 the advantages of productivity improvement should go to workers,  
 physical stress and anxiety should be eliminated as much as possible,  
 capabilities of workers should be developed through training, and  
 the traditional 'boss' concept should be eliminated.

Taylor developed the following four principles of scientific management for improving productivity:

 *Science, not rule-of-thumb* Old rules-of-thumb should be supplanted by a scientific approach to each element of a person's work.

 *Scientific selection of the worker* Organizational members should be selected based on some analysis, and then trained, taught and developed.

 *Management and labour cooperation rather than conflict* Management should collaborate with all organizational members so that all work can be done in conformity with the scientific principles developed.

 *Scientific training of the worker* Workers should be trained by experts, using scientific methods.

#### Weber's bureaucratic approach

Considering the organization as a segment of broader society, Weber (1947) based the concept of the formal organization on the following principles:

 *Structure* In the organization, positions should be arranged in a hierarchy, each with a particular, established amount of responsibility and authority.

 *Specialization* Tasks should be distinguished on a functional basis, and then separated according to specialization, each having a separate chain of command.

 *Predictability and stability* The organization should operate according to a system of procedures consisting of formal rules and regulations.

 *Rationality* Recruitment and selection of personnel should be impartial.

 *Democracy* Responsibility and authority should be recognized by designations and not by persons.

Weber's theory is infirm on account of dysfunctions (Hicks and Gullett, 1975) such as rigidity, impersonality, displacement of objectives, limitation of categorization, self-perpetuation and empire building, cost of controls, and anxiety to improve status.

#### Administrative theory

The elements of administrative theory (Fayol, 1949) relate to accomplishment of tasks, and include principles of management, the concept of line and staff, committees and functions of management.

 *Division of work or specialization* This increases productivity in both technical and managerial work.

 *Authority and responsibility* These are imperative for an organizational member to accomplish the organizational objectives.

 *Discipline* Members of the organization should honour the objectives of the organization. They should also comply with the rules and regulations of the organization.

 *Unity of command* This means taking orders from and being responsible to only one superior.

 *Unity of direction* Members of the organization should jointly work toward the same goals.

 *Subordination of individual interest to general interest* The interest of the organization should not become subservient to individual interests or the interest of a group of employees.

 *Remuneration of personnel* This can be based on diverse factors such as time, job, piece rates, bonuses, profit-sharing or non-financial rewards.

 *Centralization* Management should use an appropriate blend of both centralization and de-centralization of authority and decision making.

 *Scalar chain* If two members who are on the same level of hierarchy have to work together to accomplish a project, they need not follow the hierarchy level, but can interact with each other on a 'gang plank' if acceptable to the higher officials.

 *Order* The organization has a place for everything and everyone who ought to be so engaged.

 *Equity* Fairness, justice and equity should prevail in the organization.

 *Stability of tenure of personnel* Job security improves performance. An employee requires some time to get used to new work and do it well.

 *Initiative* This should be encouraged and stimulated.

 *Esprit de corps* Pride, allegiance and a sense of belonging are essential for good performance. Union is strength.

 *The concept of line and staff* The concept of line and staff is relevant in organizations which are large and require specialization of skill to achieve organizational goals. Line personnel are those who work directly to achieve organizational goals. Staff personnel include those whose basic function is to support and help line personnel.

 *Committees* Committees are part of the organization. Members from the same or different hierarchical levels from different departments can form committees around a common goal. They can be given different functions, such as managerial, decision making, recommending or policy formulation. Committees can take diverse forms, such as boards, commissions, task groups or *ad hoc* committees. Committees can be further divided according to their functions. In agricultural research organizations, committees are formed for research, staff evaluation or even allocation of land for experiments.

 *Functions of management* Fayol (1949) considered management as a set of planning, organizing, training, commanding and coordinating functions. Gulick and Urwick (1937) also considered organization in terms of management functions such as planning, organizing, staffing, directing, coordinating, reporting and budgeting.

### Neoclassical theory

[Principles of the neoclassical approach](http://www.fao.org/3/w7503e/w7503e03.htm#principles%20of%20the%20neoclassical%20approach)

Neoclassical theorists recognized the importance of individual or group behaviour and emphasized human relations. Based on the Hawthorne experiments, the neoclassical approach emphasized social or human relationships among the operators, researchers and supervisors (Roethlisberger and Dickson, 1943). It was argued that these considerations were more consequential in determining productivity than mere changes in working conditions. Productivity increases were achieved as a result of high morale, which was influenced by the amount of individual, personal and intimate attention workers received.

#### Principles of the neoclassical approach

The classical approach stressed the formal organization. It was mechanistic and ignored major aspects of human nature. In contrast, the neoclassical approach introduced an informal organization structure and emphasized the following principles:

 *The individual* An individual is not a mechanical tool but a distinct social being, with aspirations beyond mere fulfilment of a few economic and security works. Individuals differ from each other in pursuing these desires. Thus, an individual should be recognized as interacting with social and economic factors.

 *The work group* The neoclassical approach highlighted the social facets of work groups or informal organizations that operate within a formal organization. The concept of 'group' and its synergistic benefits were considered important.

 *Participative management* Participative management or decision making permits workers to participate in the decision making process. This was a new form of management to ensure increases in productivity.

Note the difference between Taylor's 'scientific management' - which focuses on work - and the neoclassical approach - which focuses on workers.

### Modern theories

[The systems approach](http://www.fao.org/3/w7503e/w7503e03.htm#the%20systems%20approach)  
[Socio-technical approach](http://www.fao.org/3/w7503e/w7503e03.htm#socio%20technical%20approach)  
[The contingency or situational approach](http://www.fao.org/3/w7503e/w7503e03.htm#the%20contingency%20or%20situational%20approach)

Modern theories tend to be based on the concept that the organization is a system which has to adapt to changes in its environment. In modern theory, an organization is defined as a designed and structured process in which individuals interact for objectives (Hicks and Gullet, 1975). The contemporary approach to the organization is multidisciplinary, as many scientists from different fields have contributed to its development, emphasizing the dynamic nature of communication and importance of integration of individual and organizational interests. These were subsequently re-emphasized by Bernard (1938) who gave the first modern and comprehensive view of management. Subsequently, conclusions on systems control gave insight into application of cybernetics. The operation research approach was suggested in 1940. It utilized the contributions of several disciplines in problem solving. Von Bertalanffy (1951) made a significant contribution by suggesting a component of general systems theory which is accepted as a basic premise of modern theory.

Some of the notable characteristics of the modern approaches to the organization are:

 a systems viewpoint,  
 a dynamic process of interaction,  
 multilevelled and multidimensional,  
 multimotivated,  
 probabilistic,  
 multidisciplinary,  
 descriptive,  
 multivariable, and  
 adaptive.

Modern understandings of the organization can be broadly classified into:

 the systems approach,  
 socio-technical theory, and  
 a contingency or situational approach.

#### The systems approach

The systems approach views organization as a system composed of interconnected - and thus mutually dependent - sub-systems. These sub-systems can have their own sub-sub-systems. A system can be perceived as composed of some components, functions and processes (Albrecht, 1983). Thus, the organization consists of the following three basic elements (Bakke, 1959):

(i) *Components* There are five basic, interdependent parts of the organizing system, namely:

 the individual,  
 the formal and informal organization,  
 patterns of behaviour emerging from role demands of the organization,  
 role comprehension of the individual, and  
 the physical environment in which individuals work.

(ii) *Linking processes* The different components of an organization are required to operate in an organized and correlated manner. The interaction between them is contingent upon the linking processes, which consist of communication, balance and decision making.

 *Communication* is a means for eliciting action, exerting control and effecting coordination to link decision centres in the system in a composite form.

 *Balance* is the equilibrium between different parts of the system so that they keep a harmoniously structured relationship with one another.

 *Decision analysis* is also considered to be a linking process in the systems approach. Decisions may be to produce or participate in the system. Decision to produce depends upon the attitude of the individual and the demands of the organization. Decision to participate refers to the individual's decisions to engross themselves in the organization process. That depends on what they get and what they are expected to do in participative decision making.

(iii) *Goals of organization* The goals of an organization may be growth, stability and interaction. Interaction implies how best the members of an organization can interact with one another to their mutual advantage.

#### Socio-technical approach

It is not just job enlargement and enrichment which is important, but also transforming technology into a meaningful tool in the hands of the users. The socio-technical systems approach is based on the premise that every organization consists of the people, the technical system and the environment (Pasmore, 1988). People (the social system) use tools, techniques and knowledge (the technical system) to produce goods or services valued by consumers or users (who are part of the organization's external environment). Therefore, an equilibrium among the social system, the technical system and the environment is necessary to make the organization more effective.

#### The contingency or situational approach

The situational approach (Selznick, 1949; Burns and Stalker, 1961; Woodward, 1965; Lawrence and Lorsch, 1967) is based on the belief that there cannot be universal guidelines which are suitable for all situations. Organizational systems are inter-related with the environment. The contingency approach (Hellriegel and Slocum, 1973) suggests that different environments require different organizational relationships for optimum effectiveness, taking into consideration various social, legal, political, technical and economic factors.

### The research organization as a social system

[Goal setting](http://www.fao.org/3/w7503e/w7503e03.htm#goal%20setting)  
[Integration and coordination](http://www.fao.org/3/w7503e/w7503e03.htm#integration%20and%20coordination)

An organization is a continuing system, able to distinguish and integrate human activities. The organization utilizes, transforms and joins together a set of human, material and other resources for problem-solving (Bakke, 1959). The main function of an organization is to satisfy specific human needs in interaction with other sub-systems of human activities and resources in the given environment. In a research organization, individual needs of researchers are more often in conflict with organizational needs than in any other organization. Therefore, growth of the organization should concurrently also promote growth of the individual.

**Characteristics of the research organization**

Social organizations are characterized by their complexity, degree of inter-dependence between sub-systems, openness, balance, and multiplicity of purposes, functions and objectives (Huse and Bowditch, 1973).

 *Complexity* A research organization consists of a number of individuals, groups, or departments, each of which is a sub-system within the total system. The prevalence of these sub-systems makes the organization complex.

 *Degree of inter-dependence of sub-systems* The various sub-systems of the research organization are inter-dependent which makes it further complex, as each sub-system has its way of working, requirements, behaviour, etc.

 *Openness of the social organization* Research organizations operate in the wider environment of a larger organization or system, and are therefore open. They have to function in harmony with environmental requirements, goals and functions. This may cause conflicts in the organization unless the sub-systems are appropriately balanced.

 *Balance and the social organization* Social organizations are highly dynamic. Forces such as researchers, managerial hierarchy and various inputs from within and outside the organization have to be balanced for the smooth functioning of the organization.

 *Multiplicity of purpose, functions and objectives* Most research organizations have a multiplicity of sub-systems, each of which has dynamic interactions with others. In the research organization, a researcher can be viewed as a sub-system with specific needs, goals and functioning, although those needs, goals and functioning may sometimes not match those of the organization.

#### Goal setting

In an organization, goal setting is one of the control systems, a component of the appraisal process and an effective tool for human resource management (Locke, 1968; Sherwin, 1976). The concept of goal setting is now used to increase the performance of the organization as well as the individual through management by objectives. Drucker (1954) suggested that management by objectives can be useful for managers for effectively managing the future direction of the organization.

**Importance of goal setting**

Well specified and clear goals improve performance in an organization by:

 making clear what people have to do;

 solving specific problems related to the work as they emerge during the process of goal setting;

 reducing ambivalence in the assigned work and thus encouraging increasing efforts;

 supporting people to find a connection between their work and the achievements of the organization;

 assisting individuals in allocating their time, efforts and personal resources to important areas;

 giving a feeling of accomplishment and contentment when specified goals are achieved; and

 providing some control over the people and their work in an organization. Goals are an objective way of assessing performance in the organization.

There is a definite linkage between goal setting and performance. Latham (1981) reported that

 specified goals are better than vague or general goals,

 difficult and challenging but attainable goals are better than relatively easy goals,

 goals evolved through participation and accepted by workers are preferred to assigned goals, and

 objective and timely feedback about progress toward goals is better than no feedback.

**The process of goal setting**

Peter Drucker suggested thirty years ago that a systematic approach to goal setting and appraising by results leads to improved organizational performance and employee satisfaction. This concept of goal setting is now widely used in most organizations. The process of goal setting (or management by objectives as it is often called) involves several steps (Luthans, 1985):

(i) The first step in the process is setting general organizational objectives and preparing an action plan. Goal setting is based on a top-down approach, and involves:

 identifying key result areas in the organization,

 identifying measures of performance,

 stating objectives, and

 evolving agreement between members of top management on the objectives and goals set.

(ii) Once goals are formulated, the second step is to activate the system for implementation. For successful implementation of such a system, it is essential to prepare the members in the organization.

(iii) The third step is to set individual goals. Individual goals are decided jointly by superiors and subordinates. Once goals are finalized, an action plan is developed for implementation.

(iv) The fourth step involves:

 ensuring that work is carried out in the right direction,  
 identifying obstacles, and  
 making adjustments to eliminate obstacles.

(v) Finally comes appraisal of performance of the individual against the set targets. An appraisal and feedback system is an important part of goal setting. The individual is given feedback on his or her performance, and provided with suitable rewards and motivation.

#### Integration and coordination

Integration and coordination refer to integration of the objectives and activities of specialized units or sub-systems in order to achieve the organization's overall strategic objectives. Coordination and integration are necessary controlling mechanisms to ensure placid functioning, particularly when organizations become large and complex. Integration aims at ensuring that different sub-systems work towards common goals.

Integration of the organizational sub-systems relates to differentiation and division of labour in the organization. Organizational differentiation means un-bundling and re-arranging of activities. Re-grouping and re-linking them is organizational integration (Lawrence and Lorsch, 1967). When different units are assigned different tasks and functions, they set independent goals for performing the assigned tasks and function accordingly. In such situations, integration of the activities of different sub-systems is necessary to facilitate smooth working and to bridge communication gaps.

In research organizations, integration of research units and administrative units is very important for the smooth functioning of research activities.

**Need for integration**

Integration and coordination is necessary for several reasons (Anderson, 1988):

 As the organization encounters environmental complexity, diversity and change, it requires more and more differentiation of its units. Need for integration also increases with increase in structural dimensions.

 Different specialized units are required to achieve broad strategic objectives rather than only individual objectives. For the purpose of achieving these strategic objectives, a research manager has to coordinate different units.

 A research manager has to settle conflicts and disputes between different specialized units. When different units are assigned different goals and tasks, conflicts are inevitable. A manager needs to integrate and coordinate the work of different sub-units to effectively resolve conflicts.

 Managers also need to coordinate and integrate independent units or research stations to ensure that their objectives and functioning are in consonance with overall organizational goals and strategies.

 The necessity for coordination increases with increased specialization, because increases in specialized functions leads to decision making in specialized units or sub-units. This may cause conflict.

**Methods of integration**

Within any large organization it is important to have proper communication systems to enable different sub-systems to coordinate various activities and avoid obstacles in the work environment. Lack of proper coordination often causes conflicts in an organization. To ensure proper coordination in research organizations, the research manager has to take care of behavioural dimensions (such as motivation and conflicts) while ensuring an efficient overall structure.

**Achieving integration**

The structure of a research institution needs to be suitably designed to facilitate proper coordination and integration of different specialized units. A poorly designed structure may:

 hinder coordination and integration,  
 cause conflicts, and  
 lead to poor performance.

***Coordinating vertically through hierarchy***

Work is assigned to specialized units and coordinated by a manager. A hierarchy (vertical) of authority evolves from lower to higher levels. A manager can use the following principles of hierarchy of authority for integrating specialized units:

 The *unity of command* principle. Every worker should report to only one manager.

 The *scalar* principle. Decision making authority (and a chain of command) should be from the top to lower levels.

 *Responsibility* principle. A manager is accountable for the performance of his or her subordinates. In turn, subordinates are responsible to their manager for their performance.

***Determining the decision making level***

A manager has to decide about the levels at which decisions are to be taken, and this would depend upon the type, impact and values of decisions.

***Deciding the span of control***

Span of control refers to the number of specialized activities or personnel supervised by one manager. There is no optimal number for a span of control and number of levels in the hierarchy. In fact, span of control and hierarchy levels are inter-related and depend on situational factors (Barkdull, 1963). Some of the important situational factors are:

 Similarity of functions.  
 Complexity of supervised functions.  
 Direction and control needed by subordinates.  
 Coordination required by the manager.  
 Planning required by the manager.  
 Organizational help received by the manager.

**Methods to improve integration**

There are several ways to improve integration, the most common being through a hierarchy of authority. For this, specialized units whose activities are inter-related could be put under one manager.

Coordination can also be improved through

 developing rules and procedures wherever possible,  
 providing professional training,  
 liaison roles, and  
 use of professional committees involving managers from different specialized units.

Using committees to improve coordination is more difficult than other methods, as it requires considerable skills in group dynamics and technical knowledge on the part of the chairperson of the committee. The person who takes this role must not be involved directly in the work, but tries to assist managers in improving integration.

### Process in the organization

[Power in the organization](http://www.fao.org/3/w7503e/w7503e03.htm#power%20in%20the%20organization)  
[Communication in the organization](http://www.fao.org/3/w7503e/w7503e03.htm#communication%20in%20the%20organization)

Norms for proper functioning of the organization are evolved through organizational processes. These relate to power, decision making, communication, motivation and leadership. Socialization also plays a significant role.

#### Power in the organization

Power refers to the ability to get an individual or group to do something or to change in some way. Politics is a process to achieve power. Power is inter-related with authority and influence. Bernard (1938) defined authority in terms of 'legitimate power.' Power is considered as an essential element in any human organization so as to engender order and coordinate various activities. Power provides one of the strongest motivations (Galbraith, 1952). It also affects the setting of objectives and the distribution of resources in an organization. The source of power can be positional, economic, knowledge, performance, personality, physical or ideological (Hicks, 1975). Organization-based power refers to the power beyond the range of legitimate authority because of the position which a person has in the organization (Milgram, 1974). This power can be controlled and transferred by the organization.

Four categories of organizational power can identified, according to source (French and Raven, 1959):

 *Reward power* This refers to the control over rewards desired by others. This is given by persons at a higher level or by decision-makers.

 *Coercive power* This is the power to give punishment. This too is given by persons at a higher level or by decision-makers.

 *Expert power* This is based on personal skills, knowledge, training, experience, etc. It cannot be transferred by the organization since it is person-specific.

 *Charismatic power* This derives from the sensitivity of the owner. This facilitates association with others.

In research organizations, as in other organizations, power plays a significant role. It influences the organization's strategies, recruitment of competent scientists, behavioural control system and changes in the organizational structure.

#### Communication in the organization

Communication is a basic element in organizational structure and functioning. It is the key mechanism for achieving integration and coordination of the activities of specialized units at different levels in the organization.

The communication process consists of seven steps (Shannon and Weaver, 1949): message, encoding, transmitting, receiving, decoding, understanding and feedback.

Organizational communication can be horizontal, upward, and downward:

 *Horizontal*(*lateral*)*communication* aims at linking related tasks, work units and divisions in the organization. The importance of horizontal communication increases with task specialization and diversity in organizational structure. The need for lateral or horizontal communication was first stressed by Fayol (1949), when he suggested a 'gang plank' between similar hierarchical positions.

 *Downward communication* provides information from higher levels to lower levels. Being superior-subordinate communication, it follows the chain of command through the line of authority. Downward communication can be of four types (Katz and Kahn, 1966):

- communication designed to provide job rationale to produce understanding of the task and its relation to other organizational tasks;

- communication about organizational procedures and practices;

- feedback to the subordinate about his or her performance; and

- communication to foster inculcation of organizational goals.

 *Upward communication* serves as a control system for the organization.

In an agricultural research organization, a suitable blending of lateral, downward and upward communication is required to effectively coordinate and integrate activities of individual subsystems. The effectiveness of research results greatly depends upon proper communication links among scientists, between scientists and agricultural extension workers, and between extension workers and farmers.

In an agricultural research organization, there are several specialized sub-systems which need to be integrated through horizontal communication. Downward communication facilitates transmission of research results to actual users. Upward communication enables flow of information from lowers level to the top level:

farmers  extension workers  scientists  research manager  DG and policy-makers

**Organizational decision making**

Decision making is choosing among alternatives. It starts with goal setting in the organization, and entails searching for alternatives, analysing alternatives and choosing criteria. Decisions may pertain to

 broad policies or plans for the organization,  
 programmes and projects to achieve goals, or  
 operations of programmes and management systems.

The process of decision making involves nine steps (Hicks and Gullet, 1975; Anderson 1988):

(i) Setting organizational goals.  
(ii) Establishing performance criteria.  
(iii) Classifying and defining the problem.  
(iv) Developing criteria for a successful solution.  
(v) Generating alternatives.  
(vi) Comparing alternatives to criteria.  
(vii) Choosing an alternative.  
(viii) Implementing the decision.  
(ix) Monitoring the decision and getting feedback.

**Models of decision making**

There are five major models for decision making in an organization (Gortner, Mahler and Nicholson, 1987). They are:

 The *economic* or *rational choice* model, as used in bureaucratic organizations. It is based on rational choice among well reasoned and logical alternatives.

 *Incremental bargaining,* commonly used in resolving conflicts through negotiation.

 Simon's *bounded rationality* model, which is used as an aggregative model in administrative practices. This model is suitable as a consultant-assisted method for policy making.

 Peters and Waterman's *well managed* model (also called the *garbage can* or *non-decision making* model) aims at formulating a descriptive model of choice which focuses on the expressive character of decision making in the organization. It does not consider rationality and incrementation. This method is based on an empirical perception of how successful organizations are being run.

 *Quantitative techniques of decision making.* Decisions have to be made under varying conditions of certainty or uncertainty, with different degrees of risk (Luthans, 1985).

Certainty decisions are largely made by managers at lower levels under known conditions with known outcomes. For such decisions, nearly complete information is available. Quantitative techniques are not usually required to make certainty decisions. However, calculus and a few mathematical programming techniques can be useful.

Risk decisions are more difficult to make than certainty decisions because of limited information and the possibility of several outcomes for each alternative. Most risk decisions are taken at higher levels. For risk decisions, probability techniques (objective and subjective probability) are widely used.

Decisions under uncertainty are the most intricate. For such decisions, probability techniques are of limited help. However, minimax analysis and Bayes's procedure can be used in refining the decision making process under conditions of uncertainty. Minimax analysis attempts to calculate the worst outcome that can occur for each alternative, whereas Bayes's procedure is based on the concept of expected value and assumes that each possible outcome has an equal chance of occurring.