13

ORGANISING

13.1 INTRODUCTION

Organising in a general sense means systematic arrangement of activities. In this sense, organising is done by each individual. However, organising as a process of management essentially relates to sub-dividing and grouping of activities.

Organising becomes necessary when two or more persons work together to achieve some common objectives. When a player is playing alone, there is perhaps no need of organising. But organising becomes important when players are playing in a team. In that case, it is important to determine the role of each player and for the team as a whole to attain victory over the rival team. Similarly, in a one-man business, all the activities are performed by the owner himself. But when the owner employs someone to assist him, he has to determine the work to be done by the employee and give him the right to use materials, machinery, equipment, etc. This is the point when organising becomes necessary.

As more people are appointed, there has to be further division and sub-division of work among them. When an organisation becomes large, separate departments are created to perform different functions. Each department has to be divided into a number of smaller units. Ultimately, the work of the organisation is divided into a number of positions of employees and managers. Relationships are then established among the different positions in the organisation. The outcome of the organising process is a set of formal relationships which is known as organisation structure. In this lesson, we shall study about the process of organising which leads to the setting up of an organisation structure.
13.2 OBJECTIVES

After studying lesson, you will be able to:

• state the meaning and the process of organising;
• enumerate the steps in the organising process;
• explain what is done in each step;
• state the meaning of authority, responsibility and accountability;
• recall the meaning of organisation structure;
• describe how an organisation structure is created;
• outline the principles of organisation;
• describe the types of authority relationships; and
• distinguish between formal and informal organisations.

13.3 MEANING AND PROCESS OF ORGANISING

Organising refers to the way in which the work of a group of people is arranged and distributed among group members. The function of organising includes the determination of the activities to be performed; creation of departments, sections and positions to perform those activities; and establishing relationships among the various parts of an organisation. The purpose is to create a framework for the performance of the activities of an organisation in a systematic manner. It is important to note that the term organisation should not be used in the same sense as organising. Organising is a function of management, while organisation refers to a group of persons who have come together to achieve some common objectives.

The process of organising refers to identifying and grouping of activities to be performed, defining and delegating authority, casting responsibility and establishing relationships to enable people to work together effectively in accomplishing objectives.
Steps in the process of organising

The process of organising consists of the following steps:

1. Determining the activities to be performed to achieve the objectives of the organisation.
2. Identification of major functions to which these activities relate.
3. Grouping and sub-dividing the activities within each function on the basis of similarity or relatedness.
4. Establishing relationship among individuals and groups.

1. Determining the activities to be performed to achieve the objectives of the organisation: Business organisations undertake economic activities with a view to earning profit. They may perform manufacturing, trading or service activity. In a manufacturing organisation, production and sales are the two major activities. In a trading organisation, purchases and sales are the two main activities. Service organisations provide services such as transportation to their customers. In carrying out these major activities, business units have to perform a number of other activities such as producing, financing, marketing, accounting, recruiting employees, etc. Since the objectives of different organisations are different, it is therefore, necessary to determine the activities of each organisation separately.

2. Identification of major functions to which these activities relate: The next step is to identify the major functions to which these activities relate. In a manufacturing organisation, production, selling, finance and personnel are the major functions. If the amount of work to be done in connection with each of these functions is large, separate departments may be created for each of these functions. Managerial positions will have to be created to supervise the activities of these departments. At this stage, a list of activities relating to each function must be prepared.

3. Grouping and sub-dividing the work within each function: In this step, it is decided how best the activities can be grouped on the basis of similarity or relatedness. The activities of a production department, for example, can be divided into a number of workshops where production will actually take place. Besides, separate sections may be created for such production related activities as quality control and repairs. The activities of other departments can similarly be sub-divided. This division and sub-division of activities goes on till individual positions have been
Organising

created for performing all types of work in an organisation. The reasons of dividing and sub-dividing functions and activities are as follows—

(i) The total work may be so large that it cannot be done by a single individual or by a few persons.

(ii) If the work is divided into smaller units, it becomes easy to assign work to individuals who have the necessary skill and knowledge to perform the work efficiently.

4. Establishing relationship among individuals and groups:
Managers divide activities to increase efficiency and to ensure that work is properly done. The activities which are performed by persons holding different positions must be related. The responsibility, authority and accountability of each person must be well defined. This is necessary to avoid conflict and confusion and to ensure that work is performed as planned. Establishing relationships among individuals and groups is, therefore, an important aspect of the organising process. It would be useful at this stage to explain the meaning of responsibility, authority, and accountability.

(i) **Responsibility:** Responsibility is the obligation of a subordinate to perform the assigned duties. When a subordinate accepts duties, he has to perform those duties in the manner desired by the superior. Duties are assigned to subordinates when a manager has to share the work with them.

(ii) **Authority:** When a person is given certain duties to perform, he must be given necessary authority also. Otherwise, he will not be able to do the work. A typist, for example, cannot do the typing job if he is not given the right to use facilities such as a place to sit in, a table, a chair, a typewriter, typing and carbon papers, etc. Authority includes the right to take decision, right to issue orders and the right to take action if orders are not carried out. An engineer responsible for the construction of a bridge has the authority to command his subordinates, procure the needed material, seek assistance of architects and other experts in the completion of the project. No person should be given any authority unless certain duties have been assigned to him. Authority should always follow responsibility.
(iii) Accountability: After assigning duties and granting authority, one more relationship becomes necessary. This is the relationship of accountability. Accountability means answerability. That is, each person has to report to his superior how the work has been done and how authority has been used. Accountability is always upward. Each subordinate is accountable to his superior who in turn is accountable to his own superior. In this way, every person becomes accountable to top management. Accountability ensures that the work is done as planned and authority is properly used. An important principle of accountability is the principle of single accountability. A person should be accountable to one superior only. If a person is accountable to two or more persons, he may avoid the work or he may be in difficulty to decide whom to obey first.

INTEXT QUESTIONS 13.1

A. Tick (✓) the correct statements:

( ) i) Organising means the same thing as organisation.

( ) ii) Responsibility is the obligation of a subordinate to perform the assigned duties.

( ) iii) Responsibility is not the same thing as accountability.

B. Arrange the following steps of organising in a proper sequence by writing a,b,c and d in the space provided:
( ) i) Identification of major functions
( ) ii) Determining the activities to be done
( ) iii) Establishing relationships among individuals and groups
( ) iv) Grouping and sub-dividing activities within each function on the basis of similarity or relatedness.

C. Which one of the following two is an organisation? Tick (√) your choice:

( ) i) People waiting at a bus stop.
( ) ii) Members of a football team.

D. Out of the following two, which one is the correct meaning of the word organising. Tick (√) your choice

( ) i) Organising refers to the way in which the work of a group of people is arranged and distributed among group members
( ) ii) Organising refers to a group of people who have come together to achieve some common objectives.

13.4 MEANING OF ORGANISATION STRUCTURE

You must have noted that in the organising process, work is arranged and distributed among the members of a group. The end-result of organising is a framework of formal relationships among different departments and positions. This framework of formal relationships is known as organisation structure. The term structure refers to the arrangement of parts and inter-relationships among activities and people. For example when we refer to the structure of a building, following things immediately come to our mind. What is the total area in which the building has been constructed? How many floors are there? The number of rooms in each floor? The number of doors, windows and ventilators in each room. For what specific purpose, each room will be used. How is one room connected with the other and how is one floor connected with another and so on.

Similarly, the organisation structure of a business unit consists of the following elements:

• The number of departments
The structure of an organisation is created by top management and the structure so created is known as formal structure. The purpose of having a formal structure is to perform the activities in a planned and systematic manner.

How an organisation structure is created

In most organisations, the structure is created on the basis of functions. In one-man business, all the functions are carried out by the owner himself. The same person produces and sells. As the amount of work increases, he has to appoint some people to assist him. When the work further increases, he will need more people to perform the production and selling functions. The owner may now be forced to create separate departments for production and selling and appoint managers for each of these two departments. This is necessary because he has limited capacity and time. He cannot supervise the activities of more than a few subordinates. In other words, the owner is guided by the principle of span of management. According to this principle, there is a limit to the number of subordinates who can be effectively supervised by a single manager.

The decision of the owner-manager to create separate departments for production and selling gives rise to one level of management. The structure of the organisation at this stage would appear as follows:

```
<table>
<thead>
<tr>
<th>Owner Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Manager</td>
</tr>
<tr>
<td>Sales Manager</td>
</tr>
<tr>
<td>Production Workers</td>
</tr>
<tr>
<td>Salesmen</td>
</tr>
</tbody>
</table>
```
The structure of a small manufacturing organisation is based on two functions, viz., production and selling. These functions are known as primary, basic or line functions. Line functions are those which directly contribute to the objectives of the organisation. With further growth in the size of business unit, the work of raising money, keeping accounts and making payments may increase. The owner will now have to appoint some people to help him in these matters. After some time, he may create a separate department, Finance Department to deal with financial matters. The organisation is now divided into three departments. The managers of all these departments will have to do a number of related activities. For example, they will have to hire and train people. As the business grows in size, it will no longer be possible for the managers of these departments to efficiently perform the function of hiring and training people. A separate department may be created for this purpose. The job of this department will be to assist the managers of production, sales and finance departments to efficiently perform the function of hiring and training people. This department may be called personnel department. It is important to remember that personnel function is not a basic or line function of a manufacturing organisation. The main job of a manufacturing organisation is not to hire and train people. The main job is to produce and sell. Personnel function is, therefore, called secondary or staff function and personnel department is a staff department. The job of a staff department is to assist line and other staff departments. Personnel department has been created at the first level. Staff departments can, however, exist at any level. Let us now see how this happens in the production department.

When the volume of work increases further, it will be necessary to divide the production department into two or more workshops and one more level of management will be created. Managers of these workshops will have to perform a number of production related activities such as quality control and repairs. These functions require special knowledge and skill. Therefore, these functions may be taken out of workshops and grouped separately into staff departments. As the number of employees in each workshop increases, each workshop may be divided into two sections and supervisors (or foremen) may be appointed for each of these two sections. Similarly, there may be further downward division of activities in sales, personnel and finance departments. The structure of organisation may now be as shown below.
13.5 PRINCIPLES OF ORGANISATION

The organising function is carried out on the basis of guidelines given by experts. These are known as **principles of organisation**. These principles have been developed by management experts from time to time. The principles of organisation developed by Lyndall Urwick are briefly stated below. You have already read about the principles of management given by Henry Fayol. Since organising is a part of management, you will find some of the principles at both the places.

(i) **Purpose**: All organisations and each part of any undertaking should be the expression of a purpose, either explicit or implied — *the principle of objective*.

(ii) **Authority and responsibility**: Formal authority and responsibility must be co-terminus and equal — *the principle of correspondence*.

(iii) **Responsibility of supervision**: The responsibility of higher authority for the acts of its subordinates is absolute — *the Principle of responsibility*.

(iv) **Scalar Principle**: There must be a clear line of formal authority running from top to the bottom of every organisation — *the scalar Principle*. 

---

Business Studies
(v) **Span of control**: No supervisor can supervise directly the work of more than five, or at the most, six subordinates whose work interlocks — the *Principle of Span of Control*.

(vi) **Specialisation of functions**: The work of every person in the organisation should be confined as far as possible to the performance of a single leading function — the *Principle of specialisation*.

(vii) **Coordination of Effort**: The final object of all organisations is smooth, effective coordination — the *Principle of coordination*.

(viii) **Definition**: Every position in every organisation should be clearly described in writing — the *Principle of definition*.

**INTEXT QUESTIONS 13.2**

State whether the following statements are true or false:

i) Production is a line function. (T/F)

ii) Hiring and training people are line functions in a manufacturing organisation. (T/F)

iii) Structure refers to the arrangement of parts and inter-relationships among them. (T/F)

iv) Span of management refers to the distance between top management and workers of an organisation. (T/F)

v) Staff departments perform the basic functions. (T/F)

**13.6 LINE, STAFF AND FUNCTIONAL AUTHORITY RELATIONSHIPS**

Till now, we have discussed how departments, sections and levels of management are created. We now turn our attention to authority relationships. These are of three types:

1. Line Authority
2. Staff Authority
3. Functional Authority
Line Authority

Line authority is the authority of a manager over his immediate subordinates. In figure on page 38, the owner manager has line authority over production manager and production manager has line authority over managers of workshops. Line authority is not the right of managers of line departments only. Managers of staff departments also enjoy line authority over their subordinates.

Line authority is the right of a manager to issue orders and to see that these orders are carried out. If the orders are not obeyed, managers have a right to take action. A manager gets this authority from his superior and shares it with his subordinates. In the figure referred to above, the owner manager gives his authority to production manager. The production manager shares his authority with workshop managers who in turn share it with the foremen. Foremen exercise this authority over the workers. Similarly, authority flows from top to bottom in other line as well as staff departments. This chain of authority from top to bottom is known as Scalar Chain. Every order must pass through this scalar chain. This scalar chain also acts as the line of accountability. Subordinates report to their superiors about their performance through this scalar chain. The scalar chain gives rise to a series of superior-subordinate relationships in an organisation.

Staff Authority

Managers of line as well as staff departments have line authority over their subordinates. When the work of line managers increases, staff officers are appointed to help them. The job of staff is to give advice, information, suggestion and guidance. For example, personnel manager is appointed to help the managers in hiring and training people. He does not have the final authority to appoint people. Final authority is that of line managers. Staff people can only advise. Their advice can be accepted or rejected by line managers.

Functional Authority

Functional authority is similar to line authority, but it is exercised over a person who is not the immediate subordinate of a manager. The purchasing manager, for example, has functional authority relating to procedures to be used in purchasing goods for various production departments. The purchasing manager may be given this authority to ensure that goods purchased are of right quality and are suitable for the purpose for which they have been
purchased. Consider another example. Production is a line activity. Security is a staff function. Normally, production manager takes decisions relating to production. But in the event of fire, manager of security would be given functional authority to handle the emergency situation. He will exercise this authority till the crisis is over.

The main reason for using functional authority is to take advantage of the special knowledge and skill of functional specialists such as purchasing or personnel manager. In practice, however, functional authority is restricted to specialised persons. If too much functional authority is used, the position of line managers becomes weak and they are not able to perform their managerial duties properly.

**Informal Organisation**

Informal organisation lays down authority, responsibility and work relationships. These are not the only relationships in the organisation. When people work together, they develop certain social and informal relationships. These social and informal relationships constitute the informal organisation.

Informal organisation comes into being out of the desire of people to associate with one another. People associate in groups to gossip, to exchange information and views, to share difficulties and happiness. Informal organisation consists of groups of people who may work in the same department or in different departments of the organisation. These informal groups are formed on the basis of emotional attachment and the purpose is to satisfy those needs which cannot be satisfied by formal organisation. The informal organisation keeps its members informed of all matters affecting their job and positions in the organisation.

The members of informal organisation informally elect someone as their leader and provide him the needed support. The informal leader does not have any formal authority. His authority depends upon the combined support of group members. Organizing becomes easy if managers are able to identify the leaders of informal groups and gain their cooperation for the betterment of the formal organisation.

We have just now studied about formal and informal organisations. Let us now compare them.
## Difference between Formal and Informal Organisations

<table>
<thead>
<tr>
<th><strong>Formal Organisation</strong></th>
<th><strong>Informal Organisation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. It is created by the top management.</td>
<td>It is not created by top management. It arises out of the natural desire of the people to associate.</td>
</tr>
<tr>
<td>2. It is created to get the jobs of an organisation performed in a planned and systematic manner.</td>
<td>It is formed to satisfy those needs of members which can not be satisfied through formal organisation.</td>
</tr>
<tr>
<td>3. It is managed by officially appointed managers.</td>
<td>Members of the informal group select some one as their leader to take care of the interests of the group members.</td>
</tr>
<tr>
<td>4. Managers of formal organisation have formal authority.</td>
<td>The authority of the leader of the informal group depends upon the combined support of group members.</td>
</tr>
<tr>
<td>5. Formal organisation is permanent and stable.</td>
<td>Informal organisation is of temporary nature. It changes its size and membership from time to time.</td>
</tr>
</tbody>
</table>

### INTEXT QUESTIONS 13.3

Match the statement in column I with the terms in column II by writing their number in the space provided:

<table>
<thead>
<tr>
<th><strong>Column (I)</strong></th>
<th><strong>Column (II)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>i) The number of persons who can be effectively supervised by a manager.</td>
<td>( ) (a) Informal organisation</td>
</tr>
<tr>
<td>(ii) The authority exercised over a person who is not the immediate subordinate of a manager.</td>
<td>( ) (b) Span of control</td>
</tr>
</tbody>
</table>
Organising

iii) The arrangement of parts and inter-relationships among activities and people. (c) Line functions

(iv) The social and informal relationships. (d) Structure

(v) The functions which directly contribute to the objectives. (e) Functional authority

WHAT YOU HAVE LEARNT

The Process of Organising

Organising refers to the way in which the work of a group is arranged and distributed among members to efficiently achieve the objectives of an organisation.

- The process of organising consists of the following steps—
  a) Determining the activities to be performed.
  b) Identification of the major functions to which these activities relate.
  c) Grouping and sub-dividing activities within each department on the basis of similarity or relatedness.
  d) Establishing relationships among different individuals and departments.

- Responsibility is the obligation of a subordinate to perform the assigned duties.
- Authority includes the right to decide, issue orders and take action in case orders are not carried out.
- Accountability means answerability. Each person has to report to his superior how the work has been done and how authority has been used.

Organisation Structure

- Structure refers to the arrangement of parts and inter-relationships among activities and people.
The structure of an organisation mainly involves the following:

a) The number of departments, sections and positions in which an organisation has been divided.

b) The levels of management.

c) The relationships among different parts and levels.

In most organisations, structure is created on the basis of functions. A small manufacturing organisation may have only two departments to perform the functions of production and sale. These two functions are known as line functions. In large organisations, there are staff officers and staff departments to help the line departments. Staff departments may be created at any level in the organisation.

The principle of span of control states that there is a limit to the number of subordinates who can be effectively supervised by a manager. The span of control gives rise to management levels.

There are three types of authority relationships viz. line, staff and functional.

a) Line authority is the authority to issue orders and to see that these orders are carried out.

b) Staff officers are appointed to help line managers. Their main job is to give advice.

c) Functional authority is the authority of a manager over a person who is not his immediate subordinate. The main reason of using functional authority is to take advantage of the special knowledge and skill of functional specialists.

**TERMINAL EXERCISE**

1. Briefly answer the following questions:

   a) What is organising? Describe the steps in the organising process.

   b) If a person is responsible for supervising employees, why must that person have authority?

   c) Explain the meaning of single accountability.
2. Write short notes on:
   a) Span of management
   b) Scalar chain

3. What is the need for dividing the activities of an organisation into departments, sections and positions?

4. Explain the meaning of responsibility and accountability. What is the difference between the two?

5. Explain the meaning of authority.

6. What do you understand by structure? How is the structure of an organisation created?

7. Enumerate the elements of organisation structure.

8. Every manager of an organisation needs line authority. Why?

9. What is functional authority? How is it different from line authority?

10. Explain the meaning of formal and informal organisations. What is the difference between the two?

11. Explain the meaning of line functions and staff functions.

12. What is meant by the principles of span of control and co-ordination of effort?

ANSWERS TO INTEXT QUESTIONS

13.1 A (ii) and (iii) are correct statements
    B. (a) (ii) (b) (i) (c) (iv) (d) (iii)
    C. (ii) is an organisation
    D (i) is correct

13.2 (i) and (iii) are true statements others are false

13.3 (i) (b), (ii) (e), (iii) (d),
      (iv) (a), (v) (c).