
UNIT 10 CONCEPT, CHARACTERISTICS & PRINCIPLES OF ORGANISING

Structure

- 10.0 Objectives
- 10.1 Introduction
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- 10.3 Importance of Organisation
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10.0 OBJECTIVES

After studying this unit you will be able to understand

- The concept of Organising
- Various theories which provides insights for Organising
- Features & Principles of Organising
- Difference between formal & Informal Organisation

10.1 INTRODUCTION

Organizing is the second function of management following planning. Organizing process results in a structure of the organization. Organising in general, means systematic arrangement of activities. Organising synchronizes and combines human, physical and financial resources. Organising as a process relates to sub-dividing and grouping of activities. Organising becomes necessary when more than one person work towards achieving some common objective. In that case, it is important to define the role of each person, define his authority and responsibility and coordinating and synchronizing the team as a whole to attain the objectives. Organising does this job. Without organising it would not be possible to attain the objectives since no one would be clear as what he is supposed to do. There would be overlapping and clashes over the work.

Organising determines the work to be done by the employee and give him the right to use materials, machinery, equipment, etc. The work of the organisation is divided into a number of job positions. 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.

10.2 MEANING & DEFINITION

The word organization is derived from the word ‘organism’. As is the case with organism, each part has its own role, working independently, but has a definite relationship with the main body similarly, under organising, the entire business is divided into different parts and perform their own function but they are all related to the main objectives of the business. Thus, organization means dividing the whole organisation into various departments and departmental positions and the relationship between them. Moreover, in order to run their work smoothly, their authority and responsibility have to be prescribed. It must be made clear that the need for an organization arises only when there are a couple of people working in the enterprise. If there is only one person, he is expected to perform all the functions singlehandedly and there will be no need to divide the work. In the absence of division of work, organization is meaningless.

- Different scholars have given different views about the meaning of organization.

According to Haney, “Organization is harmonious adjustment of specialised parts for the accomplishments of some common purpose or purposes.

According to Haimann, “Organization is the process of defining and grouping the activities of the enterprise and establishing the authority relationship among them.” According to Mc Farland, “An identifiable group of people contributing their efforts towards the attainment of goals is called organization.”

According to Chester Barnard, “Organizing is a function by which the concern is able to define the role positions, the jobs related and the coordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

A study of the above mentioned definitions makes it clear that organization is a process to define and classify the functions to be performed for the attainment of the objectives of the organization, and also establish relationships among different organisational positions.

Before we get into further discussion, it is important to understand the meaning of Responsibility, Authority, and Accountability.

- **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.
- **Authority:** Authority includes the right to take decision, right to issue orders and the right to take action if orders are not carried out. When a person is given certain duties to perform, he must be given the necessary authority to perform those duties as well. Otherwise, he will not be able to do the task assigned. An engineer for example, who is responsible for the completion of a project, has the authority to command his subordinates, procure the needed material, seek the assistance of experts, otherwise, he will not be able to work effectively. No person should be given any authority unless certain duties have been assigned to him. Authority should always follow responsibility otherwise authority could be misused.
- **Accountability:** After assigning duties and granting authority, one more relationship gets created which is known as accountability. Accountability means answerability. Each subordinate becomes answerable to his superior for performance of work and use of authority. Accountability flows upward and cannot be delegated. It is absolute. 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.

10.3 IMPORTANCE OF ORGANISATION

The importance of organizing becomes clear with the help of the following points:

- **Benefits of Specialization:** Under organizing all the activities are subdivided into various works or jobs. Each sub work is assigned to competent persons who become experts by doing a particular job time and again. In this way, division of work leads to specialization.
- **Clarity in Working Relationship:** Organizing clarifies the working relations among job positions. It establishes authority and responsibility. It specifies who is to report to whom. Therefore, communication becomes effective. It also helps in fixing accountability.

- **Optimum Utilization of Resources:** Organizing leads to optimum utilization of resources. Each job position is clearly defined along with its authority and responsibility. It avoids confusion and duplication of any job. Consequently, there is optimum utilization of all the available resources e.g., material, machine, financial, human resources, etc. in the organization.
- **Adaptation to Change:** Organizing process makes the organization capable of adapting to any change. This becomes possible only because there exists a clear network of relationships right from the top to the lower level. It also makes communication of any sort easy and effective.
- **Effective Administration:** organizing makes administration effective by clarifying the authority of each position and its responsibility. Everyone also knows to whom he is accountable to. In this way, the confusion on authority is put to an end and effective administration becomes possible.
- **Development of Personnel:** Organizing helps develop personnel through delegation of authority. A superior can delegate his authority to subordinate. It provides subordinates with the opportunity to take higher level decisions. It not only motivates them but also gives them a chance to show their creativity. Consequently, it helps them to grow and develop.
- **Expansion and Growth:** The process of organizing allows the employees the freedom to take decisions which helps them to grow. They are always ready to face new challenges. This situation can help in the development of the enterprise. This helps in increasing the earning capacity of the enterprise which in turn helps its development.

10.4 NATURE AND CHARACTERISTICS OF ORGANISATION

Characteristics of Organizing: - From the study of the various definitions given by different management experts we get the following characteristics of organizing.

- **Division of work:** Division of work is the basis of an organization. There can be no organization where work is to be done by an individual. Under division of work the entire work is divided into many parts. Each part of it is further subdivided into sub- parts. Individuals are assigned their part of work. This piece of work when performed repeatedly, gradually makes that person an expert. Thus, under organization an effort is made to achieve the objectives successfully by way of division of work.

- **Coordination:** Organising coordinates the work of different persons for the attainment of objectives. Under it the entire work is divided and subdivided into different job positions and their authority and responsibility is clearly defined. Thus superior subordinate relationships also get established. Everyone knows his role in the organisation and there are no overlapping and clashes over work responsibilities.
- **Plurality of persons:** Organization is a group of many persons who assemble to fulfil a common purpose. An organization structure cannot be created (or need not be created) when there is only an individual to perform the entire work.
- **Common objectives:** Organisation aims at achieving the common objectives. There are various parts of an organization each performing their own functions. But each function has been designed to achieve common objectives.
- **Well-defined Authority and Responsibility:** Under organization, relationships are established between different positions right from the top to the bottom. It is clearly specified as to what will be the responsibility of every position and adequate authority is given to fulfil the responsibility assigned. There should be parity between authority and responsibility. If responsibility is more than authority, work cannot be performed and if authority is more than responsibility, there will be misuse of authority.
- **Organization is a structure of relationship:** Organising defines the role positions and also the relationship between these positions in the organization and defines responsibility and authority for the performance of these functions. It establishes superior subordinate relationships. This way, it establishes a structure for achieving organisational goals.

10.5 PRINCIPLES OF ORGANISING

Principles of organization or Requisites of an Ideal and Sound Organization: -

- **Principle of unity of objectives:** All activities in an organization should aim at achieving common goals. All departmental goals must be clearly defined and should aim at achieving the overall goal of organization. Also, efforts must be made to synchronize the individual goals with organizational goals.
- **Principle of specialization:** Sound and effective organization rests on specialization. When an employee takes a special type of knowledge and skill in any area, it is known as specialization. By dividing the work into small tasks, each

employee is required to perform a task repeatedly. In this way, he becomes an expert in his area and benefits the organization by specializing in it.

- **Principle of coordination:** Organization establishes coordination. Coordination is obtained by group efforts with clearly defined roles that emphasize on unity of action.
- **Principle of parity of authority and responsibility:** Authority is the power or right to give orders, make decisions, and enforce obedience. Responsibility is the obligation to perform the duties assigned. There should be a balance between them otherwise more authority than required will lead to abuse of authority. Similarly, without adequate authority, responsibility cannot be fulfilled effectively as the employee will not be having powers to make decisions and enforce his orders.
- **Principle of delegation:** Process of transferring authority and creation of responsibility between superiors and subordinates to accomplish a certain task is called delegation of authority. A superior can delegate authority but not responsibility. Responsibility is absolute. The ultimate responsibility vests with him only. He would be answerable to his superior for non-performance of work by his subordinates. Also, the principle of parity of authority and responsibility should not be disobeyed in delegation as well.
- **Scalar Principle:** Under this principle all the people working in the organization should be bound with one another from top to bottom in a vertical chain. For example, Board of Directors > General Manager > Departmental Manager > Supervisor > Foreman > Workers.
- **Principle of unity of command:** Subordinates should receive orders from single superior at a time and all subordinates should be accountable to that superior only. More superiors leads to confusion, delay and shirking of work.
- **Principle of span of control:** Span of control refers to the number of employees under the direct supervision of the superior. Larger span of control is more difficult to supervise and coordinate. However, it depends upon a number of factors like the ability of the superior and nature of his work, etc. Span of control determines the number of levels in the organisation.
- **Principle of flexibility:** Organizational structure must be flexible considering the environmental dynamism. Sometimes, change may need to be incorporated in the organization structure due to changes in the environmental factors and in that condition, organization structure should have the capability to permit the change.

- **Principle of simplicity:** This principle emphasizes the simplicity of organizational structure. The structure of the organization should be simple with minimum number of levels so that its employees can understand duties and authority easily. Also, simple structure is cost effective and easy to understand.

10.6 LET US SUM UP

Organizing is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them. Organizing provides structure to the business enterprise. Organization arises only when the number of people working in an enterprise is more than one. If there is only one person, he is expected to perform all the functions single-handedly and there will be no need to divide the work. In the absence of division of work, organization is meaningless. We have studied process of organizing. By following the process there is systematic division of work and clarity of authority and responsibility. Organisation structure is both formal and informal which persist within the organization and both are important for successful running of the concern.

10.7 KEYWORDS

Delegation: The action or process of delegating or being delegated.

Authority: The power or right to give orders, make decisions, and enforce obedience.

Accountability: The fact or condition of being accountable; responsibility.

Scalar Chain: Scalar chain is the formal line of authority which moves from highest to lowest rank in a straight line.

Span of Control: The area of activity and number of functions, people, or things for which an individual or organization is responsible.

10.8 FURTHER READINGS

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10.9 TERMINAL QUESTIONS

- Q1** What is the concept of organising? What are its different elements?
- Q2** What are the basic principles of organising?
- Q3** Explain the role of accountability in an organisation.
- Q4** Write a note on principles of delegation.
- Q5** Differentiate between Unity to Command & Unity to direction.

UNIT-11 ORGANISATIONAL STRUCTURE

Structure

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Types of Organisation
- 11.3 Line Organisation
- 11.4 Line & Staff Organisation
- 11.5 Functional Organisation
- 11.6 Matrix Organisation
- 11.7 Committee Organisation
- 11.8 Informal Organisation
- 11.9 Boundaryless Organisation
- 11.10 Let's Sum up
- 11.11 Key Words
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- 11.13 Terminal Questions

11.0 OBJECTIVES

After completing this module you will be able to know:

- The various forms of organisation structure.
- The merits, demerits and suitability in various conditions.
- Meaning and types of boundaryless organisations.

11.1 INTRODUCTION

The organizational structure seeks to establish relations among all the persons working in the organization. Under the organizational structure various posts are created to perform different activities for the attainment of objectives of the enterprise. Relations among persons working on different posts are determined. The purpose of defining the relation is to clarify as to who is superior and who is subordinate. Therefore, it can be asserted that the establishment of relations among various persons working in the enterprise is called organizational structure. Organizational structure cannot be similar

for all the organizations because the nature of work and its size are different in respect of each enterprise. So, organizational structure is designed in accordance with these characteristics of the enterprise. Thus, there can be many forms or designs of organizational structure. Organizational structure once decided may also undergo changes as the situation changes.

Definitions of organizational structure: -

According to Hurley, “Organization structures are patterns of relationship among the various positions in a firm and among the various people occupying the positions.”

According to William H. Newman, “Organization structure deals with the overall organizational arrangement in an enterprise.”

11.2 TYPES OF ORGANISATION

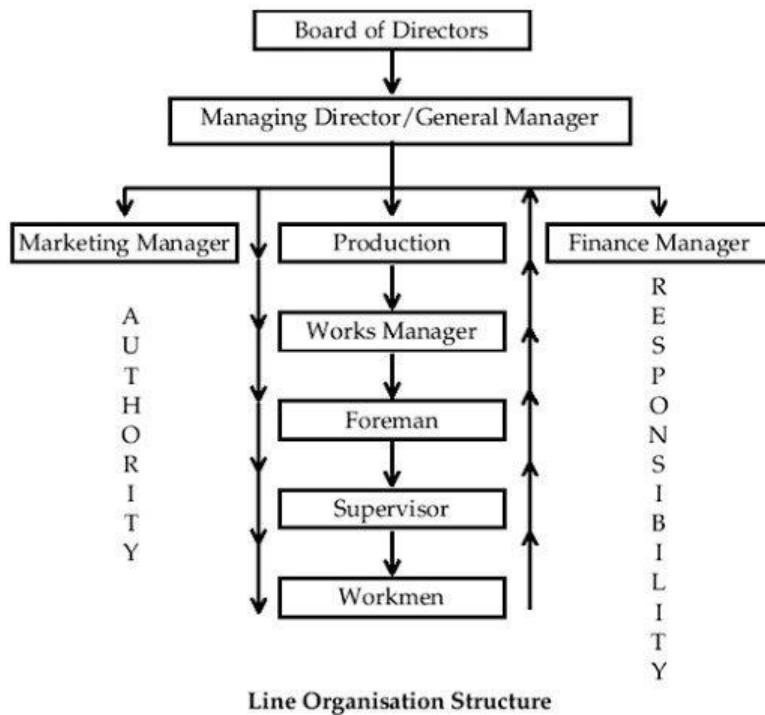
Types of organizational structure: - There are different types of organizational structures. Different business enterprises have different organizational structure depending upon their characteristics. However, whatever formal organizational structure a firm chooses, there is a parallel structure that runs along with any formal structure that is called as informal organisational structure. The formal organisation is usually delineated by an organisational chart and job descriptions. The official reporting relationships are clearly known to every employee. Along with the formal organisation, there exists a parallel structure which evolves on its own out of the patterns of human interaction within an organisation that are not officially prescribed. This is known as informal organisation, also known as grapevine.

Formal organisational structures are categorized as:

1. Line Organization
2. Line and Staff Organization
3. Functional Organization
4. Committee Organization

11.3 LINE ORGANISATION

Line organisation is the simplest and the oldest form of organisation. A line organisation has only direct, vertical relationships between different levels in the firm. In this type of organisational structure only one of the types of authority exists. i.e. line authority. Here authority flows vertically from top to bottom. It is also known as military organisation.



Features:

1. Simplest form of organisational structure.
2. Authority flows vertically in a straight line from top to bottom. Manager
Supervisor Clerk
3. Only one type of authority exists i.e. Line authority.
4. Specialized services do not exist in this form organization.
5. Line officers have complete authority to do their respective functions. They can independently take decisions in their areas.
6. Unity of command is observed in this organisation structure.
7. Departmentalization may exist in this form of organisation depending upon the organizational needs.

Advantages:

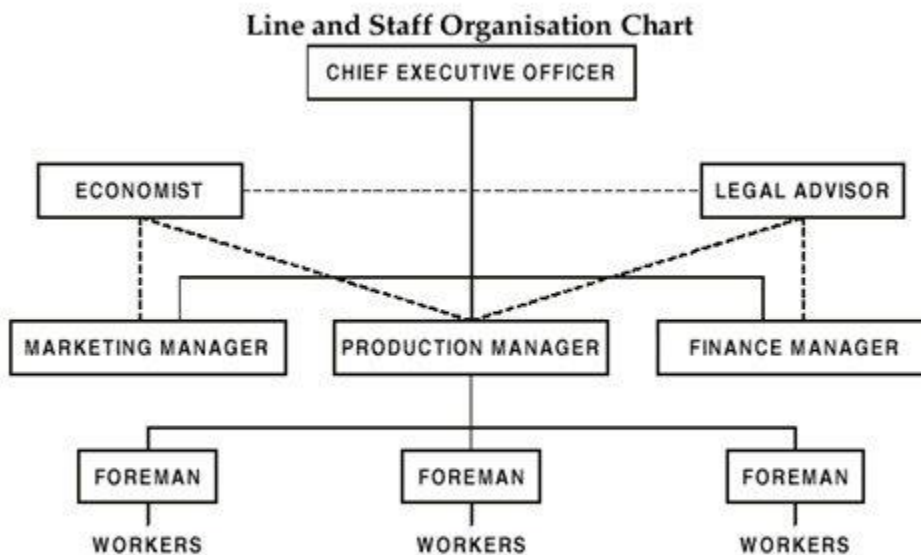
1. A line structure tends to simplify and clarify responsibility, authority and accountability relationships. The levels of responsibility and authority are likely to be precise and understandable.
2. Promotes fast decision making.
3. Simple to understand.
4. Because line organisations are usually small, managements and employees have greater closeness.

Disadvantages:

1. Neglects specialists in planning
2. Overload key persons.
3. Inadequate communication
4. Monopoly over decisions.
5. Not suitable for large sized concerns.
6. Scope of favoritism since the departmental head is almost all in all the same for the activities of his department.

11.4 LINE AND STAFF ORGANISATION

Line and Staff organisation is in a way an extension of line organisation. Under this organization structure, two types of authorities exist together, line authority and staff authority. The function of line managers is similar to their functioning under the line organization but some staff or experts are also appointed as advisors to the line officers. The function of line officers is to take decisions, while the function of the staff officers is to advise them. Staff officers are experts in their respective fields and offer useful advice after analyzing the problems presented by the line officers. In this way the work of thinking and execution is done by different persons and this removes the main flaw of the line organization. It can be adopted in the case of medium to large business enterprises.



Note: Straight lines represent line and broken lines represent staff.

Characteristics of Line and Staff Organization: -

- The work of 'thinking' and 'execution' is divided into two parts. The staff executives do the 'thinking' function while the line executives do the executive function.
- The line authority of the line managers is similar as in line organisation and the benefit of the advice of the staff experts also become available.
- The subordinates of the line executives remain their subordinates alone and they cannot be treated as the subordinates of the staff executives.
- The experts have only the right to tender advice, its rejection or acceptance depends on the line executives.
- The principle of unity of command remains implemented because the orders are received only through a single officer.
- The movement of authority is from top to bottom.

Advantages of Line & Staff Organisation are as follows:

- **Sound decision:** Sound decision making is possible in this organisation structure as specialist advice of staff managers is available to line executives for decision making.
- **Specialization possible:** The work of thinking and execution are divided and, therefore, the staff executives and the line executives attain specialization in their respective fields. It also increases organisational efficiency.
- **Advantage of line Organization:** This organisation system is an improved version of the line organization, therefore, it has all the advantages of line organisation.
- **Research facilities:** The staff executives do not have to remain busy in daily routine and the line executives ask for their suggestion only in special circumstances. Therefore, the staff executives have enough time at their disposal for research work. During this time they discover new procedures which benefit the enterprise.

- **More facility of expansion:** Legal and other complexities are increasing in modern business. In these circumstances the expansion of business becomes difficult. However, when an organisation has the services of the experts available to it, expansion becomes easy.
- **Decrease in production costs:** Experts find out new methods of production which make it easier to produce good quality products with minimum cost.
- **Discipline:** In this organisation because of the unity of command there is no problem on account of discipline.

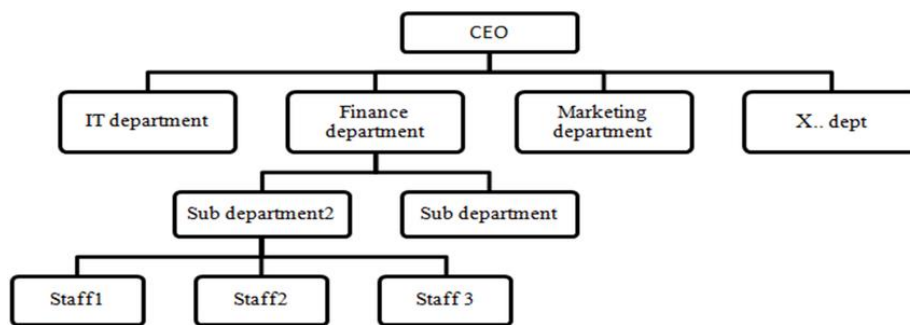
Disadvantages of Line & Staff organisation are as follows:

- **Conflict between Line and Staff Authority:** Even through a line and staff structure allows higher flexibility and specialization it may create conflict between line and staff personnel.
- **Dependence on Experts:** Line managers may not like staff personnel telling them what to do and how to do it even though they recognize the specialists' knowledge and expertise.
- Some staff people have difficulty adjusting to the role, especially when line managers are reluctant to accept advice.
- Staff people don't have any authority in implementing their advice, this may discourage them and may also lead to line and staff conflict.
- **Costly:** This organisational structure is costly to operate as staff experts are specialists and hence, high remuneration need to be paid to them. Also, their services may not benefit the organisation since implementation of their advice is solely in the hands of line managers. The line and staff organisation is suitable for medium to large sized business. Since the legal and other complexities have increased, it has become almost a dream to achieve success in business in the absence of experts. The chief drawback of this kind of organisation is the conflict between the two types of authorities. Their conflict can be ended by clearly defining their relations.

11.5 FUNCTIONAL ORGANISATION

The father of Functional organization is Fredric W. Taylor who is better known as the father of Scientific Management. Functional organization is completely based on the principle of specialization and under it the ability of the experts is fully utilized. In

Functional organization, specialists are put on the top positions throughout the enterprise who have the authority to give advice and also get it implemented. Their authority is known as functional authority. Taylor recommended that there should be functionalization not only at the top level but also at the shop level where workers have to produce goods. The whole work in the organization is divided in various departments. Similar type of work and transactions are put in one department under the control of a departmental manager who is responsible for carrying out various activities of their departments in the organization. Various departments are known as functional areas of management viz., Purchases, Sales, Finance, Production, and Personnel etc. In functional organization, at the top level of management, a subordinate anywhere in the organization will be controlled and commanded directly by number of managers operating in different departments. For example, any functional heads and Marketing Director can direct the subordinates throughout the organization. This means that subordinates receives orders from several specialists, managers working above them.



Not only at the top level, Taylor recommended functionalization at the foreman level also. Functionalization at the foreman level has been called as Functional Foremanship by Taylor. Rather than a single foreman supervising many workers (usually 40-50), he advocated appointment of eight different specialist foremen discharging different functions. Every worker in the organization is directly connected with these foremen.

The eight specialist foremen are: (a) Route Clerk, (b) Instructions Card Clerk, (c) Time and Cost Clerk, (d) Shop Disciplinarian, (e) Gang Boss, (f) Speed Boss, (g) Repair Boss, and (h) Inspector. The first four bosses operate from Planning Department, whereas the other four functions in the production department and are known as Executive Functional Bosses.

Advantages of Functional Organization: -

- (1) Full use of Experts' Knowledge because he knows that his decision will be implemented.
- (2) Efficiency is increased by separating mental function from manual function since workers are advised by experts.

- (3) Mass Production possible because of the availability of the benefit of specialisation
- (4) Functional structure permits flexibility and organizational structure can easily be adjusted as per expansion or contraction needs of the business.

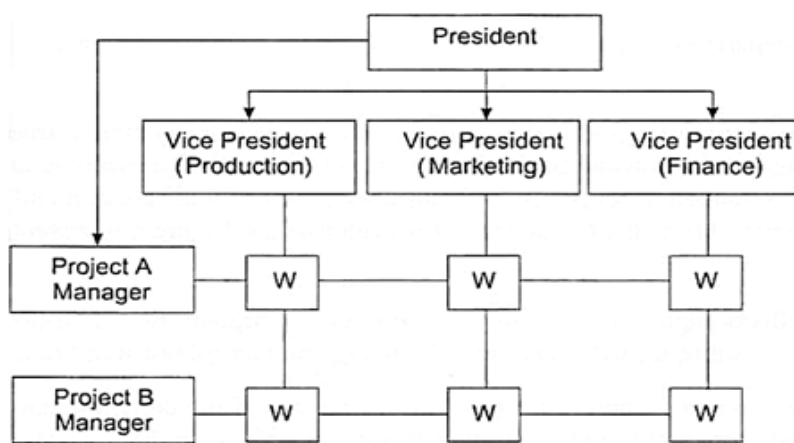
Some of the disadvantages are: -

- (1) Violation of Principle of Unity of Command which is an important principle of management. It leads to complexity and confusion, reducing work efficiency.
- (2) Coordination in functional structure becomes difficult in view of the help sought from functional experts.
- (3) Difficult to Fix Responsibility since principle of unity of command which is the most important principle of management is disobeyed.
- (4) Functional organisation is characterised by conflict among experts due to disagreement on certain issues.
- (5) Maintenance of specialist’s staff of the highest order is expensive for a concern.

11.7 MATRIX ORGANISATION

A matrix organizational structure is a company structure in which the reporting relationships are set up as a grid, or matrix, rather than in the traditional hierarchy. In other words, employees have dual reporting relationships - generally to both a functional manager and a product manager.

The main objective of matrix organisation is to secure a higher degree of coordination than what is possible from the conventional organisational structures such as – the line and staff. Matrix organisation, also called grid organisation, is a hybrid structure combining two complementary structures namely, functional departmentation with pure project structure. Functional structure is a permanent feature of the matrix organisation and retains authority for the overall operation of the functional units.



11.6 COMMITTEE ORGANISATION

Committee Organization is not a form of business organization which can be implemented independently. In other words, it cannot be implemented as a regular and independent organization. It is used with the purpose of helping the other regular forms of organization. According to Newman, “A committee consists of a group of people specially designed to perform some administrative acts”.

Types of Committees: - In business organization generally four types of committees are established:-

- **Advisory Committee:** - When a committee possesses the authority of staff executives or the experts, it is called advisory committee. Experts in different fields are appointed as members of the committee who take decision only after mutual deliberations. They however do not have the authority to get these decisions implemented.
- **Executive Committee:** - A committee which has the authority to take decisions and also get them implemented is called executive committee. Board of Directors in the company organization is an example of executive committee. Whatever decisions are taken by the Board of Directors they are implemented through the medium of the General Manager.
- **Joint Consultative Committee:** -In this committee the representatives of the workers and managers deliberate upon the common interests and make mutual relations sweet.
- **Special Purpose Committees:** - Committees which are appointed with special aims are called special purpose committees like budget committee, pay committee, financial consultation committee, etc.

Features of Committee Organisational Structure:

- (a) Formed for managing certain problems or situations
- (b) Committee decisions are temporary in nature

Advantages:

- Committee decisions are better than individual decisions.
- Better interaction between committee members leads to better coordination of activities

- Participative decision making which also promotes and leads to creative thinking.
- Basics for reducing conflicts
- Better commitment for implementation
- Better solution for complicated problems

Disadvantages:

- Committees may delay decisions, consume more time and hence more expensive.
- Group action may lead to compromise and indecision.
- More chances of conflict
- Very high probability of ‘Buck passing’
- Lack of secrecy
- Probability of diversion from the main issue.

11.7 INFORMAL ORGANISATION

And informal organisation is a set of relationships and patterns of human interaction within an organisation which are not officially prescribed. Alongside the formal organisation, an informal organisation structure exists which consists of informal relationships created not by officially designated managers but by organisational members at every level. Since these informal relationships cannot be avoided, they can be used for the benefit of the organisation if handled judiciously.

The Informal Organisation has the following Characteristics:

- Its members are joined together to satisfy their personal needs (needs for affiliation, friendship etc.)
- It is continuously changing
- The informal organisation is dynamic.
- It involves members from various organisational levels.
- It is affected by relationships outside the firm.
- Certain people are assigned greater importance than others by the informal group.
- Even though an informal organisational structure does not have its own formal organisational chart, it has its own chain of command:

Benefits of Informal Organisation:

- Assists in accomplishing the work faster.

- Helps to remove weakness in the formal structure.
- Lengthens the effective span of control.
- Compensates for violations of formal organisational principles.
- Provides an additional channel of communication.
- Provides emotional support for employees.
- Encourages better management.

Disadvantages of informal organisation:

- May work against the purpose of formal organisation.
- Reduces the degree of predictability and control.
- Reduces the number of practical alternatives.
- Increases the time required to complete activities.

11.8 BOUNDARYLESS ORGANISATION

A boundaryless organization is a contemporary approach in organization design. It is an organization that is not defined by, or limited to, the horizontal, vertical, or external boundaries imposed by a predefined structure.

When Jack Welch coined this phrase, he was looking to loosen very strong organizational structures in a major corporation. In *that* context the advantages were to allow employees and sub-organizations to be more responsive to changing market opportunities and to collaborate across what had been strict internal organizational boundaries.

Today ‘boundaryless’ often means just that: no real organizational structure. In small companies with a strong shared vision and goals, the advantages include increased flexibility, collaboration, and shared excitement.

Types of Boundaryless Organizations

A. Network Organizations

In a network organization, various functions are coordinated as much by market mechanisms as by managers and formal lines of authority. Emphasis is placed on who can do what most effectively and economically rather than on fixed ties dictated by an organizational chart. All of the assets necessary to produce a finished product or service are present in the network as a whole, not held in-house by one firm.

B. Virtual Organizations

The concept of virtual organisation / corporation, also known as networked organisation or modular organisation along with virtual team. The Virtual Organisation

is a flexible network of independent entities linked by telecommunication and computing technologies to share skills, knowledge and access to expertise in non-traditional ways.

A virtual organisation is a temporary alliance between two or more organisations that band together to undertake a specified venture. Recently the telecommunication sector in India, many virtual organisations have been created to provide different services. Basic features of a virtual organisation are as follows:

- **Technology:** Informal networks will provide far flung companies and entrepreneurs to link up work together from start to finish. The partnership will be based on electronic contacts to keep the lawyers away and speed the link ups.
- **Opportunism:** Company will band together to meet a specific market opportunity and more often than not, fall apart once the need evaporates.
- **Excellence:** Because each partner brings its core competence to the effort, it may be possible to create a best of everything organisation. Every function and process could be a world class, something that no single company can achieve.
- **Trust:** The relationships make companies far more reliant on each other and require far more trust than ever before.
- **No Borders:** The new corporate model redefines the traditional boundaries of the company. More cooperation among competitors, suppliers and customers makes it harder to determine where one company ends and another begins

However, for smaller companies and startups, making the decision to hire a remote workforce is a big one. Often, it is done with the advantages in mind, but without looking deeply enough into the disadvantages and issues that can arise from that decision. Making the right decision for your company, based on your own goals and hopes, is critical. Making the wrong decision could set your startup back years or limit your growth for years to come. It's important that startups go into the decision informed and with a solid understanding of what they would like to achieve from their decision.

Advantages of Virtual Organisation

- Lower Overhead Cost
- Improved employee satisfaction
- Improved scalability and growth potential
- Largest Talent Pool
- Improved Employee Retention
- Access to new markets.

C. Modular Organizations

A modular organization is an organization that performs a few core functions and outsource non-core activities to specialists and suppliers. Services that are often

outsourced include the manufacture of parts, trucking, catering, data processing, and accounting. Thus, modular organizations are like hubs that are surrounded by networks of suppliers that can be added or removed as needed. By outsourcing non-core activities, modular organizations are able to keep unit costs low and develop new products more rapidly. They work best when they focus on the right specialty and have good suppliers.

D. Learning Organizations

The concept of a Learning Organizations doesn't involve a specific organizational design. Learning Organizations is an organization that has developed the capacity to continuously adopt and change because all members take an active role in identifying and resolving work related issues. In a Learning Organizations, employees are practicing knowledge management continually acquiring and sharing new knowledge and are willing to apply that knowledge in making decisions or performing works. Some organizational designs theorists even go so far as to say that an organization's ability to do this-that is, to learn and to apply that learning as they perform the organization's work may be the only sustainable source of competitive advantage.

11.10 LET US SUM UP

In this chapter we have studied different types of organizational structures. There are mainly two types of organizational structures: Formal and Informal Organization structures. Formal organization means an organization in which the responsibilities, authority and mutual relationships among all the employees working in an enterprise are clearly defined. Formal organization can be categorised into four parts which are

- (1) Line organization
- (2) Line and Staff organization
- (3) Functional Organization and
- (4) Committee Organization.

Each type of organization has their advantages and disadvantages. Each type of organization is suitable for different type of business depending on many factors like nature of business, its size, technology used, long term goals and the environment etc. And the second type is an informal organization, which is not established deliberately but comes into existence because of common interests, tastes, religious and communal relations. Both formal and informal organisational structures exist simultaneously in an organisation.

11.11 KEY WORDS

Authority: The power or right to give orders, make decisions, and enforce obedience.

Monopoly: A market structure characterized by a single seller, selling a unique product in the market.

Virtual: Almost or nearly as described, but not completely or according to strict

Committee: A group of people appointed for a specific function by a larger group and typically consisting of members of that group.

Boundaryless: It is an organization that is not defined by, or limited to, the horizontal, vertical, or external boundaries imposed by a predefined structure.

11.12 FURTHER READINGS

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11.13 TERMINAL QUESTIONS

- Q1:** What do you mean by line organisation structure? What are its benefits and limitations?
- Q2:** Discuss the features of functional organisation structure. What are the benefits and limitations?
- Q3:** How does line and staff organisation structure differ from pure line organisation structure?
- Q4:** Explain the meaning and features of informal organisation.
- Q5:** What is virtual organisation? Discuss the reasons for the emergence of the concept of virtual organisation.
- Q 6:** What is boundaryless organisation? Discuss the problem involved in it.

UNIT 12 AUTHORITY & RESPONSIBILITY

Structure:

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Authority and its features
- 12.3 Responsibility and its features
- 12.4 Relationship between Authority and Responsibility
- 12.5 Features & Elements of Delegation
- 12.6 Accountability and its features
- 12.7 Let's Sum up
- 12.8 Key Words
- 12.9 Further Readings
- 12.10 Terminal Questions

12.0 OBJECTIVES

After completing this module you will be able to understand

- The concept of authority and responsibility
- The concept of Delegation & its elements
- Accountability & its features
- Relation between Authority, Responsibility & Accountability

12.1 INTRODUCTION

Management is a system of hierarchical relationships and organising as one of the functions of management provides a structure to this system. Organizing is the backbone of management. The word 'organization' is also used widely to connote a group of people and the structure of relationships. According to Louis Allen “Organizing refers to 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.”

The aforesaid definition of organizing emphasizes upon the fact that: Defining responsibility. Delegating authority, establishing relationships between authority and responsibility are of soul of organizing. Organisation constitutes a formal structure with clear responsibility & definite authority. It determines the flow of authority and responsibility.

12.2 AUTHORITY AND ITS FEATURES

Authority is the key to managerial functions. It is the right or the power assigned to an executive to achieve certain organizational objectives. Authority is right to direct others to get things done. Authority is a commanding force binding different individuals. It indicates the power of making decisions, giving orders and instructions to subordinates. E.g. a person may be entrusted authority regarding spending money, to assign work, making day to day plans, to issue materials, hiring employees or order merchandise etc. Without authority, a manager cannot get the work done through others.

According to Henry Fayol "Authority is the right to give orders and the power to exact obedience". Koontz and O'Donnell defines authority as "the power to command, to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental performance". Authority enables a manager to discharge his responsibilities. If a manager does not have adequate authority, he cannot perform these functions effectively. Authority empowers an individual to take decisions and to command and to exercise control over his subordinates for execution of policies and programs. Authority is a legal power which is possessed by a person from his superior officers and with the help of which he succeeds in getting the things done by his subordinates. Authority makes possible the compliance of the orders which would merely be words in the absence of authority. Authority flows downwards. Authority is delegated from above but must be accepted from below i.e. by the subordinates.

The following are the characteristics of authority:

Legitimacy: Legitimate power is called authority. To be effective, authority should always be legitimate otherwise, it will not be obeyed. Authority is vested to an individual by virtue of his position in the organisation.

Dominance: An individual or a group which possesses authority exercises dominance over others. Authority determines superior subordinate relationship. Authority decreases as one moves down in the hierarchy.

Accountability: The individual who possess authority is liable to superior for fulfilling his obligations by using such authority Accountability is the most significant characteristic of authority. Accountability ensures performance according to standards.

Authority flows Downward: Authority is a downward flowing concept. The lower we go down in the hierarchy, the lesser is the authority. Higher authority is enjoyed by higher organisational positions. Authority establishes superiority.

Delegation of Authority: Authority flows from the higher level to the lower levels. Authority can be delegated to the lower levels in the organization for sharing the workload of the superior. But one thing must be noted that even though authority can be delegated but the responsibility of performance of obligation always lies with the delegator.

Parity of Authority and responsibility: Authority should never be assigned without responsibility. Authority and responsibility should go together. Authority must be equal to Responsibility. This is also one of the fourteen principles of management advocated by Fayol. Responsibility and authority are closely linked. A manager can fulfil his responsibility only if he has adequate authority to perform that task.

An employee must be clear about what is expected of him. If authority is greater than responsibility, then this could result in autocratic behavior & misuse his authority. Similarly, if responsibility is greater than authority, then this could result in frustration as discharge of responsibilities is not possible without adequate authority. e.g. if a manager has been assigned the responsibility to purchase raw material but has not been given any authority to make financial commitments regarding the payment of such purchases, this would frustrate the manager as he could not accomplish the desired goal effectively but would be held answerable for the act which was beyond his authority.

Difference between 'Authority' and 'Power' Generally the word power and authority are used interchangeably. But there is a clear-cut difference between the two. Power is a much broader concept than authority. Koontz. Defines Power as “the ability of individuals or groups to induce or influence the beliefs or actions of other persons or groups”. The points of difference between power and authority are as follows:

- **Right to Command:** Authority is the right to command whereas power is the ability to command.
- **Right to Exercise:** Authority arises out of the organisational position whereas, power is exercised by the person.
- **Positional and Legitimate:** Authority is the legitimate power. Authority is associated with the position of a person in the organisation. But power is not institutional, rather it is personal. It may be acquired through any means. May it be political, monetary power or because of personal attributes.

- **Authority Increases:** Authority is associated with organisational position so it increases as one goes up in the organizational hierarchy, but it need not be the case with the power.
- **Authority a Downward Concept:** Authority is a downward flowing concept, whereas power flows in all directions.

12.3 RESPONSIBILITY AND ITS FEATURES

Responsibility is the duty to perform an assigned task. Fayol held that authority flows from responsibility. Managers who have been assigned responsibility should also be given adequate authority for the discharge of their obligations. In the words of Theo Haimann, "Responsibility is the obligation of a subordinate to perform the duty as required by his superior". McFarland defines responsibility as "the duties and activities assigned to a position or an executive".

Features of Responsibility:

- Responsibility is to assign duty to human beings only.
- Responsibility is the obligation of a subordinate to properly perform the assigned duty.
- It arises from superior subordinate relationship
- Responsibility flows upward. A subordinate is always responsible to his superior.
- Responsibility cannot be delegated.
- The person accepting responsibility is accountable for the performance of assigned duties.
- It is hard to fulfil responsibility without authority.

12.4 RELATIONSHIP BETWEEN AUTHORITY AND RESPONSIBILITY

Basis	Authority	Responsibility
Meaning	It is the right of a superior to give orders and instructions to subordinates.	It is the obligation of a subordinate to perform an assigned task.
Flow	It flows from top to bottom	It flows from bottom to top

Basis	It generally arises from organizational position.	It arises from superior subordinate relationship.
Delegation	It can be delegated by a superior to his subordinate.	It cannot be delegated. It is absolute.

12.5 ELEMENTS OF DELEGATION

There is a wise saying, “Nothing is impossible if you can delegate.” People who know what, how and when to delegate can achieve great results. Delegation refers to the transfer of duties/responsibilities by a superior to his subordinates along with the requisite authority to accomplish the job assigned. One of the important features of delegation is that although the superior can delegate his authority to the subordinate for the accomplishment of desired objectives but the ultimate responsibility of the task rests with the superior. The superior cannot escape from his responsibility for non-satisfactory performance. The superior is accountable for the performance of his subordinate to his own superiors.

E.F.L. Brech has said – "Delegation is a process of sharing a few or all of the four elements of the management process, i.e. command, planning, coordination and control". He also said that the delegation is not a question of issuing instructions but is a bringing down of the executive's responsibility and transmission of part or all of it to other persons. A manager alone cannot perform all the work. Delegation enlarges the capacity of a manager through sharing of workload. Without delegation organization structure becomes useless. Management of organization becomes impossible without delegation. Delegation begins with sharing of responsibilities with the subordinates along with assigning the requisite authority so that his subordinates can perform the work effectively. The manager charges the subordinate with accountability for the work assigned and this whole process is known as delegation. Good delegation is about balancing responsibility, authority and accountability. There are three elements of delegation:

- Responsibility
- Authority
- Accountability

Responsibility: Responsibility means the obligation of the individual for the work assigned to him. The process of delegation begins when manager passes on some of his duties to his subordinates. After a superior share some of his duties with the subordinate, the subordinate becomes responsible to him for the work assigned, but the superior also remains responsible for the performance of that work to his own boss. So

here we can see that two types of responsibilities have been created: Operational responsibility: It is the responsibility of the delegate (subordinate) to the delegator (superior) Ultimate responsibility: It is the responsibility of the superior to his own boss for the achievement of the goals. In this case, if the subordinate to whom responsibility has been delegated could not perform his obligation, then the superior cannot escape from his responsibility on the excuse that it was not his but his subordinates' fault. Thus, responsibility is absolute and flows upwards.

Authority: Authority means power to take decision. To carry on the responsibilities that have been assigned to him, every employee needs to have adequate authority. So, when responsibilities are assigned to an individual, appropriate authority is also delegated to him so that smooth performance of the responsibilities could be assured.

Accountability: To be accountable means to be liable for a particular activity or action. This liability gets created because the organisation also provides authority to carry out the responsibilities. Authority may be in form of decision making for use of organisational resources etc. Accountability is created to ensure that the employees or subordinates achieve the desired results. Performance is measured and compared with the standards under Accountability.

12.6 ACCOUNTABILITY AND ITS FEATURES

Accountability is the responsibility of employees to complete the tasks they are assigned, to perform the duties required by their job, and to be present for their proper shifts in order to fulfill or further the goals of the organization. Like responsibility, Accountability is also absolute. It cannot be passed or delegated. A superior cannot escape from his accountability to his own superior even after delegation.

Features of Accountability:

- Accountability is the answerability for the expected result.
- It cannot be delegated or passed.
- Like responsibility, accountability also flows upward.
- Accountability is not the same as blame.
- Authority, Responsibility and Accountability are Inter-related.

12.7 LET US SUM UP

Authority and Responsibility and Accountability should go together for effective organisation. Authority flows downwards whereas responsibility and accountability flow upwards. Without accountability, individual cannot be held answerable for his performance. Authority Responsibility and Accountability are the three elements of

delegation. Delegation enables the superior to share his authority with the subordinates. However, he himself remains accountable to his superior for the performance of the duties assigned. He cannot escape from his responsibility merely by delegating some of the powers vested in him to his subordinate. Thus, accountability is absolute.

12.8 KEY WORDS

- **Legitimacy:** Ability to be defended with logic or justification; validity.
- **Accountability:** The fact or condition of being accountable; responsibility.
- **Dominance:** The phenomenon whereby, in an individual containing two allelic forms of a gene, one is expressed to the exclusion of the other.

12.9 FURTHER READINGS

- H. Koontz, H. Weihrich, and Ramachandra Aryasri A., “Principles of Management”, 1st Edition, Tata McGraw -Hill Publishing Company Ltd., 2006.
- Stephen P Robbins, “Fundamentals of Management: Essential Concepts and Applications”, 5th Edition, Pearson Education., 2005
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- Durbin, “Essentials of Management” 7th Edition, Cengage Learning India Pvt. Ltd.

12.10 TERMINAL QUESTION

- Q 1 What do you mean by authority? State its features.
- Q 2 Explain the meaning and scope of authority, responsibility and accountability. To what extent can these be delegated?
- Q 3 What the difference between authority & responsibility?
- Q 4 One can delegate authority but not responsibility. How far this statement is true

UNIT 13 DELEGATION AND DECENTRALISATION

Structure

- 13.0 Objectives
- 13.1 Introduction & Meaning of Authority
- 13.2 Features of Authority
- 13.3 Delegation of Authority
- 13.4 Process of Delegation of Authority
- 13.5 Principles of Delegation
- 13.6 Barriers in Delegation of Authority
- 13.7 Centralisation and Decentralisation
- 13.8 Degree of Decentralisation
- 13.9 Advantages & Disadvantages of Decentralisation
- 13.10 Difference between Delegation of Authority and Decentralisation
- 13.11 Let's Sum up
- 13.12 Key Words
- 13.13 Further Readings
- 13.14 Terminal Questions

13.0 OBJECTIVES

After studying this unit you will be able to know

- The nature of authority and responsibility
- How delegation of authority can be made effective
- Centralisation and Decentralisation and their rationale
- The nature of authority relationship

13.1 INTRODUCTION AND MEANING OF AUTHORITY

After grouping of activities, the next thing in the process of organising is to distribute the authority. Delegation of authority is the action in that direction only. Authority is the right to do something, responsibility is an obligation to do something, accountability is inseparability to superior, power is the ability to do something; and autonomy is the freedom, independence and carefulness in what one does.

Meaning of Authority

Authority is the right to do something. Authority is the power provided by organisation which empowers a manager to make decisions, to use organisational resources, and to monitor and regulate the behavior of subordinates for the efficient performance of assigned work responsibilities. Authority can be assigned to others and related to post.

13.2 FEATURES OF AUTHORITY

Features of Authority

- It is the right given to the superior.
- It lies in position and the superior gets it when he occupies the position.
- Authority originates at the top and moves downward.
- It can be delegated to subordinates.
- Authority creates superior – subordinate relationship.

13.3 DELEGATION OF AUTHORITY

Delegation of authority is an important part of the organisation process. Its need arise due to excessive workload when a superior is not able to perform all jobs independently. As a result, divides his work among the subordinates. To make successful division of work, authority is given to the subordinates so that they may take work related decisions. Only authority can be delegated and not the accountability. Accountability means the answerability of the subordinate to his superior for his work performance.

13.4 PROCESS OF DELEGATION OF AUTHORITY

Delegation is the process by which a manager assigns a part of his workload to his subordinate. This includes the following steps:

Assignment of Responsibility: - The process of delegation of authority started with assignment of responsibility. Due to excessive workload it is not possible for a superior to perform all the activities on his own. So, he keeps the important work himself and the rest assigned to his subordinates according to their skills and capabilities.

Granting of Authority: - In the delegation process it is necessary to grant authority to the subordinates for successful work performance. There is no meaning of assigning

responsibility without authority to the subordinates. So, all the required authority should be delegated to subordinates for fulfillment of responsibility.

Fixing the Accountability: -In this step of delegation process the accountability of the subordinates are fixed for their work performance. Every subordinate is accountable to his superior who delegates authority for the fulfillment of job responsibility. Accountability means justification for the work performance and the person who delegates the work will be accountable to his superior for the work performance.

13.5 PRINCIPLES OF DELEGATION

For effective delegation, it must be governed by certain working rules or principles. The following rules or principles are fundamental in relation to delegation of authority:

- **Functions to be performed:** - In delegation of authority, a manager should define clearly the functions to be performed by the subordinates. The objectives of each job, the activities involved in it, and its relationship with other jobs should be clearly defined.
- **Results Expected:** - Authority should be delegated to a position according to the results expected from that subordinate. Duties of the subordinates become clear to them only when they understand what activities they must undertake and what results are expected from them.
- **Clarity of Lines of Authority:** - Each position in the organisation is linked with others through authority relationships, some directly and others indirectly. A clear understanding of the lines of authority is needed for smooth functioning of the organisation. Everyone must know from whom he gets authority and to whom his authority must be referred.
- **Level of Authority:** - It implies delegation of decision-making authority to the competent managers at some level. The superior is not expected to interfere with the decision-making process which is, by delegation, within the competence of the subordinate manager at the lower organisation levels concerned.
- **Absoluteness of Responsibility:** - Responsibility cannot be delegated. An executive cannot free himself from his own obligations to his superior by delegating duties. In fact, by delegating authority he increases his responsibility as he will be now accountable to his superior for the acts of his subordinates.

The ultimate responsibility for the accomplishment of the task is his, even though it has been assigned to his subordinates.

- **Parity of Authority and Responsibility:** - A subordinate should be given the necessary authority to perform his assigned duties. Authority must correspond to perform his responsibility. There must be a proper balance between authority and responsibility of a subordinate. It is unfair to hold a person responsible for something over which he has no authority. Responsibility without authority will make a subordinate ineffective as he cannot perform his duties. Similarly, authority without responsibility will make the subordinate irresponsible. Therefore, authority and responsibility should be co-extensive.
- **Motivation:** - It should be the policy of the managers to provide material and psychological incentives to the subordinates so that they spontaneously accept the delegated responsibility and duty and exercise the authority delegated to them. Higher wages, bonus, promotion to better positions, greater recognition and prestige etc. may have a stimulating effect for productive performance of duties.

13.6 BARRIERS IN DELEGATION OF AUTHORITY

On the part of the superior:

- **Psychological Barrier:** - Some superior's think that only they can take better decisions and subordinates are not able to take the right decision. They feel that nobody else can do their job in a better way and for this reason they do not delegate authority.
- **Lack of ability to direct:** - Sometimes superior may have the lack of ability to identify and communicate the essential features of his plans which creates hurdles for effective delegation.
- **Lack of confidence in subordinates:** -In delegation there must be a mutual trust and confidence between the superior and the subordinate. Lack of confidence in the ability, capacity of the subordinate obstructs the superior to delegate authority. If a superior has no confidence in his subordinates, he will not delegate authority as a result subordinates will not be able to learn the things.
- **Lack of Control:** - While delegating authority the manager must find means of assuring himself that the authority is being used to complete the given tasks.

Where manager does not establish adequate controls nor has no means of knowing the use of authority, he may hesitate to delegate authority.

- **Unfamiliarity with Delegation:** - In delegation of authority many of the superior are not familiar with the art of delegation and it becomes an obstacle. In such a situation, the balance between authority and responsibility cannot be established and consequently delegation becomes a failure.
- **Fear of Competition:** - In delegation of authority, subordinates learn to take decisions. The managers may develop a feeling of fear of competition from subordinates. Due to this, he may be unwilling to delegate authority to subordinates. This obstacle is usually unexpressed and may be unconscious.

On The Part of the Subordinate

- **Dependence on the Superior:** - Most of the subordinates find it easier to ask the superior for taking decisions while tackling different problems. They may avoid accepting authority even the superior may be prepared to delegate it.
- **Fear of Criticism:** - Sometimes subordinate fears that he will be criticised by the superior even for a small mistake, as a result he will avoid accepting authority. Due to this fear of criticism they do not accept delegation easily.
- **Lack of Self-Confidence:** -If the subordinates lacking in self- confidence and knowledge it will also become a hurdle in delegation process. Lower education and lack of experience also becomes a hurdle on the part of subordinates in delegation.
- **Lack of Incentives:** -A subordinate may be unwilling to accept delegated work if he does not get adequate positive incentives in the form of salary increase, opportunity for promotion, personal recognition or approval by the superior. Lack of financial and non-financial incentives also a common cause in accepting delegation of authority.
- **Overloaded with Work:** -If a subordinate is already overloaded with work, he may not accept delegated authority and this may be a genuine reason for such refusal.

13.7 CENTRALISATION AND DECENTRALISATION

Centralization means concentration of authority at the top level of the administrative system. A centralized organization is structured by a strict hierarchy of authority where most decisions are made at the top by one or a few individuals.

Decentralisation is an extended form of delegation. In this all the authority, except the one which is absolutely necessary for the superior to hold, is given to the subordinates permanently and important decisions are taken by middle and lower level managers. Thus, decentralisation is concerned with the decentralisation of decision-making authority to the lower levels in managerial hierarchy.

13.8 DEGREE OF DECENTRALISATION

The degree of decentralisation is determined by the following indicators

Nature of the Authority: - Nature of authority refers its importance. It shows that up to what extent the authority is provided to subordinates to take important decisions. If only routine level work decision making is authorised then, amount of decentralisation will be lower.

Up to which level it is Delegated: - if the authority to take decisions has been transferred to the middle hierarchy, it means that the extent of decentralisation is small but if on the contrary it is up to lower level the amount of decentralisation will be more.

How consistently it is delegated: - Decentralisation in an organisation will be acceptable if the process of giving authority has been consistent or permanent. When authorities are not consistently delegated, it means decentralisation is lower.

13.9 ADVANTAGES AND DISADVANTAGES OF DECENTRALISATION

Decentralisation has the following advantages in any business organisation;

- **Reduces the Burden at Top Level:** - Decentralisation helps in reducing the burden of top level managers while performing various functions. In centralization most of the authorities and responsibilities lies on the shoulders of top level managers and they are not able to concentrate on important functions. So, the only way to lessen their burden is to decentralise the decision making power to the subordinates.
- **Facilitates Diversification:** -A centralised enterprise finds it difficult to diversify its activities and start the additional lines of manufacture or distribution. On the other hand, under decentralization the diversification of products, activities and markets is facilitated.
- **Executive Development:** -When the authority is decentralised, middle level and lower level managers will get the opportunity to develop their talents by

taking initiative which will also make them ready for higher managerial positions. The growth of the business greatly depends on the talented executives.

- **It Promotes Motivation:** - Decentralisation helps in the formation of small organised groups. Since local managers are given a large degree of authority and autonomy, they tend to joint their people in small organised and integrated groups. This improves the morale of employees as they get involved in decision-making process.
- **Better Control and Supervision:** -Decentralisation ensures better control and supervision as subordinates at the lowest levels will have the authority to make independent decisions. As a result they have thorough knowledge of each and every activity under their control and are in a position to make amendments and take corrective action.
- **Quick Decision-Making:-** Decentralisation makes decision making process easier and near to the action. This leads to quicker decision-making of lower level since decisions do not have to be referred up through the hierarchy.

Disadvantages of Decentralisation

Decentralisation can be extremely beneficial. But it can be dangerous unless it is carefully constructed and constantly monitored for the good of the company as a whole. Some disadvantages of decentralisation are:

- **Ability of Subordinates:** - Under decentralisation, the success of the organisation depends entirely on the ability of subordinates. Subordinates have the authority to take some important decisions along with the authority to take decisions on work of daily routine. If they are incapable of the organisation may have to pay a heavy price of it.
- **Problem of Coordination:** - Decentralisation of authority creates problems of coordination as authority lies dispersed widely throughout the organisation. It also becomes a hurdle if there is no coordination between different levels of workers and managers in decision making.
- **More Financial Burden:** -Decentralisation requires the employment of trained personnel to accept authority, it involves more financial burden and a small enterprise cannot afford to appoint experts in various fields.

- **Require Qualified Personnel:** - Decentralisation becomes useless when there are no qualified and competent personnel in the organisation and they must have a same kind of exposure, experience and ability to make decisions.
- **Conflict:** -Decentralisation puts more pressure on divisional heads to realize profits at any cost. Often in meeting their new profit plans, bring conflicts among managers and conflicts arise which may become the reason of delay in decision making and implementation of various plans on time

13.10 DIFFERENCE BETWEEN DELEGATION OF AUTHORITY AND DECENTRALISATION

- **Responsibility:** - In delegation, a superior delegates or transfers some rights and duties to a subordinate but his responsibility in respect of that work does not end. On the other hand, decentralisation relieves him from responsibility and the subordinate becomes liable for that work and related results in the organisation.
- **Process:** - Delegation is process while decentralisation is the end result of a deliberate policy of making delegation of authority to the lowest levels in managerial hierarchy.
- **Need:** - Delegation is almost essential for the management to get things done in the organisation i.e., delegating requisite authority for performance of work assigned. Decentralisation may or may not be practiced as a systematic policy in the organisation.
- **Control:** - In delegation the final control over the activities of the organisation lies with the top executive while in decentralisation the power of control is exercised by the unit head to which the authority has been delegated.
- **Authority:** - Delegation represents selecting dispersal of authority whereas decentralisation signifies the creation of autonomous and self-sufficient units or divisions.
- **Scope:** - Delegation hardly poses any problem of co- ordination to the delegator of authority. While decentralisation poses a great problem in this regard since extreme freedom of action is given to the people by creating self-sufficient or autonomous units.

- **Good Results:** Decentralisation is effective only in big organisations whereas delegation is required and gives good results in all types of organisations irrespective of their size.
- **Nature:** -Delegation is the result of human limitation to the span of management. Decentralisation is the other hand, is the result of the big size and multifarious functions of the enterprise.

13.11 LET US SUM UP

Delegation and Decentralization both are important for any organisation. Delegation of authority is the base for decentralisation. They are helpful to the success and progress of the organization, but there is a precondition for delegation that there should be a willingness of the manager to give freedom of work to the persons whom work is assigned. Delegation and Decentralization both have its merits and demerits. They are helpful to the success and progress of the organisation, but there is a precondition for the delegation that there should be a desire of the manager to give freedom of work to the persons whom work is assigned.

Delegation is almost essential for the management to get things done in the organisation. Decentralisation may or may not be practiced as a systematic policy in the organisation. Delegation is required in each and every type of organisation irrespective of their size while, decentralisation is effective in large organisations where multifarious activities are done. Decentralisation may be successful in those organisations only where the subordinates are properly involved in decision making. They are not similar terms, but decentralization is the result of the delegation of authority. So there is no competition between them as they both complete each other.

13.12 KEYWORDS

- **Decentralisation:** The movement of departments of a large organization away from a single administrative center to other locations.
- **Delegation:** Assigning responsibility and authority to someone in order to complete a clearly defined and agreed upon task while you retain ultimate responsibility for its success.
- **Authority:** The power or right to give orders, make decisions, and enforce obedience.
- **Centralisation:** It refers to the process in which activities involving planning and decision-making within an organization.

13.13 FURTHER READINGS

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- Durbin, “Essentials of Management” 7th Edition, Cengage Learning India Pvt. Ltd.

13.14 TERMINAL QUESTIONS

- Q 1:** What do you mean by Delegation of Authority? Point out the factors that affect delegation of authority.
- Q 2:** What are the obstacles or barriers usually come during the process of delegation in any organisation?
- Q 3:** What are the basic principles of delegation of authority? Suggest practical guidelines to make delegation effective.
- Q 4:** Distinguish between delegation of authority and decentralisation. What should be done to ensure effective delegation of authority?
- Q 5:** Discuss the merits and demerits of decentralisation of authority. How can decentralisation be made more effective?