ORGANIZING FUNCTION OF MANAGEMENT

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern. According to Chester Barnard, “Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

A manager performs organizing function with the help of following steps:-

1. **Identification of activities** - All the activities which have to be performed in a concern have to be identified first. For example, preparation of accounts, making sales, record keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.

2. **Departmentally organizing the activities** - In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentation.

3. **Classifying the authority** - Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen. The clarification of authority help in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern’s working.

4. **Co-ordination between authority and responsibility** - Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organizational structure is drawn and all the employees are made aware of it.

**Importance of Organizing Function**

1. **Specialization** - Organizational structure is a network of relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.

2. **Well defined jobs** - Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.

3. **Clarifies authority** - Organizational structure helps in clarifying the role positions to every manager (status quo). This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuse of powers do not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.

4. **Co-ordination** - Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensure mutual cooperation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager.
Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organization, the co-ordination between authority-responsibility is very important. There should be co-ordination between different relationships. Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, “Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective.” Therefore, co-ordination of authority-responsibility is very important.

5. **Effective administration** - The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.

6. **Growth and diversification** - A company’s growth is totally dependant on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grow. This is possible only when the organization structure is well-defined. This is possible through a set of formal structure.

7. **Sense of security** - Organizational structure clarifies the job positions. The roles assigned to every manager is clear. Co-ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job-satisfaction.

8. **Scope for new changes** - Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational
Principles of Organizing

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organize in an effective manner, the following principles of organization can be used by a manager.

1. Principle of Specialization

According to the principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.

2. Principle of Functional Definition

According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority-responsibility relationships helps in achieving co-ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments should be clearly defined to every person attached to that department. Clarification in the authority-responsibility relationship helps in efficient organization.

3. Principles of Span of Control/Supervision

According to this principle, span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either from a wide or narrow span. There are two types of span of control:-

a. **Wide span of control** - It is one in which a manager can supervise and control effectively a large group of persons at one time. The features of this span are:-
   i. Less overhead cost of supervision
   ii. Prompt response from the employees
   iii. Better communication
   iv. Better supervision
   v. Better co-ordination
   vi. Suitable for repetitive jobs

   According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

b. **Narrow span of control** - According to this span, the work and authority is divided amongst many subordinates and a manager doesn’t supervises and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time. The features are:-
   i. Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.
   ii. Co-ordination is difficult to be achieved.
   iii. Communication gaps can come.
   iv. Messages can be distorted.
   v. Specialization work can be achieved.
Factors influencing Span of Control

3. **Managerial abilities** - In the concerns where managers are capable, qualified and experienced, wide span of control is always helpful.

4. **Competence of subordinates** - Where the subordinates are capable and competent and their understanding levels are proper, the subordinates tend to very frequently visit the superiors for solving their problems. In such cases, the manager can handle large number of employees. Hence wide span is suitable.

5. **Nature of work** - If the work is of repetitive nature, wide span of supervision is more helpful. On the other hand, if work requires mental skill or craftsmanship, tight control and supervision is required in which narrow span is more helpful.

6. **Delegation of authority** - When the work is delegated to lower levels in an efficient and proper way, confusions are less and congeniality of the environment can be maintained. In such cases, wide span of control is suitable and the supervisors can manage and control large number of subordinates at one time.

7. **Degree of decentralization** - Decentralization is done in order to achieve specialization in which authority is shared by many people and managers at different levels. In such cases, a tall structure is helpful. There are certain concerns where decentralization is done in very effective way which results in direct and personal communication between superiors and subordinates and there the superiors can manage large number of subordinates very easily. In such cases, wide span again helps.

4. **Principle of Scalar Chain**

Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimized, communication is affected, overlapping of work is avoided and easy organization takes place. A scalar chain of command facilitates work flow in an organization which helps in achievement of effective results. As the authority flows from top to bottom, it clarifies the authority positions to managers at all level and that facilitates effective organization.

5. **Principle of Unity of Command**

It implies one subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt. Unity of command also helps in effective combination of resources, that is, physical, financial resources which helps in easy co-ordination and, therefore, effective organization.

**Authority Flows from Top to Bottom**

Managing Director

⬇

Marketing Manager
According to the above diagram, the Managing Director has got the highest level of authority. This authority is shared by the Marketing Manager who shares his authority with the Sales Manager. From this chain of hierarchy, the official chain of communication becomes clear which is helpful in achievement of results and which provides stability to a concern. This scalar chain of command always flow from top to bottom and it defines the authority positions of different
Classification of Organizations

Organizations are basically classified on the basis of relationships. There are two types of organizations formed on the basis of relationships in an organization

1. **Formal Organization** - This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure. This kind of organization is an arbitrary set up in which each person is responsible for his performance. Formal organization has a formal set up to achieve pre-determined goals.

2. **Informal Organization** - It refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations. There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.

Relationship between Formal and Informal Organizations

For a concerns working both formal and informal organization are important. Formal organization originates from the set organizational structure and informal organization originates from formal organization. For an efficient organization, both formal and informal organizations are required. They are the two phase of a same concern.

Formal organization can work independently. But informal organization depends totally upon the formal organization.

Formal and informal organization helps in bringing efficient working organization and smoothness in a concern. Within the formal organization, the members undertake the assigned duties in co-operation with each other. They interact and communicate amongst themselves. Therefore, both formal and informal organizations are important. When several people work together for achievement of organizational goals, social tie ups tends to built and therefore informal organization helps to secure co-operation by which goals can be achieved smooth. Therefore, we can say that informal organization emerges from formal organization.
Line Organization

Line organization is the most oldest and simplest method of administrative organization. According to this type of organization, the authority flows from top to bottom in a concern. The line of command is carried out from top to bottom. This is the reason for calling this organization as scalar organization which means scalar chain of command is a part and parcel of this type of administrative organization. In this type of organization, the line of command flows on an even basis without any gaps in communication and co-ordination taking place.

Features of Line Organization

1. It is the most simplest form of organization.
2. Line of authority flows from top to bottom.
3. Specialized and supportive services do not take place in these organization.
4. Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.
5. This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.

Merits of Line Organization

1. Simplest- It is the most simple and oldest method of administration.
2. Unity of Command- In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
3. Better discipline- The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.
4. Fixed responsibility- In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.
5. Flexibility- There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.
6. Prompt decision- Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Demerits of Line Organization

1. Over reliance- The line executive’s decisions are implemented to the bottom. This results in over-relying on the line officials.
2. Lack of specialization- A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. For example, expert advices whatever decisions are taken by line managers are implemented in the same way.
3. Inadequate communication- The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.
4. Lack of Co-ordination- Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective co-ordination is less.
5. Authority leadership- The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.
Line and Staff Organization

Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives. Personal Secretary to the Managing Director is a staff official.

**Features of Line and Staff Organization**

1. There are two types of staff:
   a. Staff Assistants- P.A. to Managing Director, Secretary to Marketing Manager.
   b. Staff Supervisor- Operation Control Manager, Quality Controller, PRO
2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
3. Division of work and specialization takes place in line and staff organization.
4. The whole organization is divided into different functional areas to which staff specialists are attached.
5. Efficiency can be achieved through the features of specialization.
6. There are two lines of authority which flow at one time in a concern:
   a. Line Authority
   b. Staff Authority
7. Power of command remains with the line executive and staff serves only as counselors.

**Merits of Line and Staff Organization**

1. **Relief to line of executives**- In a line and staff organization, the advice and counseling which is provided to the line executives divides the work between the two. The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.
2. **Expert advice**- The line and staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation which is related to different matters can be done by the staff specialist and line officers can concentrate on execution of plans.
3. **Benefit of Specialization** - Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.

4. **Better co-ordination** - Line and staff organization through specialization is able to provide better decision making and concentration remains in few hands. This feature helps in bringing co-ordination in work as every official is concentrating in their own area.

5. **Benefits of Research and Development** - Through the advice of specialized staff, the line executives, the line executives get time to execute plans by taking productive decisions which are helpful for a concern. This gives a wide scope to the line executive to bring innovations and go for research work in those areas. This is possible due to the presence of staff specialists.

6. **Training** - Due to the presence of staff specialists and their expert advice serves as ground for training to line officials. Line executives can give due concentration to their decision making. This in itself is a training ground for them.

7. **Balanced decisions** - The factor of specialization which is achieved by line staff helps in bringing co-ordination. This relationship automatically ends up the line official to take better and balanced decision.

8. **Unity of action** - Unity of action is a result of unified control. Control and its effectivity take place when co-ordination is present in the concern. In the line and staff authority all the officials have got independence to make decisions. This serves as effective control in the whole enterprise.

**Demerits of Line and Staff Organization**

1. **Lack of understanding** - In a line and staff organization, there are two authority flowing at one time. This results in the confusion between the two. As a result, the workers are not able to understand as to who is their commanding authority. Hence the problem of understanding can be a hurdle in effective running.

2. **Lack of sound advice** - The line official get used to the expertise advice of the staff. At times the staff specialist also provide wrong decisions which the line executive have to consider. This can affect the efficient running of the enterprise.

3. **Line and staff conflicts** - Line and staff are two authorities which are flowing at the same time. The factors of designations, status influence sentiments which are related to their relation, can pose a distress on the minds of the employees. This leads to minimizing of co-ordination which hampers a concern's working.

4. **Costly** - In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.

5. **Assumption of authority** - The power of concern is with the line official but the staff dislikes it as they are the one more in mental work.

6. **Staff steals the show** - In a line and staff concern, the higher returns are considered to be a product of staff advice and counseling. The line officials feel dissatisfied and a feeling of distress enters a concern. The satisfaction of line official is very important for effective results.

**Functional Organization**

Functional organization has been divided to put the specialists in the top position throughout the enterprise. This is an organization in which we can define as a system in which functional department are created to deal with the problems of business at various levels. Functional authority remains confined to functional guidance to different departments. This helps in maintaining quality and uniformity of performance of different functions throughout the enterprise.

The concept of Functional organization was suggested by F.W. Taylor who recommended the appointment of specialists at important positions. For example, the functional head and Marketing Director directs the subordinates throughout the organization in his particular area. This means that subordinates receives orders from several specialists, managers working above them.
Features of Functional Organization

1. The entire organizational activities are divided into specific functions such as operations, finance, marketing and personal relations.
2. Complex form of administrative organization compared to the other two.
3. Three authorities exist: Line, staff and function.
4. Each functional area is put under the charge of functional specialists and he has got the authority to give all decisions regarding the function whenever the function is performed throughout the enterprise.
5. Principle of unity of command does not apply to such organization as it is present in line organization.

Merits of Functional Organization

1. **Specialization**- Better division of labour takes place which results in specialization of function and it’s consequent benefit.
2. **Effective Control**- Management control is simplified as the mental functions are separated from manual functions. Checks and balances keep the authority within certain limits. Specialists may be asked to judge the performance of various sections.
3. **Efficiency**- Greater efficiency is achieved because of every function performing a limited number of functions.
4. **Economy**- Specialization compiled with standardization facilitates maximum production and economical costs.
5. **Expansion**- Expert knowledge of functional manager facilitates better control and supervision.

Demerits of Functional Organization

1. **Confusion**- The functional system is quite complicated to put into operation, especially when it is carried out at low levels. Therefore, co-ordination becomes difficult.
2. **Lack of Co-ordination**- Disciplinary control becomes weak as a worker is commanded not by one person but a large number of people. Thus, there is no unity of command.
3. **Difficulty in fixing responsibility**- Because of multiple authority, it is difficult to fix responsibility.
4. **Conflicts**- There may be conflicts among the supervisory staff of equal ranks. They may not agree on certain issues.
5. **Costly**- Maintainance of specialist's staff of the highest order is expensive for a concern.

Delegation of Authority - Meaning, Importance and its Principles

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well-defined. All people who have
the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority.

Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability can not be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

For achieving delegation, a manager has to work in a system and has to perform following steps:

1. Assignment of tasks and duties
2. Granting of authority
3. Creating responsibility and accountability

**Delegation of authority** is the base of superior-subordinate relationship, it involves following steps:

1. **Assignment of Duties** - The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.
2. **Granting of authority** - Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.
3. **Creating Responsibility and Accountability** - The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.
Therefore every manager, i.e., the delegator has to follow a system to finish up the delegation process. Equally important is the delegatee’s role which means his responsibility and accountability is attached with the authority over to here.

Relationship between Authority and Responsibility

Authority is the legal right of person or superior to command his subordinates while accountability is the obligation of individual to carry out his duties as per standards of performance. Authority flows from the superiors to subordinates, in which orders and instructions are given to subordinates to complete the task. It is only through authority, a manager exercises control. In a way through exercising the control the superior is demanding accountability from subordinates. If the marketing manager directs the sales supervisor for 50 units of sale to be undertaken in a month. If the above standards are not accomplished, it is the marketing manager who will be accountable to the chief executive officer. Therefore, we can say that authority flows from top to bottom and responsibility flows from bottom to top. Accountability is a result of responsibility and responsibility is result of authority. Therefore, for every authority an equal accountability is attached.

Differences between Authority and Responsibility

<table>
<thead>
<tr>
<th>Authority</th>
<th>Responsibility</th>
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<tbody>
<tr>
<td>It is the legal right of a person or a superior to command his subordinates.</td>
<td>It is the obligation of subordinate to perform the work assigned to him.</td>
</tr>
<tr>
<td>Authority is attached to the position of a superior in concern.</td>
<td>Responsibility arises out of superior-subordinate relationship in which subordinate agrees to carry out duty given to him.</td>
</tr>
<tr>
<td>Authority can be delegated by a superior to a subordinate</td>
<td>Responsibility cannot be shifted and is absolute</td>
</tr>
<tr>
<td>It flows from top to bottom.</td>
<td>It flows from bottom to top.</td>
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Importance of Delegation

Delegation of authority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager gets beyond his capacity, there should be some system of sharing the work. This is how delegation of authority becomes an important tool in organization function.
Through delegation, a manager, in fact, is multiplying himself by dividing/multiplying his work with the subordinates. The importance of delegation can be justified by -

1. Through delegation, a manager is able to divide the work and allocate it to the subordinates. This helps in reducing his work load so that he can work on important areas such as planning, business analysis etc.

2. With the reduction of load on superior, he can concentrate his energy on important and critical issues of concern. This way he is able to bring effectiveness in his work as well in the work unit. This effectivity helps a manager to prove his ability and skills in the best manner.

3. Delegation of authority is the ground on which the superior-subordinate relationship stands. An organization functions as the authority flows from top level to bottom. This in fact shows that through delegation, the superior-subordinate relationship become meaningful. The flow of authority is from top to bottom which is a way of achieving results.

4. Delegation of authority in a way gives enough room and space to the subordinates to flourish their abilities and skill. Through delegating powers, the subordinates get a feeling of importance. They get motivated to work and this motivation provides appropriate results to a concern. Job satisfaction is an important criterion to bring stability and soundness in the relationship between superior and subordinates. Delegation also helps in breaking the monotony of the subordinates so that they can be more creative and efficient.

Delegation of authority is not only helpful to the subordinates but it also helps the managers to develop their talents and skills. Since the manager get enough time through delegation to concentrate on important issues, their decision-making gets strong and in a way they can flourish the talents which are required in a manager. Through granting powers and getting the work done, helps the manager to attain communication skills, supervision and guidance, effective motivation and the leadership traits are flourished. Therefore it is only through delegation, a manager can be tested on his traits.

5. Delegation of authority is help to both superior and subordinates. This, in a way, gives stability to a concern’s working. With effective results, a concern can think of creating more departments and divisions flow working. This will require creation of more managers which can be fulfilled by shifting the experienced, skilled managers to these positions. This helps in both virtual as well as horizontal growth which is very important for a concern’s stability.

Therefore, from the above points, we can justify that delegation is not just a process but it is a way by which manager multiples himself and is able to bring stability, ability and soundness to a concern.

**Principles of Delegation**

There are a few guidelines in form of principles which can be a help to the manager to process of delegation. The **principles of delegation** are as follows: -

1. **Principle of result excepted**- suggests that every manager before delegating the powers to the subordinate should be able to clearly define the goals as well as results expected from them. The goals and targets should be completely and clearly defined and the standards of performance should also be notified clearly. For example, a marketing manager explains the salesmen regarding the units of sale to take place in a particular day, say ten units a day have to be the target sales. While a marketing manger provides these guidelines of sales, mentioning the target sales is very important so that the salesman can perform his duty efficiently with a clear set of mind.

2. **Principle of Parity of Authority and Responsibility**- According to this principle, the manager should keep a balance between authority and responsibility. Both of them should go hand in hand.
According to this principle, if a subordinate is given a responsibility to perform a task, then at the same time he should be given enough independence and power to carry out that task effectively. This principle also does not provide excessive authority to the subordinate which at times can be misused by him. The authority should be given in such a way which matches the task given to him. Therefore, there should be no degree of disparity between the two.

3. **Principle of absolute responsibility** - This says that the authority can be delegated but responsibility cannot be delegated by managers to his subordinates which means responsibility is fixed. The manager at every level, no matter what is his authority, is always responsible to his superior for carrying out his task by delegating the powers. It does not mean that he can escape from his responsibility. He will always remain responsible till the completion of task.

Every superior is responsible for the acts of their subordinates and are accountable to their superior therefore the superiors cannot pass the blame to the subordinates even if he has delegated certain powers to subordinates example if the production manager has been given a work and the machine breaks down. If repairmen is not able to get repair work done, production manager will be responsible to CEO if their production is not completed.

4. **Principle of Authority level** - This principle suggests that a manager should exercise his authority within the jurisdiction/framework given. The manager should be forced to consult their superiors with those matters of which the authority is not given that means before a manager takes any important decision, he should make sure that he has the authority to do that on the other hand, subordinate should also not frequently go with regards to their complaints as well as suggestions to their superior if they are not asked to do. This principle emphasizes on the degree of authority and the level upto which it has to be maintained.

### Centralization and Decentralization

**Centralization** is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, “Centralization” is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be :-

1. Reservation of decision making power at top level.
2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people. Therefore in this case, decision making power remain in the hands of father & son.

On the other hand, **Decentralization** is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority in retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of centralization and decentralization will depend upon the amount of authority delegated to the lowest level. According to Allen, “Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points.
Decentralization is not the same as delegation. In fact, decentralization is all extension of delegation. Decentralization pattern is wider in scope and the authorities are diffused to the lowest most level of management. Delegation of authority is a complete process and takes place from one person to another. While decentralization is complete only when fullest possible delegation has taken place. For example, the general manager of a company is responsible for receiving the leave application for the whole of the concern. The general manager delegates this work to the personnel manager who is now responsible for receiving the leave applicants. In this situation delegation of authority has taken place. On the other hand, on the request of the personnel manager, if the general manager delegates this power to all the departmental heads at all level, in this situation decentralization has taken place. There is a saying that “Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization”. Decentralization is wider in scope and the subordinate’s responsibility increase in this case. On the other hand, in delegation the managers remain answerable even for the acts of subordinates to their superiors.

Implications of Decentralization

1. There is less burden on the Chief Executive as in the case of centralization.
2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
3. In decentralization, diversification and horizontal can be easily implanted.
4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.
5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
6. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.
7. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches. Centralization and decentralization are the categories by which the pattern of authority relationships became clear. The degree of centralization and decentralization can be affected by many factors like nature of operation, volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is suitable in it.

Delegation and Decentralization

<table>
<thead>
<tr>
<th>Basis</th>
<th>Delegation</th>
<th>Decentralization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meaning</td>
<td>Managers delegate some of their function and authority to their subordinates.</td>
<td>Right to take decisions is shared by top management and other level of management.</td>
</tr>
<tr>
<td>Scope</td>
<td>Scope of delegation is limited as superior delegates the powers to</td>
<td>Scope is wide as the decision making is shared by the subordinates also.</td>
</tr>
<tr>
<td><strong>Responsibility</strong></td>
<td>Responsibility remains of the managers and cannot be delegated</td>
<td>Responsibility is also delegated to subordinates.</td>
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<tr>
<td>--------------------</td>
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</tr>
<tr>
<td><strong>Freedom of Work</strong></td>
<td>Freedom is not given to the subordinates as they have to work as per the instructions of their superiors.</td>
<td>Freedom to work can be maintained by subordinates as they are free to take decision and to implement it.</td>
</tr>
<tr>
<td><strong>Nature</strong></td>
<td>It is a routine function</td>
<td>It is an important decision of an enterprise.</td>
</tr>
<tr>
<td><strong>Need on purpose</strong></td>
<td>Delegation is important in all concerns whether big or small. No enterprises can work without delegation.</td>
<td>Decentralization becomes more important in large concerns and it depends upon the decision made by the enterprise, it is not compulsory.</td>
</tr>
<tr>
<td><strong>Grant of Authority</strong></td>
<td>The authority is granted by one individual to another.</td>
<td>It is a systematic act which takes place at all levels and at all functions in a concern.</td>
</tr>
<tr>
<td><strong>Grant of Responsibility</strong></td>
<td>Responsibility cannot be delegated</td>
<td>Authority with responsibility is delegated to subordinates.</td>
</tr>
<tr>
<td><strong>Degree</strong></td>
<td>Degree of delegation varies from concern to concern and department to department.</td>
<td>Decentralization is total by nature. It spreads throughout the organization i.e. at all levels and all functions.</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Delegation is a process which explains superior subordinates relationship</td>
<td>It is an outcome which explains relationship between top management and all other departments.</td>
</tr>
<tr>
<td><strong>Essentiality</strong></td>
<td>Delegation is essential of all kinds of concerns</td>
<td>Decentralization is a decisions function by nature.</td>
</tr>
<tr>
<td>Significance</td>
<td>Delegation is essential for creating the organization</td>
<td>Decentralization is an optional policy at the discretion of top management.</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>Delegated authority can be taken back.</td>
<td>It is considered as a general policy of top management and is applicable to all departments.</td>
</tr>
<tr>
<td>Freedom of Action</td>
<td>Very little freedom to the subordinates</td>
<td>Considerable freedom</td>
</tr>
</tbody>
</table>

Decentralization can be called as extension of delegation. When delegation of authority is done to the fullest possible extent, it gives use to decentralization.
Organizing is the managerial function of arranging people and resources to work toward a goal. The purposes of organizing include but are not limited to determining the tasks to be performed in order to achieve objectives, dividing tasks into specific jobs, grouping jobs into departments, specifying reporting and authority relationships, delegating the authority necessary for task accomplishment, and allocating and deploying resources in a coordinated fashion.

Henri Fayol first identified organizing as a function of management in his classic monograph *General and Industrial Administration*. This book was published in France in 1916 but was not translated into English until the 1920s, and it was not published in the United States until 1949. Fayol's monograph has had a profound effect on the teaching and practice of management in the years since. Early "principles of management" texts published in the 1950s generally were organized around management functions, including organizing, as are most basic management texts in the late 1990s.

Organizing plays a central role in the management process. Once plans are created the manager’s task is to see that they are carried out. Given a clear mission, core values, objectives, and strategy, the role of organizing is to begin the process of implementation by clarifying jobs and working relationships. It identifies who is to do what, who is in charge of whom, and how different people and parts of the organization relate to and work with one another. All of this, of course, can be done in different ways. The strategic leadership challenge is to choose the best organizational form to fit the strategy and other situational demands.

**ORGANIZING DECISIONS**

When organizing, managers must make decisions about the division of labor and work specialization, departmentalization, chain of command, span of management, centralization, and formalization. Collectively, these decisions are often called organizational design.
DIVISION OF LABOR OR SPECIALIZATION.

More than two centuries ago Adam Smith concluded that division of labor contributes to increased productivity and efficiency by allowing workers to specialize and become proficient at a specific task. This principle, coupled with technological advances, made possible the tremendous productivity of industrial companies during most of the twentieth century. By the 1940s most manufacturing jobs in developed nations were highly specialized, with workers performing specific, standardized, and repetitive tasks. This resulted in reduced staffing, training, and compensation costs, since highly skilled workers were often not necessary. In addition, since employees were doing the same task repetitively, they tended to become very good at it.

Despite the improvements in productivity made possible by the division of labor, managers must be aware of the negative aspects of specialization: fatigue, stress, boredom, low quality products, absenteeism, and turnover. Such problems have led to programs geared toward job enlargement and job enrichment.

DEPARTMENTALIZATION.

After the work to be completed is organized into identifiable jobs through a process of dividing labor, jobs are then combined into logical sections or departments. Doing so allows for effective coordination of effort. There are many ways to departmentalize, each of which has important advantages and disadvantages. One of the most common forms is functional departmentalization, which involves grouping similar jobs into a common department, such as accounting, sales, human resources, and engineering. Another form is product departmentalization, which involves organizing around an enterprise's various product lines. Other ways of departmentalizing include organizing by customer and by geographic territory. In practice, most large companies use a hybrid form of departmentalization, which means they combine one or more of the above methods to form their organizational structure.

CHAIN OF COMMAND.

The chain of command is a line of authority extending from the top to the bottom of the organizational structure. Classic principles of organizing emphasize that one must be aware of the need to define the extent of managers' responsibility and authority by specifying their place in the chain of command. Another principle of organizing related to the chain of command is called the unity of command, which states that a person should have only one superior to whom he or she must report.

SPAN OF MANAGEMENT.

The span of management, often called the span of control, is the number of individuals who are directly responsible to a particular manager. A classic principle of organizing suggests that there are definite limits to the number of subordinates one manager can supervise effectively. When organizing, managers must keep these limits in mind. Wide
spans of management lead to flatter organizational structures with fewer layers of management, and are thus considered more efficient. However, if spans become too wide managers may not be able to provide adequate direction to subordinates. Narrow spans of management lead to tall organizational structures with many layers of management. Although narrower spans of management allow for closer supervision of subordinates they have many drawbacks, including cost, communication problems, and difficulty in developing the initiative and autonomy of subordinates.

In general, the trend is toward wider spans of management, with an accompanying decrease in management hierarchy. Technological advances in information processing and communication have made wider spans of management more feasible.

**DEGREE OF CENTRALIZATION.**

Another organizing decision is the degree of centralization in the organizational structure. If decision-making authority in an organization is highly centralized, then most major decisions are made at the upper levels of the structure. Conversely, if decision-making authority is decentralized, important decisions are often made at lower levels of the hierarchy. The degree of centralization that is appropriate for a given organization depends upon many factors, including the nature of the environmental conditions that face the enterprise, the characteristics and abilities of lower-level employees, and the size of the enterprise. Many organizations are favoring a greater degree of decentralization of their decision-making authority.

**FORMALIZATION.**

The degree of formalization in an enterprise refers to the degree to which there are standardized rules and procedures governing the activities of employees. A company with a high degree of formalization is characterized by detailed job descriptions and clearly defined policies and procedures covering a wide variety of employee behaviors. Conversely, a company with a low level of formalization is characterized by non-structured jobs and fewer explicit policies and procedures.

As companies grow larger, a certain amount of formalization is inevitable. Employees require some direction in their job responsibilities and in the procedures required for consistency within the organization’s production schema. When organizing, however, managers should be aware of the costs of excessive formalization, which may include stifling employee creativity and innovation as well as slowing the organization’s responsiveness to critical issues and problems.

**FACTORS AFFECTING ORGANIZING DECISIONS**

There is no standard formula for the best way to organize an enterprise. Several factors have been shown to influence organizing decisions. Among the most important of these factors are strategy, size, environmental conditions, and technology.
STRATEGY.

Managers organize in order to achieve the objectives of the enterprise for which they work. Thus, the strategy of the enterprise affects organizing decisions. Changes in strategy frequently necessitate changes in the way the enterprise is organized.

SIZE.

Small enterprises tend to exhibit less formalization, centralization, and complexity in their organizational structure. Nevertheless, enterprises of the same size may be organized quite differently because of differences in strategy, environmental conditions, and technology.

ENVIRONMENTAL CONDITIONS.

The key factor in the external environment that is relevant to organizing is uncertainty. Some enterprises face competitive environments that change rapidly and are quite complex, while others face relatively stable conditions. Generally, turbulent environments call for organizing decisions that lead to less formalization and centralization in the organizational structure.

TECHNOLOGY.

The processes by which an enterprise transforms inputs into outputs may also affect organizing decisions. Some research suggests that organizing decisions that lead to high degrees of formalization, centralization, and work specialization are more appropriate for routine technologies and that the converse is true for non-routine technologies.

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