
MODULE - IV

Organising and Departmentation

Organising and Departmentation

Module Description

The main goal of studying this module is to understand the concepts of organising and departmentation. It also gives an understanding about the different types of organisation and authority relationships.

By the end of this module, students will learn basics of organising and departmentation, their nature, purpose and principle. They can know about the different types of organisation and departmentation.

Chapter 4.1

Organisation

Chapter 4.2

Departmentation

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Chapter 4.1

Organisation

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Aim

To equip the students with the concept of Organising



Instructional Objectives

After completing this chapter, you should be able to:

- Define organisation
- Discuss Nature Purpose and Principles of organisation
- Analyse the different types of organisation
- Discuss the different types of authority



Learning Outcomes

At the end of this chapter, you are expected to:

- Recognise the nature and purpose of planning
- Examine the importance of the planning process
- Determine the limitations of planning
- Determine the planning process
- Recognise the different types of plans

4.1.1 Meaning and Definition

Managers are responsible for arranging and structuring work to accomplish the organisational goals; this function is known as organising. When managers organise, they determine what task has to be done, who is to do them, how these tasks are to be grouped, who reports to whom and where decisions are to be made?

Organising is the process of the analysis of activities to be performed for achieving organisational objectives. These activities are grouped into various divisions, departments and sections so that these can be assigned to different individuals and delegating them appropriate authority. It enables them to carry out their task effectively.

The process of organising consists of the following elements:

- a. Departmentation:** The first thing in organising is departmentalization that is creating various departments, divisions and sections which would perform different activities to attain the goal of the organisation. While creating various departments, it is necessary to identify the activities that would lead to the achievement of the organisational goal. Here we need to keep in mind that all the activities that are needed are performed and there is no duplication in performing various appropriate activities. Moreover, all activities should be carried out in a synchronised and coordinated way. One more important aspect is the span of management *i.e.*, how many employees should be put under the direct supervision of a manager.
- b. Linking of Departments:** As different departments are created based on the grouping of activities. Then management decides how these different departments are linked together so that they operate in a coordinated manner to achieve the organisational objective. These ranged units are connected together which gives shape to overall organisation structure.
- c. Authority and Responsibility:** When an activity or a group of activities are assigned to an employee he is accountable for its timely completion. But for discharging the duties correctly, he requires some authority in decision making related to his work.
- d. Authority Relationship:** Employees functioning under the guidance of a superior has some authority, there is no need for prescribing authority relationships among the different individuals and departments in which they work. Authority links may be in

various forms because a particular activity of the organisation may be inter-related with other activities of the organisation.

4.1.2 Nature Purpose and Principles of Organising

The nature of organising can be best understood through these two concepts:

- a. **Organisation as a process:** Organising can be considered as a method because a large number of activities are done under the process of organising. It is done keeping in mind the organisational goal. Organising involves the determination of activities, a grouping of activities, a division of work, a delegation of authority and coordination among various departments and employees to attain the organisational goal. As the objectives of the organisation cannot be accomplished by a single activity, hence it is necessary to have organised as a process.
- b. **Organisation as a structure of relationship:** In an organisation large number of groups are involved hence it is known as a structure of the relationship. In the process of organisation, there is coordination between different departments through proper communication channel *i.e.*, inter-departmental, inter-groups and at individual to the individual level. Hence, they work together for the fulfilment of the organisational goal.

In an organisation, the process of organising plays an important role. The important points may be noted as:

- **Specialisation:** Organisational structure is a network of relationships in which particular work is divided among groups and departments.
- **Well defined jobs:** Organisational structure helps in assigning the right jobs to the right people based on their qualification skills and experience.
- **Clarifies authority:** Organisation structure defines the roles and responsibility of the managers. Organising clarifies the power held by the directors and the power to exercise those powers.
- **Coordination:** Organising ensures coordinating among the different departments of the organisation. It leads to well-defined relationships among various positions and ensures cooperation among them.

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- **Efficient administration:** The organisational structure clearly defines the job positions and roles. It helps in making the management of the organisation more efficient and effective.
 - **Growth and diversification:** When an organisation functions efficiently and smoothly, its stability increases. The stable organisation can grow and diversify faster and better.
 - **The sense of security:** Organisational structure clarifies the job positions. The role and responsibility assigned to every manager are clear. Coordination is smooth and the clarity of powers creates a sense of security among employees.
 - **Scope for changes:** As the roles and responsibility are clarified, a manager develops his expertise in that particular task. In this way, he can contribute to the organisation in meeting its objective.

The principles of organising to be followed by the managers are:

- **The principle of specialisation:** The principle of specialisation states that the work of the organisation is divided into smaller parts. These parts are divided among the subordinates based on their skill set they possess. Division of labour leads to job specialisation increasing the efficiency of the employees. Hence, in the long run, the organisational effectiveness of the organisation increases.
- **The principle of the functional definition:** According to this principle, all the functions should be complete and clearly defined to both the managers and the subordinates. Also, the duties, responsibilities, authority and relationships of people need to be clearly defined.
- **Principles of Span of control or supervision:** Span of monitoring or supervision explicitly mentions the number of employees reporting to a particular manager who can handle and manage them. The span of control is of two types. *For example*, “full span of control” where a manager actually supervises and controls a large number of employees at one time. The other kind is the “narrow span of control” where the work and authority are divided among many subordinates. The manager manages and controls the work of a small group of employees.



Self-assessment Questions

- 1) _____ is the process of the analysis of activities to be performed for achieving organisational objectives.
 - a) Departmentalisation
 - b) Organising
 - c) Controlling
 - d) Planning

- 2) Who is responsible for arranging and structuring work to accomplish the organisational goals?
 - a) Employees
 - b) Social workers
 - c) Union leaders
 - d) Managers

- 3) In the process of organisation there is coordination between different departments through proper _____ channel.
 - a) Communication
 - b) Diversified
 - c) Distribution
 - d) Engagement

- 4) _____ is a network of relationships in which specific work is divided among groups and departments.
 - a) Departmental structure
 - b) Diversified structure
 - c) Communication structure
 - d) Organisational structure

- 5) Number of employees effectively and efficiently managed by a particular manager is known as:
 - a) Span of Control
 - b) Range of Control
 - c) Power of Control
 - d) Autonomy of Control

4.1.3 Types of Organisation

Organisations are divided into two types, *i.e.*, formal structure and informal organisation.

1. Characteristics of Formal Organisation: The official organisation (mostly referred to structure) is deliberately designed to achieve some particular objectives. There are certain aspects of the formal organisation which may be stated as:

- Formal organisation structure is designed by the top management to fulfil certain requirements. The necessary activities are reformed in a systematic way to attain the organisational goals.
- The formal organisational structure is based on the division of labour and works specialisation that leads to increasing efficiency.
- The formal organisation focuses mainly on the performance of the group of activities rather than individual employees performing the task.
- The authority and responsibility assigned to the employees have to be strictly followed. Hierarchy of jobs in the organisation is based on the work performed by the employees based on their skill sets.
- Employees perform their mission based on the pre-defined processes established by the organisation. Favourable conditions are provided by the organisation for the employee to coordinate among themselves to complete a task.

2. Characteristics of Informal Organisation: The informal organisation consists of informal groups formed by the natural grouping of employees based on similarity of their skill sets they possess to perform a particular task. Such informal groups are formed out of the complex, intimate relationships.

Some of the characteristics of informal organisation are:

- The informal organisation is not planned; it evolves naturally due to the interaction among the employees.
- The informal organisation is created usually based on the similar qualities of the employees like age, sex, religion, personality characteristics, likes and dislikes.

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- Membership is voluntary in the case of an informal organisation and a particular employee can become a member of more than one fraternal organisation.
 - In an informal organisation, the behaviour of the employees is governed by the group norms and not by the norms of the formal organisation.

Difference between Formal and Informal Organisations

The main difference between the formal and informal organisation can be summed up as:

- Formal organisation is formed by the organisation, but the informal organisation is natural and it comes out of the workspace.
- Formal organisation is created for achieving legitimate objectives of the organisation. The informal organisation is created by the members for their socio and psychological satisfaction.
- Formal organisation is structured, but the informal organisation is unstructured. In a formal organisation, the roles and interaction pattern for each employee are pre-determined. But in the case of an informal organisation, members' roles and interaction model are not specified in advance.
- The formal structure works under the pre-determined official guidelines. The informal structure works according to the prescriptions made by the members from time to time.
- Positions are created on the impersonal basis in case of a formal organisation. However, in the event of an informal organisation, the importance of the employee is determined by the employees behaviour and not his position.
- The organisational hierarchy in case of formal organisation is from the top to down. While, in the case of friendly organisation employees, enjoy equal opportunities, but there may be some differences in command of power based on their personal qualities.
- In the event of a formal organisation, the rules and regulation are formed based on rationality to increase the efficiency. In an informal organisation, the behaviour of the employees is governed by norms, beliefs and values of the organisation.

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- Chain of command is formal for formal organisation, however in the informal organisation, the communication passes through the informal channels.

Exhibit:

Indian Army – Formal Organisation

The Indian army has the strength of about a million troops and fields 34 divisions. Its headquarters is located in the Indian capital New Delhi and it is under the overall command of the Chief of Army Staff (COAS).

Formation and Structure of Indian Army

Division: Each Division is headed by General Officer Commanding (GOC) in the rank of Major General. It usually consists of 15,000 combat troops and 8,000 support elements. Currently, the Indian Army has 37 Divisions including; 4 RAPID (Re-organized Army Plains Infantry Divisions) Action Divisions, 18 Infantry Divisions, 10 Mountain Divisions, 3 Armoured Divisions and 2 Artillery Divisions. Each Division composes of several Brigades.

Brigade: A Brigade consists of around 3,000 combat troops with supporting elements. An Infantry Brigade usually has 3 Infantry Battalions along with various Support Arms & Services. It is headed by a Brigadier. In addition to the Brigades in various Army Divisions, the Indian Army also has 5 Independent Armoured Brigades, 15 Independent Artillery Brigades, 7 Independent Infantry Brigades, 1 Independent Parachute Brigade, 3 Independent Air Defence Brigades, 2 Independent Air Defence Groups and 4 Independent Engineer Brigades. These Independent Brigades operate directly under the Corps Commander (GOC Corps).

Battalion: A Battalion is commanded by a Colonel and is the Infantry's main fighting unit. It consists of more than 900 combat personnel.

Company: Headed by the Major or Captain, a company comprises 120 soldiers.

Platoon: An intermediate between a company and section, a platoon is headed by a Captain or Lieutenant, or depending on the availability of commissioned officers, even a junior commissioned officer (Subedar). It has a total strength of about 32 troops.

Section: Smallest military outfit with a strength of 10 personnel. Commanded by a non-commissioned officer of the rank of Havildar or Sergeant.

(contd....)

Indian Army Commands

The army operates seven operational commands. Each command is headed by General Officer Commanding-in-Chief with the rank of Lieutenant General. Each command is directly affiliated to the Army HQ in New Delhi. These commands are given below in their correct order of raising, location (city) and their commanders. There is also the Army Training Command abbreviated as ARTRAC. The staff in each Command HQ is headed by Chief of Staff (COS) who is also an officer of Lieutenant General Rank. Besides these, army officers may direct tri-service commands such as the Strategic Forces Command, Integrated Defence Staff (IDS) and the Andaman and Nicobar Command.

Corps: A corps is an army field formation responsible for a zone within a command theatre. There are three types of the corps in the Indian Army: Strike, Holding and Mixed. A command consists of two or more corps. A corps has Army divisions under its command. The Corps HQ is the highest field formation in the army.

Exhibit:

Google – Informal Organisation

Google had an informal work culture at Googleplex (its headquarters). Both Larry and Sergey wanted to make Google a fun place to work. Reflecting their beliefs, the Googleplex was decorated with Lava Lamps and painted in the bright colours of the Google Logo. Googlers were allowed to bring their pets into the workplace and were themselves provided with free snacks, lunch and dinner prepared by a celebrity chef Charlie Ayers. The Googleplex had snack rooms offering Googlers cereals, gummi bears, cashew nuts and other snacks along with fruit juices, soda and cappuccino.

Sergey and Larry also focused on recruiting people with the right frame of mind. They were themselves involved in the recruitment process. To attract high performing candidates, Google posted top ten reasons to work for Google on its website. Google recruited people with diverse skills and qualities. While recruiting, Google attached a lot of importance to academic excellence as revealed in grade scores in SAT and other graduate exams. To get an interview call from Google, a person had to be from a top-ranking university.

(contd...)

Google management also focused on encouraging innovation and creativity in the workplace. It realised that to maintain its growth; the company had to come out with new products/features. However, the company faced problems on how to tap ideas that could be turned into successful products. Said Silverstein, "*We always had great ideas, but we didn't have a good way of expressing them or capturing them.*" To overcome the problem, Google set up an internal web page for tracking new ideas.

Many analysts feel that Google's zero percent employee turnover rate during the dot-com boom was a testament to its salubrious organisational culture.

4.1.4 Types of Authority

In an organisational setup, authority is the right to perform or command. It allows the person has the power to behave in a designated way and give orders which have to be followed by his subordinates. In the process, he allocates the organisational resources in the best possible way to achieve the organisational goal.

Authority has been defined by Bernard as, "*the characteristics of communication by which an order is accepted by an individual as governing the actions that individuals takes within the system*".

There are four kinds of authority which can be stated as:

a. Line Organisation

The person having greater decision making power is placed at the top and those having the least decision making authority are placed at the bottom.

The main features of line organisation are:

- Authority flows from top to bottom
- Specialised and supportive services are not found in a line organisation
- It is a scalar organisation

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- Unified control by the line managers ensures that they can take independent decisions within their areas.
 - Line organisation is conducive for effective coordination, communication and stability of the organisation.



Merits of line organisation are as follows:

- It is the simplest administrative method.
- Scalar change of command moves from top to bottom.
- The control is vested with one authority. He can independently take decisions which are to be followed by the subordinates.
- There is fixed responsibility to each position of the authority.
- There is flexibility in the power of control which gives satisfaction to the line executives.



Demerits of line organisation are as follows:

- The line executives are implemented by the lower level employees, which leads to over-reliance on these line executives.
- The scope of specialised function is limited as there is a scalar chain from top to bottom.
- One way communication as the decisions of the line officials are implemented and the feedback from the lower authority is not conveyed to the high body.
- Due to lack of communication, there are chances of implementation of incorrect decisions.
- It is common for line official to misuse their authority which may lead to autocratic leadership.

b. Functional Organisation

F. W. Taylor came up with the idea of functional organisation. In functional organisation, specialists are appointed to important positions.

Features of functional organisation:

- All organisational functions are divided into specific functions like operations, finance, marketing and personnel relations, etc.
- It is a most complex form of administrative organisation compared to the line organisation and the line and staff organisation.
- The principle of unity of command does not apply to functional organisations.
- Each functional department has various levels and is headed by a specialist.
- The functional head holds the functional authority and provides guidance.
- Quality control and uniformity in performance at the functional level are achieved throughout the organisation.

**Merits of functional organisation:**

- Functional specialisation leads to better division of labour benefitting both the function and the organisation.
- Specialist judges the performance of the sub ordinate employees.
- As every function is associated with limited task leading to greater efficiency.
- Job specialisation and standardisation leads to increased production and cost reduction.
- Expert knowledge of the functional managers helps in greater control and better supervision.

**Demerits of functional organisation:**

- The functional system is complex and is not easy for operation, especially for the lower level of employees. Coordination becomes a challenge in the case of a functional organisation.
- The power of command is not centralised and is divided among a large number of people. It may create confusion due to lack of unity of command.

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- Conflicts among the supervisory staff of equal ranks are common and this may impact the function of the organisation.

c. Line and Staff organisation

In the case of a line and staff, organisation specialised and supportive activities are included in the line of command by appointing staff supervisors and staff specialists. The power of command remains with the line executives and the staff supervisors guide and advise these line executives.

Features of line and staff organisation:

- Division of work and specialisation exist in a line and staff organisation.
- The entire organisation is divided into different functional areas, each with an assigned staff specialist.
- Specialisation leads to efficiency.
- There are two lines of authority flowing *i.e.*, line and staff authority simultaneously.
- The line executive holds the power of command and the staff supervisor serves as an advisor or counsellor.




Merits of Line and Staff organisation:

- The supervisor does the planning and gives the direction which is followed by the subordinates. Hence, the line executives can focus mainly on the execution of the plans.
- As the decision making is done by the specialist, expert advice is available to the line manager as and when required.
- The organisation is divided into parts based on the functional areas that are easy to manage.
- There is more coordination in work and every employee focuses on their task and also connected to the other areas.
- Line executives get time to execute plans by taking timely, effective and efficient decisions. The line managers can specialise on the particular task they are allocated. A

specialist can research on the area of concern to bring about more efficient solutions to the problems.

- Staff specialist expert advice serves as the training ground for the line officials.
- The specialisation achieved by the specialist leads to better decision making.

 **Demerits of line and staff organisation:**

As there is a lack of unity of command, there may be confusion.

At times, the staff specialist may give wrong advice which may impact the efficiency of the organisation.

Line and staff are two parallel authorities which may lead to power conflict. It creates confusion in the minds of the employees and can affect the organisational functioning.

d. Committees

In committee organisation, a group of people are formally appointed to take key decisions. Committees are of two types permanent or temporary and usually supplement line or staff functions. In organisations interim committees are formed to resolve a particular issue and once these issues are resolved the committee dissolves. However, permanent committee acts in an advisory capacity to individual, organisational units or managers. There are certain committees known as many committees who have not only the authority to recommend but also the authority to order, *for example*, the board of directors of the company. The only disadvantage in case of committees is that at times it is very time-consuming.



Self-assessment Questions

- 6) Organisation structure in a formal organisation is determined by the:
- a) Middle level management
 - b) Lower level management
 - c) Top level management
 - d) None of these
- 7) Informal organisation is the result of _____ at the work place.
- a) Natural outcome
 - b) Processes
 - c) Rules
 - d) Structured decisions
- 8) Behaviour of members of the informal organisation is coordinated and controlled by _____.
- a) Individual behaviour
 - b) Organisational behaviour
 - c) Structured pattern
 - d) Group norms
- 9) A line organisation is known as:
- a) Scalar organisation
 - b) Linear organisation
 - c) Staff organisation
 - d) None of the above
- 10) F.W. Taylor recommended the appointment of specialists in important positions. This kind of organisation is known as:
- a) Line and staff organisation
 - b) Democratic organisation
 - c) Specialist organisation
 - d) Functional organisation



Summary

- Organising is the process of the analysis of activities to be performed for achieving organisational objectives.
- Organising is a function of management comes after planning. It ensures the synchronisation and combination of human, physical and financial resources to achieve organisational goals.
- In the process of organisation, there is coordination between different departments through proper communication channel, *i.e.*, inter departmental, inter groups and at individual to the individual level.
- The scalar chain is a chain of command or authority which flows from top to bottom.
- Two basic types of organisational structure are formal organisation and informal organisation.
- Based on their internal structure, organisations are classified into line organisation, line and staff organisation, functional organisation and committees.
- Unity of command implies one subordinate one superior relationship. Every subordinate is answerable and accountable to one boss at a time.
- In an organisational setup, authority is the right to perform or command.
- The person having greater decision making authority is placed at the top and those having the least decision making authority are placed at the bottom.
- F. W. Taylor came up with the idea of functional organisation. In a functional organisation, specialists are appointed to important positions.
- In the case of a line and staff, organisation specialised and supportive activities are included in the line of command by appointing staff supervisors and staff specialists.
- In committee organisation, a group of people are formally appointed to take key decisions.



Terminal Questions

1. Explain briefly the different types of organisation.
2. What are the major differences between formal and informal organisation?
3. Explain the different types of authority.



Answer Keys

Self-assessment Questions	
Question No.	Answer
1	b
2	d
3	a
4	d
5	a
6	c
7	a
8	d
9	a
10	d



Activity

Activity Type: Offline

Duration: 30 Minutes

Description:

Find out from 10 residents of your locality, which type of organisation they serve and categorise them in private sector and public sector.

You are required to:

1. Prepare a report stating the reasons for placing the respective organisation in different sectors.

Case Study

BANG AND OLUFSEN

Bang and Olufsen (B & O) is a Danish company. This company is known for its high end audio and video equipment manufacturing. Most of its products are made in Denmark. Its products are very good in terms of quality and beautiful and artistically made. Many of its products are a part of the collection of New York's museum of modern art. Product design is critically important to B&O. It's products are futuristic and tries to cater to the demands of the modern generation.

Torben Ballegaard Sorensen was the CEO of B&O. The conventional design approach used by most companies, in which employees conduct consumer market research and then based on the consumer expectation, design the products. In case of B&O, Sorensen uses contract designers to create the company's products. He empowered these designers with the power to veto any product they don't like. This would frighten most of the managers as the decision making power has moved from them to the contract designers. However this approach worked well for Sorensen. This business by genius model depends on the instincts of a handful of quirky and creative individuals and the ability of executives to manage them.

You are required to:

1. How do you think that Sorensen use of organisational design to ensure that such an approach will continue to work well?
2. Do you think that such a model will sustain in the long term?

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External Resources

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- Prasad, M. L. (2007). *Principles and Practice of Management (7th ed.)*. New Delhi: Sultan Chand and Sons.
- Ramachandra, K. & Sivadurappa, D. (2010). *Business Management (2nd ed.)*. New Delhi: Himalaya Publishing House



Video Links

Topic	Link
Definition of organisation, characteristics of organisation	https://www.youtube.com/watch?v=bSohYxyJp9A
Nature and significance of Management	https://www.youtube.com/watch?v=8bRZ2fUsLBw
Difference between formal and informal organisation	https://www.youtube.com/watch?v=2aA6K8YnK6c
Types of organisation	https://www.youtube.com/watch?v=f7uIIfitOgw



Notes:

