

Management

B. Tech Ist yr

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S.A. D. S.

(1) Leadership

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(3) Selection

Management

NATURE AND PURPOSE OF ORGANISATION

Meaning

→ Organising is concerned with developing a framework where total work is divided into manageable components in order to achieve business goals. It is the working together of two or more persons in a co-ordinated way for achieving common objectives. Every business sets its goals. For achieving these goals various plans and policies are framed. In order to put plans and policies into action, there is a need for using human and physical resources. Organisation establishes relationships among people in the enterprise and co-ordinates their activities in such a way that all the resources are employed for achieving business objectives. So organisation is the process of combining the work of people working in the enterprise for undertaking various duties and responsibilities.

Definitions

Different authors have defined organisation from their point of view. Some define it as a structure while others define it as a process. While structure refers to the network of relationships in the organisation and process is concerned with assigning various functions to different people and fixing the responsibilities for accomplishing them. Some important definitions are discussed to understand the nature of organisation.

Ralph C. Davis

Organisation is a group of people, who are co-operating under the direction of leadership for the accomplishment of a common end. In the views of Davis, people work under a common leadership for achieving business goals.

Oliver Sheldon

Organisation is the process of combining the work, which

necessary activities are performed and there is no duplication of activities. Thus, activities whose contributions are higher are likely to be grouped separately to supervise. For example, service activities are grouped separately to supervise and also to ensure that they contribute positively to the main activities. However, creation of departments for auxiliary services should not have any prominence over main activities.

While creating departments, adequate consideration should be given to the requirements of local conditions. This is more important to those departments which operate in different geographical areas. As pointed out earlier, the nature of work is different when the location is different. Therefore, local conditions of the organisation should also be taken into account while creating departments.

Departmentation should also take into consideration the nature of the organisation. Therefore, along with technical factors discussed above, departments should be created on the basis of availability of personnel, their skills, the systems, informal work groups, and attitudes of people towards the organisation structure. Often organisation structure is a result of satisfaction or dissatisfaction to human beings. This also affects the nature of the organisation. Departmentation scheme providing satisfaction is likely to contribute more to the organisational operation. Departments should not be created merely to suit the needs of a few individuals.

Management

Efforts to create various departments presents another problem. The number of individuals should be placed under one superior. This problem is a fundamental dimension of an organisation structure. In management, span of management, span of control, or span of supervision are used to describe the number of subordinates which should be put under one superior. The term span of management appears to be more suitable as it is more comprehensive because a superior is responsible for the total activities of the department which involve not merely controlling or supervising but the total management of the department.

Span of management refers to the number of subordinates who can be managed by a superior. The number of subordinates who report to a superior has two dimensions. First, it is influential in determining the complexity of the organisation. Second, the span of management determines the shape, or form, of the organisation; the fewer the number of people reporting to the superior, the more the number of managers required. Therefore, the number of subordinates to a superior should be fixed which in any case cannot go beyond a certain limit. However, Soujanen has suggested that span of management is not valid because the coordination and control can be achieved through management team which has affected attention of the superior and contact in the organisation which has affected attention of the superior. Soujanen's executive controls in the command sense.¹⁰ However, Soujanen's concept of modern social science concepts have modified the concept of span of management drew a sharp reaction from Urwick.¹¹ He

¹⁰ Urwick, 'Span of Control—Fact or Fable?' *Advanced Management*, November 1963, p. 54.

¹¹ Urwick, 'Span of Control—Some Facts About the Fables', *Advanced Management*, November 1963, p. 54.

brought an article in response and suggested that the contention of Soujanen was wrong and span of control principle held valid.

DETERMINATION OF SPAN OF MANAGEMENT

No doubt, management thinkers agree that span of management principle holds true but they do not agree about the number of subordinates that can be put under one superior. The classical approach to the span of management has dealt with generalisation embodying specific number of subordinates for effective span. The classical writers have suggested between three to eight subordinates as ideal depending on the levels of management with lower the level of management higher the number of subordinates. Graicunas, a French management consultant, has suggested the fixation of number of subordinates based on mathematical calculation.¹² He has analysed superior-subordinate relationships and developed mathematical formulae. Graicunas has identified three types of superior-subordinate relationships: direct single relationships, direct group relationships, and cross relationships.

1. Direct Single Relationships. Direct single relationships arise from the direct individual contacts of the superior with his subordinates. Thus, if there are three subordinates A, B, C, under one superior X, there will be three direct single relationships.

2. Direct Group Relationships. Direct group relationships arise between the superior and his subordinates in all possible combinations. Thus, the superior may consult his subordinates with one or more providing assistance. With three subordinates, there will be nine such relationships like A with B, A with C, B with C, and so on with the superior associated with all groups. ABC may be AC, BA, BC, etc.

3. Cross Relationships. Cross relationships arise because of mutual interaction of subordinates working under the common superior, such as A and B, A and C, B and C, and so on. The relationship is quite different between A and B than B and A from management point of view because the type of interaction will be different in both the cases. There are six such relationships with three subordinates.

Graicunas has given formulae to find out various relationships with varying number of subordinates. With number of subordinates being n , the number of various relationships will be as follows:

Direct single relationships	=	n
Direct group relationships	=	$n(2^{n-1} - 1)$
Cross relationships	=	$n(n-1)$
Total relationships	=	$n(\frac{2^n}{2} + n - 1)$

Common Superior
Subordinates

This formula suggests that while the number of subordinates increases in arithmetical progression, the number of relationships increases in geometrical progression as shown in Table 12.1 (page 328).

According to Graicunas, most ideal span for a manager is six subordinates involving 222 relationships. No doubt, Graicunas has given a mathematical treatment of the problem of fixing the span for managers, showing how the problem of managing subordinates increases with the increase in the number of subordinates, his contribution suffers from a basic limitation. All the relationships are not equally important from management point of view and, therefore, these cannot increase the complexity of managing. Moreover, Graicunas has not considered many other possible relationships particularly in cross relationships. Therefore, span based on mere number of relationships cannot be fixed.

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individuals or groups have to perform with the facilities necessary for its execution, that the duties so performed provide the best channels for the efficient, systematic, positive, and co-ordinated application of the available effort. This definition emphasizes the best use of human resources for achieving good results.

Northcott

The arrangement by which tasks are assigned to men and women so that the individual efforts contribute effectively to some more or less clearly defined purpose for which they have been brought together. According to Northcott the purpose of an organisation is to co-ordinate the activities of various persons for achieving pre-determined objectives.

Kobntz & Donell

Organisation is the structure of relationship by which an enterprise is bound together and the framework, in which individual effort is co-ordinated. In this view, organisation is a process of co-ordinating the activities of various people in the enterprise.

It can be said that an organisation is the process of establishing relationship among various people working in an enterprise, fixing their authority and responsibility and co-ordinating their activities for using all available resources in the best possible way.

CHARACTERISTICS OF ORGANISATION

Different authors define organisation from their angle. Some characteristics, however, are the same. Following are the main characteristics of an organisation :-

1. Group of persons *It is a group activity*

Every business requires the services of people. When two or more persons come together for undertaking a common work then the organisation comes into existence. So an organisation exists with a number of persons.

2. Common objectives

There are common objectives to be achieved in an organisation. The individual objectives of different persons and departments also lead to the achievement of common organisational objectives. The working in a common direction is the essence of an organisation.

3. Division of work

The total work of the enterprise is divided into activities and functions. Various activities are assigned to different persons for their efficient accomplishment. When one person performs the same work

repeatedly he develops specialization in it and his efficiency improves. So division of work helps in achieving business goals.

4. Co-ordination

When different persons are assigned different tasks then they try to attain them in their own ways. Individual efforts may not go towards attainment of main business goals. There is a need to co-ordinate the activities of various persons so that their efforts lead to the main goals.

5. Authority-Responsibility Relationship

An organisation consists of various positions arranged in a hierarchy with well defined authority and responsibility. A relationship of superior-subordinate is established clearly. The tasks are assigned at each level and necessary authority is delegated for accomplishing them. Along with authority, responsibility is also fixed for each work at every level.

6. Communication

An organisation works with an effective communication system. Every order or information passes on from upward to downward and reactions to such communications go upward. The communication system informs various persons the tasks they are to perform and performance reports from different jobs enable management to assess the levels of achievement.

NATURE OF ORGANISATION

1. Basic Function of Management—Organisation is the basic function of management. This function is essential for the achievement of business goals. Organisation is undertaken along with the other functions such as planning, staffing, directing and controlling. Organisation function is performed by all the managers.

2. Organising Related to Objectives—Organisation function is influenced by business objectives. The authority and responsibility relationship is created in the enterprise so that every function is performed properly and pre-determined objectives are achieved.

3. Organising is a Process—Organisation is a process of defining and grouping the activities of the enterprise and establishing authority relationship among them. Organising is done continuously. Managers are always engaged in organising and re-organising.

4. It is a structure of Relationships—Organisation creates relationships among various persons working in the enterprise. Every person knows his position in the structure and who are his superiors and subordinates. This relationship is called a formal organisation.]

TABLE 12.1: Relationships with variable number of subordinates

Number of subordinates	Number of relationships
1	1
2	6
3	18
4	44
5	100
6	222
8	1,080
10	5,210
12	24,708
18	23,59,602

The recognition that potential managerial effectiveness is limited as the number of subordinates increases has led others to propose definite limits on the span of management. For example, Davis distinguishes between two categories of span of control, an executive span and an operative span.¹³ Executive span includes the middle and top management positions in an organisation. The span for these managers should vary from three to nine, depending on the nature of managers' jobs and responsibilities and the rate of growth of the organisation. The operative span applies to the lowest level of management and it can be effective with as many as 30 subordinates. Similarly, Urwick has proposed span for top management as four but it may be between eight and twelve for supervisory management.¹⁴ Thus, span of management has been suggested differently by various writers. Further, differences also exist for different levels of management. Therefore, it is desirable to identify those factors which affect the span of management.

Factors Affecting Span of Management

The basic idea behind limiting the span of management is to enable a manager to manage his subordinates effectively. As such, the important determinant for specifying the span of management is the manager's ability to reduce the frequency and time impact of superior-subordinate relationships. This ability, in turn, is affected by several factors. Therefore, such factors are quite important in determining the suitable span of management. Following are such factors:

1. Capacity of Superior. Each manager has different ability and capacity in respect of such factors as leadership, communication, decision-making, control, etc. affecting management of subordinates. Managers having more capacity in respect of these factors can manage more number of subordinates in similar situation. Moreover, the attitudes and personality factors of the manager also determine his span of management. For example, any empire builder may like to have wider span as compared to a submissive manager.

2. Capacity of Subordinates. Capacity of subordinates also affects the degree of span of management. Efficient and trained subordinates may discharge their functions more efficiently without such help of their superior. They may just need broad guidelines and rest of the work can be performed by them. In such cases, they require lesser time from superior who will be in a position to manage larger number of subordinates. *They can also be efficient*

¹³ Davis, op. cit.

¹⁴ Lyndall F. Urwick, 'The Managerial Span of Control' Harvard Business Review, 1939-47.

¹⁵ J.G. Udell, 'An Empirical Test of Hypothesis Relating to Span of Control', *Administrative Science Quarterly*

number of subordinates. Similarly, if there is no frequent changes in subordinates, span can be wider.

3. Nature of Work. Nature of work affects degree of span of management because different types of work require different patterns of management and hence time from superior. If subordinates are performing similar functions, they require less attention of their superior and span can be wider. For example, a study discloses that mean span of management in the case of supervisors supervising similar work was 16 as against only 6.7 for those supervising different work.¹⁵ Similarly rate of change in the work also affects the span of management with work with lower degree of change facilitating higher span and work with higher degree of change restricting the span of management. This is so because work with frequent changes requires detailed instructions from the superior every time when there is change in the work. Type of technology used also affects the span of management. For example, Woodward's study suggests that in the case of mass production and assembly-line technology, the span is highest. Similarly, in unit and batch production, span is higher than process production.¹⁶

4. Degree of Decentralisation. Degree of centralisation or decentralisation affects span of management by affecting the degree of involvement of the superior in decision-making process. Thus, higher is the degree of decentralisation, higher is the degree of span. If a manager clearly delegates his authority and defines it fully, he requires less time to devote to manage his subordinates because most of the actions will be taken by the subordinates on their own. In the case of centralisation of authority or ambiguity in delegation of authority, the subordinates would require considerable consultation, clarification and instructions from their superior. This will require more time on the part of the superior and his span will be narrow.

5. Degree of Planning. Higher is the degree of plans, particularly standing plans clearly providing rules, procedures, methods, etc., in doing the work, higher would be the degree of span of management. In such cases, the subordinates can take actions on their own. On the other hand, if they have to draw their own plans, they may not know what exactly they have to do and they may require more time for guidelines and consultation. In a situation, where the production foremen were performing repetitive work with well-formulated standing plans, span averaged between 60 and 70.

6. Communication Techniques. The pattern of communication, its means, and media affect the time requirement in managing subordinates and consequently span of management. If communication is mostly face-to-face, it requires more time on the part of both superior and subordinates. On the other hand, communication with staff assistant and through the use of modern communication tools like electronic devices will save lot of time and span can be increased.

7. Use of Staff Assistance. Use of staff assistance in reducing the work-load of managers enables them to manage more number of subordinates. Many of the managerial functions can be discharged by these staff personnel on behalf of the managers. They can collect information, process communication, and issue orders and instructions on behalf of their superior. This process saves time of managers and the degree of span can be increased. *By staff assistance*

8. Supervision from Others. It is not very uncommon that a subordinate receives supervision from several other personnel besides his direct superior. In such a case, the work-load of direct superior is reduced and he can supervise more number of subordinates. *Also subordinates can be efficient*

¹⁵ J.G. Udell, 'An Empirical Test of Hypothesis Relating to Span of Control', *Administrative Science Quarterly*

structure. There are informal groups based on sentiments, attitudes, liking etc. These groups create an informal organisation structure. Both formal and informal relationships are essential for the success of a business.

STEPS IN ORGANISATION PROCESS

The following steps are necessary for setting-up a proper organisational structure in the business.

(i) **Division of work.** The job is divided into various functions. These functions may be called production, financing, marketing, staffing, etc. All business activities are divided and subdivided into various categories. The purpose of the division is to specialise individuals into different roles. This also helps in increasing the efficiency of employees.

(ii) **Classification of activities.** The activities are classified under various categories. All similar activities are grouped together. The activities relating to different functions are covered under different departments. Anything relating to production may be grouped under production department. The same thing will be done with other activities too. Different departments will be able to co-ordinate their activities at different levels of management.

(iii) **Appointing Suitable persons.** When activities are divided into different functions, the next step will be to appoint suitable persons for various jobs. Experts are appointed as heads of different departments. Persons are employed for all types of roles. The idea here is to appoint specialists for different jobs.

(iv) **Delegation of Authority.** A person will be able to perform his duty only when he is given adequate authority required for that job. If the work is assigned without delegating authority, it will be meaningless. The top management should delegate authority to lower levels of management. A person can be made responsible for a work only when he is given required authority too. Authority and responsibility always go together. One is meaningless without the other.

OBJECTIVES OF ORGANISATION

The organisation aims at the achievement of the following aims :

(i) **To Help Management.** The organisation helps management to have a control over various business functions. The work is divided properly and control centres are established. The authority is delegated and responsibilities are fixed. It helps management to have a co-ordinated administration.

(ii) **To Increase Production.** The duties are assigned according to the principle of division of labour. The efficient system of organisation encourages every employee to make his best contribution in raising output. The increase in output and control of wasteful expenditure helps to decrease the cost of production. The profitability of the concern will also go up.

(iii) **Co-operation of Employees.** The organisational structure will succeed only if employees co-operate in the work. The employees learn working in closer co-operation of others. The management introduces various incentive schemes and gives monetary and other benefits to the employees so that they work in a team spirit.

ORGANISATION STRUCTURE

Organisation structure is the established pattern of relationships among components or parts of the organisation. It prescribes the relationships among various positions and activities in business. Since various positions are held by persons so structure creates relationship among them. People are trained to occupy various positions in the organisation. Organisation structure, once decided, is not changed easily.

Features of a good organisation structure

A good organisation structure has the following features :-

1. It should be simple and clearly understood.
2. There should be a clear line of authority from top to bottom.
3. The delegation of authority should correspond to the assigned responsibility.
4. As far as possible levels of management should be minimum.
5. A person should supervise only that number which he can easily control.
6. It should be flexible and dynamic.

FORMAL AND INFORMAL ORGANISATION

Formal organisation

It is the structure of relationships created by management for achieving organisational goals. It is an official frame work for taking up every activity. Formal organisation clearly defines the authority responsibility relationship among various people working in an enterprise. Every person knows the work assigned to him and the person to whom he is accountable for his performance. Thus the responsibility of every person is fixed by assigning him the task.

Characteristics of formal organisation

1. The structure is officially designed by the management.
2. The authority and responsibilities are fixed officially.
3. There is a balance between authority and responsibility.
4. An organisational chart is prepared to clarify every position.
5. It provides for specialisation.

Informal Organisation

Informal organisation refers to the relationship between people in an organisation based not on formal hierarchy but on personal attitudes, whims, prejudices, likes and so on. It refers to what people actually do based not on procedures and regulations but on some taste, culture etc. People work together because of their personal likes and dislikes. People with common interests may work beyond the confines of formal relationships. Informal organisations are not created but they appear at their own in a natural way in the formal organisation.

Managements, sometimes, encourage employees to meet privately because it serves the purpose in a number of ways. Informal communication may help in sorting out many issues which may not find solution in a formal set up.

Characteristics of Informal organisation

1. Informal relations are unplanned, they arise spontaneously.
2. Formation of informal groups is a natural process.
3. Informal organisation reflects human relationships.
4. Informal organisations are based on similar thinking, common tasks, similar problems, same language or religion etc.
5. The membership of informal organisations is voluntary.

Importance of Informal organisation

The importance of informal organisation arises from the functions performed by informal groups. Some of these functions are described as under :

1. It serves as a channel of communication. Informal communication is rather fast.
2. It gives support to the formal organisation. The discussions held at informal groups help in implementing formal decisions.
3. It lightens the burden of formal managers.
4. The members get a platform to express their views.
5. The presence of informal organisation encourages the manager to plan and act carefully.

Difference between formal and Informal organisation

Basis	Formal organisation	Informal organisation
1. Objective	It is created to achieve pre-determined objectives.	It has no pre-determined objective.
2. Structure	It refers to well defined authority responsibility relationship.	It is based on human emotions and sentiments.
3. Formation	Formal relations are well planned and created deliberately.	Informal relations originate automatically.
4. Stability	Formal organisation is normally stable.	Informal organisation does not last long.
5. Communication	There is a prescribed chain of communication	There is no specific chain of communication.
6. Chain of command	There is a prescribed chain of command which is followed for all acts..	The chain of command is based on the sentiments of members.
7. Flexibility	A rigid structure is followed.	It is loosely structured and highly flexible.
8. Leadership	Managers provide leadership to the workers.	The leader is elected amongst members.
9. Authority	It gives formal authority to every person in position.	It gives informal authority to the members.

ORGANISATION CHART

An organisation chart is a diagrammatical form which shows important aspects of an organisation including the major functions and their respective relationships. This chart shows various positions in the enterprise and their formal lines of accountability.

It also shows the relationships between different departments or divisions of the enterprise as well as the relationships between executives and their subordinates at various levels. It helps employees in understanding their position in the organisation and to know to whom they are accountable. An organisation chart is shown in the diagram.

Importance of organisation

Organisation is the mechanism which determines the relationships of various persons. With the help of a well defined organisation management is able to perform the functions of direction, co-ordination and control. An ill-defined organisation plan will not enable the management to make an effective exhibition of its managerial talents to realise business goals.