MODULE 2 PLANNING & ORGANISING

Introduction

In previous modules, We have already discussed five essential managerial functions namely, planning, organising, staffing, leading and controlling. This is perhaps the most widely accepted conceptual framework of management. Planning is the most basic of all managerial functions. It is the process by which managers establish goals and define the methods by which these goals are to be attained. One commonly accepted definition states that, "Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, that is, choosing from among alternatives future courses of action." In short Planning is a rational approach to achieving pre-selected objectives.
It involves determining various types and volumes of physical and other resources to be acquired from outside, to allocate these resources in an efficient manner among competing claims and to make arrangement for systematic conversion of these resources into useful outputs.

Plans have two basic components: goals and action statements.

Goals represent an end state - the targets and results - that managers hope to achieve.

Action statements represent the means by which an organisation goes ahead to attain its goals.

Planning is a deliberate and conscious act by means of which managers determine a course of action for pursuing a specific goal. It also involves thinking about past events (retrospectively) and about future opportunities/threats (prospectively). Planning enquires about organisational strengths and weaknesses and involves decision making about desired ways and means to achieve them. In this context, let's also think about a significant difference between decision making and planning., ie. Decisions can be made without planning but planning cannot be done without making decisions.

Nature of Planning

The essential nature of planning can be understood by examining its four major aspects.

- its contribution to purpose and objectives,
- its primacy among the manager's tasks,
- its pervasiveness, and
- the efficiency of resulting plans.

Since plans are made to attain goals or objectives, every plan and all its support should contribute to the achievement of the organisation's purpose and objectives. That is why, Planning is considered as the prime managerial function, proved by the fact that all other functions such as organising, staffing, leading and controlling are designed to support the accomplishment of the enterprise's objectives. All other managerial functions must be planned well if they need to be effective executed. For eaxample, planning and controlling are inextricably bound up. Control without plan is meaningless, because plan provides the basis or standard of control.
The character and scope of planning may vary with each manager's authority and with the nature of the policies and plans outlined by superiors, but all managers must have some function of planning. According to Weihrich and Koontz, "All managers, from presidents to first-level supervisors - plan."
Plans should be effective and efficient. Effectiveness of a plan relates to the extent to which it accomplishes the objectives. Efficiency of a plan, however, means its contribution to the purpose and objectives, by the costs and other factors required to formulate and operate it.

Importance of Planning

Why should Managers plan? This is an interestingly important question.. This can be answered using some Conceptual and Practical reasons in support of planning.

Managers have some conceptual reasons supporting systematic planning, some are listed below..

- Limited Resources: Resource scarcity is a very important consideration for any organisation today. There would be no need for planning if material, financial and human resources were unlimited and cheap. Planners in both private business and public agencies are challenged to stretch their limited resources through intelligent planning avoiding wasteful inefficiencies giving rise to higher prices, severe shortages and great public dissatisfaction.
- Uncertain Environment: Organisations continually face environmental uncertainty in the course of accomplishing their tasks. Organisations meet this challenge largely through planning safeguards.

Apart from these, Managers also have several practical reasons for formulating plans for themselves, their employees, and their organisational units. They plan things.,

- to offset uncertainty and change
- to focus organisational activity on a set of consciously created objectives
- to provide a co-ordinated, systematic road map for future activities
- to increase economic efficiency via efficient operation
- to facilitate control by establishing a standard for subsequent activities.

Types of Plans (Components of Planning)

In the process of planning, several plans are prepared which are known as components of planning.

Plans can be broadly classified as

a) Strategic plans
b) Tactical plans
c) Operational plans
d) Contegency plans

Operational plans lead to the achievement of tactical plans, which in turn lead to the attainment of strategic plans. In addition to these three types of plans, managers should also develop a contingency plan in case their original plans fail.

a) Strategic plans: A strategic plan is an outline of steps designed with the goals of the entire organization as a whole in mind, rather than with the goals of specific divisions or departments. It is further classified as

i) Mission: . The mission is a statement that reflects the basic purpose and focus of the organization which normally remain unchanged. The mission of the company is the answer of the question : why does the organization exists?
For example., Mission of Ford: “we are a global, diverse family with a proud inheritance, providing exceptional products and services”.
ii) Objectives or goals: Both goal and objective can be defined as statements that reflect the end towards which the organization is aiming to achieve. But, there are some specific differences between the two. A goal is an abstract and general umbrella statement, under which specific

objectives can be clustered. Objectives are statements that precisely describe all measurable, and obtainable terms which reflect the desired organization's outcomes.
iii) Strategies: Strategy is the determination of the basic long term objectives of an organization and the adoption of action and collection of action and allocation of resources necessary to achieve these goals. Strategic planning begins with an organization's mission. Strategic plans look ahead over the next two, three, five, or even more years to move the organization from where it currently is to where it wants to be.

b) Tactical plans: A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work. Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. Long-term goals, on the other hand, can take several years or more to accomplish. Normally, it is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions.

c) Operational plans: The specific results expected from departments, work groups, and individuals are the operational goals. These goals are precise and measurable. "Process 150 sales applications each week" or "Publish 20 books this quarter" are examples of operational goals. An operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans. Operational plans can be a single-use plan or a standing plan.

i) Single-use plans apply to activities that do not recur or repeat. A one-time occurrence, such as a special sales program, is a single-use plan because it deals with the who, what, where, how, and how much of an activity.

- Programme: consists of an ordered list of events to be followed to execute a project.
- Budget: predicts sources and amounts of income and how much they are used.

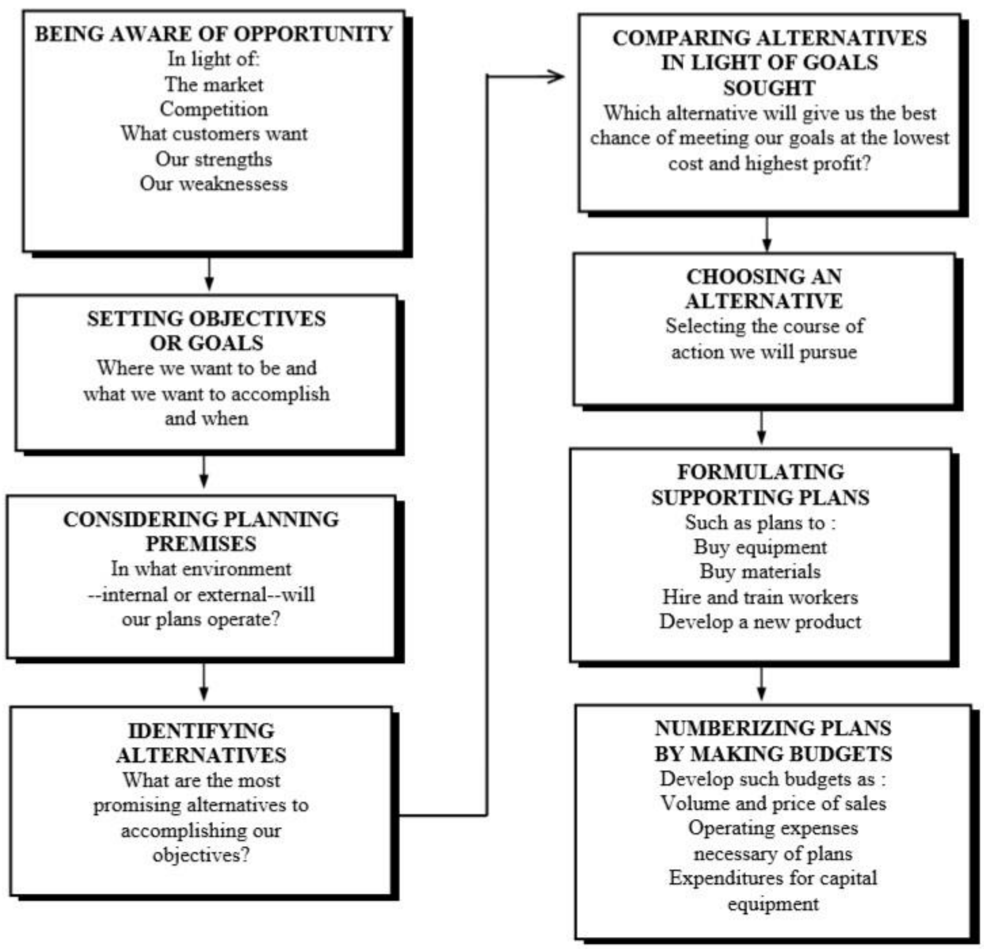
ii) Standing plans are usually made once and retain their value over a period of years while undergoing periodic revisions and updates. The following are examples of ongoing plans:

- Policy: This provides a broad guideline for managers to follow when dealing with important areas of decision making. Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Some HR policies, for example, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.
- Procedure: is a set of step-by-step directions that explains how activities or tasks are to be carried out. Most organizations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order.
  In short, procedures provide a standardized way of responding to a repetitive problem.
- Rule: A rule is an explicit statement that tells an employee what he or she can and cannot do. Rules are "do" and "don't" statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For example, rules about unpunctuality and absenteeism permit supervisors to make discipline decisions rapidly and with a high degree of fairness.

d) Contingency plans: Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a "keeping all possible options open" approach at all times — that's where contingency planning comes in. Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances. Keep in mind that events beyond a manager's control may cause even the most carefully prepared alternative future scenarios to go crooked. Unexpected problems and events can frequently occur. In such situations, managers may need to change their plans. Anticipating change during the planning process is best in case things don't go as expected. Management can then develop alternatives to the existing plan and make them ready for use when circumstances make these alternatives appropriate

Steps in Planning

Usually the same steps are followed by managers in all the cases of planning. All of these steps taken serially results in a planning process. An effective planning process appears future oriented, comprehensive, systematic, integrated and negotiated. For general application, the following practical steps are discussed along with a flow chart provided by management scholars, Heinz Weihrich and Harold Koontz.



Being Aware of Opportunities: Awareness of opportunities in the environment both external to and internal in the organization is the real beginning point for planning. At this stage managers tend to create a foundation from which they will develop their plans for the next planning period.

Establishing Objectives: This involves determining goals or objectives for enterprise as a whole and then for each subordinate tier and unit. An awareness of opportunities in the context of strength and weakness helps one establish a reasonable goal and draw up an action statement. Establishment of objectives involves determining the same for the enterprise as a whole and for each subordinate level or unit. Moreover, Objectives which are going to guide the course of the organization in future years to come, must be clear, concise and specific. These Objectives act as direction to the major plans, which, by reflecting these objectives define the objective of every major department. Every Manager should take up the responsibility to contribute and participate in setting objectives at their own level.

Developing Premises: The third step in process of planning is the establishment of the premises or assumptions on which action statements are built. The equality and success of any plan depends on the equality of the assumptions on which it is based. Even one wrong assumption can produce a poor or unrealistic decision. Forecasting plays an important role in premising. By means of forecasting organizations try to answer various questions about future expectations and action statements. Forecasting may be made on personal experience and expectation or systematic empirical research. ''Premising'' is defined as "event forecasting what is likely to happen inside and outside an organization. The forecasts go into the formulation of action statement to guide the organization in the future.''

Determining Alternative Courses: The fourth step is to search and find out alternative courses of action, especially those not immediately clear. Managers must decide how to move from their current position towards their decided future position. Finding alternative is not the problem normally. But, reducing the number of alternatives in order to analyze and find out the best one is the problem. There is a limit to the number of alternatives that can be examined thoroughly, even with mathematical/computer-aided techniques. Manager usually depends upon research, experimentation, and experience to identify and develop a number of alternative courses of action.

Evaluating Alternative Courses: Once alternative courses of action have been identified after seeking out alternative courses and examining their strong and weak points, they must be evaluated in light of how well each would help the organization reach its goals. Evaluating alternatives also includes determining the costs and expected efficiency of each. One course may appear to be the most profitable but it may require a large cash involvement with a slow pay back. Second one may look less profitable but that may be less risky. Still another third one may better serve the long-range objectives of the company. Evaluation can be difficult because of uncertainty about the future and inaccurate premises behind these plans. In this stage, various operations research/mathematical/computing techniques can be largely applied.

Selecting a Course: After identifying the alternatives and considering the merits of each carefully, managers now shall have to adopt a plan and select one course of action. A plan is adopted at this point and is , therefore, the real point of decision making. Two or more courses may appear to be advisable on occasional analyses and evaluation of alternative courses. Managers may decide to follow several courses instead of one best course.

Formulating Derivative Plans: Managers often still need to develop one or more supportive plans to strengthen their basic plan and to explain the many details involved in reaching a broad major plan. It is

clear, therefore, that derivative plans are essentially required to support the basic or general plan. Usually there are two kinds of derivative or supportive plans.
The first one involves changes/modification in existing supportive plans.
The second kind of subsidiary plan involves the creation of a new supportive plan.

Numbering Plans by Budgeting: The final step to give meaning to any plan, is to quantify them with numbers converting them into budgets. Budgets are sometimes called numerated programs which are most commonly expressed in terms of money. But they may also be expressed as hours worked, as units sold, or in any other measurable unit. Each department of the enterprise or organization can have its own budgets, commonly of expenses and capital expenditures, which make up the overall budget. Once properly planned, budgets become a means of adding together the various plans and also set important standards against which planning progress can be effectively measured.

Levels of planning

Theoretically there are three basic levels of planning, though in practice there may be more than three levels of management and to an extent, there will be some overlapping of planning operations. These basic levels of planning are discussed below:

1.Top level planning: also known as overall/strategic planning, is done by the top management, i.e., board of directors or governing body. It encompasses the long-range objectives and policies or organisation and is concerned with corporate results rather than sectional objectives. Top level planning is entirely long-range and inextricably linked with long-term objectives. It might be called the 'what' of planning.

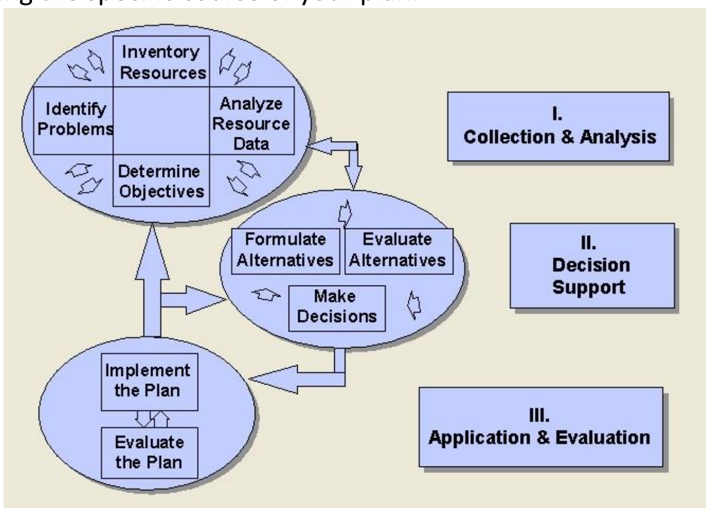
2.Second level planning: also known as tactical planning, it is done by middle level managers or departmental heads. It is concerned with 'how' of planning. It deals with development of resources to the best advantage. It is concerned mainly, not exclusively, with long-range planning, but its nature is such that the time spans are usually shorter than those of strategic planning. This is because its attentions are usually devoted to the step-by-step attainment of the organisation's main objective. It is, in fact, oriented to functions and departments rather than to the organisation as a whole.

3.Third level planning: also known as operational/activity planning, it is done by first level managers and supervisors. It is confined to putting into effect the tactical or departmental plans. It is usually for a short-term and may be revised quite often to be in tune with the tactical planning.

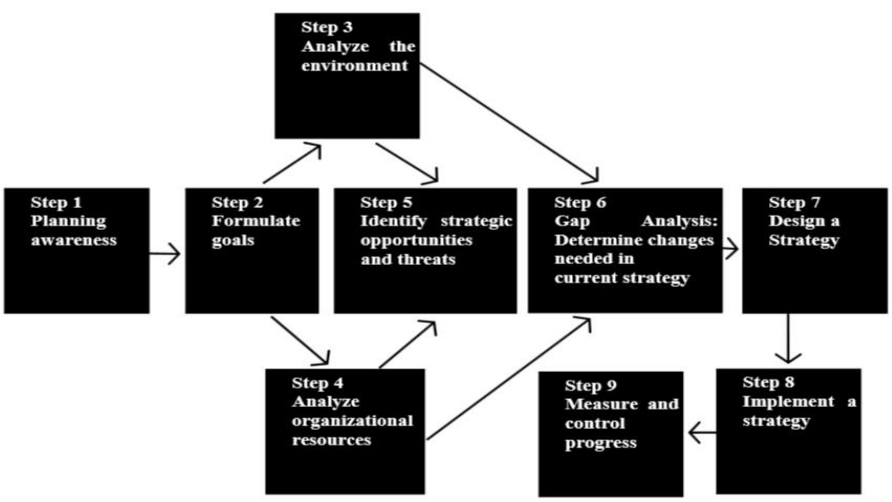
The Planning Process

Many discussions of Planning Process were made in *Steps of Planning*. As a general framework, now let us outline a three-step result-oriented process for planning:

- Choosing a destination
- Evaluating alternative routes, and
- Deciding the specific course of your plan.



In organizations, planning is a management process, concerned with defining goals for company's future direction and determining on the missions and resources to achieve those targets. To meet the goals, managers may develop various plans such as a business plan or a marketing plan. Each and every Plan always has a purpose, like achievement of certain goals or targets, so as to increase the efficiency of the organization. It reduces the risks involved in all modern business activities. It utilizes the available time and resources with maximum efficiency.
Yet another area to be concerned is Strategic Planning Process comprising of 9 stages. Here the Planning Process covers several paces, starting from the initial examination of the current state of affairs, through the preparation of a plan and down to the final checks on how the plan is affecting daily performance. These paces are discussed in the diagram below



THE STRATEGIC PLANNING PROCESS

Management by Objective

Management by objectives (MBO) is a comprehensive management system based on measurable and participatively set objectives. MBO is now widely practised all over the world. The meaning of MBO is not yet always clear. To some people, it is an appraisal tool; others consider it a motivational technique, while others look upon it as an instrument of planning and control.

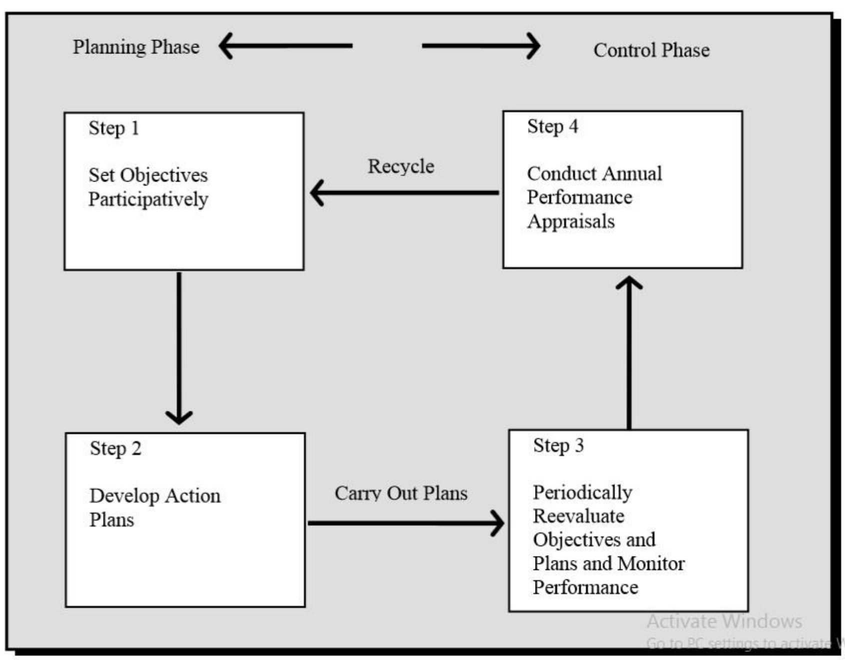
Management by objectives (MBO) has been defined as "The comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed toward the effective and efficient achievement of organizational and individual objectives."

MBO was first suggested by Peter F. Drucker in 1954 as a way of promoting managerial self-control. After that, many variations were found in the practice of MBO. Basically it is a process through which goals, plans, and control systems of an organisation are defined through collaboration between managers and their subordinates. Jointly they identify common goals, define the results expected from each individual, and use these measurements to direct the operation of their unit and to assess individual contributions.

In this process, the knowledge and skills of many members of the organisation are pressed into service. Instead of telling subordinates about their goals, managers ask subordinates to participate and decide about what their goal should be. After setting up of an acceptable set of goals for each employee through a give-and-take collaborative process, the employee is asked to play a major role in devising an action plan for achieving these goals. In the final stage of the MBO process, employees are asked to develop control processes, to monitor their own performance and to suggest corrective measures if deviations from plans do occur. The entire process is a combination of planning and control.

The MBO Cycle

The four steps or stages of the MBO process are also called the MBO cycle. The four-step cycle illustrated below lies at the very heart of MBO.



Setting objectives: A hierarchy of challenging and fair objectives is the necessary starting point for the MBO cycle. All objectives, should be reduced to writing and kept aside for future reference during steps 3 and 4. Setting objectives starts at the top of the managerial pyramid. The emphasis is on participation and involvement of subordinates. There is no place for 'a domineering manager ordering people' or 'a passive manager leaving all at the discretion of the subordinates'. Rather MBO asks manager to device negotiation of objectives between superiors and subordinates on a give-and-take basis.

Developing action plans: With the development of action plans and addition of these statements to the objectives participatively set, the planning phase of MBO comes to an end. Managers, at each level, tend to develop plans that incorporate the objectives established in step-1. It is the responsibility of higher managers to make sure that plans of their direct subordinates complement rather than conflict with one another.

Periodic review: Plans go into action requiring the following-up and monitoring of performance. Face-to-face meetings between superior and subordinate at 3-, 6- and 9-month intervals should be held regularly. These periodic check-ups help to see whether a particular set of objectives is still valid or needs revision or updating under the changed circumstances. it also provide managers with excellent opportunities to give subordinates required and well-considered feedback.

Performance appraisal: At end of one complete cycle of MBO, typically one year after the original goals are set, the final performance is matched with the previously agreed upon objectives. The pairs of superior and subordinate managers who mutually set the objectives one year earlier meet face to face once again to discuss how things have turned out. MBO calls for emphasis on results, not on personalities or excuses. The control side of the MBO cycle is completed when success is rewarded with promotion, incentive payments or other suitable benefits and failure is noted to take corrective action in the future.

SWOT Analysis

SWOT analysis (alternatively called SWOT matrix) is an acronym for strengths, weaknesses, opportunities, and threats— is a structured planning method that evaluates those four elements of a project or business venture. A SWOT analysis can be carried out for a company, product, place, industry, or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective. SWOT was devised by Albert Humphrey, at the Stanford Research Institute in the 1960s and 1970s using data from Fortune 500 companies. The degree to which the internal environment of the firm matches with the external environment is expressed by the concept of strategic fit.

Strengths: characteristics of the business or project that give it an advantage over others

Weaknesses: characteristics that place the business or project at a disadvantage relative to others

Opportunities: elements that the business or project could exploit to its advantage

Threats: elements in the environment that could cause trouble for the business or project

Identification and Analysis of SWOTs is important because they can inform later steps in planning to achieve the objective. First, decision makers should consider whether the objective is attainable, given the SWOTs. If the objective is not attainable, they must select a different objective and repeat the process. Users of SWOT analysis must ask and answer questions that generate meaningful information for each category (strengths, weaknesses, opportunities, and threats) to make the analysis useful and find their competitive advantage.

SWOT analysis aims to identify the key internal and external factors seen as important to achieving an objective. SWOT analysis groups key pieces of information into two main categories:

- Internal factors – the strengths and weaknesses internal to the organization
- External factors – the opportunities and threats presented by the environment external to the organization

The internal factors may be viewed as strengths or as weaknesses depending upon their effect on the organization's objectives. What may represent strengths with respect to one objective may be weaknesses (distractions, competition) for another objective. The factors may personnel, finance, manufacturing capabilities, and so on.

The external factors may include macroeconomic matters, technological change, legislation, and sociocultural changes, as well as changes in the marketplace or in competitive position. The results are often presented in the form of a matrix.

Importance of SWOT

SWOT aids the organization in effective planning, and can be used as a strong basis for the analysis of business and environmental factors., listed below

- Set realistic objectives
- Analysis of existing strategies
- Develop new/revised strategies
- Establish critical success factors
- Preparation of operational, resource, projects plans
- Monitoring results

Some common questions of consideration are listed below..

Strengths

- What advantages does your organization have?
- What do you do better than anyone else?
- What unique or lowest-cost resources can you draw upon that others can't?
- What is your organization's Unique Selling Proposition

Weaknesses

- What could you improve?
- What should you avoid?
- What are people in your market likely to see as weaknesses?
- What factors lose you sales?

Opportunities

- What good opportunities can you spot?
- What interesting trends are you aware of?

Threats

- What obstacles do you face?
- What are your competitors doing?
- Are quality standards or specifications for your job, products or services changing?
- Is changing technology threatening your position?

Planning- Conclusion

Planning (also called forethought) is the process of thinking about a goal, and organizing the activities required to achieve the goal. It involves the creation and maintenance of a plan, such as psychological aspects that require conceptual skills.. In this context, planning is definitely a fundamental property of intelligent behavior.

Yet another important aspect of planning, is the relationship it holds to forecasting. Forecasting can be described as predicting what the future will look like, whereas planning predicts what the future should look like for multiple scenarios. A plan is like a map. When following a plan, a manager can always see how much he has progressed towards his project goal and how far he is from his destination.

In total, Planning increases the efficiency of an organization. The very concept of planning itself is to identify what the organization wants to do by using the four crucial questions., "Where are we today? Where are we going? Where do we want to go? How are we going to get there?..."

ORGANISING

"Organization involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision of authority, delegation and co-ordination."
Organization involves division of work among people whose efforts must be co-ordinated to achieve specific objectives and to implement pre-determined strategies.

Nature of Organising

From the study of the various definitions given by different management experts we get the following information about the characteristics or nature of organization,

Division of Work: Division of work is the basis of an organization. In other words, there can be no organization without division of work. Under division of work the entire work of business is divided into many departments .The work of every department is further sub-divided into sub- works. In this way each individual has to do the saran work repeatedly which gradually makes that person an expert.

Coordination: Under organizing different persons are assigned different works but the aim of all these persons happens to be the some - the attainment of the objectives of the enterprise. Organization ensures that the work of all the persons depends on each other's work even though it happens to be different. Everybody completes his work in time and does not hinder the work of others. It is in basic nature of an organization to establish coordination among different works, departments and posts in the enterprise.

Plurality of Persons: Organization is a group of many persons who assemble to fulfill a common purpose. A single individual cannot create an organization.

Common Objectives: There are various parts of an organization with different functions to perform but all move in the direction of achieving a general objective.

Well-defined Authority and Responsibility: Under organization a chain is established between different posts right from the top to the bottom. It is clearly specified as to what will be the authority and responsibility of every post. In other words, every individual working in the organization is given some authority for the efficient work performance and it is also decided simultaneously as to what will be the responsibility of that individual in case of unsatisfactory work performance.

Organization is a Structure of Relationship: Relationship between persons working on different posts in the organization is decided. In other words, it is decided as to who will be the superior and who will be the subordinate. Leaving the top level post and the lowest level post everybody is somebody's superior and somebody's subordinate. The person working on the top level post has no superior and the person working on the lowest level post has no subordinate.

Organization is a Machine of Management: Organization is considered to be a machine of management because the efficiency of all the functions depends on an effective organization. In the absence of organization no function can be performed in a planned manner. It is appropriate to call organization a machine of management from another point of view. It is that machine in which no part can afford tube ill-fitting or non-functional. In other words, if the division of work is not done properly or posts are not created correctly the whole system of management collapses.

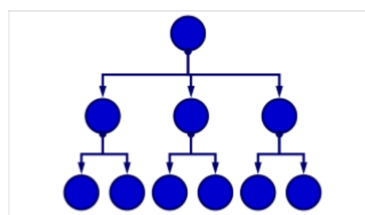
Organization is a Universal Process: Organization is needed both in business and non- business organizations. Not only this, organization will be needed where two or mom than two people work jointly. Therefore, organization has the quality of universality.

Organization is a Dynamic Process: Organization is related to people and the knowledge and experience of the people undergo a change. The impact of this change affects the various functions of the organizations. Thus, organization is not a process that can be decided for all times to come but it undergoes changes according to the needs. The example in this case can be the creation or abolition of a new post according to the need..

Span of Control in Management

Span of Control refers to the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization. Span of control is of two types:

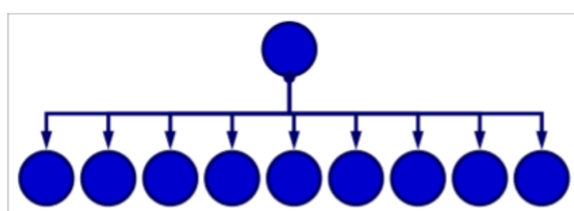
1. Narrow span of control: means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure.



Advantages:
- Close supervision
- Close control of subordinates
- Fast communication

Disadvantages:
- Too much control
- Many levels of management
- High costs
- Excessive distance between lowest level and highest level

2. Wide span of control: means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure.



Advantages:
- More Delegation of Authority
- Development of Managers
- Clear policies

Disadvantages:
- Overloaded supervisors
- Danger of superiors loss of control
- Requirement of highly trained managerial personnel
- Block in decision making

Factors Affecting Span of Control

- Capacity of Superior: Different ability and capacity of leadership, communication affect management of subordinates.
- Capacity of Subordinates: Efficient and trained subordinates affects the degree of span of management.
- Nature of Work: Different types of work require different patterns of management.
- Degree of Centralization or Decentralization: Degree of centralization or decentralization affects the span of management by affecting the degree of involvement of the superior in decision making.
- Degree of Planning: Plans which can provide rules, procedures in doing the work higher would be the degree of span of management.
- Communication Techniques: Pattern of communication, its means, and media affect the time requirement in managing subordinates and consequently span of management.
- Use of Staff Assistance: Use of Staff assistance in reducing the work load of managers enables them to manage more number of subordinates.
- Supervision of others: If subordinate receives supervision form several other personnel besides his direct supervisor. In such a case, the work load of direct superior is reduced and he can supervise more number of persons.

Authority & Responsibility

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 - 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. Authority should be accompanied with an equal amount of responsibility.
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 flows from bottom to top.
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’. Accountability, in short, means being answerable for the end result. Accountability can’t be escaped. It arises from responsibility.

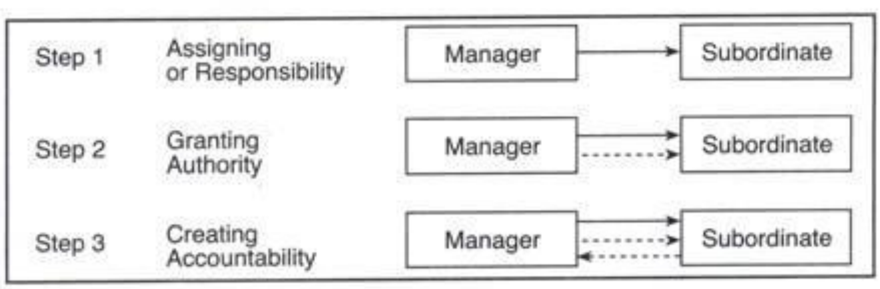
Steps in Delegation

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.



Principles of Delegation

1. **Principle of Functional Definition:** An organization is comprised of different functional departments, each contributing to the organizational goals and, in turn, has their specific objectives. Thus, clearly defined objectives of each department, the expected results, the specific activities to be performed and intradepartmental relationships help the manager to determine the requirements of that specific position.
2. **Principle of Result Expected:** Before actually delegating the authority to the subordinate, the manager must know the purpose of such delegation and the results expected from it. The goals, targets and the standard of performance must be clearly defined to direct the actions of the subordinate towards the accomplishment of a given task in a required manner. This principle helps in determining the authority to be delegated which is sufficient for completing the responsibility.
3. **Principle of Partity of Authority and Responsibility:** This principle states that the responsibility and the authority co-exists. This means, if the subordinate is assigned certain responsibility, he must be given some level of authority i.e. power to perform his responsibility. Thus, both the responsibility and the authority shall be clearly defined to the subordinate, so that he knows what he is required to do within the powers delegated to him.
4. **Principle of Unity of Command:** According to this principle, every subordinate should have a single supervisor from whom he gets the authority and to whom he is solely accountable. This means the subordinate should get the instructions from a single superior and perform those responsibilities as assigned by him. In case, if the subordinate is required to report to more than one boss, then there may be a conflict and delay in the managerial operations.
5. **Principle of Absoluteness of Responsibility:** This principle asserts that responsibility cannot be delegated. This means even after delegating the authority to the subordinate to perform certain tasks on the manager's behalf; the manager will be solely responsible for the doings of the subordinate. In other words, whatever actions being taken by the subordinate, the manager will be accountable to his senior. Thus, the responsibility is absolute and remains with the superior.
6. **The Scalar Principle:** There are clear lines of authority in the organization, i.e. who is under whom. This helps the subordinate to know, who delegates the authority to him and to whom he shall be accountable. Also to whom he shall contact in case things are beyond his control. Thus, this principle asserts, that there should be a proper hierarchy in the organization.
7. **Principle of Exception:** According to this principle, the subordinate shall be given complete freedom to perform his responsibilities under the purview of his authority. The manager should not interfere in between his work and must allow him to do even if he commits mistakes. But in some exceptional cases, the managers can interfere and even withdraw the authority delegated to the subordinate.

Thus, a manager must comply with all these principles of delegation of authority to ensure that the task is accomplished in a manner it was intended.

Organisation Structure

An organizational structure defines how activities such as task allocation, coordination and supervision are directed toward the achievement of organizational aims. It can also be considered as the perspective through which individuals see their organization and its environment.

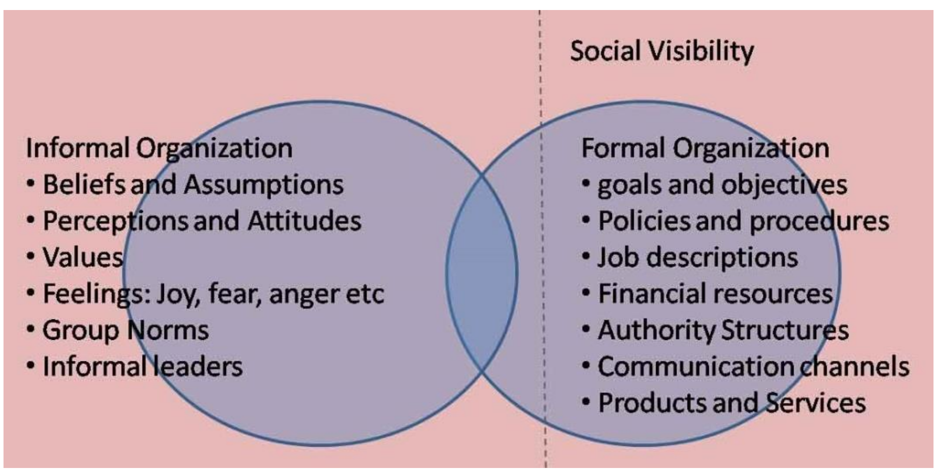
An organization can be structured in many different ways, depending on its objectives. The structure of an organization will determine the modes in which it operates and performs. Organizational structure allows the allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup and individual.

Organizational structure affects organizational action in two big ways:

- It provides the foundation on which standard operating procedures and routines rest.
- It determines which individuals get to participate in which decision-making processes, so as to determine the extent of their views in shaping the organization’s actions.

Formal and Informal Organisational Structures

Almost every company has a formal structure. Most organizations also have an informal structure as well. There are times when the informal structure conflicts with the formal structure, making it important to understand the particulars of both types. As a good manager, you should device proper Formal structures but should never disregard the Informal structures which can significantly add to the opportunities for your business and for your personal business success, when utilized strategically.



Formal Organisation: When the managers are carrying on organising process a specific organisational structure is created so as to achieve some sort of systematic working and efficient utilization of resources. This type of structure is known as formal organisational structure.

Formal organisational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior- subordinate relationship and the designation of every individual in the organisation. This structure is created intentionally by the managers for achievement of organisational goal.

Features of Formal organisation:
(1) The formal organisational structure is created intentionally by the process of organising.
(2) The purpose of formal organisation structure is achievement of organisational goal.
(3) In formal organisational structure each individual is assigned a specific job.
(4) In formal organisation every individual is assigned a fixed authority or decision-making power.
(5) Formal organisational structure results in creation of superior-subordinate relations.
(6) Formal organisational structure creates a scalar chain of communication in the organisation.

Advantages of Formal Organisation:

- Systematic Working: Formal organisation structure results in systematic and smooth functioning of an organisation.
- Achievement of Organisational Objectives: Formal organisational structure is established to achieve organisational objectives.
- No Overlapping of Work: In formal organisation structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.
- Co-ordination: Formal organisational structure results in coordinating the activities of various departments.
- Creation of Chain of Command: Formal organisational structure clearly defines superior subordinate relationship, i.e., who reports to whom.
- More Emphasis on Work: Formal organisational structure lays more emphasis on work than interpersonal relations.

Disadvantages of Formal Organisation:

- Delay in Action: While following scalar chain and chain of command actions get delayed in formal structure.
- Ignores Social Needs of Employees: Formal organisational structure does not give importance to psychological and social need of employees which may lead to demotivation of employees.
- Emphasis on Work Only: Formal organisational structure gives importance to work only; it ignores human relations, creativity, talents, etc.

Informal Organisation: In the formal organisational structure individuals are assigned various job positions. While working at those job positions, the individuals interact with each other and develop some social and friendly groups in the organisation. This network of social and friendly groups forms another structure in the organisation which is called informal organisational structure.

The informal organisational structure gets created automatically and the main purpose of such structure is getting psychological satisfaction. The existence of informal structure depends upon the formal structure because people working at different job positions interact with each other to form informal structure and the job positions are created in formal structure. So, if there is no formal structure, there will be no job position, there will be no people working at job positions and there will be no informal structure.

Features of informal organisation:
(1it gets created automatically without any intended efforts of managers.
(2) Informal organisational structure is formed by the employees to get psychological satisfaction.
(3) it does not follow any fixed path of flow of authority or communication.
(4) Source of information cannot be known as any person can communicate with anyon.
(5) The existence of informal organisational structure depends on the formal organisation structure.

Advantages of Informal Organisation:

- Fast Communication: Informal structure does not follow scalar chain so there can be faster spread of communication.
- Fulfills Social Needs: Informal communication gives due importance to psychological and social need of employees which motivate the employees.
- Correct Feedback: Through informal structure the top level managers can know the real feedback of employees on various policies and plans.

Disadvantages of Informal organisation:

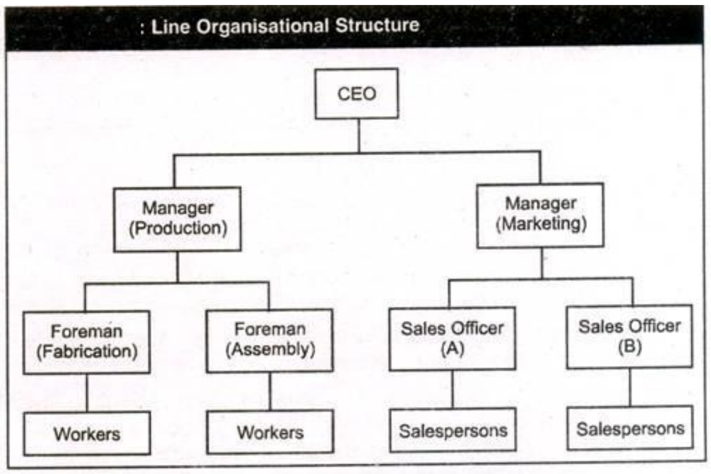
- Spread Rumours: According to a survey 70% of information spread through informal organisational structure are rumors which may mislead the employees.
- No Systematic Working: Informal structure does not form a structure for smooth working of an organisation.
- May Bring Negative Results: If informal organisation opposes the policies and changes of management, then it becomes very difficult to implement them in organisation.
- More Emphasis to Individual Interest: Informal structure gives more importance to satisfaction of individual interest as compared to organisational interest.

Types of Organisational Structures

The formal organisation in usually delineated by an organisational chart and job descriptions. The official reporting relationships are clearly known to every manager.
Alongside the formal organisation exists are informal organisation which is a set of evolving relationships and patterns of human interaction within an organisation that are not officially prescribed.
Formal organisational structures are categorised as:

- Line organisational structure.
- Staff or functional authority organisational structure.
- Line and staff organisational structure.
- Functional organisational structure.
- Divisional organisational structure.
- Project organisational structure.
- Matrix organisational structure and
- Freeform organisational structure.
- Virtual organisational structure.

Line Organisational structure: A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.



Features:
Has only direct vertical relationships between different levels in the firm.

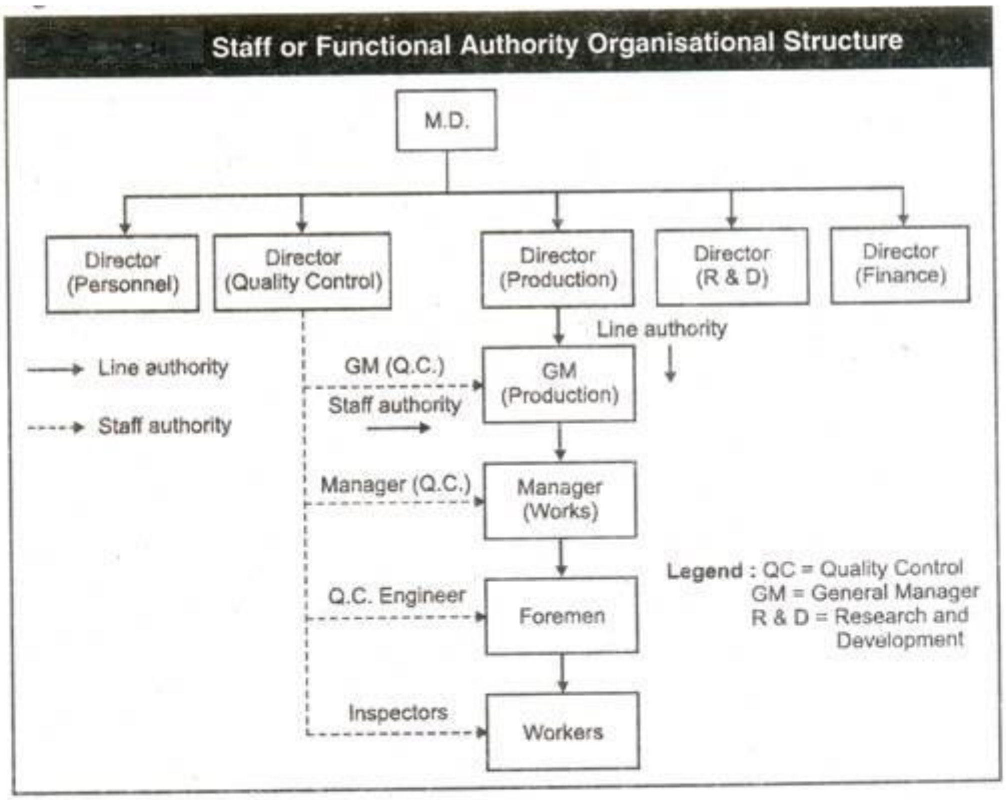
Advantages:
1. Tends to simplify and clarify authority, responsibility and accountability relationships
2. Promotes fast decision making
3. Simple to understand.

Disadvantages:
1. Neglects specialists in planning
2. Overloads key persons.

Staff or Functional Organisational structure: The jobs or positions in an organisation can be categorized as:

- Line position:a position in the direct chain of command that is responsible for the achievement of an organisation's goals and
- Staff position:A position intended to provide expertise, advice and support for the line positions.

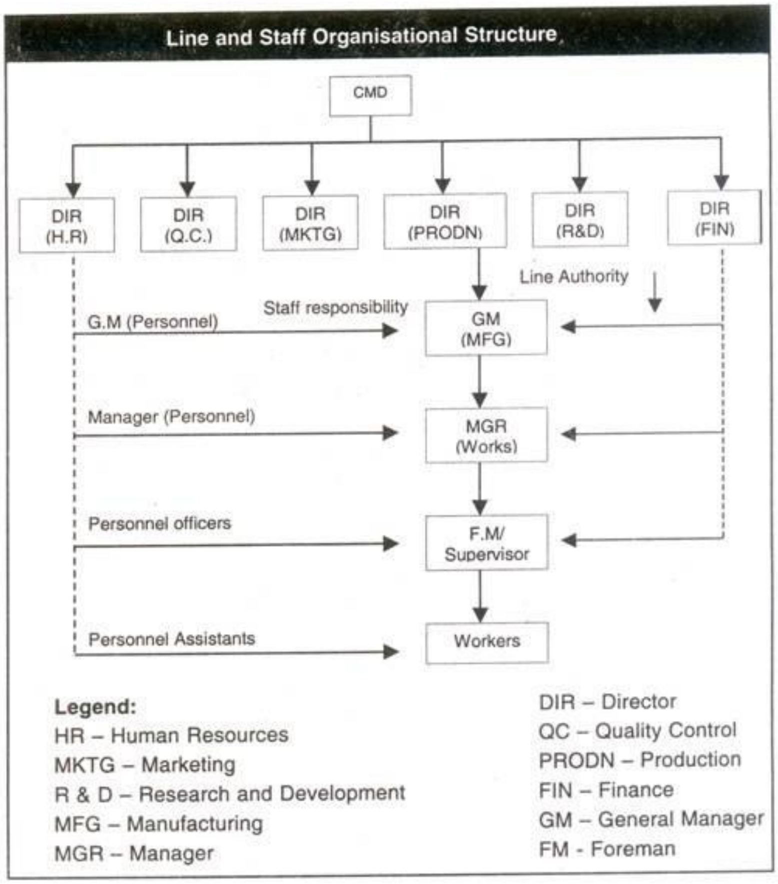
The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advice the line) over the line. This is also known as functional authority.
An organisation where staff departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation.



In the line organisation, the line managers cannot be experts in all the functions they are required to perform. But in the functional authority organisation, staff personnel who are specialists in some fields are given functional authority (The right of staff specialists to issue orders in their own names in designated areas). The principle of unity of command is violated when functional authority exists i.e., a worker or a group of workers may have to receive instructions or orders from the line supervisor as well as the staff specialist which may result in confusion and the conflicting orders from multiple sources may lead to increased ineffectiveness. Some staff specialists may exert direct authority over the line personnel, rather than exert advice authority (for example, quality control inspector may direct the worker as well as advise in matters related to quality).

Advantages: overcomes the issues of a pure line organisaional structure
Disadvantages:
1. the potential conflicts resulting from violation of principle of unity of command and
2. the tendency to keep authority centralized at higher levels in the organisation.

Line and Staff Organisational structure: Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).



In the figure above, the line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional organisational structure is replaced by staff responsibility so that the principle of unity of command is not violated.

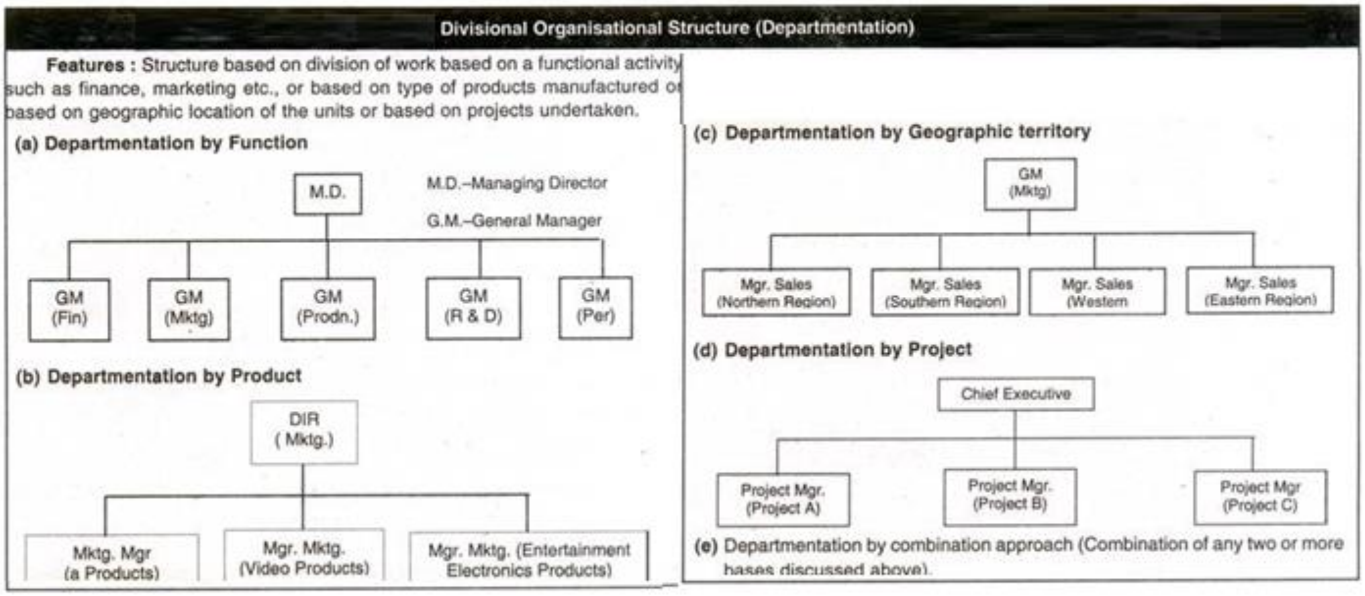
Advantages:
1. Committee decisions are better than individual decisions
2. Better interaction between committee members leads to better co-ordination of activities
3. Committee members can be motivated to participate in group decision making.
4. Group discussion may lead to creative thinking.

Disadvantages:
1. Committees may delay decisions, consume more time and hence more expensive.
2. Group action may lead to compromise and indecision.

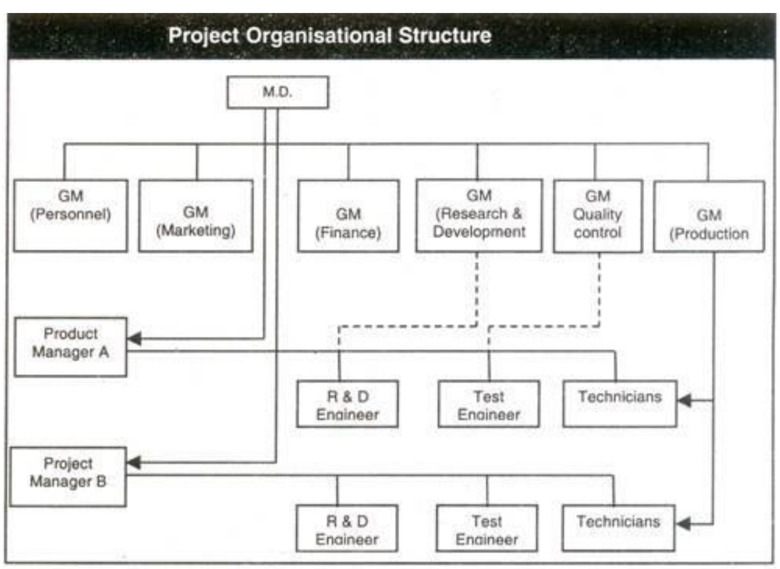
Divisional Organisational structure: In this type of structure, the organisation can have different basis on which departments are formed., like

- Function
- Product
- Geographic territory
- Project
- Combination approach.

Figure below illustrates organisational structures formed based on the above basis of departmentation.



Project Organisational structure: A project organisation is a temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The project team focuses all its energies, resources and results on the assigned project. Once the project has been completed, the team members from various cross functional departments may go back to their previous positions or may be assigned to a new project. Some of the examples of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc.
Temporary organisation designed to achieve specific results by using teams of specialists from different functional areas within the organisation.



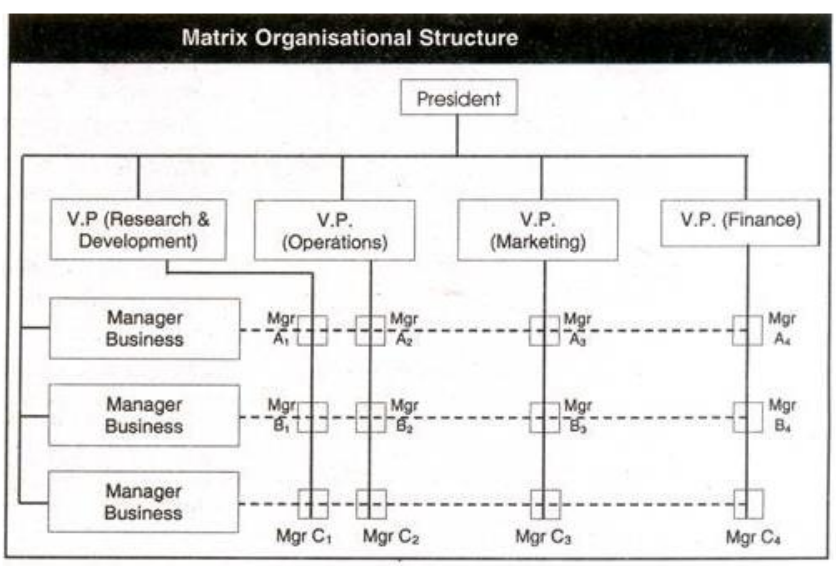
Project organisational structure is most valuable when:

- Work is defined by a specific goal and target date for completion.
- Work is unique and unfamiliar to the organisation.
- Work is complex having independent activities and specialized skills are required.
- Work is critical in terms of possible gains or losses.
- Work is not repetitive in nature.

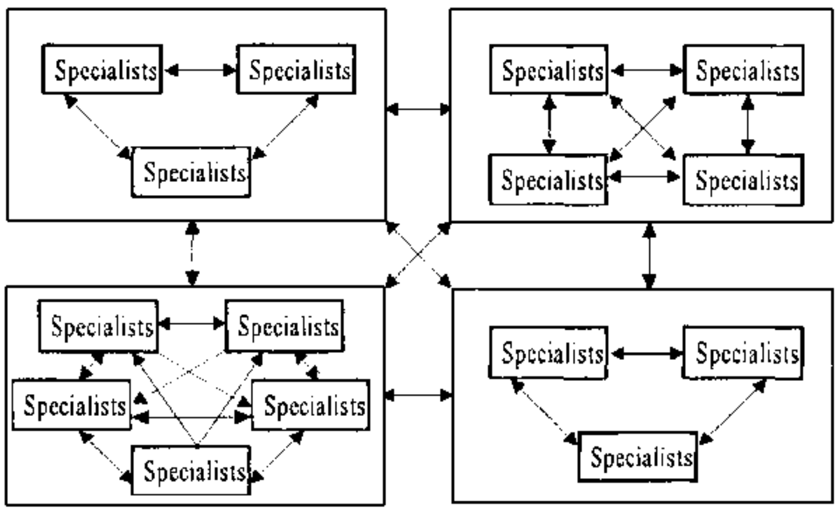
Matrix Organisational structure: It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.
This type of organisation is often used when the firm has to be highly responsive to a rapidly changing external environment. In a matrix organisation, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for efficient accomplishment is quite high.

Advantages:
1. Decentralised decision making.
2. Strong product/project co-ordination.
3. Improved environmental monitoring.
4. Fast response to change.
5. Flexible use of resources.
6. Efficient use of support systems.

Disadvantages:
1. High administration cost.
2. Potential confusion over authority and responsibility.
3. High prospects of conflict.
4. Overemphasis on group decision making.
5. Excessive focus on internal relations.

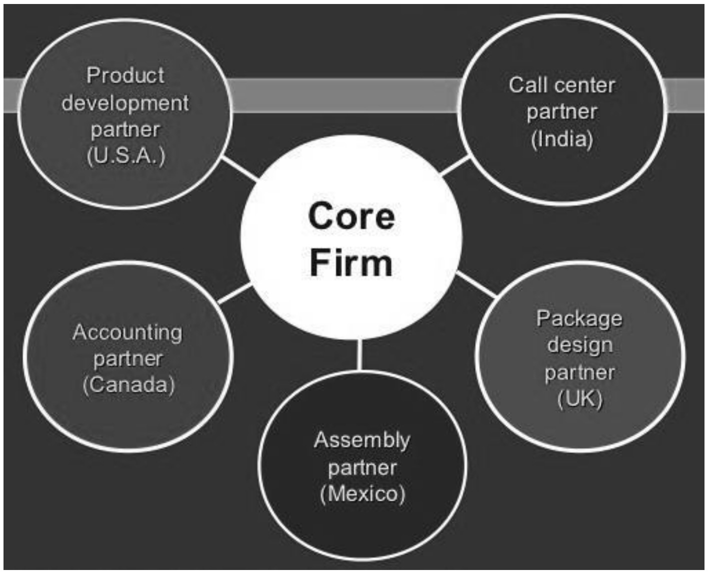


Freeform Organisational structure: also called Adhocratic structures or organic organization structures. They form managerial styles which do not depend upon formal structures. They are well suited for complex and non-standard work and rely on informal structures. Freeform structure is flexible, adaptive and organized around special problems to be solved by a group consisting of experts with diverse professional skills. These experts have decision making authority and other powers. The Structure is usually small, with an ill-defined hierarchy. Such a design is suitable for high technology and high growth organizations where an arranged and inflexible structure may be a handicap. Following Figure illustrates a freeform/adhocratic type of organizational structure.



Virtual Organisational structure: Virtual organization is defines a special form of boundaryless organization. The virtual organization as not physically existing as such, but enabled by software to exist. Virtual can be defined as "not physically existing as such but made by software to appear to do so", in other words “unreal but looking real”. This definition precisely outlines the leading principle of this unconventional organization, which holds the form of a real (conventional) corporation from the outside but does not actually exist physically. Thus, virtual organizations are centred on technology and position physical presence in the background. Virtual organizations possess limited physical resources as value is added through (mobile) knowledge rather than (immovable) equipment.

The virtual organization exists within a network of alliances, using the Internet. This means while the core of the organization can be small but still the company can operate globally and be a market leader in its function. Because of the unlimited shelf space of the Web, the cost of reaching these goods is falling dramatically. The individual sales may not be so huge in numbers, but many products can collectively make a significant profit, and that is what made highly innovative Amazon.com so successful.



Conclusion

Organizing is the managerial function of arranging people and resources to work toward a goal. 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. A good manager's challenge is to choose the best organizational form to fit the specific strategy and other situational demands.