

DEPARTMENT OF COMMERCE (CA)
Business Organization and Management (Semester-III)
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UNIT-IV

Organization – Process – Types of Organization Structure – Functional, Line, Line and Staff – Committees - Span of Control – Factors determining Span of Control.

Organization

Meaning

An organization refers to a structure in which people come together to attain some common goals. People feel that they can fulfil their needs more effectively when they become part of a group. In an organization, the individual goals are foregone for the group goals and the group goals are compromised for organizational goals so the maximum benefit can be derived by using limited available resources.

An organization is influenced by many external and internal factors. External factors include politics, country's economy, and legal rules and regulations; whereas internal factors include plans, objectives, and policies of an organization. Internal factors can be controlled by an organization; however, external factors are beyond the organization's control. An organization requires constant caution and adaptability to effectively manage situations arising due to such factors.

Definition

Louis Allen

Organization is the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives." In the words of Allen, organization is an instrument for achieving organizational goals. The work of each and every person is defined and authority and responsibility is fixed for accomplishing the same.

Nature of Organization

1. Common goal – The main reason for the existence of an organization is to accomplish some common goals. The structure of the organization is bound by a common purpose.

2. Division of labour – The work needed to accomplish the goals is divided into a number of functions and sub-functions. These, functions are organized in the form of departments. Each department is headed by a specialist. Such a division of function on specialty basis infuses specialisation.
3. Authority structure – There is an arrangement of positions into graded series. Such an arrangement creates a series of superior and subordinate relationships called chain of command. Authority and responsibility associated with various positions are defined.
4. Group – It is people who constitute the dynamic element of an organization. They work in groups in the various departments of an organization.
5. Communication – There is free flow of communication through various official channels among the people across various departments. Most of the communication is in a written form. However, grapevine communication is also in vogue.
6. Coordination – The diverse efforts of various functional departments are integrated towards the common objective through the process of coordination.
7. Environment – No organization is functioning in a vacuum. Social, political, economic and legal factors exert influence on the environment. Beside it is influenced by internal factors like materials, machines, level of technology, economic resources, human resources, etc.
8. Rules and regulations – Every organization is governed by a set of rules and regulations for the orderly functioning of people.

Process of organization

1. Review plans and objectives.

Objectives are the specific activities that must be completed to achieve goals. Plans shape the activities needed to reach those goals. Managers must examine plans initially and continue to do so as plans change and new goals are developed.

2. Determine the work activities necessary to accomplish objectives.

Although this task may seem overwhelming to some managers, it doesn't need to be. Managers simply list and analyse all the tasks that need to be accomplished in order to reach organizational goals.

3. Classify and group the necessary work activities into manageable units. A manager can group activities based on four models of departmentalization functional, geographical, product, and customer.

4. Assign activities and delegate authority.

Managers assign the defined work activities to specific individuals. Also, they give each individual the authority (right) to carry out the assigned tasks.

5. Design a hierarchy of relationships.

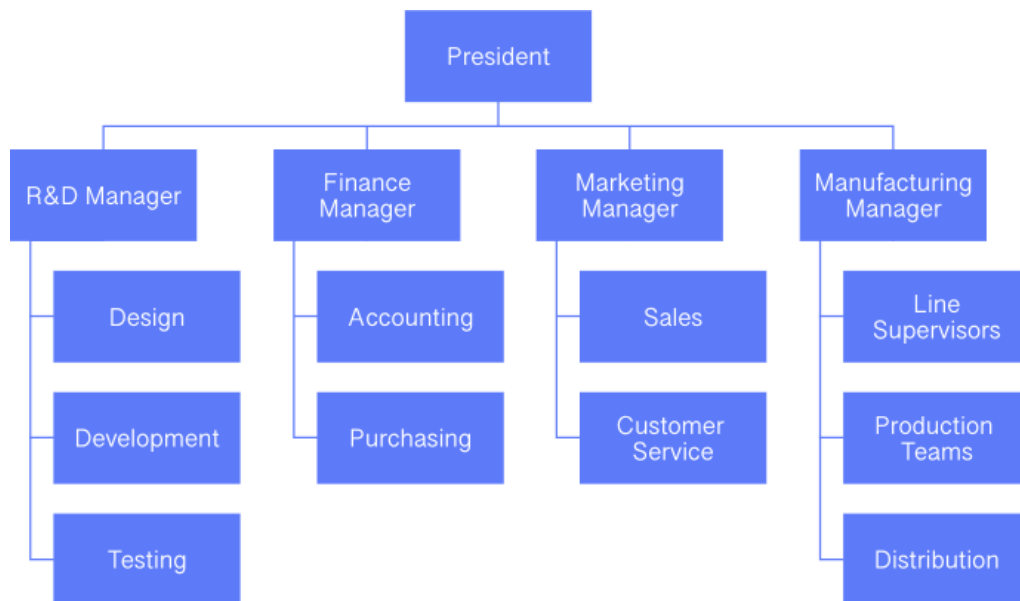
A manager should determine the vertical (decision-making) and horizontal (coordinating) relationships of the organization as a whole. Next, using the organizational chart, a manager should diagram the relationships.

Types of organizational structure

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

1. Functional Organization

A functional organizational structure is the most common of the three organizational structures adopted by most companies. Companies organized by function group employees according to their activities in the organization. Human Resources employees have their own HR department, for example, as do employees working in sales, marketing, finance and technical support. Organizing a company in this way has inherent advantages and disadvantages.



Functional organizational structure

Advantages

1. Specialization

The most obvious advantage of a functional organization is that grouping employees by specialization ensures a dependable level of departmental competence. This is particularly so for large organizations that have several functional levels within a department – a particular tech group that follows up on tech issues not resolved by the primary telephone tech support group, for example.

Membership in this group could require a bachelor's degree in computer science, a manager's recommendation and a minimum number of years of field experience. This ensures that support issues moved up to the follow-up group are handled by fully qualified personnel, which increases customer satisfaction and retention.

2. Operational Speed

A related benefit of this kind of organizational specialization is operational speed. By and large, a senior tech is going to handle a support problem faster than someone with less experience. There're probably going to train new staff members faster, too.

3. Operational Clarity

Segregating the workforce according to function clarifies organizational responsibility and allocation of tasks. This tends to eliminate duplication of assignments that waste time and effort and makes it easier for management to direct work to appropriate employees.

Disadvantages

1. Segregation

Having departments populated by employees specializing in specific work areas means that teams become siloed. Employees in different teams do not get the opportunity to meet and share perspectives, which can be harmful for the progress of the business in the long run.

2. Weakening of Common Bonds

Having a common organizational purpose improves employee morale and performance and is an important predictor of organizational success. When each group of specialists in a functional organization is relatively isolated, the common bond that emphasizes a single overarching organizational purpose is almost inevitably weaker than in an organization where different kinds of employees regularly interact.

3. Lack of Coordination

In a perfect functional organization, each group's tasks would require no input from other functional groups, but this is often not the case. As communication becomes increasingly dominant in organizations, isolated groups may underperform or even fail because they have no institutionally recognized way of communicating needs and issues to other functional groups that might have helped. In some instances, managers of other functional groups may not respond helpfully or in a timely way because "it's not our problem." By the time the need for cooperation has been established, the moment when cooperation would have been most effective may already have passed.

4. Territorial Disputes

A further disadvantage of a functional organization closely related to the failure of functional groups to cooperate with one another is the possibility of territorial disputes. These disputes may have to do with disagreements over goals, budgetary competition or any number of issues that stem from a clash of egos that occur when each department has its own separate functional structure or where a strong sense of a common purpose is lacking.

Line Organization

Meaning of Line Organization

Line organization is the basic framework for the whole organization. It represents a direct vertical relationship through which authority flows. This is the simplest and oldest, known as chain of command or scalar principle. The authority flows from top to the lower levels. Every person is in charge of all the persons under him and he himself is accountable to his superior only.

This organization is a vertical structure where one person delegates authority to his subordinate and who in turn delegates to his subordinate and so on. Authority flows vertically from top level person to all the persons responsible for the execution of work. Responsibility, on the other hand, flows upwards. Everybody is responsible for his work and is accountable to his boss.

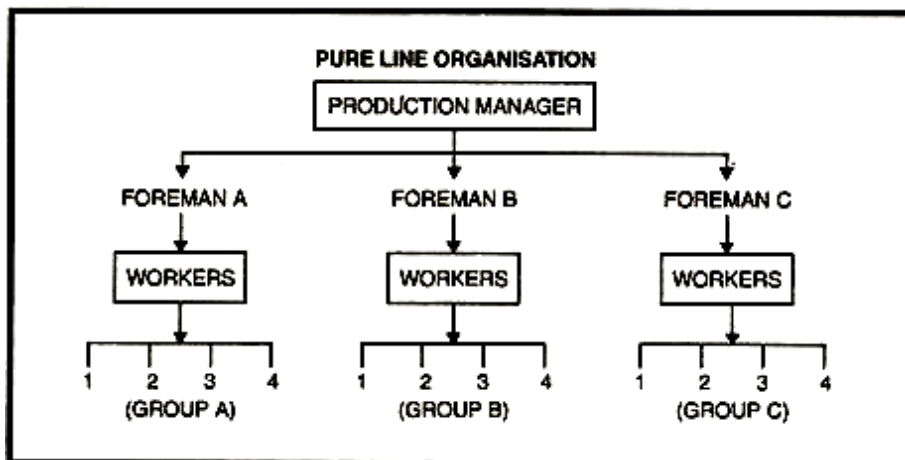
Since authority and responsibility flow in an ‘unbroken straight line, it is called line organization. In the words of J.M. Lundy, “It is characterised by direct lines of authority flowing from the top to the bottom of the organizational hierarchy and lines of responsibility flowing in an opposite but equally direct manner.”

This form of organization is followed in military establishments. The ‘Commander-in-Chief is at the top with various other officers at the lower levels. The officers at downward positions derive authority from the top. The modern military organizations do not entirely rely on line organization. They have staff wings like intelligence, medical and so on.

Types of Line Organization

(a) Pure Line Organization

In pure line organization all persons at a given level perform the same type of work. The divisions are solely for the purpose of control and direction. The departmental divisions are made only for the sake of convenience and control. All workers perform the same type of work.



(b) Departmental Line Organization

The departmental type of line organization divides the enterprise into different departments which are convenient for control purposes. There is a unity of control and line of authority flows from top to the bottom. The whole organization is put under the overall control of Chief Executive who may be called by the name of General Manager. Different departments are put under the control of Departmental Managers.

Departmental managers get orders directly from the General Manager. The managers are not dependent upon each other. Every department has its own line of organization. There may be deputy managers, supervisors, workers in every department. The deputy managers get orders from the departmental manager and in turn pass them on to the supervisors.

The orders ultimately reach the workers who actually execute them. Various departmental managers are equal to each other in status and authority. They do not exchange instructions with each other. Any communication between them is routed through their immediate boss. The following figure explains the departmental line of organization.

Merits of Line Organization

1. Simplicity

Line organization is simple to establish and can be easily understood by the employees. There is no complexity in the organization because every person is accountable to only one boss. Everybody knows his work and also to whom he is responsible. So it can be operated simply and clearly.

2. Identification of Authority and Responsibility

Line organization helps in fixing authority and responsibility of each and every person in the organization. The authority is given with reference to the assignment of task. The authority should be commensurate with the work assigned. The allocation of work will also help in fixing responsibility of various individuals. So line organization enables the fixation of authority and responsibility.

3. Co-Ordination

The hierarchy in management helps in achieving effective co-ordination. The general manager is in-charge of all the departments and he can easily co-ordinate the work of various departments. At departmental level manager is in charge and he can direct the activities of his juniors.

4. Effective Communication

The chain of command goes from top to bottom. There is a direct link between the superior and his subordinate, both can communicate properly among themselves. The reactions of subordinates also reach top management in a short span of time.

5. Economical

Line organization is easy to operate and less expensive. There are no staff personnel to advice

line officers. Line officers take their own decisions without looking to specialized personnel. This greatly reduces the establishment cost.

6. Quick Decisions

Only one person is in charge of a department or division. He has to take various decisions by himself. There are no staff personnel for consultation too. This enables a manager to take prompt decisions. If a decision-making process involves the consultation of a number of persons, then there are likely to be delays in deciding things. In line organization only departmental head is required to take decisions and he will not waste time in deciding things.

7. Unity of Command

In line organization every person is under the command of one boss only. This type of organization is in accordance with the principle of scalar chain.

8. Effective Control and Supervision

The number of subordinates is limited under line organization. The superior can exercise effective control and supervise over the persons under him. There is a direct link between superior and subordinates. This also helps in having better control because the subordinates will be under constant watch.

9. Executive Development

Under this system the departmental head is involved in taking and executing various decisions. His task is challenging and he is expected to discharge his responsibility in an efficient way. This helps an executive to learn many things and develop his capabilities.

10. Flexibility

Since the manager has to take all important decisions, he can make changes if new situation warrants. He need not to waste time in getting instructions from above. He can take a decision according to the requirements of the situation.

Demerits of Line Organization

1. Excess Work

In line organization too much is expected from executives. They are expected to take numerous decisions and supervise the work of subordinates under them. The work load of executives goes on increasing with the expansion and diversification of the unit. The line officer cannot devote sufficient time to each and every work and are over loaded with responsibilities.

2. Lack of Specialization

The lack of managerial specialization is the demerit of line organization. The line officers cannot be experts in every line of business. Since they are to take decisions with regard to every aspect of business, the quality of decisions may suffer. The officers will have to depend heavily on subordinates for advice.

3. Lack of Co-ordination

There is a lack of co-ordination among various departments. All departmental heads try to run

the departments in their own way and according to their suitability. There may be a lack of operational uniformity among various departments. This may become the reason for lack of co-ordination among different departments. This may become the reason for lack of co-ordination among different departments.

4. Improper Communication

The ultimate authority for taking all decisions lies with line officers. The line officers may become autocratic and start deciding things without consulting their subordinate. The subordinates start keeping distance from the superiors. The decisions are implemented without comments even if these appear to be detrimental to the interests of the organization. The subordinates do not convey their reactions or the reactions of workers to the superiors. The lack of communication creates many problems for the smooth conduct of business.

5. Lack of Initiative

In line organization final decision-making is taken by the top management. The lower level officials do not show initiative in suggesting new things. They feel that their suggestions may not carry weight with their superiors so they avoid taking any type of initiative.

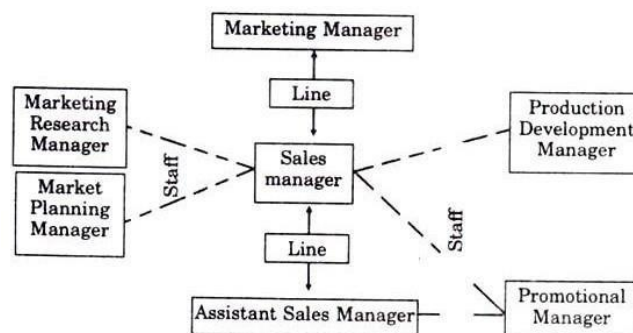
Line and Staff Organization

The line system focuses excessively on authority, and the functional organization divides the firm into departments. This is where we come up with a perfect combination to avoid these limitations, i.e. the line and staff organization structure.

In a line and staff organization structure, both the line managers and the staff have their own important roles to play. In this structure, the authority flows from the top down.

The line manager is the one in charge. He is the one with the authority to make all the important decisions of the company. And he is also responsible for these decisions and the performance of his employees. he staff is the experts in this scenario. They have the knowledge and expertise of their field and are there to assist their line managers. They have an advisory role in the firm.

But since they do not have authority over the line managers, the line managers can choose to take their advice or ignore it. So, the main objective of the staff is to come up with solutions to problems. They help the line manager in attaining the company's objectives and goals.



Line and Staff Organization

Merits of Line and Staff Organization

1. One of the main advantages is that the line executives receive expert advice from the staff. The staff has expertise on the matter, and the line executives can greatly benefit from this advice. So they can leave the planning and research to the staff and concentrate on the execution of the plan.
2. There is the benefit of specialization in this system. The whole organization is planned in such a way that the work is divided according to specialization.
3. This concentration of authority also helps with better and more efficient decision making.
4. They have the tools to take a more balanced decision. This results in better coordination in the organization.
5. There is also a lot of scope for growth of employees in a line and staff organization. It gives each individual the freedom to grow and flourish in their own specialty.

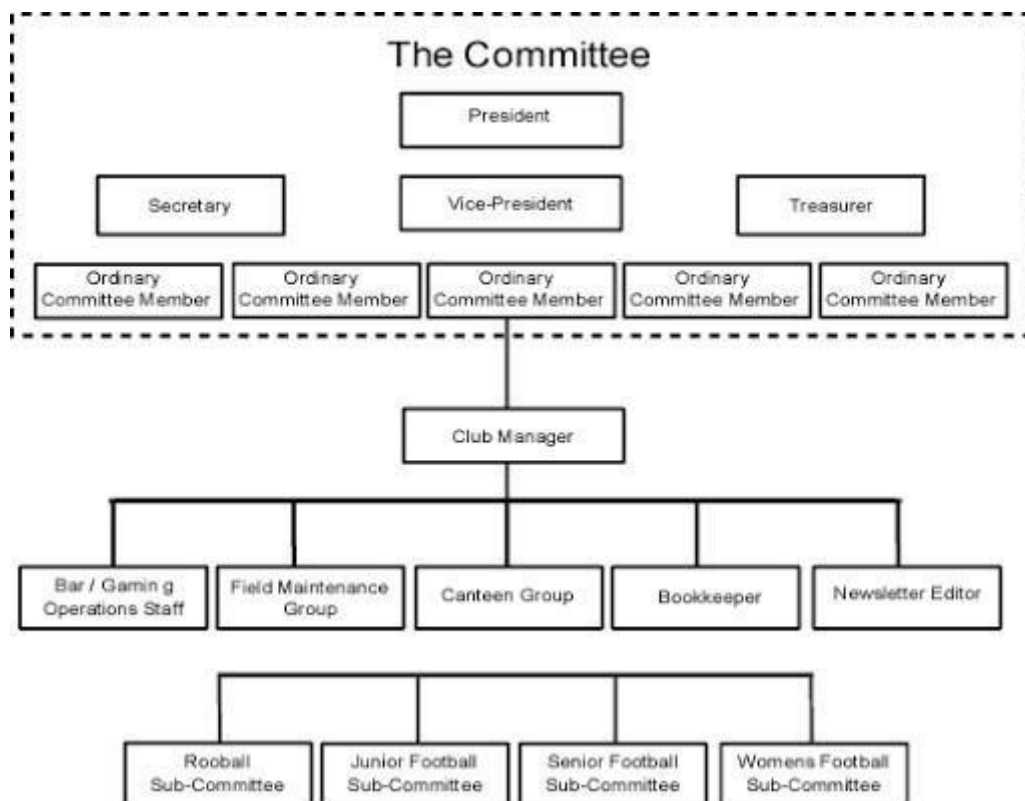
Demerits of Line and Staff Organization

1. There is a dual authority in a line and staff organization. So this may confuse the employees when it comes to following instructions and reporting. It can create certain communication issues in the firm.
2. There are sometimes conflicts between the line executives and the staff managers. They could have a difference of opinions. This can prevent the harmonious relations between the two and cause an imbalance in the company.
3. Sometimes the expert advice given by the staff is misunderstood or misinterpreted by the line executives.
4. The staff and line system are costlier than a simple line or functional organization. The staffing specialist has a high remuneration cost generally.

Committee Organization

A number of persons may come together to take a decision, decide a course of action, advise line officers on some matters, it is a committee form of organization. It is a method of collective thinking, corporate judgment and common decision. A committee may be assigned some managerial functions or some advisory or exploratory service may be expected from it. A committee is not a separated type of organization as such. But it is a method of attaching persons or groups to line departments for advice and guidance in business planning and execution. A group of competent and interested persons pool their thoughts for facilitating decision making process.

Sometimes there is a need to get opinion of other persons for taking important decisions. The thinking of varied persons is pooled together through deliberations and discussions and common decisions are reached. Because of collective information and analysis, committees are more likely to come up with solutions to complex problems. With the growth of organization, the need for committee is more.



Need for Committees

1. The committees provide a forum for exchanging ideas among organizational members.
2. The exchange of ideas among members may generate some suggestions and recommendations which may be useful for the organization.
3. There can be proper discussion on present problems and efforts are made to find solutions.
4. The committees may also be needed in establishing and developing organizational policies.

Types of Committees

1. Formal and Informal Committees

If a committee formed as a part of organization structure and is delegate some duties and authority, it is a formal committee and informal committee may be formed to tackle some problem, manager may call some experts to help him in analysing a problem and suggesting a suitable solution. The chief executive may call a meeting of departmental heads and some experts to find out a solution to some problem. In both the cases it is a case of an informal committee.

2. Advisory Committees

These are the committees to advice line heads on certain issues. Line officers may refer some problems or issues to a committee for advice. The committee will collect information about the problem and recommend solution for the same. The line officers have the powers to accept, modify or reject the suggestions of advisory committees. These committees have no managerial powers and cannot exert their views on the line executives.

3. Line Committees

There may be committees with managerial powers. Instead of giving work to one person it may be assigned to a number of executives. The committees having administrative powers are called line or plural committees. Line committees help in planning company policies and programmes and organizing efforts at fulfilment of these plans, etc. These committees also direct and control the activities of employees for achieving organizational goals.

Advantages

1. Pooling of Opinions

The members of committees come from different background and areas of expertise and have different viewpoints and values. When persons with varied abilities sit together and discuss a problem, various aspects of the case are highlighted and pros and cons are assessed. The pooled opinion will help in taking a realistic view of the problem.

2. Better Co-Ordination

Committee form of organization brings more co-ordination among different segments of the organization when representatives of different departments sit together, they understand and appreciate the difficulties faced by others. This type of frank discussions help on fixing the targets of different departments and better co-ordination is achieved through this type of decision making.

3. Balancing of Views

This type of organization helps in balancing the views expressed by different persons. There is a tendency to over emphasize the aspects of one's own department by ignoring the inter dependent character of problems of different departments. A committee helps to bring out an agreed view of the problem by taking into account divergent views expressed in such meetings.

4. Motivation

The committees consist of managers as well as subordinates. The views of subordinates are given recognition and importance. It gives them encouragement and makes them feel as an integral part of decision-making process. Such committees boost the morale of subordinates and motivate them to improve their performance.

5. Dispersion of Power

The concentration of power in few persons may lead to misuse of authority and wrong decisions. By spreading powers among committee members this problem can be solved.

6. Better Acceptance of Decisions

The decisions taken by committees are better accepted by subordinates. The decisions of an individual may be autocratic whereas committees decide in wider perspective of organization. Since various shades of people are represented in committees, these decisions are better accepted.

7. Better Communication

It is a better forum for discussing matters of mutual interest and reaching certain conclusions. These decisions can be properly communicated to subordinates through committee members. The members will transmit correct and authentic information and also convey the background

of taking those decisions.

8. Executive Training

Committees provide a good forum for training executives. They learn the value of interaction, group dynamics and human relations. They are exposed to various view points and learn the art of reaching decisions and solving organizational problems.

Disadvantages

1. Delay

The main drawback of committee form of organization is delay in taking decisions. A number of persons express their view points in meetings and a lot of time is taken on reaching a decision. The fixing of committee meetings is also time consuming. An agenda is issued and a convenience date is fixed for the meeting. The decision-making process is very slow and many business opportunities may be lost due to delayed decisions.

2. Compromise

Generally, efforts are made to reach consensus decisions. The view point of the majority is taken as a unanimous decision of the committee. The thinking of the minority may be valid but it may not be pursued for singled out. They may accept less than an optimal solution, because of a fear that if their solution proves wrong then they will be blamed for it.

3. No Accountability

No individual accountability to be fixed if these decisions are bad. Every member of the committee tries to defend himself by saying that he solves a different solution. If accountability is not fixed then it is the weakness of the organization.

4. Domination by Some Members

Some members try to dominate in the committee meetings. They try to thrust their view point on others. The aggressiveness of some members helps them to take majority with them and minority view is ignored. This type of decision making is not in the interest to the organization.

5. Strained Relations

Sometimes relations among committee members or with others become strained. If some members take divergent stands on certain issues, some may feel offended. In case some issue concerning other persons is discussed in a committee and members taking stand not liked by those persons may offend them. The discussions in the meetings are generally leaked to other employees. Some unpleasant decisions may not be liked by those who are adversely affected. It affects relations of employees not only on the job but at personal level also.

6. Lack of Effectiveness

The role of committees is not effective in all areas. The committees may be useful where grievance redressal or inter personal departmental matters are concerned. Committees may not be effective where policies are to be framed and quick decisions are required. Individual initiative will be more effective in these cases. So, committees have a limited role to play.

Span of Control

The concept of "span of control," also known as management ratio, refers to the number of subordinates controlled directly by a superior. It is a particularly important concept for small business owners to understand because small businesses often get into trouble when the founder ends up with too wide a span of control.

Definition

The **Span of Control** refers to the number of subordinates who report directly to a manager.

Factors Determining Span of Control

1. **Capacity of Superior** Here the capacity means the ability of a superior to comprehend the problems quickly and get up with the staff such that he gets respect from all. Also, the communication skills, decision-making ability, controlling power, leadership skills are important determinants of supervisory capacity. Thus, a superior possessing such capacity can manage more subordinates as compared to an individual who lack these abilities.
2. **Capacity of Subordinate** If the subordinate is trained and efficient in discharging his functions without much help from the superior, the organization can have a wide span. This means a superior can manage a large number of subordinates as he will be required just to give the broad guidelines and devote less time on each.
3. **Nature of Work** If the subordinates are required to do a routine job, with which they are well versed, then the manager can have a wider span. But, if the work is complex and the manager is required to give directions, then the span has to be narrower. Also, the change in the policies affects the span of management. If the policies change frequently, then the manager needs to devote more time and hence the span would be narrow whereas if the policies remain stable, then a manager can focus on a large number of subordinates. Likewise, policies technology also plays a crucial role in determining the span.
4. **Degree of Decentralization** If the manager delegates authority to the subordinates then he is required to give less attention to them. Thus, higher the degree of decentralization, the wider is the span of management. But in case, subordinates do not have enough authority, then the manager is frequently consulted for the clarifications, and as a result superior spends a lot of time in this.
5. **Planning** If the subordinates are well informed about their job roles, then they will do their work without consulting the manager again and again. This is possible only because of the standing plans that they follow in their repetitive decisions. Through a proper plan, the burden of a manager reduces manifold and can have a wider span of management.
6. **Staff Assistance** The use of staff assistance can help the manager in reducing his workload by performing certain managerial tasks such as collecting information, processing communications and issuing orders, on his behalf. By doing so, the managers can save their time and the degree of span can be increased
7. **Supervision from Others** The classical approach to the span of management, i.e., each person should have a single supervisor is changing these days. Now the subordinates are being supervised by other managers in the organization such as staff personnel. This has helped the manager to have a large number of subordinates under him.
8. **Communication Techniques** The mode of communication also determines the span of

management. If in the manager is required to do a face-to-face communication with each subordinate, then more time will be consumed. As a result, the manager cannot

have a wider span. But in case, the communication is in writing and is collected through a staff personnel; the manager can save a lot of time and can have many subordinates under him.

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