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

Delegation of Authority – Principles - Elements and Problems in Delegation – Decentralization – Departmentation- Bases of Departmentation - Leadership – Types of Leaders – Leadership Qualities – Control Nature and Process.

Delegation of Authority

The delegation of authority is the process by which a manager divides and assigns work to his subordinates. The manager himself only performs the tasks that require his special talents and expertise.

The rest of the work and its responsibility he will divide and delegate to his subordinates. Along with the responsibilities the manager will also share the authority, i.e. the power that enables the subordinates to carry out the tasks.

In the delegation of authority, the sharing of authority is downwards in the management structure. The manager cannot accomplish all tasks by himself, so he assigns the responsibilities to his subordinates.

This will reduce the work burden of the manager. The manager will not give up all his authority, he will only delegate that much authority that the subordinate can fulfill his responsibilities and accomplish his tasks efficiently.

Principles of Effective Delegation

1. Defining the Function

Before actually delegating the authority, the manager should clearly define the scope and the extent of the tasks to the subordinate. The subordinate should be aware of the tasks he has to perform, the activities he must oversee, their relationship with the other jobs and their importance. This will help him perform the taskbetter.

2. Defining the Results

Before delegating the authority, the manager should discuss with his subordinates the results he expects from this task. This, will allow the subordinates to understand the standard of work and the level of results expected from them. And then accordingly the authority must be delegated.

3. Balance of Authority with Responsibility

They should be parity between the responsibility and the authority delegated to the subordinate for effective delegation. If there is no authority to carry out his responsibilities, he will be unable to carry out his tasks. And only the delegation of authority without any responsibility will make him irresponsible and ineffective.

4. Absoluteness of Responsibility

Even after delegating the authority to his subordinates, the manager remains responsible for their work and performance to his superiors. And the subordinates are responsible for their work to their superiors as well.

5. Unity of Command

In an organization, there must always be a unity of command. So, at any given time, there must be only one superior for every subordinate. If one subordinate receives instructions and orders from more than one superior it will lead to confusion and conflict. He may have to pick who to listen to and it may lead to divided loyalties.

6. Defining the Limits of Authority

Another point to note is that the manager must ensure that all the subordinates have well-defined authority. So, we can avoid any overlapping of authority which enables the subordinate to carry out his work efficiently. And if there is work outside this scope of authority, the subordinate must refer this work to his superiors. Also, managers at each level of the organization should make use of their authority. They must avoid referring to their superiors for matters that come under their authority. Only matters outside of their scope must be referred to as upper-levelmanagement.

7. Authority level principle

Managers at each and every level should try to make his own decision and avoid referring to his superior's decision all the time and try to make their decision which they are authorized to. Only if the decisions are out of their scope, they should refer to their superiors.

Elements of Delegation of Authority

1. Responsibility

A manager will assign some specific work or task to his subordinate. Thus, he is assigning his team-member or subordinate with some responsibilities. It is not the job of this subordinate to work efficiently and use his mental and physical capacity to accomplish the task and hence fulfill his responsibility. So, a manager can only assign these responsibilities to his subordinates. If he fails to carry out the tasks correctly then the blame falls on the manager himself. This means in an organization responsibility flows upwards.

2. Authority

Now if the subordinate has to fulfill his responsibility he will need the tools to do so. One of these tools is the authority that comes with responsibility. This is the power to take certain decisions in order to accomplish tasks. So, when the manager will delegate the work, he also delegates the authority. This will allow the subordinates to take independent decisions needed to finish the tasks efficiently and in a timely manner. One point to note is that the authority must be equal to responsibility. The authority must be sufficient to complete the work efficiently. And in the organizational structure authority also increases as we go up the chain of command, i.e. flows upwards.

3. Accountability

Once the manager delegates the work and the authority, he needs to check on the work of his subordinates. He is accountable for the work done by his subordinates. Unlike authority, accountability cannot be delegated. So, the incapability of the subordinate to complete the task satisfactorily will be the manager's fault.

Importance of Delegation

1. Effective management

In the delegation process managers pass routine work to the subordinates. So they are free to concentrate on other important matters. The main job of managers is to get the work done effectively and by delegating the authorities and responsibilities managers can get the work done effectively and efficiently from the subordinates.

2. Employees' Development

As a result of delegation employees get more opportunities to utilise their talents. It allows them to develop those skills which help them to perform complex task. Delegation help in making better future managers by giving them chance to use their skills, gain experience of work related to higher job position.

3. Motivation of employees

In the delegation when the manager is sharing his responsibilities and authority with the subordinates it motivates the subordinates as they develop the feeling of belongingness and trust which is shown to them by their superiors. Some employees can be motivated by such kind of non-financial incentives.

4. Facilitates organizational growth

In the process of delegation when the managers are passing their responsibility and authority to the subordinates, they keep in mind the qualification and capability of all the subordinates. This leads to division of work and specialisation which is very important for organizational growth.

5. Basis of Management Hierarchy

Delegation establishes superior-subordinate relationship which is the base for hierarchy of managers. The extent of power delegated to subordinates decides who will report to whom, and the power at each job position forms the Management Hierarchy.

6. Better Coordination

In delegation systematically responsibility and authority is divided and employees are made answerable for non-completion of task. This systematic division of work gives clear pictures of work to everyone and there is no duplication of work clarity in duties assigned and reporting relationship brings effective coordination in the organization.

7. Reduces the work load of managers

In the process of delegation, the managers are allowed to share their responsibilities and work with the subordinates which help the managers to reduce their work load. With the process of delegation, the managers can pass all their routine work to the subordinates and concentrate on important work. Without delegation managers will be overburdened with the work.

8. Basis of superior-subordinate relationship

In the delegation process only two parties are involved that is superior and subordinate. If superiors share or pass their responsibilities and authorities to the subordinates it indicates good relationship between the superior and subordinate because superiors will transfer their responsibility and authority to their subordinates only when they have trust in them. So, delegation improves the relations between superiors and subordinates.

Problems in Delegation

1. Over Confidence of Superior

The feeling in a superior that only he can do certain work effectively than others is the main difficulty in delegation. When a manager is of the opinion that his subordinates will not be able to make proper decisions then he will concentrate all powers with him and will not like to delegate his authority. This may not be due to the incompetence of subordinates but due to the over- confidence of a superior.

2. Lack of Confidence in Subordinate

The superior may be of the view that subordinates are not competent to carry out certain things of their own. He may lack confidence in his subordinates. Under these (Circumstances superior will hesitate to delegate authority.

3. Lack of Ability in Superior

A superior may lack the ability to delegate authority to subordinates. The manager may not be able to identify the areas where delegation is required. He may not even be able to chalk out the proper process of delegation. The lack of competence on the part of superior restricts the delegation of authority.

4. Lack of Proper Controls

There may not be proper controls in the organization which help the manager to keep in touch with performance of subordinates. When certain controls like budgets, standard costs etc., are there then manager can exercise adequate control over the performance of his subordinates. In the absence of such techniques he will not be able to judge the performance of his subordinates. Since he will not be able to exercise control, he will not like to delegate authority.

5. Lack of Proper Temperament of Superior

The chief executive may be over-cautious or conservative by nature. He will not like to take the risk of delegating authority. His fear will always be that something may not go wrong. The executives with this type of temperament will hesitate to delegate authority. An element of risk cannot altogether be ruled out but certain risk will have to be taken. The subordinates will learn only when given a chance to take independent decisions. A lack of proper temperament of superior may also act as a barrier in delegation.

6. Inability of Subordinates

There may also be shyness on the part of subordinates in assuming additional responsibility. They may avoid botheration accruing from delegation of authority. The fear of committing mistakes or lack of confidence on the part of subordinates may also act as a barrier in delegation of authority.

Decentralization

Meaning

Decentralization can be viewed as an extension of delegation. When a part of the work is entrusted to others, it is known as delegation. Decentralization extends to the lowest level of the organization.

Definitions

"Decentralization refers to tire systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points." —Louis A. Allen

"Decentralization means the division of a group of functions and activities into relatively autonomous units with overall authority and responsibility for their operation delegate to timd of cacti unit.'—Earl. P. Strong

"Decentralization is simply a matter of dividing up the managerial work and assigning specific duties to the various executive skills."

—Newman, summer and Wairen

Degree of Decentralization

The degree of Decentralization is determined by

(a) Nature of the authority delegated,

(b) How far down in the organization it is delegated,

(c) How consistently it is delegated.

Advantages

1. Reduces the burden on top executives

Decentralization relieves the top executives of the burden of performing various functions. Centralisation of authority puts the whole responsibility on the shoulders of an executive and his immediate group. This reduces the time at the disposal of top executives who should concentrate on other important managerial functions. So, the only way to lessen their burden is to decentralise the decision-making power to the subordinates.

2. Facilitates diversification

Under decentralization, the diversification of products, activites and markets etc., is facilitated. A centralised enterprise with the concentration of authority at the top will find it difficult and complex to diversify its activities and start the additional lines of manufacture or distribution.

3. To provide product and market emphasis

A product loses its market when new products appear in the market on account of innovations or changes in the customers demand. In such cases authority is decentralised to the regional units to render instant service taking into account the price, quality, delivery, novelty, etc.

4. Executive Development

When the authority is decentralised, executives in the organization will get the opportunity to develop their talents by taking initiative which will also make them ready for managerial positions. The growth of the company greatly depends on the talented executives.

5. It promotes motivation

To quote Louis A. Allen, "Decentralization stimulates the formation of small cohesive groups. Since local managers are given a large degree of authority and local autonomy, they tend to weld their people into closely knit integrated groups." This improves the morale of employees as they get involved in decision-making process.

6. Better control and supervision

Decentralization ensures better control and supervision as the subordinates at the lowest levels will have the authority to make independent decisions. As a result they have thorough knowledge of every assignment under their control and are in a position to make amendments and take corrective action.

7. Quick Decision-Making

Decentralization brings decision making process closer to the scene of action. This leads to quicker decision-making of lower level since decisions do not have to be referred up through the hierarchy.

Disadvantages

1. Uniform policies not Followed
Under Decentralization, it is not possible* to follow uniform policies and standardised procedures. Each manager will work and frame policies according to his talent.

2. Problem of Co-Ordination

Decentralization of authority creates problems of co-ordination as authority lies dispersed widely throughout the organization.

3. More Financial Burden

Decentralization requires the employment of trained personnel to accept authority, it involves more financial burden and a small enterprise cannot afford to appoint experts in various fields.

4. Require Qualified Personnel

Decentralization becomes useless when there are no qualified and competent personnel.

5. Conflict

Decentralization puts more pressure on divisional heads to realize profits at any cost. Often in meeting their new profit plans, bring conflicts among managers.

Departmentation

Meaning

Departmentation is the foundation of organization structure, that is, organization structure depends upon departmentation. Departmentation means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features.

As the organization grows in size, the work is divided into units and sub-units. Departments are created and activities of similar nature are grouped in one unit. Each department is headed by a person known as departmental manager.

Departmentation, thus, helps in expanding an organization and also promotes efficiency by dividing the work on the basis of specialisation of activities and appointing people in various departments on the basis of their specialised knowledge.

Definition

Louis A. Allen

"Divisionalisation is a means of dividing the large and monolithic functional organization into smaller, flexible administrative units".

Pearce and Robinson

"Departmentalisation is the grouping of jobs, processes and resources into logical units to perform some organizational task."

Terry and Franklin

"Departmentalisation is the clustering of individuals into units and of units into departments and larger units in order to facilitate achieving organizational goals."

Importance of Departmentation

1. Organization structure

Division of work into units and sub-units creates departments. Supervisors and managers are appointed to manage these departments. People are placed in different departments according to their specialised skills. The departmental heads ensure efficient functioning of their departments within the broad principles of organization (scalar chain, unity of command, unity of direction etc.).

Thus, organization structure is facilitated through departmentation. If there are no departments, it will be difficult to keep track of who is doing what and who is accountable to whom.

Departmentation creates departments, assigns tasks to people, fixes their responsibility and accountability to their departmental heads, creates a span of management so that work can be easily supervised. This network of authority- responsibility relationships is the basis of designing a sound organization structure.

2. Flexibility
In large organizations, one person cannot look after all the managerial functions (planning, organising etc.) for all the departments. He cannot adapt the organization to its internal and external environment. Such an organization would become an inflexible organization. Creating departments and departmental heads makes an organization flexible and adaptive to environment. Environmental changes can be incorporated which strengthen the organization's competitiveness in the market.

3. Specialisation
Division of work into departments leads to specialisation as people of one department perform activities related to that department only. They focus on a narrow set of activities and repeatedly performing the same task increases their ability to perform more speedily and efficiently. Specialisation promotes efficiency, lowers the cost of production and makes the products competitive.

4. Sharing of resources
If there are no departments, organizational resources; physical, financial and human, will be commonly shared by different work units. Departmentation helps in sharing resources according to departmental needs. Priorities are set and resources are allocated according to the need, importance and urgency regarding their use by different departments.

5. Co-ordination

"The organization is a system of integrated parts, and to give undue emphasis to any functional part at the expense of the entire organization creates organizational islands, thus, resulting in inefficiency and significant behavioural problems". Creating departments focuses on departmental activities and facilitates co-ordination.

6. Control
Managers cannot control organizational activities if they have to be collectively supervised. Departmentation facilitates control by departmental manager over the activities of his department only. Activities are divided into smaller segments, standards of performance can + 3.0be framed, factors affecting performance can be identified and control can be more objective in nature.

7. Efficiency
Flow of work from one level to another and for every department, i.e., vertical and horizontal flow of work in the organization increases organizational efficiency.

8. Scope for growth and diversification
In the absence of departmentation, managers can supervise a limited number of activities, depending upon their skills and abilities. Departmentation enables them to expand their area of operation into new product lines and geographical divisions. Departmentation provides scope for organizational growth (along the same product lines) and expansion (adding new product lines).

9. Responsibility
Since similar activities are grouped in one department headed by departmental managers, it becomes easy for top managers to fix responsibility of respective managers for achieving the desired results. If planned performance is not achieved, the department responsible becomes answerable. When responsibility is clear, authority can also be delegated to managers. Clear identification of responsibility and authority increases efficiency of the departmental activities.

10. Development of managers
Departmentation enables departmental heads to be creative in making decisions with respect to their departmental activities. Training needs can also be identified because manager's task is clear and specific. There are opportunities to improve performance in their area of specialisation.

This develops their potential to be promoted to higher managerial positions in the organization. It also facilitates recruitment and selection of top managers from within the organization rather than depending on outside sources.

Basis of Departmentation
The form of organization structure depends upon the basis of departmentation. Creating departments and sub-dividing the work of departments into smaller units creates organization structure. With growing size of organizations, departments are created for activities of similar nature.

There are two broad forms of departmentation
a. Functional departmentation, and

b. Divisional departmentation.

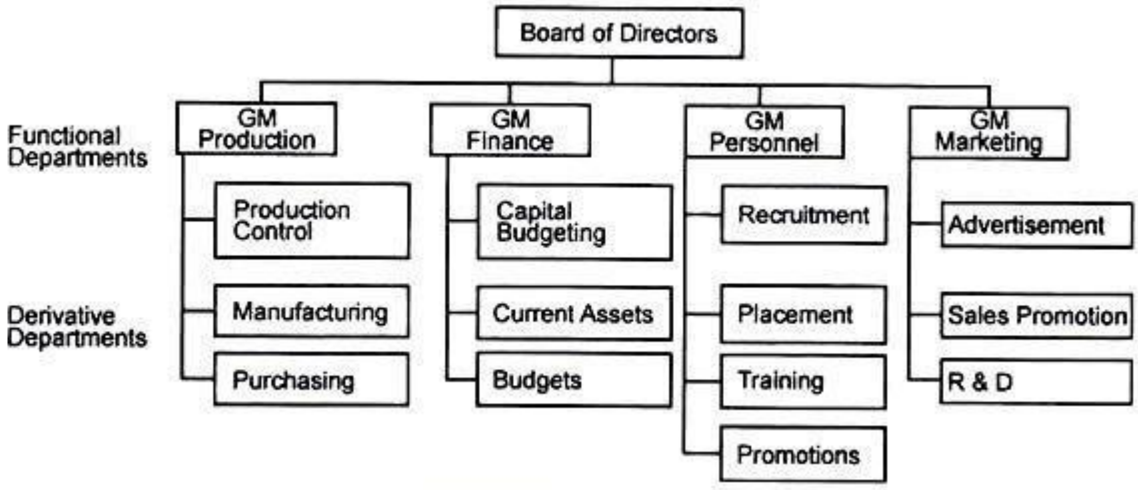
a. Functional Departmentation
Functional organization creates departments along activities or functions of the undertaking (functions do not refer to managerial functions of planning, organising , staffing, directing and controlling). It is grouping of activities on the basis of similarities of functions.

The nature of activities performed by different organizations is different. For example, activities carried by a manufacturing organization are production, finance, personnel and sales. For a trader, the major activities are buying and selling, a bank performs borrowing and lending functions. Functional departmentation is, "the grouping of jobs and resources within the company in such a way that employees who perform the same or similar activities are in the same department".

It is the simplest, logical and most widely accepted form of creating departments. It is suitable for organizations where limited number of products are produced. The major functional departments further have derivative departments. Production department, for example, has sub-departments to manage purchase, production planning and control, manufacturing etc. Finance department creates departments to look into capital budgeting (fixed assets) and current assets, cash management and budgets.

Personnel department has sub-departments to take care of appointments, training, placement and promotion of employees. These sub-departments can be further sub-divided if needed. Advertising department (sub-department of marketing department), for example, can further have sub-departments like advertising in Newspapers, Radio, TV etc.

Organization Chart Showing Functional Departmentation



Functional Departmentation

Merits of Functional Departmentation

It has the following merits

1. Simple and logical basis of creating departments

Production, marketing, finance and personnel are widely accepted and recognised functions of a manufacturing organization and, therefore, it is a simple basis of departmentation.

2. Specialisation

Since workers in one functional area focus on that area only, they acquire expertise and specialised skills in performing their duties. This offers the benefits of specialisation; efficiency and speed.

3. Co-ordination

People working in one department are closely knitted and work collectively towards achievement of departmental goals. The departmental manager can co-ordinate various derivative activities.

4. Training and control

The departmental manager is accountable for functions performed by his department. He ensures that activities are performed strictly according to rules and procedures laid down for the department. He can, thus, exercise control over his departmental activities. If workers are not able to carry out the activities efficiently, managers can train them to do so.

5. Supervision

It is easy for managers to supervise the departmental activities as they have to supervise a narrow set of functional skills.

6. Suitable for stable organizations

Organizations which do not frequently change their work units and work force are suitable for creating departments on the basis of functional activities.

7. Suitable for small organizations

This basis of departmentation is suitable for small sized organizations which produce a limited line of products. Even for large organizations, it is suitable only for top levels. Thereafter, some other basis of departmentation has to be used. Marketing department, for instance, can be further branched out on the basis of territorial or geographical departmentation.

Limitations of Functional Departmentation

1. Overall organizational goals

The employees become so focused on departmental goals that they lose sight of the overall organizational goals.

2. Delayed decisions

Since decisions are made by departmental heads for their respective departments, it may delay decision-making for the organization as a whole.

3. Co-ordination

Water-tight compartments are sometimes created amongst departments as people show loyalty towards their departmental managers. Top manager finds it difficult to co-ordinate various functional activities.

4. Accountability

Top managers find it difficult to hold accountability of any one department for failure of the product in the market. For example, if the product does not earn profits, top managers cannot say with assertion whether the problem lies with production department or sales department.

5. Unsuitable for dynamic organizations

As this is a suitable form of departmentation for stable organizations, organizations operating in the dynamic environment do not accept functional activities as the basis of departmentation. They use other basis of departmentation also to remain competitive in the market; either customer or product or territorial departmentation depending upon where and how they want to reach, grow and expand their business.

6. Complexity

As organizations grow complex in terms of size and operations, they add more products to their line of products and expand into new geographical areas for marketing the existing products. Functional departmentation is not suitable in such cases.

b. Divisional Departmentation

Divisional structures are created on the basis of smaller divisions where each division has its own functional activities (production, finance, personnel and marketing).

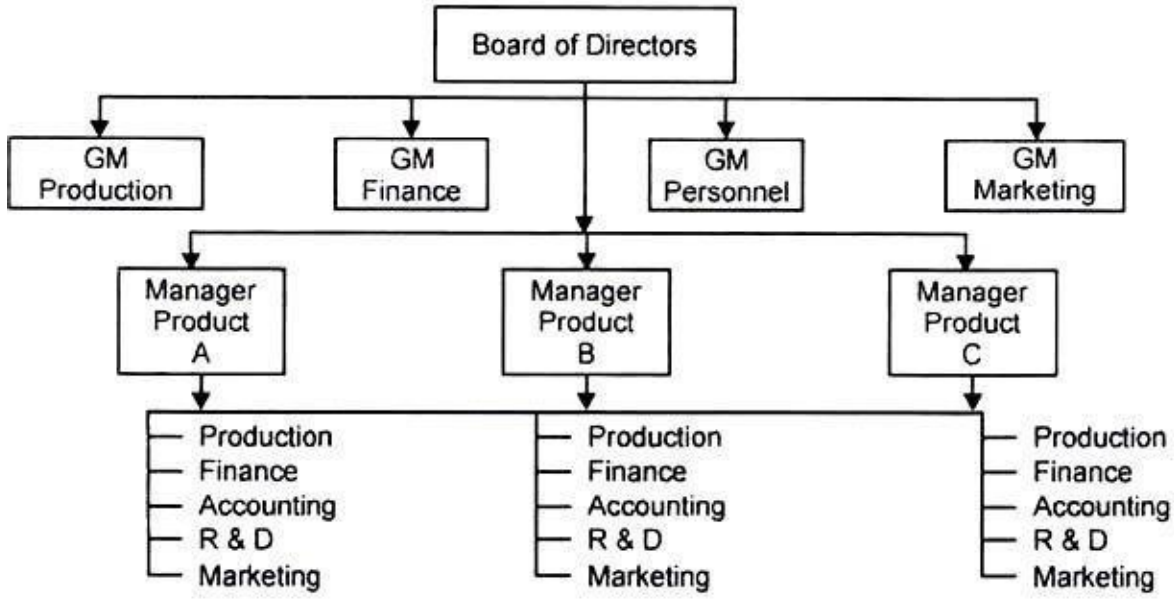
Major divisions that determine the organization structure are as follows

1. Product Departmentation

This form of departmentation is suitable for companies that produce multiple products. Product departmentation is grouping of jobs and resources around the products or product lines that a company sells. With increase in operations of a company, it adds more products to its line of products which require various functional activities (production, marketing etc.). Product departmentation is suitable for product diversification where marketing characteristics of each product are different from others.

An organization selling stationery, for example, also starts selling cosmetics and pharmaceuticals. While marketing strategies for cosmetics need to be intensive, it is not so in case of stationery or pharmaceuticals. Similarly, funds required for each product line are different.

The focus is on the product line and all functional activities associated with the product line. Departments are created on the basis of products and product manager has the authority to carry out functional activities for his department. Each product manager is in charge of his product line though general managers of various functional areas provide them the necessary support. It helps in coordinating the activities of different products.



Product Departmentation

There could be further extension of this basis of departmentation. For instance, if product C is a car, the department can be branched out for commercial car, luxury car, special utility vehicle etc.

Merits of Product Departmentation

(i) Better performance

One manager may not have skills to carry out all operations for different product lines. By creating departments where each product department looks after one product or product line only, decision-making, fixing responsibilities and assessment of performance can be done efficiently. Sales people for one product will concentrate on sales promotion of that product only. This ensures better performance of employees of each department.

(ii) Flexibility

Firms operating in the dynamic environment are well suited for this form of departmentation as it helps them respond to environmental changes, analyse competitors' products and change their product line, if necessary. The focus is completely on one product and all functional activities related to that product rather than one functional activity related to all products. This promotes product specialisation which helps in product growth.

(iii) Fast decisions

Since all decisions related to a product are taken by product manager (under the guidance of General Managers of different functional areas), decisions are taken quickly.

(iv) Co-ordination

All the primary and auxiliary activities are managed by one manager. He can co-ordinate the efforts of people working under him.

(v) Control

Every product manager wants to maximise profits of his product, for which he delegates authority to people of his department and establishes authority-responsibility relationships amongst them. Subordinates are trained to carry out functions related to each product. He, thus, controls activities of his department to ensure that the product contributes to the organizational goals.

(vi) Responsibility

Product managers are accountable for results of their product departments. This promotes performance and profitability of different product departments.

(vii) Efficiency

The costs and revenues of all the products can be compared. This helps in eliminating the unprofitable products and promoting the profitable ones thereby increasing organizational efficiency.

Limitations of Product Departmentation

(i) Co-ordination

Coordination becomes difficult when departments focus excessive attention on activities of their departments without linking their performance with other departments

(ii) Expensive

This is comparatively a costly basis of departmentation than functional departmentation because every department appoints people to look after specialised activities, like accounting, finance, marketing, personnel etc. It results in duplication or multiplication of efforts because same functional activities are performed for different products.

(iii) Control

If every product division works as an autonomous unit, tries to maximise its goals/profits without linking them with overall organizational needs, it will be difficult for top management to control the overall organizational activities.

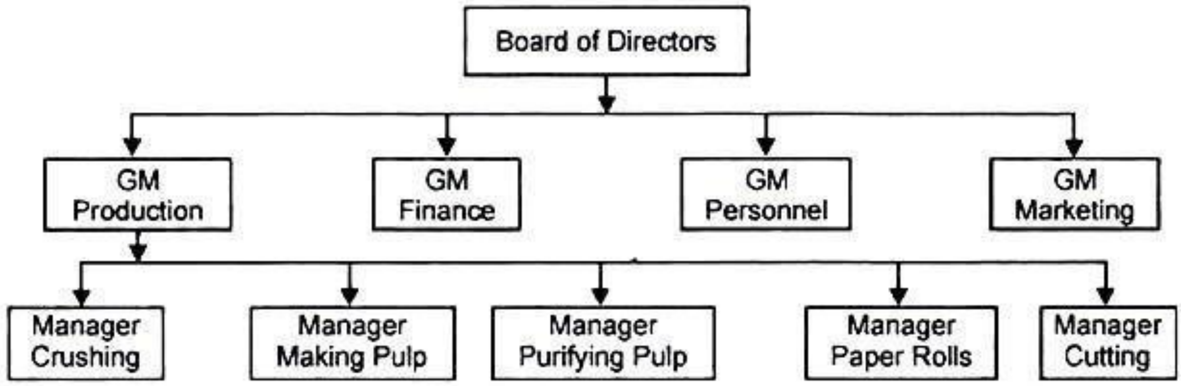
2. Process or Equipment Departmentation

In manufacturing organizations where the product passes through different stages of production, each stage is designated as a process and department is created for each process. It is called process departmentation.

Manufacturing paper, for example, requires processes like crushing the bamboo, making pulp, purifying the pulp, making paper rolls, and cutting it into rims. For each process, departments are created and headed by people skilled and competent to carry that process.

Since finished product goes through different processes, each process is assigned to a different department. This form of departmentation is suitable for medium and large-sized organizations where goods are produced through a series of operations.

Organization Chart Showing Process Departmentation



Process Departmentation

Merits of Process Departmentation

(i) Specialisation

As work is divided into different processes, the process manager and his team specialise in that process by constantly carrying out activities related to that process only.

(ii) Economic considerations

Specialisation results in economy of time, money and managerial skills.

(iii) Technological consideration

Large organizations, where each process requires different technology, operate most suitably under process departmentation. It also helps in maintenance of the equipment's related to a process because specialised technology requires specialised skills to maintain that process.

(iv) Facilitates training

Since employees carry out only one operation or process on the work activity, managers can train people to efficiently carry out that process.

Limitations of Process Departmentation

Process departmentation suffers from the following limitations

(i) Co-ordination

Output of one process department is input of the other. If different departments work at different speed, co-ordination amongst different processes becomes difficult. This can also result in conflict amongst process managers.

(ii) Boredom

Repeated handling of the same job with a very short cycle (time required to complete that process) leads to boredom. This can affect efficiency of the process. An alternative to this is parallel pattern of process departmentation against the serial pattern (work moves in a series of steps) as described above. In the parallel process of departmentation, the number of steps to accomplish the task is the same.

For example, a job requires three steps for its completion. Step 1, Step 2, and Step 3. Rather than A (a worker) handling step 1, B handling step 2 and C handling step 3, A may carry out all the steps on product X, B carries out the same set of steps for product Y and C for product. Though this reduces boredom on the work process, it requires trained workers who can carry out all the processes. This form of departmentation is suitable for small organizations where limited number of products with limited processes are produced.

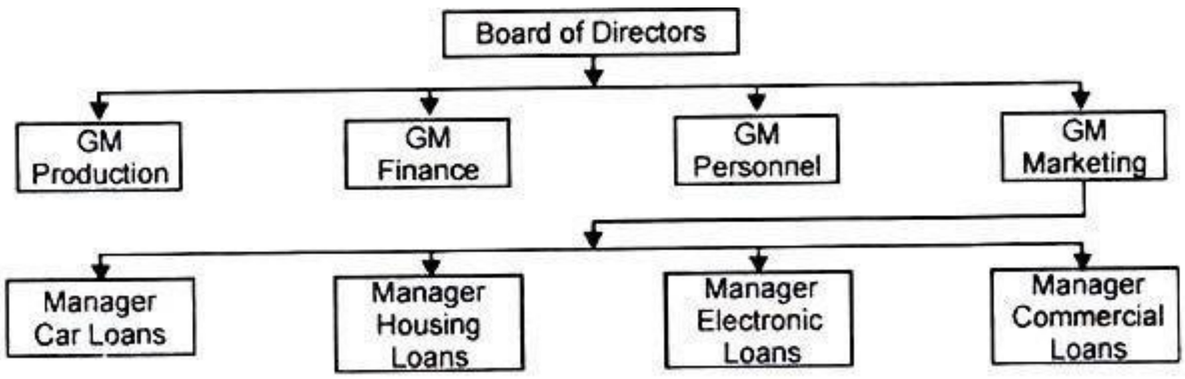
3. Customer Departmentation

When organizations sell to customers with different needs, departments are created on the basis of customers. Customer departmentation is “the organising of jobs and resources in such a way that each department can carefully understand and respond to different needs of specific customer groups”.

A lending institution, for example, gives loan to meet different customer requirements like housing loan, car loan, commercial loan etc. An educational institution which provides academic and non-academic subjects (vocational subjects), full-time or part-time courses, morning or evening shifts is a typical case of customer departmentation. Clear identification of customers and their needs is the basis of customer departmentation. This method of departmentation can be followed only in marketing division.

Organization Chart Showing Customer Departmentation

The organization chart for customer departmentation (for a lending company) appears as follows



Customer Departmentation

Merits of Customer Departmentation

Customer departmentation has the following merits

(i) Competitive advantage

Contemporary marketing world revolves around customers. ‘Consumer is the king.’ By catering to varied customer needs, companies have an edge over competitors and, therefore, better chances of survival and growth.

(ii) Customer orientation

The goal of an organization is to earn profits by customer satisfaction. An organization where the basis of departmentation is to sell goods according to customer needs justifies its existence.

(iii) Specialisation

A department created for satisfying customer requirements becomes specialized in that area resulting in cost efficiency. Sales people understand consumer behaviour and provide them the desired services. They develop understanding with the consumers and build clientele for the organization.

Limitations of Customer Departmentation

Customer departmentation has the following limitations

(i) Co-ordination

Excessive involvement of employees in their respective departments makes it difficult for top managers to co-ordinate the functions of different departments.

(ii) Identification of consumer groups

It is not easy to identify various consumer groups. A large industrial buyer for one product, for example, may be a small buyer for another product. The same product may be of industrial use for one buyer and personal use for another. Identifying buyers as industrial and non-industrial is not very easy.

(iii) Change in consumer behaviour

Consumer department managers cannot easily frame policies for their departments because of changing consumer behaviour. Demand for the same product for same set of consumers differs during different times. Marketing managers have to balance the time and money spent in framing policies so that organization can adapt to the changing customer environment.

(iv) Specialised staff

Change in consumer behaviour, their demand for different goods at different times cannot be easily predicted. The departmental managers, therefore, must have specialised skills to determine the consumer needs.

4. Territory or Geographic Departmentation

In territorial departmentation, organization creates departments

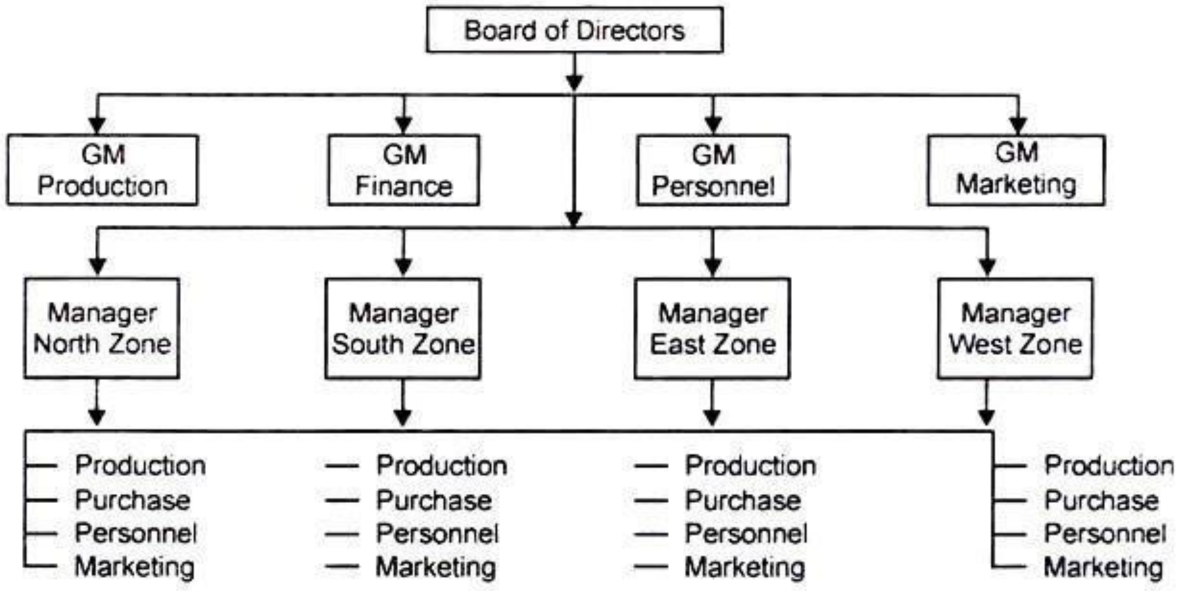
(i) Close to its customers because they are geographically dispersed over different areas, or

(ii) Near the sources of deposits.

Each geographic unit has resources to cater to the needs of consumers of that area. The production, purchase, personnel and marketing activities are looked after by departmental managers but finance is vested at the headquarters. General Manager of every department looks after functional activities of his geographical area but overall functional managers provide supporting services to the managers of different areas.

Thus, customers of different regions with different tastes and preferences for the same product are looked after by geographical departments set up in their territories. The product or customer differentiation, both can be the basis of geographic or territorial departmentation. This basis is suitable for large-sized organizations which have activities dispersed over different geographical areas.

Organization Chart Showing Geographic Departmentation
Division of organization on the basis of geographic dispersal of activities appears on the organization chart as follows



Geographic Departmentation

Merits of Geographic Departmentation
(i) Training and development
Employees are trained to sell goods in specific areas according to customer needs.

(ii) Customer orientation
The emphasis is on selling in different regions according to customer needs. 'Consumer is the king' is duly recognised by departmental managers as they develop their skills to know the customs, styles and preferences of customers of different regions. Managers are able to promote sales as they are aware of the local conditions of the area where they are operating.

(iii) Low cost of production
If firms establish their areas of operation near the sources of raw material, they will be able to produce at low cost and take advantage of economies of operation.

(iv) Communication
The sales people belong to local areas of operation. They can directly communicate with the consumers and frame policies to satisfy their needs.

Limitations of Geographic Departmentation
(i) Co-ordination and control
Since departments are widely dispersed, top managers find it difficult to control and co-ordinate their activities. While some of the functional activities are decentralised, others are

centralised. Policy framers are at the head quarters and policy executors are at the regional offices. Different local conditions can create problems of understanding.

(ii) Expensive

Since each department has auxiliary departments like personnel, accounting etc. to offer specialised services to managers, this is a costly method of departmentation. Before adopting this basis of departmentation, therefore, benefits must be weighed against costs. This method is suitable for large-scale organizations who can afford its cost.

(iii) Managerial skills

Managers should be competent to perform functional activities (production, marketing etc.) related to their departments. They may not specialise in all the functional activities.

5. Departmentation by Time

This method of departmentation is used in situations where work is done round the clock because

1. The machine cannot be stopped before finishing the work.
2. The demand is high and the machine has to work overtime.
3. The nature of work entrusted to the organizations is such.
4. The services are essential in nature (health and fire services).
5. Workers work in shifts; morning, afternoon and night, so that work can progress continuously.

6. Departmentation by Size

This method is followed in army where number of workers in the unit is important. The company's performance is judged by the number of people working with it, and therefore, it adopts departmentation by size. Departments are created on the basis of number of people who form the department. Soldiers in army are grouped in numbers to form departments.

7. Departmentation by Task Force

When organization has a number of projects, it forms task forces which consist of people from different units having different skills to complete those projects. These groups are formed temporarily till completion of the project. They are similar to project organizations.

Leadership

Meaning

Leadership is the ability to build up confidence and zeal among people to create an urge them to be led. To be a successful leader, a manager must possess the qualities of foresight, drive, initiative, self-confidence and personal integrity. Different situations may demand different types of leadership. Leadership has been defined in various ways. Stogdill has rightly remarked that there are almost as many definitions of leadership as there are people who have tried to define it.

Definitions

"Leadership is the ability of a manager to induce subordinates to work with confidence and zeal."—Koontz and O'Donnell.

"Leadership is the exercise of authority and making of decisions." —Dubin, R.

"Leadership is the ability to secure desirable actions from a group of followers voluntarily, without the use of coercion."—Allford and Beaty.

"Leadership is the activity of influencing people to strive willingly for group objectives."—George R. Terry.

"Leadership is the initiation of acts which result in insistent pattern of group interaction directed towards the solution of mutual problem." —Hemphill, J.K.

"Leadership is not making friends and influencing people i.e., salesmanship. It is the lifting of man's visions to higher sights, the raising of man's personality beyond its normal limitations."— Peter Drucker.

Nature and Characteristics

1. Leadership is a personal quality.

2. It exists only with followers. If there are no followers, there is no leadership.

3. It is the willingness of people to follow that makes person a leader.

4. Leadership is a process of influence. A leader must be able to influence the behaviour, attitude and beliefs of his subordinates.

5. It exists only for the realization of common goals.

6. It involves readiness to accept complete responsibility in all situations.

7. Leadership is the function of stimulating the followers to strive willingly to attain organizational objectives.

8. Leadership styles do change under different circumstances.

9. Leadership is neither bossism nor synonymous with management.

Types of Leaders

The term 'leadership style, refers to the consistent behaviour pattern of a leader as perceived by people around him. Every leader develops a pattern in the way he handles his subordinates or followers in various situations. The leadership style is the result of the philosophy, personality and experience of the leader. It also depends upon the types of followers and the conditions prevailing in an organization.

I. Leadership Style Based on Attitude and Behaviour

1. Autocratic or authoritarian style leader.

2. Laissez-faire or Free-rein style leader.

3. Democratic or participative style leader.

4. Paternalistic style leader.

1. Autocratic or Authoritarian Style Leader

An autocratic also known as authoritarian style of leadership implies yielding absolute power. Under this style, the leader expects complete obedience from his subordinates and all decision-making power is centralized in the leader. No suggestions or initiative from subordinates is entertained. The leader forces the subordinates to obey him without questioning. An autocratic leader is, in fact, no leader. He is merely the formal head of the organization and is generally disliked by the subordinates. The style of leadership may be practiced to direct those subordinates who feel comfortable to depend completely on the leader.

2. Laissez-faire or Free-rein Style Leader

Under this type of leadership, maximum freedom is allowed to subordinates. They are given free had in deciding their own policies and methods and to make independent decisions. The leader provides help only when required by his subordinates otherwise he does not interfere in their work. The style of leadership creates self-confidence in the workers and provides them an opportunity to develop their talents. But it may not work under all situations with all the workers and under all situations. Such leadership can be employed with success where workers are competent, sincere and self-disciplined.

3. Democratic or Participative Style Leader

The democratic or participative style of leadership implies compromise between the two extremes of autocratic and laissez-fair style of leadership. Under this style, the supervisor acts according to the mutual consent and the decisions reached after consulting the subordinates. Subordinates are encouraged to make suggestions and take initiative.

It provides necessary motivation to the workers by ensuring their participation and acceptance of work methods. Mutual trust and confidence is also created resulting in job satisfaction and improved morale of workers. It reduces the number of complaints, employee’s grievances, industrial unrest and strikes. But this style of leadership may sometimes cause delay in decisions and lead to indiscipline in workers.

4. Paternalistic Style Leader

This style of leadership is based upon sentiments and emotions of people. A paternalistic leader is like a father to his subordinates. He looks after the subordinates like a father looks after his family. He helps guides and protects all of his subordinates but under him no one grows. The subordinates become dependent upon the leader.

II. Formal and Informal Leader

1. Formal Leader

A formal leader is one who is formally appointed or elected to direct and control the activities of the subordinates. He is a person created by the formal structure, enjoys organizational authority and is accountable to those who have elected him in a formal way. The formal leader has a two-fold responsibility. On the one hand, he has to fulfill the demands of the organization, while on the other he is also supposed to help, guide and direct his subordinates in satisfying their needs and aspirations.

2. Informal Leader

Informal leaders are not formally recognized. They derive authority from the people who are under their influence. In any organization we can always find some persons who command respect and who are approached to help guide and protect the interest of the people. They are known as informal leaders.

The informal leaders have only one task to perform, i.e., to help their followers in achieving their individual and group goals. Informal leaders are created to satisfy those needs which are not satisfied by the formal leaders. An organization can make effective use of informal leaders to strengthen the formal leadership.

Leadership Functions

1. Setting Goals

A leader is expected to perform creative function of laying out goals and policies to persuade the subordinates to work with zeal and confidence.

2. Organizing

The second function of a leader is to create and shape the organization on scientific lines by assigning roles appropriate to individual abilities with the view to make its various components to operate sensitively towards the achievement of enterprise goals.

3. Initiating Action

The next function of a leader is to take the initiative in all matters of interest to the group. He should not depend upon others for decision and judgement. He should float new ideas and his decisions should reflect original thinking.

4. Co-Ordination

A leader has to reconcile the interests of the individual members of the group with that of the organization. He has to ensure voluntary co-operation from the group in realizing the common objectives.

5. Direction and Motivation

It is the primary function of a leader to guide and direct his group and motivate people to do their best in the achievement of desired goals. He should build up confidence and zeal in the work group.

6. Link between Management and Workers

A leader works as a necessary link between the management and the workers. He interprets the policies and programmes of the management to this subordinate and represent the subordinates' interests before the management. He can prove effective only when he can act as the true guardian of the interests of the subordinates.

Leadership Qualities

1. Integrity

The importance of integrity should be obvious. Though it may not necessarily be a metric in employee evaluations, integrity is essential for the individual and the organization. It's especially important for top-level executives who are charting the organization's course and making countless other significant decisions. Our research show that integrity may actually be a potential blind spot for organizations. Make sure your organization reinforces the importance of integrity to leaders at various levels.

2. Ability to Delegate

Delegating is one of the core responsibilities of a leader, but it can be tricky to delegate effectively. The goal isn't just to free yourself up — it's also to enable your direct reports, facilitate teamwork, provide autonomy, lead to better decision-making, and help your direct reports grow. In order to delegate well, you also need to build trust with your team.

3. Communication

Effective leadership and effective communication are intertwined. You need to be able to communicate in a variety of ways, from transmitting information to coaching your people. And you must be able to listen to, and communicate with, a wide range of people across roles, social identities, and more. The quality and effectiveness of communication across your organization directly affects the success of your business strategy, too. Learn how better conversations can actually improve your organizational culture.

4. Self-Awareness

While this is a more inwardly focused skill, self-awareness is paramount for leadership. The better you understand yourself, the more effective you can be. Do you know how other people view you, or how you show up at work? Take the time to learn about the 4 aspects of self-awareness, and how you can dig into each component.

5. Gratitude

Being thankful can make you a better leader. Gratitude can lead to higher self-esteem, reduced depression and anxiety, and even better sleep. Few people regularly say "thank you" at work, even though most people say they'd be willing to work harder for an appreciative boss. Learn how to give thanks and practice more gratitude in the workplace.

6. Learning Agility

Learning agility is the ability to know what to do when you don't know what to do. If you're a "quick study" or are able to excel in unfamiliar circumstances, you might already be learning agile. But anybody can foster learning agility through practice, experience, and effort. Explore how great leaders are great learners, with strong learning agility to get started.

7. Influence

For some people, "influence" feels like a dirty word. But being able to convince people through logical, emotional, or cooperative appeals is a component of being an inspiring, effective leader. Influence is quite different from manipulation, and it needs to be done authentically and transparently. It requires emotional intelligence and trust-building.

8. Empathy

Empathy is correlated with job performance and a critical part of emotional intelligence and leadership effectiveness. If you show more empathy towards your direct reports, our research shows you're more likely to be viewed as a better performer by your boss. Empathy can be learned, and in addition to making you more effective, it will also improve work for you and those around you.

9. Courage

It can be hard to speak up at work, whether you want to voice a new idea, provide feedback to a direct report, or flag a concern for someone above you. That's part of the reason courage is a key skill for good leaders. Rather than avoiding problems or allowing conflicts to fester, courage enables leaders to step up and move things in the right direction. A psychologically safe workplace culture encourages speaking the truth.

10. Respect

Treating people with respect on a daily basis is one of the most important things a leader can do. It will ease tensions and conflict, create trust, and improve effectiveness. Respect is more than the absence of disrespect, and it can be shown in many different ways. Explore how you can cultivate a climate of respect at work.

Control

Meaning

Controlling is one of the managerial functions and it is an important element of the management process. After the planning, organising, staffing and directing have been carried out, the final managerial function of controlling assures that the activities planned are being accomplished or not. So, the function of controlling helps to achieve the desired goals by planning. Management must, therefore, compare actual results with pre-determined standards and take corrective action of necessary.

Definition

Control can be defined as the process of analysing whether actions are being taken as planned and taking corrective actions to make these to confirm to planning.

According to E.F.L. Brech

"controlling is checking performance against predetermined standards contained in the plans with a view to ensuring adequate progress and satisfactory performance."

Ernest. Dale defines as "the modern concept of control envisages system that not only provides a historical record of what has happened and provides data that enable the chief executive or the departmental head to take corrective steps if he finds he is on the

Nature of Control

1. Control is a Function of Management

Actually, control is a follow-up action to the other functions of management performed by managers to control the activities assigned to them in the organization.

2. Control is Based on Planning

Control is designed to evaluate actual performance against predetermined standards set-up in the organization. Plans serve as the standards of desired performance. Planning sets the course in the organization and control ensures action according to the chosen course of action in the organization.

3. Control is a Dynamic Process

It involves continuous review of standards of performance and results in corrective action, which may lead to changes in other functions of management.

4. Information is the Guide to Control

Control depends upon the information regarding actual performance. Accurate and timely availability of feedback is essential for effective control action. An efficient system of reporting is required for a sound control system. This requires continuing monitoring and review of operations.

5. The Essence of Control is Action

The performance of control is achieved only when corrective action is taken on the basis of feedback information. It is only action, which adjust performance to predetermined standards whenever deviations occur. A good system of control facilities timely action so that there is minimum waste of time and energy.

6. It is a Continuous Activity

Control is not a one-step process but a continuous process. It involves constant revision and analysis of standards resulting from the deviations between actual and planned performance.

7. Delegation is the key to Control

An executive can take corrective action only when he has been delegated necessary authority for it. A person has authority to control these functions for which he is directly accountable. Moreover, control becomes necessary when authority is delegated because the delegator remains responsible for the duty. Control standards help a manger expand his span of management.

8. Control Aims at Future

Control involves the comparison between actual and standards. So corrective action is designed to improve performance in future.

9. Control is a Universal Function of Management

Control is a basic or primary function of management. Every manager has to exercise control over the subordinates' performance, no manager can get things done without the process of controlling. Once a plan becomes operational, follow-up action is required to measure progress, to uncover deficiencies and to take corrective actions. Therefore, control is an essential managerial function at every level. The process of management is incomplete without controlling.

10. Controlling is Positive

The function of controlling is positive. It is to make things happen i.e. to achieve the goal with instead constraints, or by means of the planned activities. Controlling should never be viewed as being negative in character.

Process of Control

1. **Setting performance standards:** Managers must translate plans into performance standards. These performance standards can be in the form of goals, such as revenue from sales over a period of time. The standards should be attainable, measurable, and clear.
2. **Measuring actual performance:** If performance is not measured, it cannot be ascertained whether standards have been met.
3. **Comparing actual performance with standards or goals:** Accept or reject the product or outcome.
4. **Analyzing deviations:** Managers must determine why standards were not met. This step also involves determining whether more control is necessary or if the standard should be changed.
5. **Taking corrective action:** After the reasons for deviations have been determined, managers can then develop solutions for issues with meeting the standards and make changes to processes or behaviors.

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