

**UNIT-3**  
**ORGANIZING**

**MEANING:**

Organizing is the process of combining together all the organizational resources and establishing productive relations among them to achieve predetermined objectives effectively and efficiently.

Organizing is the second most important function of management. It's the method of assigning activities among individuals and defining their authority and responsibility. It also defines the formal relationships among individuals so on performing the work together or one body for the achievement of common objectives.

**DEFINITION:**

According to, **Theo Haimann** – Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationship among them.

**Stoner and Freeman** – Organizing is the process of arranging and allocating work, authority, and resources among an organization's members so that they can achieve the organization's goals.

**IMPORTANCE OF ORGANIZING:**

**1. Benefits of Specialization:**

In an organization, work is divided into units and departments. This division of work leads to specialization in various activities of the concern. This leads to systematic allocation of jobs amongst staff, which enhances productivity and reduces the workload. Division of work refers to assigning responsibility for each organizational component to a specific individual or group. This leads to specialization, efficiency and speed in job performance.

## **2. Clarity in a Working Relationship:**

After identification of a job, organizing also clarifies the authority and responsibility of individuals of different departments. It is a means of creating coordination among different departments of enterprises. It aims at creating clear-cut responsibility and authority relationships amongst different levels and ensuring cooperation amongst individuals and groups.

## **3. Optimum Utilization of Resources:**

Organizing ensures the optimum utilization of human and material resources. In organizing, work is assigned as per skill and knowledge. The clarity in the job in advance of what the employees are supposed to do avoids confusion and motivates employees to put in their best.

## **4. Adaption to Change:**

The process of organizing allows an organization to accommodate changes in a business environment. So the organization structure is suitably modified and the revision of the job position and relationships plan the way for smooth transactions. Thus organizing provides flexibility and stability to an organization. It also helps to adapt to changes in technology, new methods of work, etc.

## **5. Effective Administration:**

Organizing provides a clear description of the jobs and working relationships. It helps in effective administration by avoiding confusion and duplication of work. Organizing also reduces the workload of the top management by delegating authority. As a result, top management is relieved from routine work and can concentrate on the administration of the company.

## **6. Development of Personnel:**

In the process of organizing, a managerial person is trained to acquire a wide experience in diverse activities through delegation of authority. Delegation allows manager to reduce their

work by assigning future jobs to subordinates. It also gives time to concentrate on important work. The delegation also develops a sense of responsibility in the subordinates and motivates them to do more challenging work.

### **7. Expansion and Growth:**

Organizing helps in growth & diversification of an enterprise. By adding more job positions, departments, products lines, new geographical territories etc. and thus will help to increase customer base, sales and profit.

Thus, these are the importance of organizing.

### **ORGANISATIONAL STRUCTURE**

The organization structure can be defined as the framework within which managerial and operating tasks are performed. It specifies the relationships between people, work and resources in an organization.

Under the organizational structure, various posts are created to perform different activities for the attainment of the predetermined objectives of the enterprise. The structure provides a basis or framework for managers and other employees to perform their functions.

Span of management refers to the number of subordinates that can be effectively managed by a superior. The Span of management largely gives shape to the organization structure. This determines the levels of management in the structure. The following are the different organizational structures:

- 1. Functional Structure**
- 2. Divisional Structure**
- 3. Formal Structure and**
- 4. Informal Structure**

## 1. FUNCTIONAL STRUCTURE:

In functional structure activities are grouped and departments are created on the basis of specific functions to be performed. For example, all the jobs related to production are grouped under production department, sales departments etc.



### ADVANTAGES:

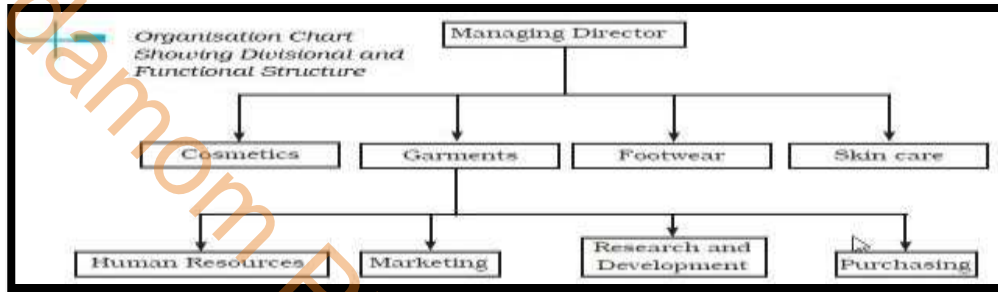
- ✚ Functional structure leads to occupational specialization.
- ✚ Promotes efficiency in the utilization of man power.
- ✚ Promotes control and coordination within a department.
- ✚ It helps in increasing managerial and operational efficiency.
- ✚ It reduces duplication of work.
- ✚ It helps in training employees easily.

### DISADVANTAGES:

- ✚ It gives more importance to the objectives of functional head than the objectives of organization.
- ✚ Lack of coordination among different departments.
- ✚ A conflict of interests will arise within different departments.
- ✚ It may lead to inflexibility due to narrow perspective of

## 2. DIVISIONAL ORGANIZATION STRUCTURE:

Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics etc.) is known as divisional organization structure.



#### ADVANTAGES:

- ✚ Product specialization helps in the overall development of the skills of departmental heads.
- ✚ It helps in the fixation of responsibility and accountability of departmental heads
- ✚ Provides a proper basis for assessing performance and results of each division.
- ✚ It facilitates expansion and growth, as new divisions can be added without interrupting existing divisions.

#### DISADVANTAGES:

- ✚ Conflicts may arise among different divisions on allocation of resources.
- ✚ It may lead to increase in costs since there may be a duplication of activities in different product divisions.
- ✚ It provides managers with the authority to supervise all activities related to a particular division.

### 3. FORMAL ORGANISATION:

Formal organization refers to the organization structure that is designed by the management to accomplish organizational goals. In a formal organization the boundaries of authority & responsibility is clearly defined and there is a systematic coordination among the various activities to achieve organizational objectives.

#### **ADVANTAGES:**

- ✚ It helps in avoiding duplication of work
- ✚ Unity of command is maintained.
- ✚ Effective accomplishment of goals.
- ✚ Provides stability in organization.

#### **DISADVANTAGES:**

- ✚ A rigid policy reduces creativity.
- ✚ More emphasis is on structure and work than on human relationships.

#### **4. INFORMAL ORGANISATION**

Interaction among people at work gives rise to a 'network of social relationships among employees' called the informal organization. The main purpose of this organization structure is the psychological satisfaction of the employees with common interests. For example, employees with similar interest in books, films, religion etc. may form their own informal groups.

#### **ADVANTAGES:**

- ✚ It enhances job satisfaction and a sense of belongingness in the organization.
- ✚ It provides quick solutions to the problems.

#### **DISADVANTAGES:**

- ✚ Informal organization spread rumors; sometimes it goes against the interests of the organization.
- ✚ It resists change and lays stress on adopting the old techniques.

## DEPARTMENTIZATION AND ITS TYPES:

Departmentation' or 'Departmentalization' is the process of grouping the activities of an enterprise into several units for the purpose of administration at all levels. The administrative units so created may be designated as departments, divisions, units, branches, sections, etc.

Departmentation can provide a necessary degree of specialization of executive activity for efficient performance. It can simplify the tasks of management within a workable span. It also provides a basis on which the top managers can co-ordinate and control the activities of the departmental units.

### TYPES OF DEPARTMENTATION:

There are several bases of Departmentation. The more commonly used bases are—function, product, territory, process, customer, time etc.

#### (A) Departmentation by Functions:

The enterprise may be divided into departments on the basis of functions like production, purchasing, sales, financing, personnel etc. This is the most popular basis of departmentation. If necessary, a major function may be divided into sub-functions. For example, the activities in the production department may be classified into quality control, processing of materials, and repairs and maintenance.

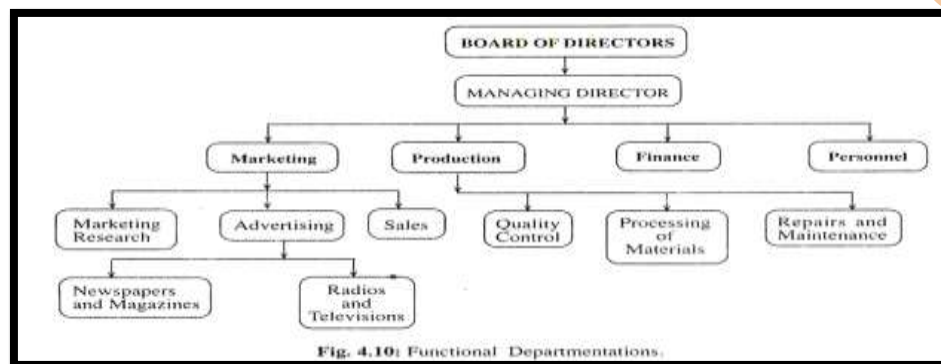


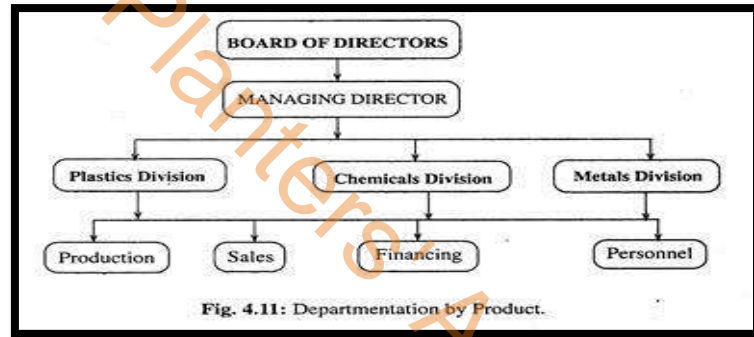
Fig. 4.10: Functional Departmentations.

#### (B) Departmentation by Products:

In product departmentation, every major product is organized as a separate department. Each department looks after the production, sales and financing of one product.

Product departmentation is useful when the expansion, diversification, manufacturing and marketing characteristics of each product are primarily significant.

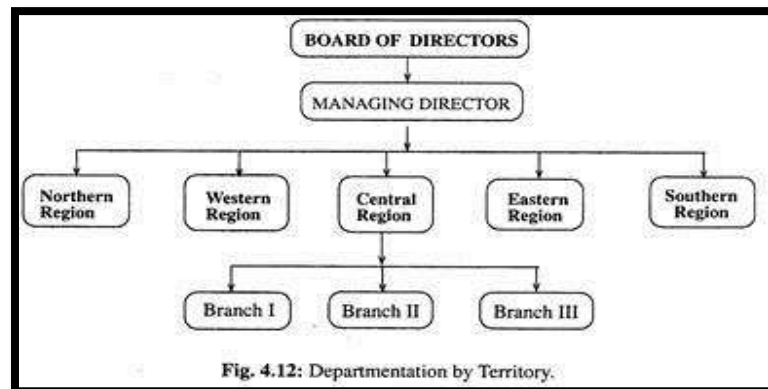
For example, a big company with a diversified product line may have three product divisions, one each for plastics, chemicals, and metals. Each division may be sub-divided into production, sales, financing, and personnel activities.



### (C) Departmentation by Territory:

Territorial or geographical departmentation is especially useful to large-scale enterprises whose activities are widely dispersed. Banks, insurance companies, transport companies, distribution agencies etc. are some examples of such enterprises, where all the activities of a given area of operations are grouped into zones, branches, divisions etc.

It is obviously not possible for one functional manager to manage efficiently such widely spread activities. This makes it necessary to appoint regional managers for different regions.





#### (D) Departmentation by Customers:

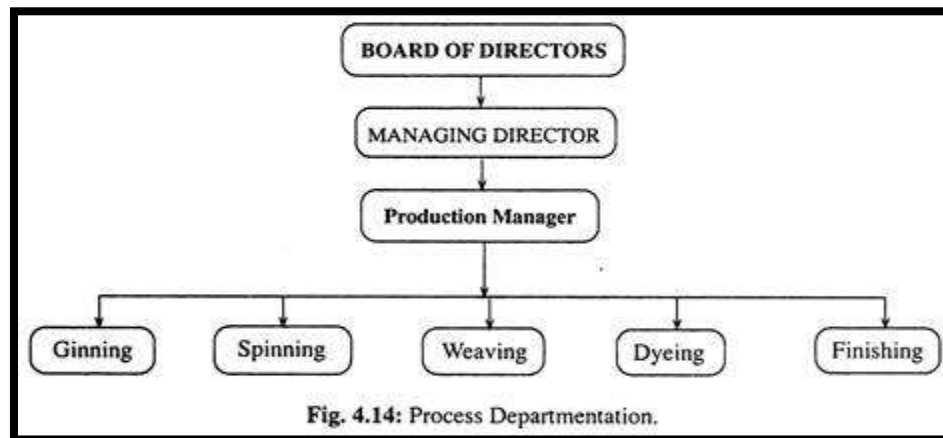
In this method of departmentation, the activities are grouped according to the type of customers. For example, a large cloth store may be divided into wholesale, retail, and export divisions. This type of departmentation is useful for the enterprises which sell a product or service to a number of clearly defined customer groups. For instance, a large readymade garment store may have a separate department each for men, women, and children. A bank may have separate loan departments for large-scale and small-scale businessmen.



#### (E) Departmentation by Process or Equipment:

In this type of departmentation the activities are grouped on the basis of production processes involved or equipment used. This is generally used in manufacturing and distribution enterprises and at lower levels of organization. For instance, a textile mill may be organized into ginning, spinning, weaving, dyeing and finishing departments.

Similarly, a printing press may have composing, proof reading, printing and binding departments. Such departmentation may also be employed in engineering and oil industries.



**(F) Departmentation by Time and Numbers:**

Under this method of departmentation the activities are grouped on the basis of the time of their performance. For instance, a factory operating 24 hours may have three departments for three shifts—one for the morning, the second for the day, and the third for the night.

In the case of departmentation by numbers, the activities are grouped on the basis of their performance by a certain number of persons. For instance, in the army, the soldiers are grouped into squads, companies, battalions, regiments and brigades on the basis of the number pre-scribed for each unit.

Such type of departmentation is useful where the work is repetitive, manpower is an important factor, group efforts are more significant than individual efforts, and group performance can be measured. It is used at the lowest level of organization.

Thus, these are the different types of departmentation.

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