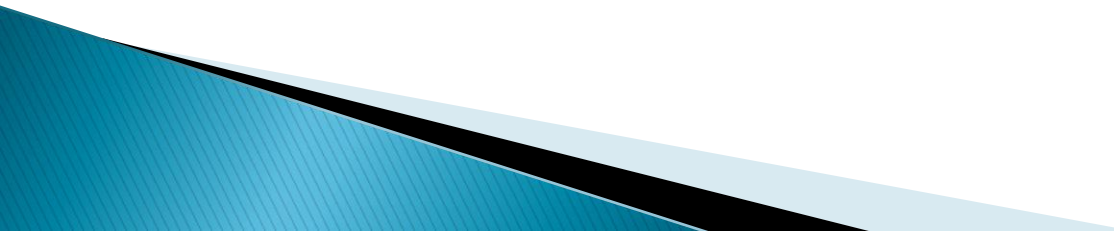# Unit-3

ORGANIZING & DECISION MAKING

Organizing

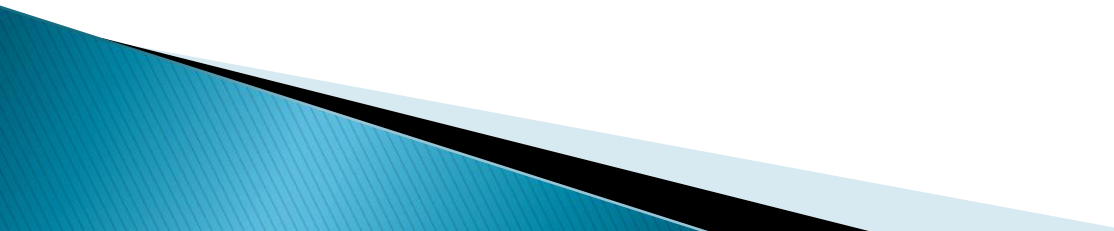Meaning and definition of organizing

Organising refers to the process of bringing together physical, financial and human resources and establishing productive relations among them for the achievement of the specific goals.

- **According to Ralph C. Davis,** "organisation is a group of people who cooperate under the direction of leaderships, for the accomplishment of a common end".
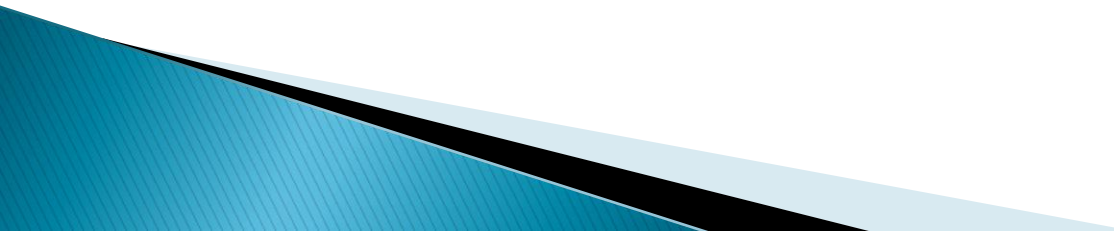
Nature of organising

- Division of labour
- Coordination
- Social system
- Objectives
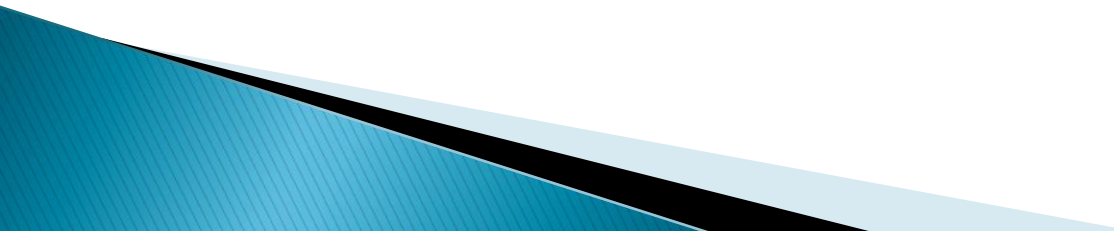- Cooperative relationship
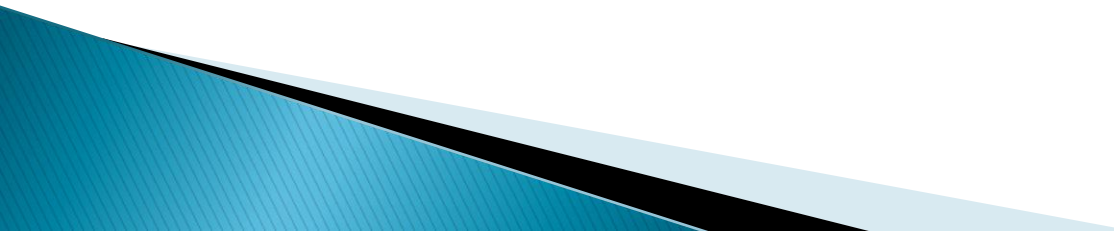- Well-defined hierarchy
- communication

Purpose of organising

- Helps to achieve organizational goal
- Optimum use of resources
- To perform managerial function
- Facilitates growth and diversification
- Human treatment of employees
- Help management
- To increase production
- Removing clutters

Elements of organising

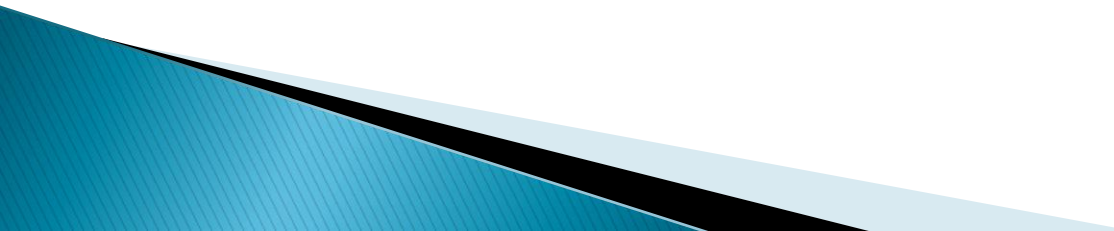- Division of work
- Departmentalization
- Delegation of authority
- coordination

Principle of organising

- Unity of objective
- Span of management
- Functional definition
- Unity of command
- Unity of direction
- Scalar principle
- Responsibility
- balance

- Specialization
- Coordination
- Continuity
- Clear definition of authority and responsibility
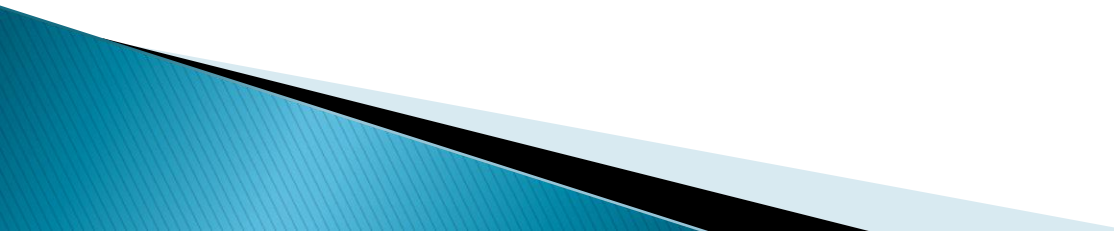- Flexibility
- Simplicity
- Efficiency
- Facilitation of leadership

Process of organising
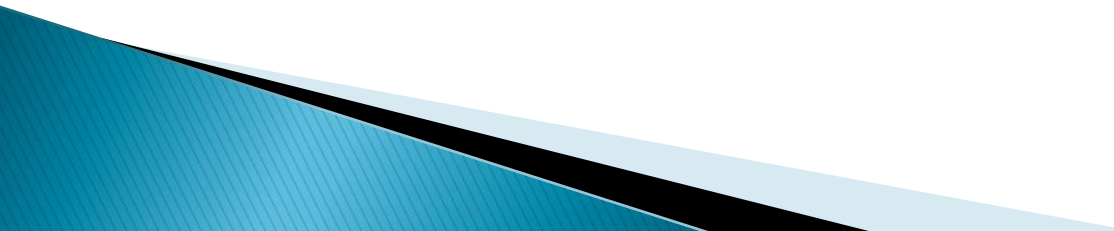
- Determination of objectives
- Enumeration of activities
- Grouping activities
- Allocation of fixed responsibility to definite persons
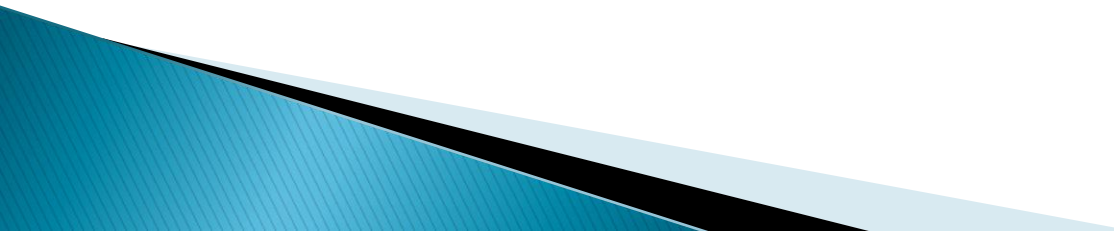- Delegation of authority
- coordination

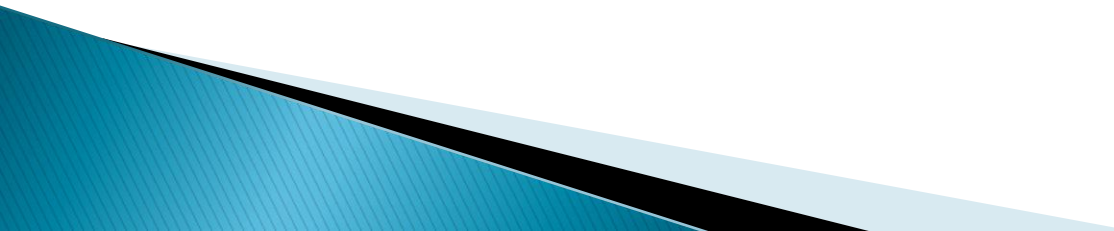# Organisation structure

Features of good organisation structure
- simplicity
- flexibility
- clear line of authority
- application of ultimate responsibility
- proper delegation of authority

- Minimum possible managerial levels
- Principles of unity of direction and command
- Proper emphasis on staff
- Provision for top management

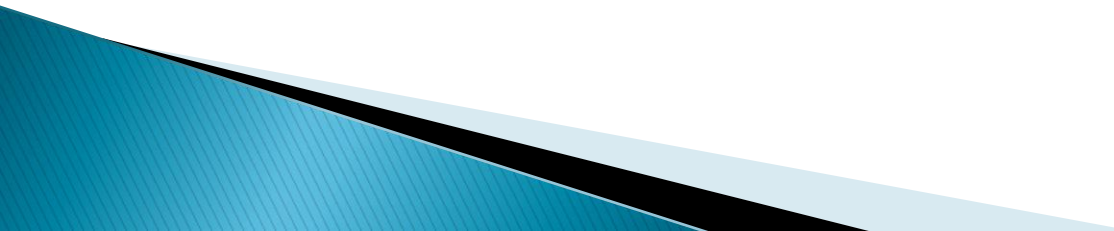# Importance of organisation structure

- Specialization
- Well-defined jobs
- Clarifies authority and power
- Avoiding duplication of work
- Coordination
- Source of support and security
- adoption

Elements of organisation structure

- Work specialization
- Departmentalization
- Chain of command
- Unity of command
- Span of management
- Centralization and decentralization
- formalization

Types of organisation structure

- Line organisation
- Line and staff organisation
- Functional organisation
- Divisional organisation
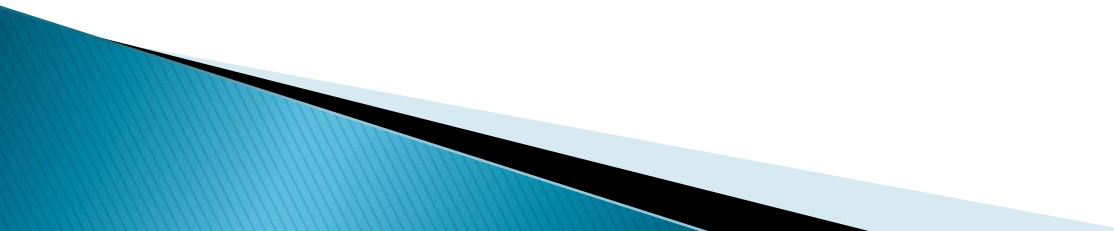- Project organisation
- Matrix organisation

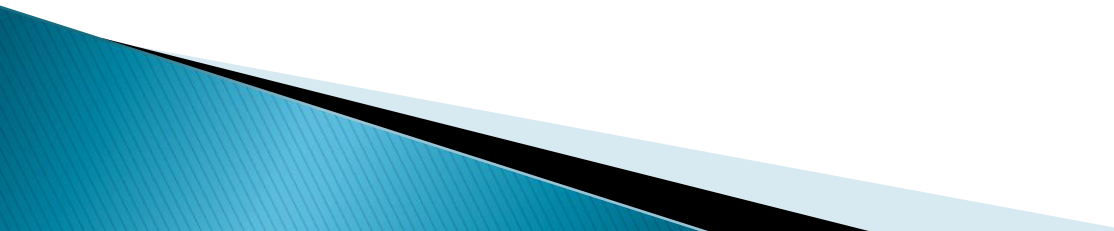# Formal and informal groups/organisation

Definition:

According to Chester I Barnard, " a formal organization is a system of consciously coordinated activities or forces of two or more persons."
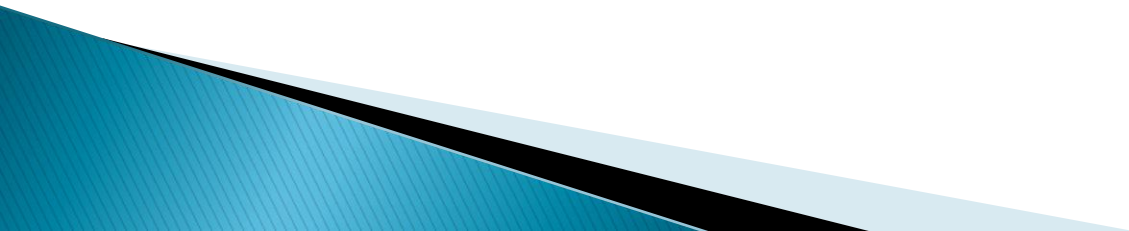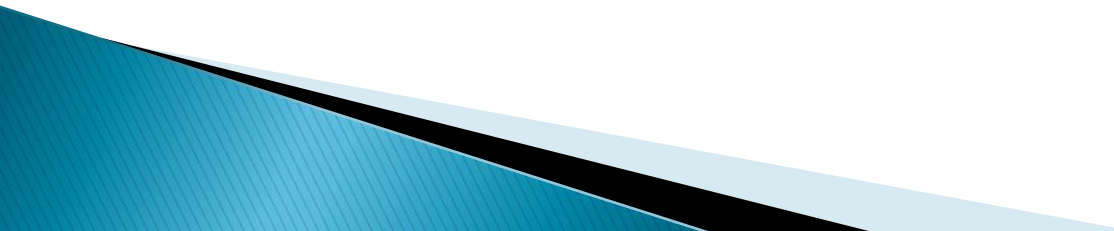
Characteristics of formal organization

- Defined interrelationship
- Based on rules and procedures
- Based on division of work
- Has its own specific function or functions
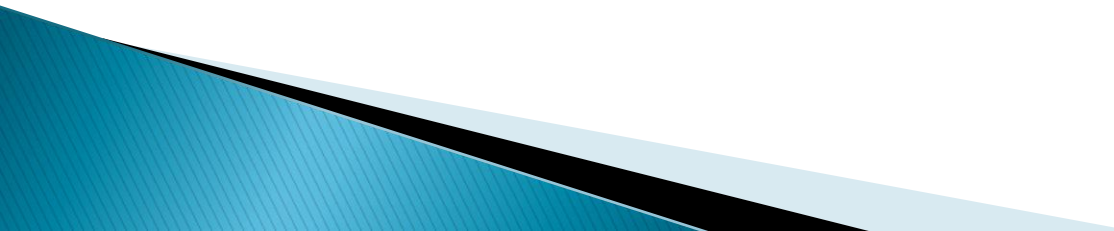- Has its own norms or rules of social behavior

- Members of an organisation have different statuses
- Creates authority
- Bureaucracy refers to the administrative aspect of the formal organisation
- Based on rationality

Advantages of formal organisation
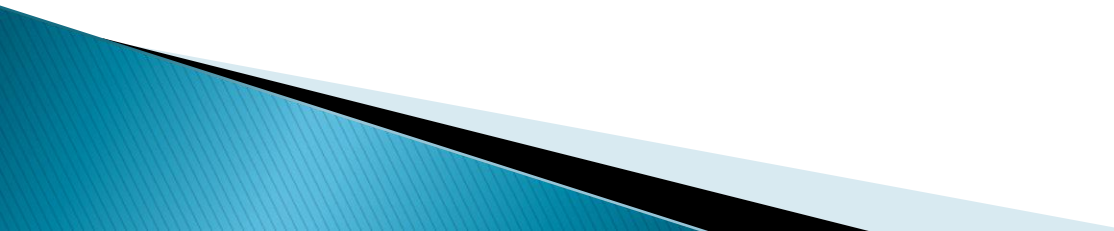
- Easy to fix accountability
- No overlapping of works
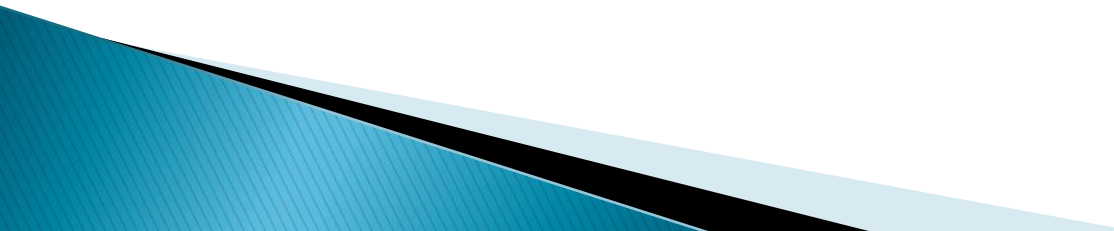- Unity of command possible
- Easy to get goals
- Stability in organisation

Disadvantages of formal organisation

- Lack of initiatives
- Pressure of officers' autocracy on employees
- Delay in work
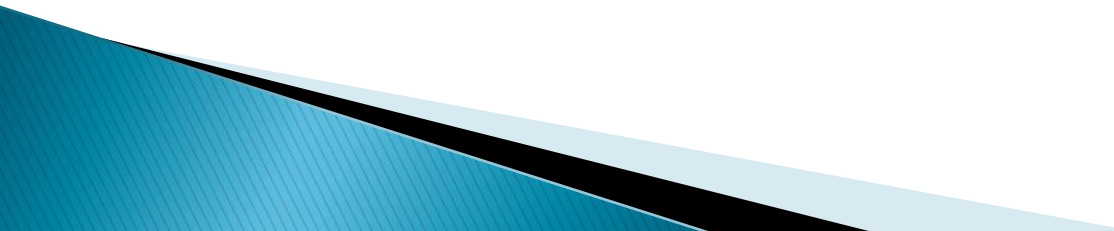- Mechanization of relations

Informal organisation

Characteristics of an informal organisation:
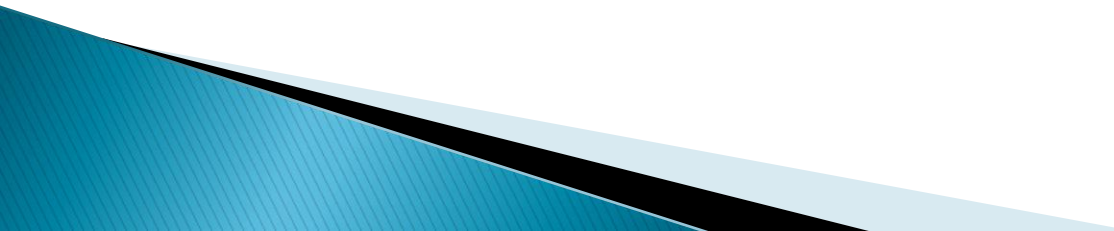
- Creation
- purpose
- structure
- authority

- degree of flexibility
- use of grapevine
- Chain of command
- Leadership
- Membership
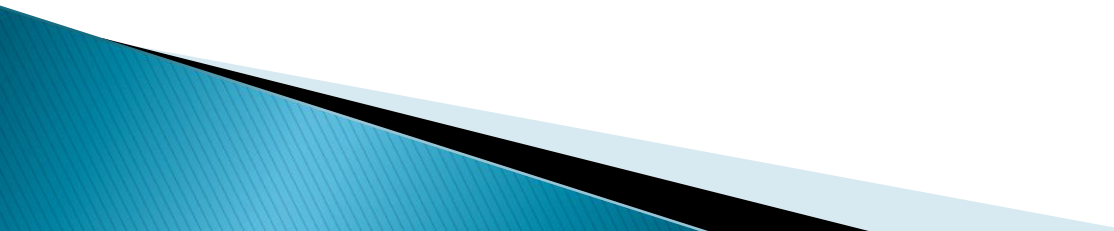
Advantages of informal organisation

To employees
- Sense of belonging
- Value for emotional problems
- Aid on the job
- Innovation and originality
- Important channel of communication
- Social control
- Check on authority

To management
- Effective communication
- Fulfils social needs
- Fulfils organizational objectives
- Less supervision
- Aid to management

Disadvantages of informal organisation
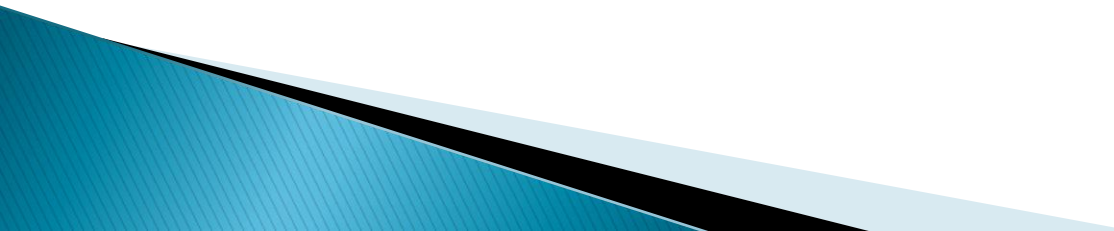
- Resistance to change
- Role conflict and sub-optimization
- Rumor
- Group think philosophy
- It resists change
- Pressure of group norms

Line and staff authority

Nature of line–staff authority
- different backgrounds
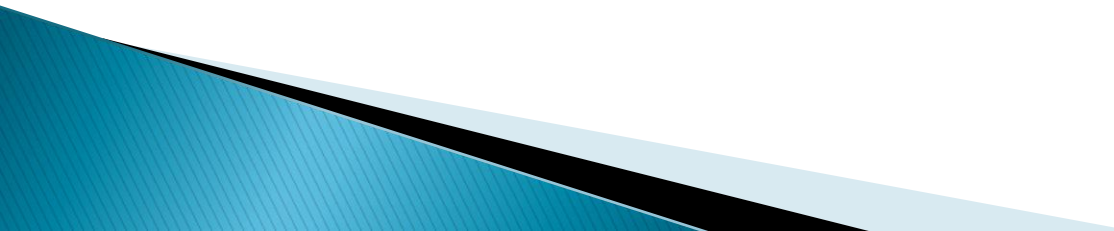- lack of demarcation between line and staff
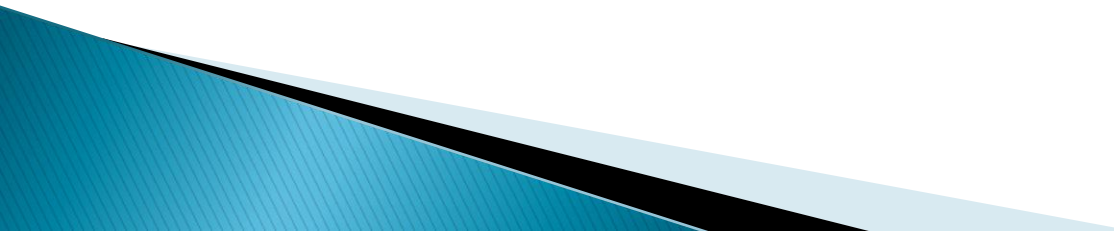- lack of proper understanding of authority

Types of staff
- personal staff
- specialized staff
- General staff assistant

Advantages of line and staff authority

- Planned specialization
- Higher efficiency
- Unity of command
- Executive training and development
- Sound and quick decisions
- Relief to top executives
- Flexibility
- Growth and expansion

Disadvantages of line and staff authority

- Conflict between line and staff
- Advice ignored
- Confusion
- Ineffective staff
- Divided/lack of responsibility
- Loss of judgment and initiative
- expensive

Span of control

Definition:

According to Dimock, "Span of control is the number or range of direct, habitual communication contacts between the chief executive of an enterprise and his principal fellow officers".
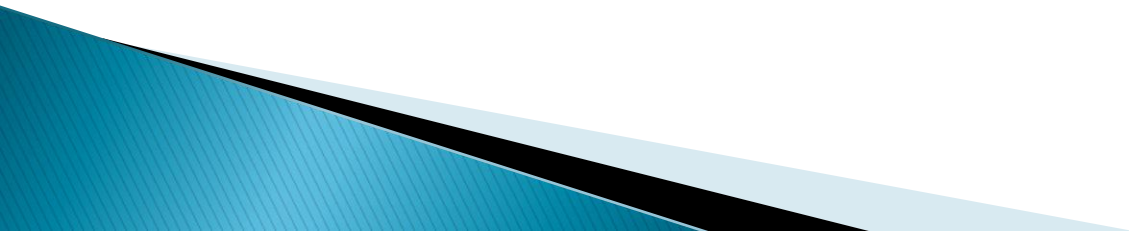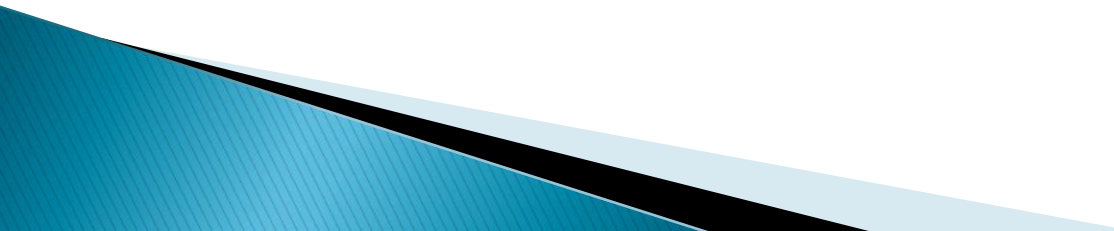
Need for span of control

- Better supervision and control
- Increases efficiency
- Increases goodwill
- Good professional relations
- Team spirit and morale
- Good communication and coordination
- Facilitates quick action
- Less labour absenteeism and turnover
- Develops discipline and mutual trust
- Superiors can concentrate on important work
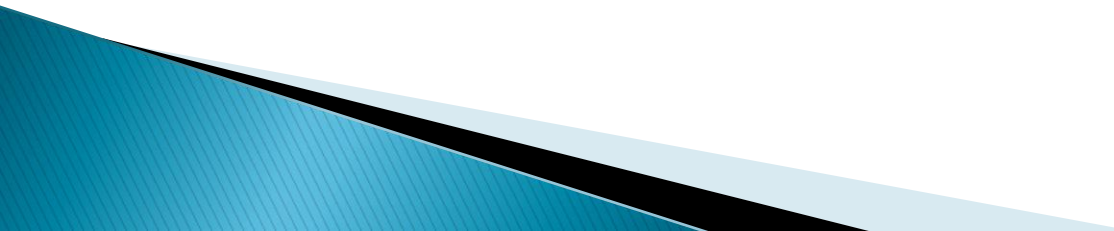
Types of span of control

- Wide span of management
- Narrow span of management

Determinants of span of management
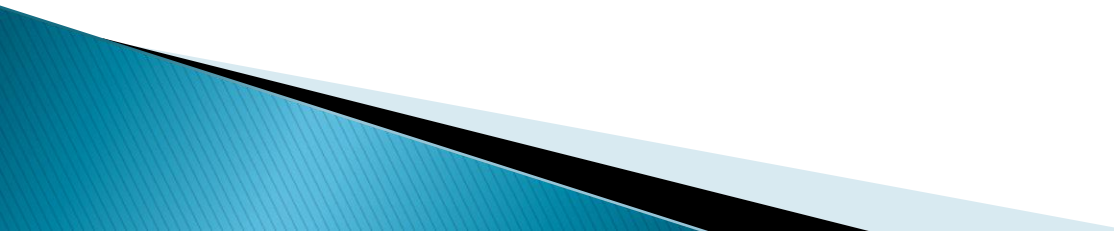
- Capacity of superior
- Nature of work
- Degree of planning
- Use of staff assistance
- Geographical Dispersion of subordinates
- Capacity of subordinates
- Degree of Decentralisation
- Communication techniques
- Time available for supervision
- Control mechanism

Centralisation and decentralisation

Factors affecting effective centralisation
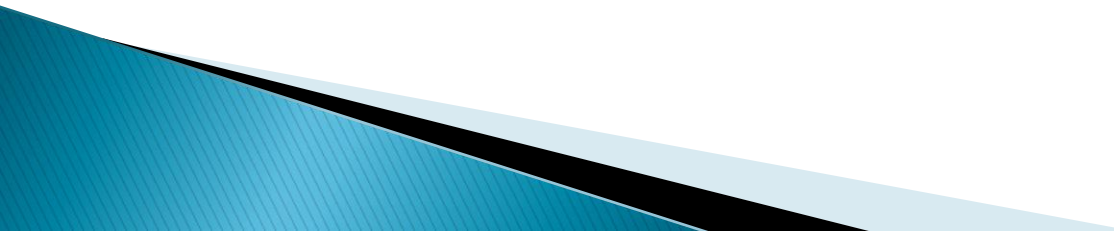
- Achieving uniformity of action
- Facilitating integration
- Promoting personal leadership
- Handling emergencies

Advantages of centralisation

- Standardization of procedures and systems
- Facilitates evaluation
- Economies
- Coordination of activities

Disadvantages of centralisation

- Destroys individual initiative
- Over burden a few
- Slows down the operations
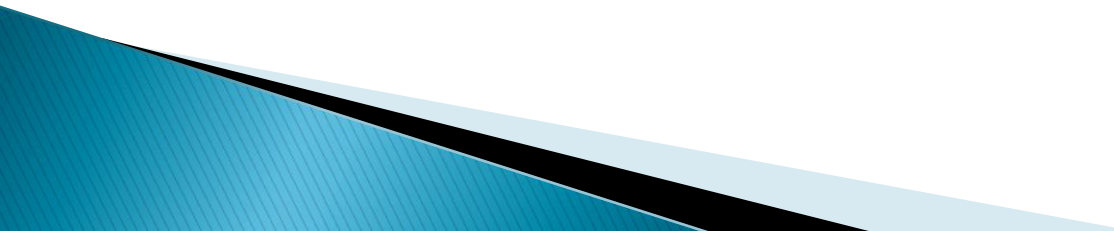- Distance from customers
- No scope for specialisation

Decentralization of authority

Definition:
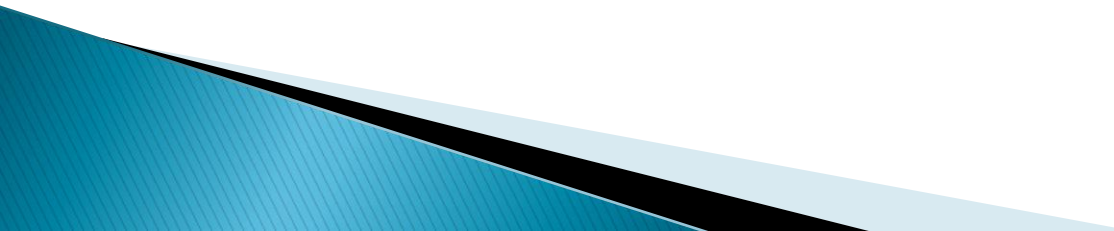
According to Henry Fayol, "Everything that goes to increase the importance of the subordinate's role is decentralization; everything that goes to reduce it is centralization".

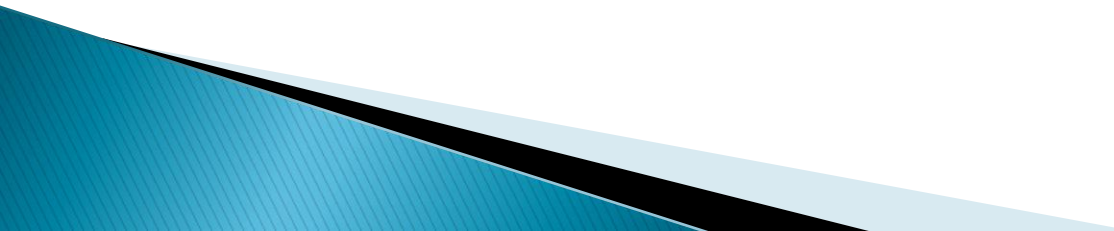# Factors Affecting Effective Decentralisation

▸ Nature of growth
▸ Outlook of the top management
▸ Size and dispersal of operations
▸ Extent of diversification
▸ Nature of functions
▸ Availability of able managers

Advantages of Decentralisation

- Top management free from operational responsibilities
- Manager development
- Better and speedier decisions
- Permits management by objectives and self-control
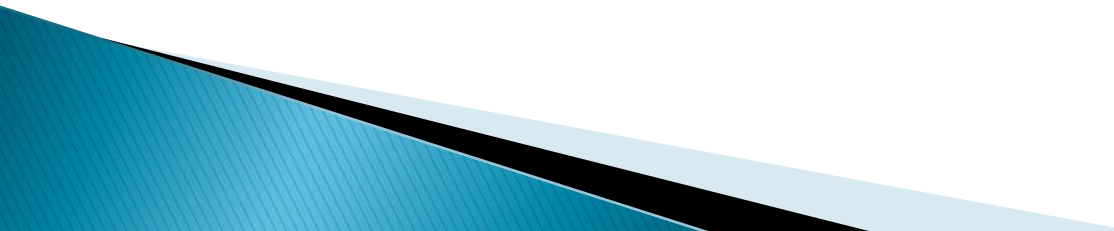
Disadvantages of decentralisation

- Lack of coordination
- Costly
- Lack of able managers
- Inconsistencies
- narrow outlook of executives
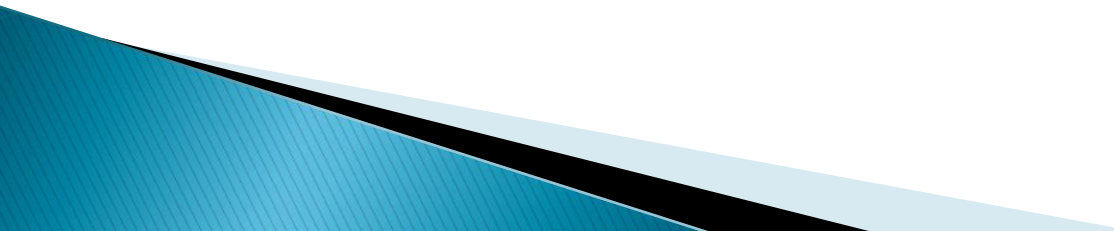- Improper handing of emergency situations

Delegation of Authority

▸ Definition:

According to Louis A. Allen,' "delegation is the dynamics of management . It is the process a manger follows in dividing the work assigned to him so that he performs that part which only he can perform that part which he can perform effectively, and so that he can get others to help him what remains".
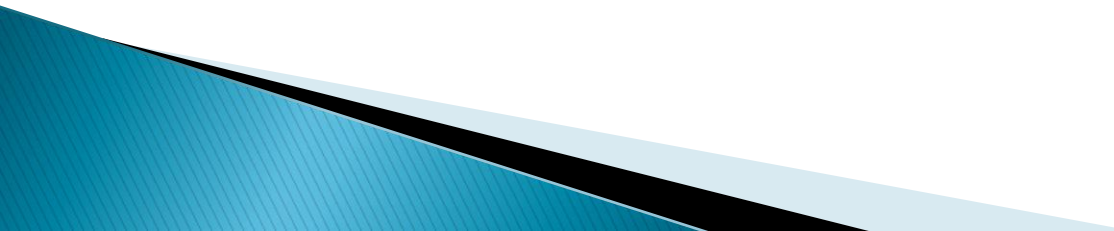
Nature of delegation

- Authorization to manager
- Retention of authority
- Flexible
- Created through process of organizing
- Partial delegation of authority
- Specific or general

Bases of delegation

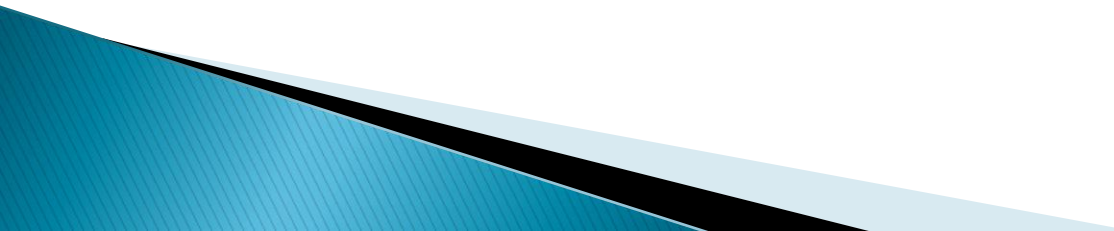- Activity analysis
- Decision analysis
  - ✓ Degree of futurity of decisions
  - ✓ Impact of decision
  - ✓ Qualitative factors involved in decisions
  - ✓ Periodicity of decisions
- Relations analysis
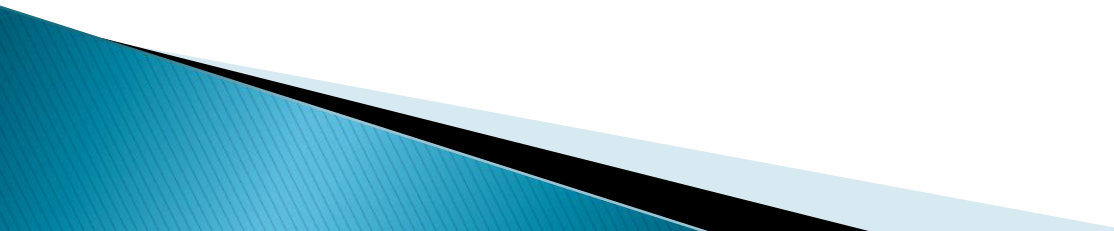
Kinds of delegation
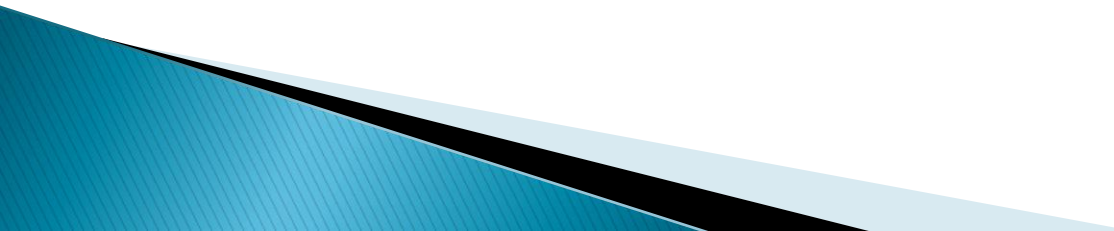
- General or specific delegation
- Written or unwritten delegation
- Formal or informal delegation
- Downward upward and sideward delegation
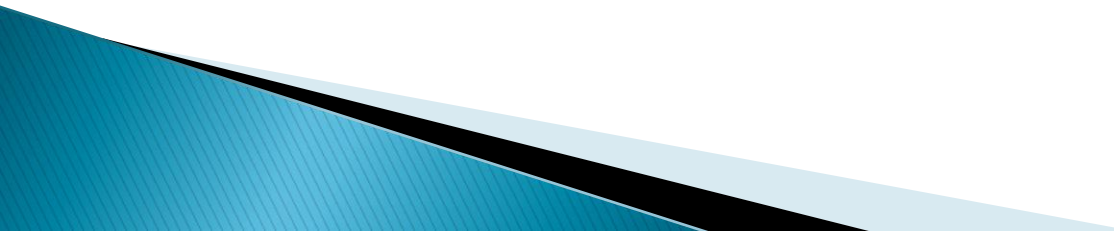
Principles of effective delegation

- Authority should be commensurate with responsibility
- Interference should be minimum
- Tolerance of mistakes
- Adequate controls should be established
- Goals should be predetermined

- Policies, rules and procedures should be established to guide decisions
- Upward delegation should not be allowed
- Delegation should be rewarded

Difficulties in delegation

- On the part of delegator (superior)
  - ✓ Lure for authority
  - ✓ Lack of receptiveness
  - ✓ Lack of trust in subordinates
  - ✓ Lack of control
  - ✓ Fear of subordinates
  - ✓ Lack of ability or fear of exposure
  - ✓ Unwillingness to take calculated risk

▸ On the part of subordinates(delegant)
  ✓ Lack of self-confidence
  ✓ Dependence on boss
  ✓ Fear of criticism
  ✓ Lack of information and resources
  ✓ Over-burdened
  ✓ Unclear delegation

- On the part of organization

Inadequate planning

Splintered authority

Lack of unity of command

Absence of adequate of control techniques
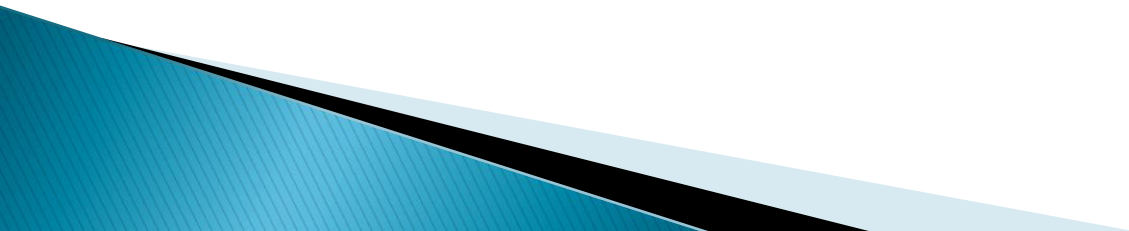
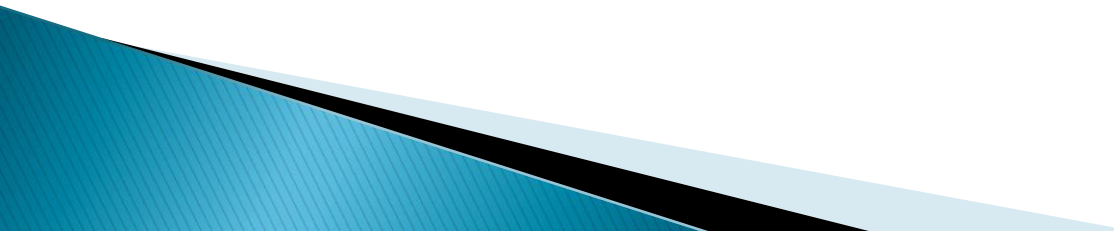Non-availability of competent managers

Unclear authority relationship

Staffing

Definition of staffing:

According to Theo Haiman, "Staffing pertains to recruitment, selection, development, and compensation of subordinates".
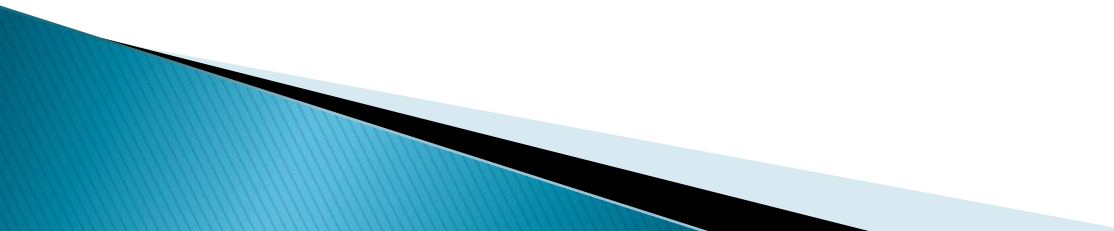
Nature of staffing

- Managerial functions
- Pervasive activity
- Continuous activity
- Efficient management of personnel
- appropriate selection and placement
- Universal function
- Dynamic function

Importance of staffing

- Key to other managerial functions
- Building healthy human relationships
- Human resource development
- Long-term effect
- Potential contribution

Factors influencing staffing

- External factors
  - Legal factors
  - Socio-cultural factors
  - External influences
  - Nature of competition for human resources
- Internal factors
  - Organizational business plan
  - Size of organization
  - Organizational image

Process of staffing

Step 1: manpower planning
Step 2: job analysis
Step 3: recruitment
Step 4: selection
Step 5: induction and orientation
Step 6: training and development
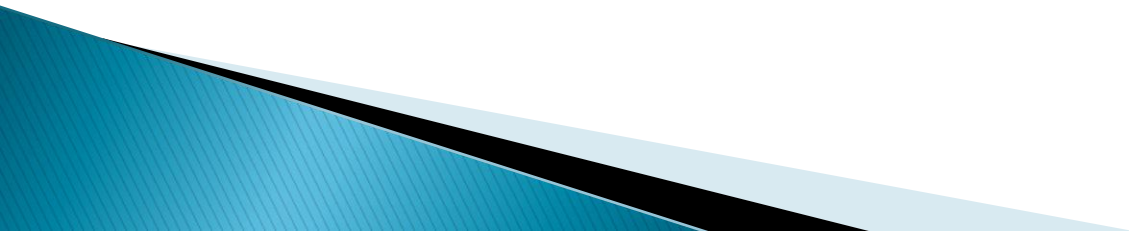Step 7: performance appraisal
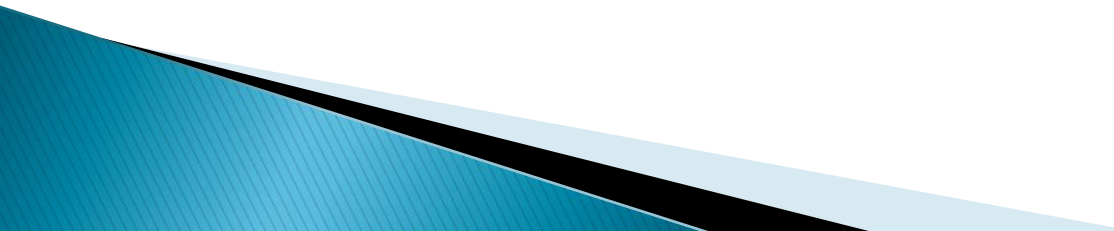Step 8: employment decisions
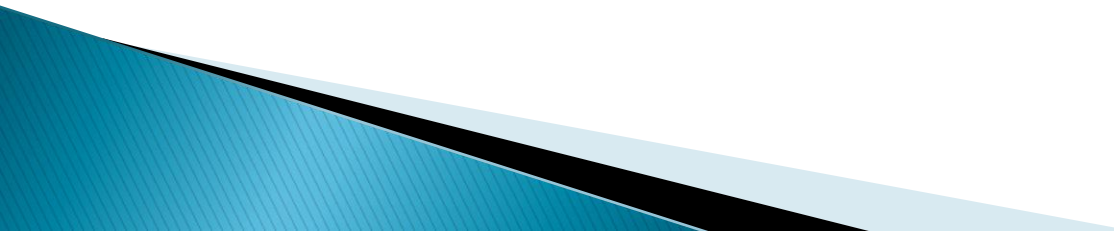Step 9: separation

Training

Definition:

According to Dale S.Beach,"Traning is the organized procedure by which people learn knowledge and / or skill for a definite purpose."
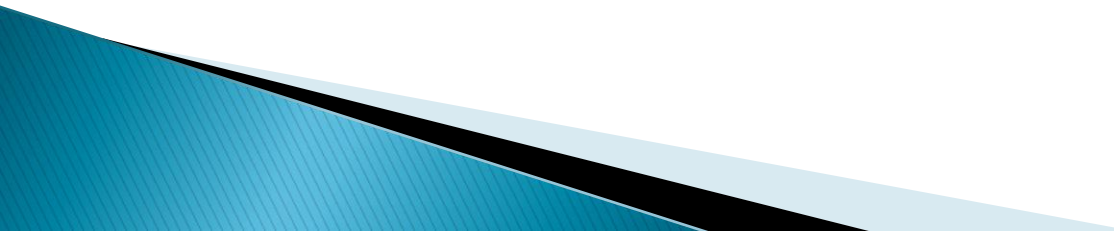
Need for training

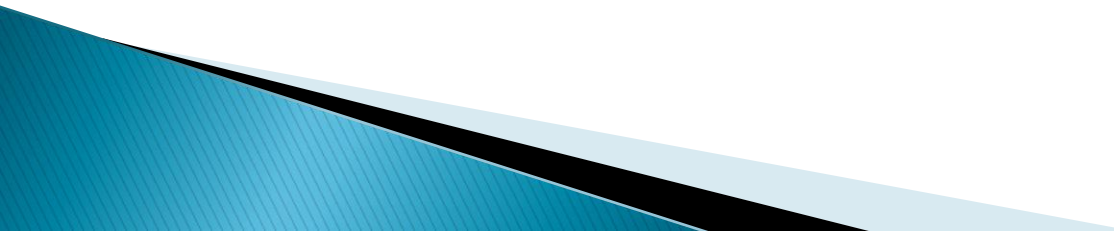- To match employee specification with job requirements and organizational needs
- Organizational viability and transformation process
- Technological advances
- Organizational complexity
- Changes in the job assignment
- Human relations

Objectives of training

- Enhancing employee performance
- Updating employee skills
- Avoiding or delaying managerial obsolescence
- Preparing for promotion and managerial succession
- Motivating and preventing employee attrition
- Gaining organizational excellence

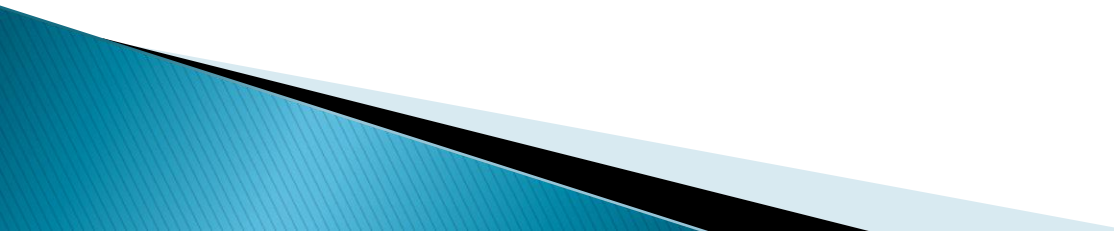# Importance of training

- Reduction in cost of production
- Maximum utilization of materials and machines
- Minimum possibility of accident
- Stability in organization
- High morale
- Improvement in quality and quantity of production

- Helps to differentiate between efficient and inefficient employees
- Minimum need of supervision
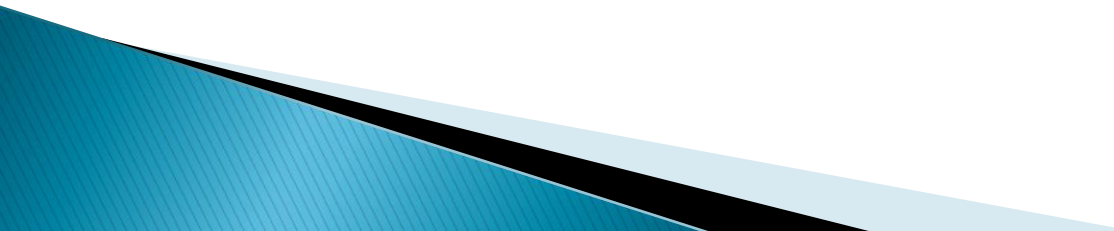- Helpful to managers
- Increase in understanding

Training methods

- On the-job methods
- ✓ Job instruction training
- ✓ Coaching (training by supervisors)
- ✓ Understudy
- ✓ Job rotation
- ✓ apprenticeship

Off- the – job methods

- Lectures
- Discussion method
- Simulation
- Case study
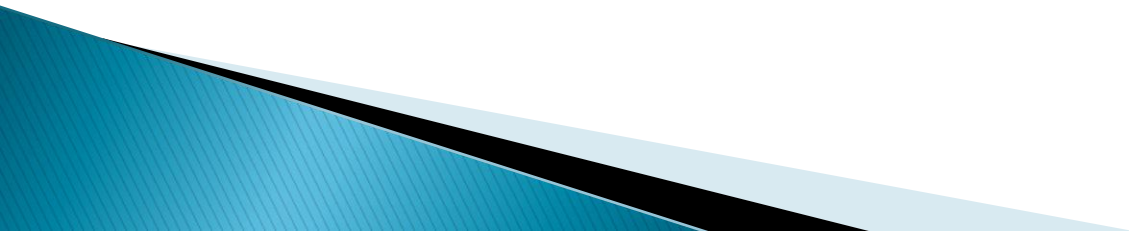- role–playing
- Fieldtrip
- Sensitivity training
- Vestibule training

Process of training

- Assessment of organizational objectives and strategies
- Training need assessment
- Establishment of training goals
- Designing training and development programme
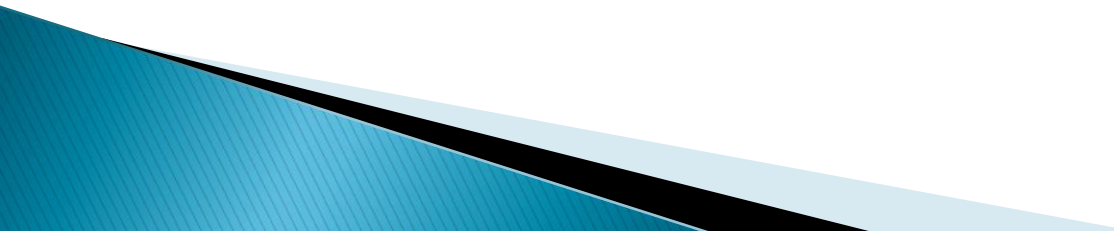- Implementation of training programme
- Evaluation of results

Performance appraisal

Definition:

According to Mondy, "Performance appraisal is a system of review and evaluation of an individuals(or team's) performance".
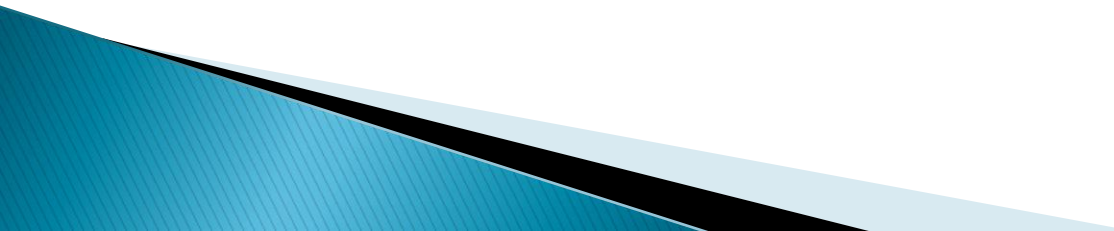
Features of performance appraisal

- Systematic process
- Evaluating process
- Periodic process
- future-oriented
- Determines employee's potentialities
- Employee development
- Performance appraisal may be formal or informal
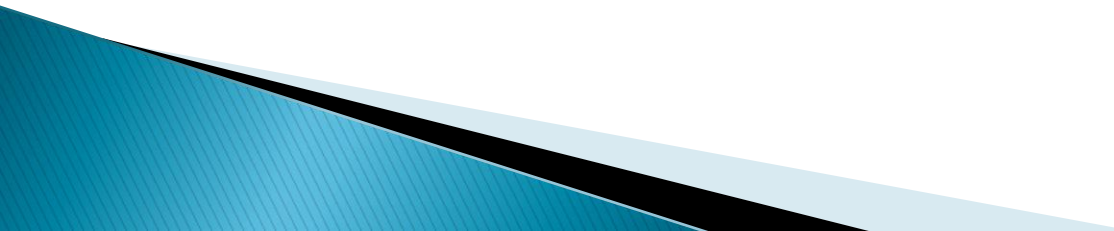
Methods of performance appraisal

There are two methods of performance appraisal
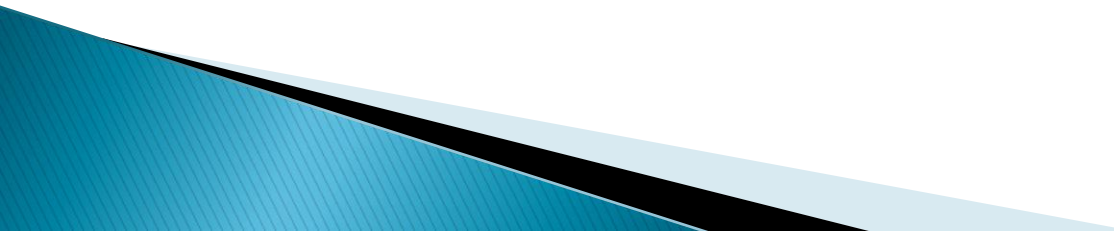- ▶ Traditional methods
- ▶ Modern methods

TRADITIONAL METHODS

- Graphic rating scales
- Straight ranking method
- Paired comparison method
- Critical incident method
- Confidential report
- Group appraisal
- Other traditional methods

Modern methods

- Assessment centre's
- 360-degree performance appraisal
- Behaviorally anchored rating scales(BARS)
- Management by objectives(MBO)
- Psychological appraisal
- Human resource accounting

IMPORTANCE OF PERFORMANCE APPRAISAL

- Performance improvement
- Compensation adjustment
- Determines informational inaccuracies
- Placement decision
- Career planning and development
- Staffing process deficiencies
- Training and development needs
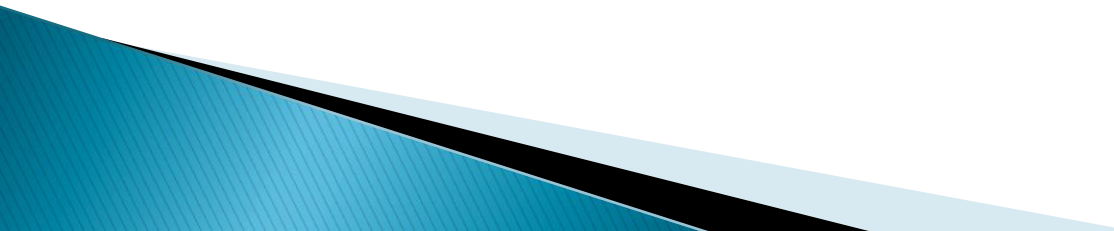- Job design errors
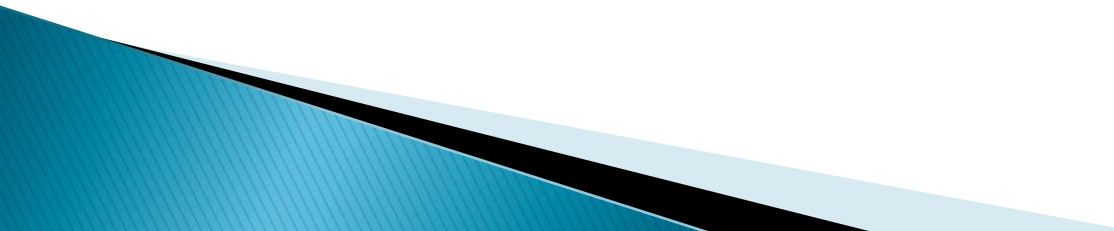- Equal employment opportunity

Career development

DEFINITION:

According to gysbers and moore,"Career development is self development over the life span through the integration of the roles,settings,events of a person's life.

Activities involved in career development

- Career counseling
- Self-assessment tools
- Information services
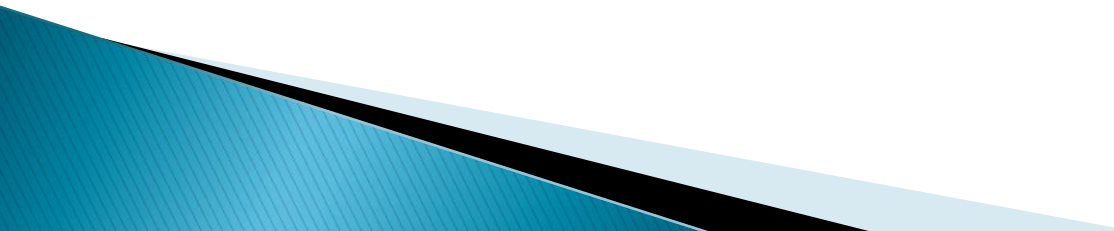- Organizational assessment programs
- Development programs

Career stages

- Exploration stage
- Establishment stage
- Mid career stage
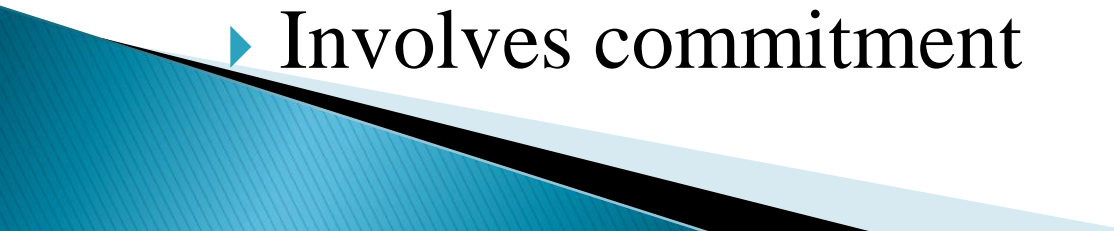- Late career stage
- Decline stage

Decision making

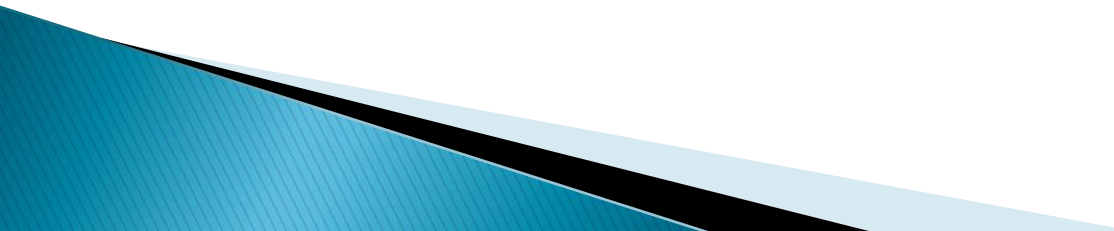**Meaning and definition of decision-making**

Decision-making may be viewed as the process of selecting a course of action from among several alternatives in order to accomplish a desired result.

According to George R. Terry, "Decision-making is the selection based on certain criteria from two or more alternatives".
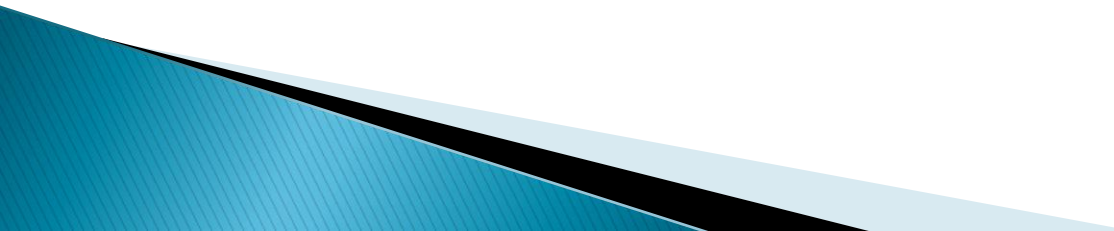
Nature of decision making
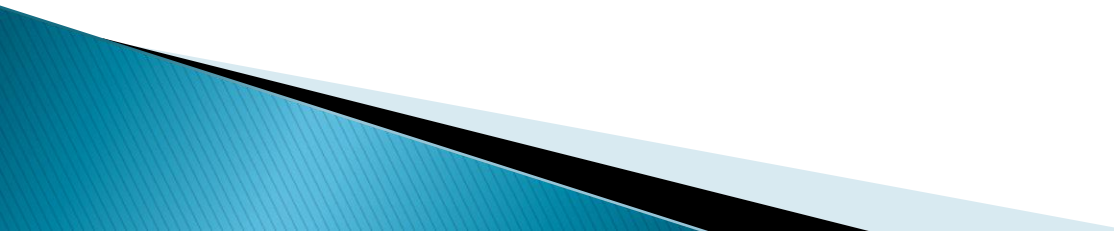
- Process of selecting the best from the alternatives
- Based on rational thinking
- Always related to some problem or conflict
- Involves evaluation of available alternatives
- Aimed at achieving organizational goals
- Involves commitment

- Human activity
- Both a managerial function and an organizational process
- Core of planning
- Decision starts action
- Uncertainty of results
- Universal mark of a manager
- May be negative

Types of decisions

- Programmed and non-programmed decisions
- Major and minor decisions
- Routine and strategic decisions
- Policy and operative decisions
- Organizational and personal decisions
- Individual and group decisions

- Long-term, departmental and non-economic decisions
- Crisis and research decisions
- Initiative or forced decisions
- Problem and opportunity decisions

decision-making process

Rational approach to decision-making process

Step1. State the situational goal

Step2. identify the problems

Step3. determining decision type
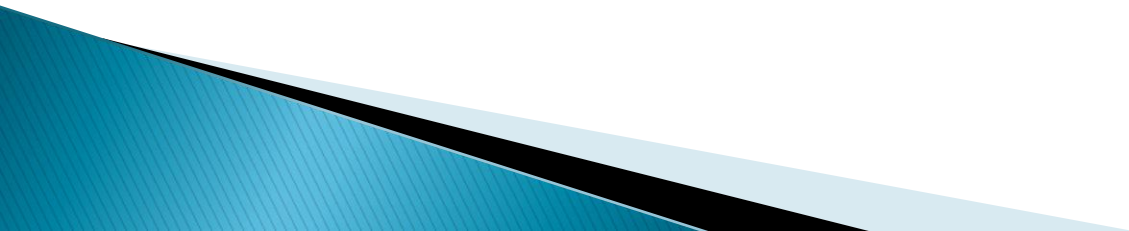
Step4. generate alternatives
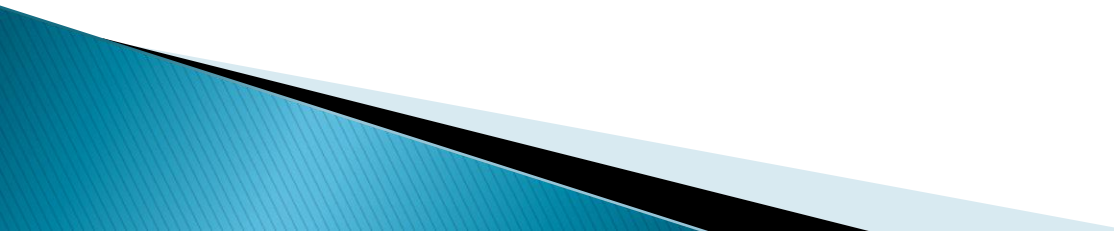
Step5. evaluate alternatives

Step6. choose an alternatives

Step7. implement the plan

Step8. control-measure and adjust

Techniques of decision-making

- Marginal analysis
- Financial analysis
- Break-even analysis
- Ratio analysis
- Operation research
- Pareto analysis

- Paired comparison analysis
- Grid analysis/ decision matrix analysis/ pugh matrix analysis
- Force field analysis
- Brainstorming
- Nominal group technique
- Delphi technique