



Note

# 7

## PLANNING AND ORGANISING

In the previous lesson, you learnt about the various functions of management viz., planning, organising, staffing, directing, coordinating and controlling. In this lesson we shall discuss the first two functions i.e., planning and organising emphasising the nature, importance, process of planning with its limitations and types, and the basic concepts of organising including process of organising, the organisational structure, delegation and decentralization of authority.



### LEARNING OUTCOMES

- describes how a business is planned and what are its distinguishing features;
- distinguishes between the various types of business plans and the planning process; and
- discusses how a business is organised, and assess its hierarchical structure.

### 7.1 WHAT IS PLANNING ?

When we talk about planning, it simply refers to deciding in advance what is to be done and how it is to be done? For example, you decide in advance where to study (at NIOS or regular school) and what to study (to go in for Business Studies and Accountancy or Physics and Chemistry) etc. and plan for admission, transport arrangement and purchase of books, stationery etc. Thus, planning is a systematic way of deciding about and doing things in a purposeful manner. It is one of the basic managerial functions. Before starting with something, the manager must first decide on the objectives and then how these have to be achieved. In the context of management, Planning may be defined as "the process of setting future objectives and deciding on



**Note**

the ways and means of achieving them". The entire process seeks to bridge the gap between where we are and where we want to go. In the words of M.E. Hurley, "planning is deciding in advance what is to be done in future. It involves the selection of objectives, policies, procedures and programmes from among the alternatives."

### 7.2 FEATURES OF PLANNING

The basic features of planning can be summarised as follows:

- (a) **Planning is the Primary Function of Management:** Planning is the first and the foremost function performed by every manager. It forms the basis of all the other managerial functions. In other words, planning precedes all other managerial functions and provides the very basis for organising, staffing, directing and controlling.
- (b) **Planning is Goal Directed:** Planning is always directed at achieving certain goals. A manager cannot plan anything unless he knows what he wants to achieve. For example, you cannot plan for a journey unless you know where you want to go. Thus, planning is taking such steps so as to achieve the desired goal.
- (c) **Planning is Pervasive:** Planning is relevant to all levels of management and also for all functional areas. It is not restricted to only top-level but is done by managers at all levels. Managers at the top-level plan for the entire organisation. They make plans for long periods and lay down the objectives for the organisation as a whole. Middle-level managers make quarterly, half-yearly and yearly plans for the departments under them. Foremen and office supervisors (lower-level managers) plan for a workshop for a section of the office. They make plans for a short period, i.e., for the next day, next week or next month. Also, planning is required by all the other functions of management. For example, Staffing function plans for the number and the type of personnel required, organisation-wide plans for the entire organisation.
- (d) **Planning is Futuristic:** Planning is future-oriented. It is deciding in advance what to do, how to do, when to do etc. It requires collection of information about various matters relating to business and then choosing a course of action for the future. The purpose of planning is to meet the future events effectively and in the best possible manner. For example: the annual production plans are prepared on the basis of sales forecasting.
- (e) **Planning is an Intellectual Activity:** Planning requires certain conceptual skills to look ahead into the future. It needs good foresight and sound judgment to



Note

anticipate future events, develop alternative courses of action and make the right choices.

- (f) **Planning is a Continuous process.** In organisations, plans are made for a specific period followed by new plans for a further period. Sometimes the conditions or circumstances change demanding the plans to be revised. For example, a sugar factory situated in upper regions of Uttar Pradesh had planned for production of 1,000 tons of sugar during the last quarter of the year. Accordingly, the management planned for procurement of sugarcane from the nearby areas. Unfortunately, there was snowfall leading to loss of crop. This made the management to change their plan and procure sugarcane from far-off areas like Haryana and Rajasthan and also revise their planned production of 1000 to 800 tons. Thus, planning is a continuous activity in all organisations.
- (g) **Planning involves making Choices:** Planning involves choices from various alternatives. Need for planning arises when there are several alternatives to meet the objectives/goals. For example, if the organisation plans to increase its profits there may be several alternatives like- increase in sales revenue, cutting cost of production, increasing the price of the product, increase in advertising and sales promotion etc. The alternatives are evaluated and a choice is made regarding which course of action is to be followed.
- (h) **Planning is Flexible:** Planning is a future-oriented activity and thus forecasts are made on the basis of certain assumptions which may not materialise. Hence, plans need to be revised in accordance with the changed conditions. Activities are planned with certain assumptions, which may not come true. Managers must make provision for alternate strategies and plans as indicated in the earlier example of a sugar factory.

### 7.3 IMPORTANCE OF PLANNING

Planning is the first and the foremost function of management. Without planning all the other activities of the organization would be aimless and meaningless. Some of the important features of planning are as follows:

- (a) **Planning Provides Direction to Action:** Planning is concerned with predetermining the course of action and stating in advance how the work is to be done. It provides direction to the efforts of the employees. It ensures that the goals and objectives are clearly stated and acts as a guide for decision making. This also leads to unity of direction. The various departments, employees, and resources work in the same direction for achieving the organisational goals.



Note

- (b) **Planning Reduces Risk and Uncertainty:** Planning is a future-oriented activity and enables the managers to look ahead and anticipate changes. Thus, it prepares the organisation to deal with uncertainties and unexpected events. Though changes and uncertainties cannot be eliminated but with planning these can be certainly reduced.
- (c) **Planning Helps in Achieving Coordination and facilitates Control:** Proper planning integrates the tasks at the operational level, thereby making coordination more effective. It also helps in identifying deviations and taking corrective action.
- (d) **Planning Facilitates Decision-Making:** Planning provides for several alternatives from among which the choice can be made, thus, facilitating decision-making for managers. In planning, goals are set in advance and predictions are made for future. These predictions and goals help the managers to take fast decisions.
- (e) **Planning Leads to Economy and Efficiency in Operations:** Best methods are selected out of available choices, thus, reducing overlapping and wasteful activities.
- (f) **Planning is Necessary to Facilitate Control:** Planning provides the basis for control. While controlling, the actual results are compared with the pre-determined objectives given by planning. Thus, the periodic reviews of operations can show whether the plans implemented are in the right direction or not.
- (g) **Planning begins with the Determination of Objectives and Directed Towards their Achievement:** It keeps the executive vigilant and alert. Managers have to review the progress periodically and recast their strategies to meet the agreed objectives. It should be noted that planning also has certain limitations, as the plans are based on certain assumptions and possibly incomplete information. Hence, the management has to be vigilant and provide for necessary flexibility to take care of changed situations.

### 7.4 LIMITATIONS OF PLANNING

Planning is of great importance to management. Planning is a futuristic exercise and the future is always uncertain. Changes can happen anytime and events may not go as per the laid down plans. Change in government policies, environmental changes, price rise, legal regulations, international market conditions all affect our business plans. Plans then need to be modified. Following are the important limitations of planning:



Note

1. **Rigidity:** The existence of a plan puts managerial activities in a rigid framework. Changes are not always acceptable to the employees. This attitude makes employees and managers inflexible in their operations.
2. **Probabilistic:** Plans are based on forecast so they do not reflect reality. Predictions may not be correct and plans based on these predictions may go wrong. For example, even developed countries like America, UK, and France etc. did not forecast sub-prime crisis\*, which resulted in a major economic crisis in those countries.
3. **Expensive and Time Consuming:** Planning requires a lot of time to collect information, its analysis and interpretation. So it is a time consuming process. It is not practical during an emergency. If the benefits derived are not more than the cost of a plan, then it has adverse effects on the financial performance of an organisation.
4. **Delay in Actions:** Planning is a time consuming process. In case of urgent decisions, planning will delay the action.
5. **Misdirection:** Sometimes planning may be used to serve individual and group interests and interest of the organisation may get ignored.
6. **False Sense of Security:** Planning may create a false sense of security among the employees of an organisation in the sense that activities will take place as per plan, therefore, there is no need to worry.



### INTEXT QUESTIONS 7.1

1. Read the statements given below. Write against each if it represents a feature, or importance of planning or neither.
  - (a) Planning is the primary function of management.
  - (b) Planning brings about efficiency and effectiveness.
  - (c) Planning is always futuristic.
  - (d) Planning reduces uncertainty, risk and confusion.
  - (e) Planning helps in achieving coordination and control.

\*The USA sub-prime mortgage crisis was a multinational financial crisis that occurred between 2007-10 that contributed to 2007-08 global financial crisis.



**Note**

2. Identify the limitations of planning from the following
  - (a) Rigidity
  - (b) Facilitates Control
  - (c) Time Consuming
  - (d) Reduces uncertainty
  - (e) Delay in Action
  - (f) Leads to economy

### 7.5 THE PLANNING PROCESS

Planning is the first and the foremost function required to achieve the desired results. It follows a step-by-step process without which it may be difficult to build up proper plans and ensure their implementation. Such steps are as follows.

1. **Establishment of Objectives:** All of us know that every organisation has some goals that it wants to achieve. Planning actually starts with defining these goals in more concrete, clear and unambiguous terms. This enables the management in gaining clarity on what they have to achieve and then plan all activities accordingly.

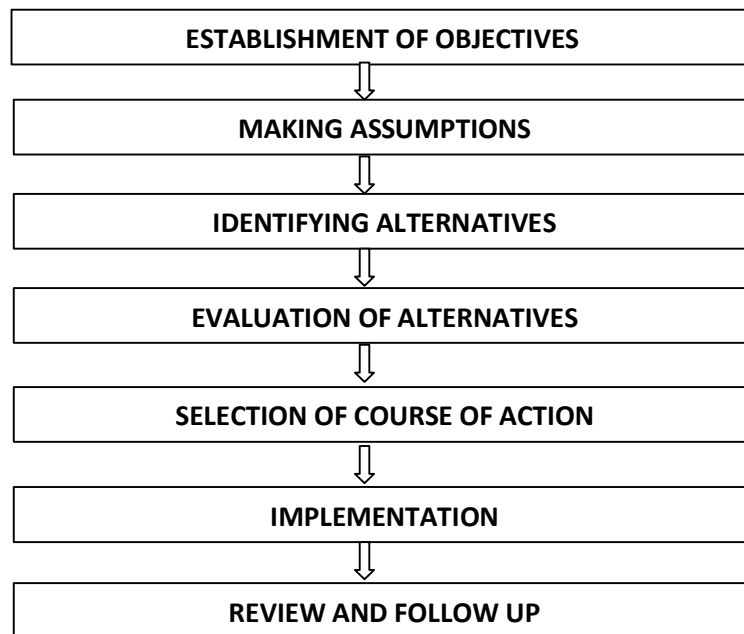


Fig.: 7.1

Hence establishing organisational objectives is a pre-requisite for good and meaningful planning.




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**Note**

2. **Making Assumptions** (establishing Planning premises) about the External and Internal Conditions: Making assumptions about the future environment of business is the second step in planning. For example, it may be assumed that there will not be any change in tax laws and that there will be sufficient funds available to meet its financial requirements. These assumptions about the future environment of the business are known as planning premises. These premises may be external or internal.

**External Planning Premises** relate to conditions outside the business. External planning premises include assumptions about the market demand and nature of competition, laws affecting the business, availability of resources, and changes in technology. If the management can visualise the likely changes in the external conditions, they can take steps to solve problems arising there from and plan to take advantage of the emerging business opportunities. Government policies and laws, for example, affect the decisions of managers to a great extent. Advance knowledge of the likely changes in government policy enables managers to plan their activities more efficiently.

**Internal planning premises** relate to conditions prevailing within the organisation. These conditions include cost, methods and techniques of production, employees, type of machinery and equipment, etc. All these constitute the internal resources which determine as to what the organisation is capable of achieving. The study of external conditions enables a business unit to know the opportunities available in the market. Hundreds of opportunities are available to a business unit, but it cannot take advantage of every opportunity. It has to decide what it will produce and distribute in the light of what it can do i.e., on the basis of the study of internal factors and then plan accordingly.

3. **Development of Alternative Courses of Action:** The next step in planning is to identify the alternative courses of action to achieve the agreed objectives . For example, to achieve the objective of increasing the profits of a business unit, any one or more of the following alternatives can be used:
- Increase the sale of its existing products
  - Improve product quality
  - Add new products/product lines
  - Increase the prices of products
  - Reduce costs



**Note**

4. **Evaluation of Alternatives:** Evaluation of alternatives is the fourth step in planning. When alternative courses of action are there before a manager, he has to examine the feasibility and the possible results of each course of action before making the best choice. Certain alternatives may not be practical. Management should ignore such alternatives. For example, to maximise profits, the management may not think of reducing the wages of workers as it may not be workable. Similarly, if prices are increased, the business unit may not be able to face competition in the market. So, the management should evaluate each of the remaining alternatives and work out how far they help in meeting the objectives and whether these are practical in the light of available resources.
5. **Selecting the Appropriate Course of Action:** After evaluating the alternatives, the manager will select that alternative which gives maximum benefit at minimum cost. In selecting the best course from among the alternatives, managers should also keep in mind their own limitations of resources. So in making the final selection from among the alternative courses of action, the management will ultimately be guided by:
  - (a) The opportunities provided by the external environment; and
  - (b) The ability of the business unit to take advantage of these opportunities.
6. **Arranging for Implementation:** After the management has finalised their choice, it should build up the necessary strategies and action plan for its implementation in due consultation with all key personnel who are to implement it.
7. **Review and Follow up:** To ensure that the plans are implemented and results achieved in the desired manner, constant monitoring and follow up is necessary. Thus necessary adjustments and corrections can be made in a timely and relevant manner.



### INTEXT QUESTIONS 7.2

1. Rearrange the following elements of external and internal planning premises.

#### External Planning Premises

- (a) Methods of production
- (b) Availability of skilled labour
- (c) Change in govt. policy

#### Internal Planning Premises

- (i) Market demand
- (ii) Change in technology
- (iii) Use of modern machinery



2. Ramesh wants to appoint managers in different departments of his factory. He follows the following steps, which are not given in proper order. Arrange them carefully in correct sequence.
  - (a) Appointed three managers.
  - (b) Visited two management institutes to interview the management graduates.
  - (c) Compared the short-listed candidates in terms of qualifications and salary expected.
  - (d) Set assumptions that the technology is going to change; and that enough money is available for payment of salaries to the new managers.
  - (e) Set a deadline of appointment of three managers.



Note

## 7.6 TYPES OF PLANS

1. **Objectives:** Objectives are the end results towards which all the activities are directed. For example, it can be the objective of an organisation to impart training in cloth printing to 1000 persons in a year. As far as possible, objectives should be measurable in quantitative terms, and should be achievable within a given time period.
2. **Strategy:** To exist in the changing business environment and to face the competitions in the market, plans that are formulated are called strategies. Strategies refer to plans which are prepared by considering the move of competitors for the optimum utilisation of resources. A Strategy is a comprehensive plan which indicates the desired future of an organisation. For example,
  - (i) Tata adopted the strategy of attracting even middle income group to purchase cheaper car (Nano).
  - (ii) Because of fast labour turnover, IT companies adopted the strategy of appointing not only engineers but also graduates from Mathematics and Physics.
3. **Policy:** A policy is a general statement that guides decision-making. It decides the boundaries within which the decisions can be made. Policies direct decisions towards achievement of objectives. For example, an organisation may have the policy of giving training only to candidates who secured more than 60 percent marks.



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4. **Procedure:** Procedures are plans which determine the sequence of any work performance. If procedures are decided in advance, everyone can follow the same. For example, the procedure for giving training to candidates in an organisation. :
  - a) Collect the applications from candidates;
  - b) Verify the scores / mark of each candidate;
  - c) Verify the area of training needed by each individual (for example, cutting & measuring a piece of cloth for stitching).;
  - d) Collect fees / decide the stipend to be given to each candidate;
  - e) Send letters intimating the date and period of training;
  - f) Conduct training programme;
  - g) Issue of certificate to each participant on completion of training.
5. **Methods:** A Method is that plan which determines how different activities of the procedure are completed. A method is not related to all steps but only to one step of the procedure. One best method is selected in which a worker feels minimum fatigue and there is increase in productivity. Methods are standardised ways of doing work. For example, cloth can be manufactured by labour intensive method or capital intensive method. But the most efficient method is one which will use least amount of resources. The method of car driving training can be by using a car or by using a computer software in the initial period of training.
6. **Rule:** Rules clearly indicate what is to be done and what is not to be done in a particular situation. Strict actions can be taken against persons who violate the rules. Rules are guideline designed to guide behaviour. For example, there can be rule of 'Keep Silence' in a library or 'No smoking' in a factory.
7. **Budget:** It is a statement of expected results expressed in numerical terms. A budget is a type of plan expressed in financial terms or in terms of labour hours, units of product, machine hours etc. Budgets are quantitative statements indicating expected results and expenditure required for achieving the goal. For example, Cash budget estimates the expected cash inflow and cash outflow over a period of time.
8. **Programme:** A programme is a plan laying down the what, how, who and when of accomplishing a specific job. The programmes are made to get systematic working in the organisation. A programme is a scheme designed to accomplish a

specific objective. It spells out clearly the steps to be taken, resources to be used, and time period within which the task is to be completed. A programme usually includes a set of objectives, policies, procedures, methods, budgets etc. For example, developing a new product, training programme, advertising programme etc.



Note



**INTEXT QUESTIONS 7.3**

1. Identify the types of plans in the following cases and write it in the brackets:
  - a) It is in the form of general statements that channelize energies towards a particular direction. ( )
  - b) It determines the end which the management seeks to achieve by its operations. ( )
  - c) It defines the broad parameters within which a manager may function. ( )
  - d) It specifies the steps to carry out different activities in chronological order. ( )
  - e) It states standardised ways of accomplishing routine jobs. ( )
  - f) In this plan the minutest details are worked out, i.e. procedures, rule and budget within the broad framework of policy. ( )
  
2. Identify the plan which is numerical and can be expressed in monetary terms.
 

a) objective	b) strategy
c) budget	d) policy
  
3. A company formulated a plan to conduct training for 6 months. What type of plan is it?
 

a) objective	b) programme
c) budget	d) none of the above
  
4. A company frames a plan which mentions that workers should punch their entry card before 10:15 a.m. What type of plan is it?
 

a) objective	b) rules
c) budget	d) none of the above



**Note**

### 7.7 ORGANISING

The next important function of management after planning is organising. Once the plans are laid down and objectives have been specified, the next step is to arrange for the resources- men, material, money, methods and machinery and also to decide on the ways and means through which it will be easier to achieve what has been planned. All this is undertaken by the organising function. Suppose a company plans to set up a new plant for soft drinks. The immediate task for the manager then is to identify and assign the various tasks involved, and devise structure of duties and responsibilities so that things move smoothly and the objective is achieved. All these tasks form part of the organising function.

**Organising can be defined as identifying and grouping of activities in the organisation and bringing together the physical, financial and human resources for developing productive relationship among them for achieving the laid down objectives.**

### 7.8 FEATURES OF ORGANISING

1. **Organising is an Important Function of Management:** Organising is an important function in the process of management. It follows the function of planning and is concerned with bringing the resources together, formulating organisational structure and defining authority and responsibility relationships among job positions.
2. **Organising is a Continuous Process:** It is an ongoing process concerned with identification of activities, grouping of activities, assignment of jobs and establishing the relationships among them.
3. **Organising is Pervasive:** The management function of organising is practised by all managers at all levels. Though, its nature and scope may vary at different levels. Top level management is involved with the entire organisation, middle level management is significantly involved with departmental activities and lower level management is concerned with units and divisions.
4. **Organising is Goal-oriented:** Organising is directed towards achieving the overall goals of the organisation. It harmonises the individual goals with the organisational goals.
5. **Organising Involves Co-ordination:** Organising essentially involves co-ordination as it secures to strike a balance between the various resources and the efforts of the employees.

6. **Organising is a Group Activity:** Organising establishes the relationship among different employees working in groups/ departments in order to secure cooperation among them
7. **Organising Establishes Authority-Responsibility Relationships:** Authority is the right to control and command and responsibility is the obligation to carry out the work successfully. Organising establishes the relationships among job positions and employees so as to carry out the tasks successfully.



Note

## 7.9 IMPORTANCE OF ORGANISING

The organising function is very significant as it helps in the survival and growth of any organisation and equips it to meet the business challenges. By grouping work and people properly, organising facilitates administration, promotes specialization, encourages growth and thus contributes to its success. Some of the points of importance are as follows:

1. **Leads to Specialization:** Organising is based on the concept of division of work and this leads to specialization. The activities are divided, grouped and assigned to different departments depending upon the resources and competence thus developing them as specialized centers.
2. **Optimum Utilization of Resources:** Organising leads to the proper usage and allocation of all material, financial and human and technical resources. Since the entire work is divided into smaller activities there is no duplication of efforts and wastage of resources. This provides for the best possible use of the resources.
3. **Establishes clarity of Authority and Responsibility:** Division of work and delegation of authority clearly defines the relationships and lines of communication in the organisational structure. This further removes confusion and conflicts among the employees.
4. **Enhances Creativity:** Organising by providing well defined areas of work and authority provides sufficient freedom to the employees for independent thinking, new and innovative ideas and initiatives. This encourages creativity.
5. **Expansion and growth:** The process of Organising helps in the growth and diversification of an enterprise by enabling it to deviate from existing norms and taking up new challenges. It allows a business enterprise to add more job positions, departments and even diversify their product lines.



Note

6. **Facilitates Co-ordination:** Organising is also used as a mechanism for maintaining and securing co-ordination among employees, functions and various departments. The activities of the individual employees are well harmonized with the functioning of the department and department's goals with the organisational goals.
7. **Adaptation to Change:** Organising also allows the business to adapt itself to the changes in the business environment. The organisational structure can be easily modified and revised in case of the changed circumstances without altering and compromising its goals and objectives.

### 7.10 PROCESS OF ORGANISING

The process of organising is explained below:

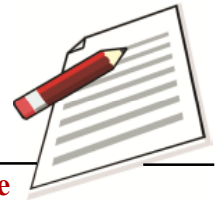
1. **Identification of Activities:** Every enterprise is created with a specific purpose. Based on this, the activities involved can be identified. For example, in a manufacturing firm, producing goods and selling them are the major activities in addition to routine activities like paying salary to employees, raising loans from outside, paying taxes to the government etc. and these activities vary when the organisation is a service concern or a trading firm. Therefore, it is essential to identify various activities of an enterprise.
2. **Grouping of Activities:** Once activities are identified, then they need to be grouped. They are grouped in different ways. The activities which are similar in nature can be grouped as one and a separate department can be created. For example, activities undertaken before sale of a product, during the sale of the product and after the sale of the product can be grouped under the functions of a marketing department. Normally, all activities of a manufacturing unit can be grouped into major functions like purchasing, production, marketing, accounting and finance, etc. and each function can be subdivided into various specific jobs.
3. **Assignment of Duties:** After the organization is divided into specialized departments/ divisions, the next step is to assign and allot duties to various job positions/



Fig.: 7.2 Process of organising

employees matching their qualification and skills. The work assigned must match their abilities so as to enable them to perform well and successfully.

4. **Delegation of Authority:** Mere assignment of tasks will not ensure their completion until the employees are given the right amount of authority to carry out the task. On the basis of responsibilities given to employees, they are also to be given the necessary authority to ensure effective performance.



Note

## 7.11 ORGANISATIONAL STRUCTURE

The process of organising culminates into an organisational structure which constitutes a network of job positions and the authority relationships among the various positions. The organisation structure can be defined as the framework within which managerial and operating tasks are performed. It defines the relationships between people, work and resources. The whole structure takes the shape of a pyramid and indicates the tasks assigned, hierarchical relationships and the patterns of communication and coordination among individuals. The various factors that are usually taken into consideration for designing a good organisational structure are job specifications, departmentalisation, authority-responsibility relationships, span of control etc. A proper organisational structure is essential to ensure a smooth flow of communication and better control over the operations of a business enterprise.

### 7.11.1 TYPES OF ORGANISATIONAL STRUCTURE

The organisational structures can be classified as:

- (a) Traditional or Bureaucratic Structures
  - (b) Modern Organisational Structures
- (a) Traditional or Bureaucratic Structure:**

Based on the arrangement of activities, two most commonly used forms of organisational structure are

- (1) Functional Structure, and
- (2) Divisional Structure.

These are discussed below:

1. **Functional Structure:** As the name suggests, in a functional structure grouping is based on functions. Similar jobs are grouped into functions and major functions are further categorised as departments which are handled by respective co-ordinating heads. These departments can further consist of sections. Thus, in



Note

any industrial enterprise the functions like manufacturing, marketing, finance, personnel may constitute major separate units (departments) of the enterprise; and in case of a large retail store purchasing, sales and warehousing may be the major units. It may be noted that the major units are further divided into sub-units. For example, the manufacturing department may be sub-divided into stores, repairs, maintenance, production, etc.

This form of organisational structure helps in developing functional specialization in each unit duly headed by an expert in that functional area. This facilitates the co-ordination within the department since all are fully familiar with the various activities involved. However, this type of structure is considered suitable for small and medium-size organisations. In case of large organisations, the units become too unwieldy and difficult to manage.

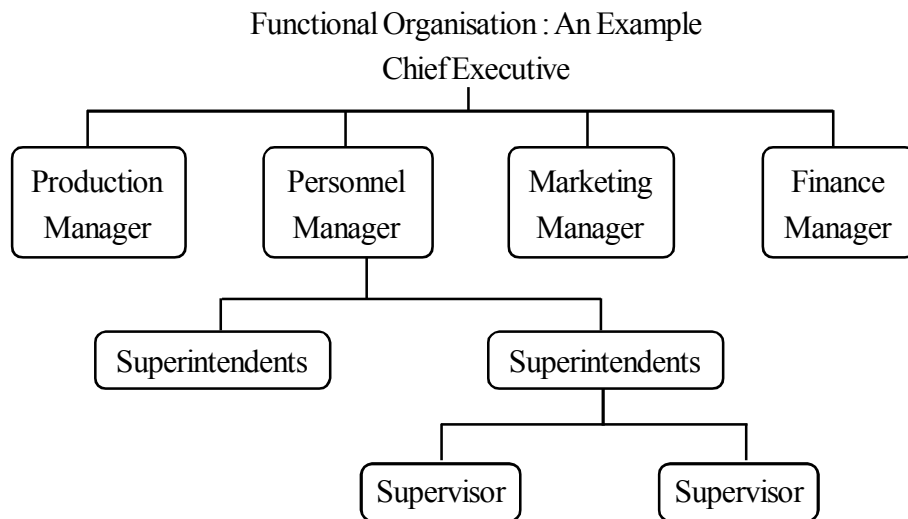


Fig.: 7.3 Functional Organisation : As Example

2. **Divisional Structure:** In large organisations dealing in multiple products and serving a number of distinctive markets, the divisional structure is considered more suitable. In such structures, the organisation is divided into separate units or divisions which operate independently and are multifunctional. Each unit has a divisional manager at the top that looks after all the operations of the division.



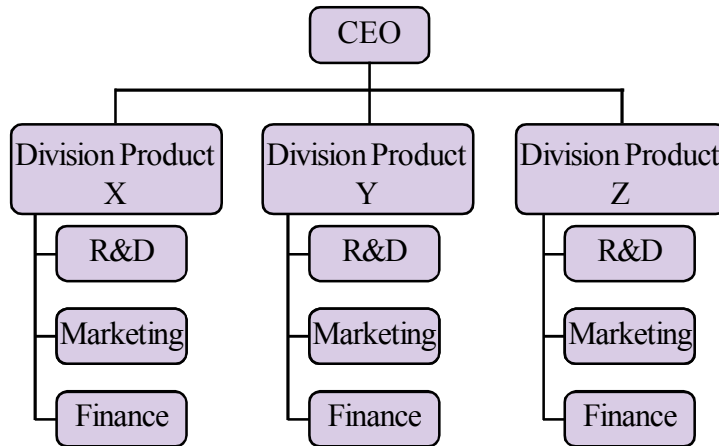


Fig.: 7.4 Divisional Structure



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**(b) Modern Organization Structures**

The traditional organisation structures are hierarchical, rigid, complex and fixed. They have now been replaced with the modern organizational structures which are without boundaries and simple. These structures are well-suited for rapid changes and innovation and therefore ideal for organisations operating in volatile and technology driven environments.

The commonly used forms are: (a) Team structure (b) Matrix structure (c) Project structure

These are discussed under:

1. **Team Structures:** In this structure organisations are made up of teams and each team works towards a common goal. They are flexible and less hierarchical and teams can incorporate their own way of working. Some teams may have team leader who is in charge of their group.
2. **Matrix Structure:** A matrix structure is an effective system for project based organizations. Under this structure different specialists from different functional department work on one or more project. Each specific project is assigned a project manager and is allocated all the necessary resources required to fulfill the project objectives. In this type of structure, there are two managers, the project manager and the functional manager.
3. **Network Structures:** A networking organisation is one that is created around a central organisation (called the hub organisation) that has association and understanding with some other organisations, to perform functions like designing, manufacturing, marketing etc. for the central organisation, on a contractual basis.



**Note**



### INTEXT QUESTIONS 7.4

1. What is meant by the functional structure of organisation?
2. Arrange the following steps of organising in proper sequence.
  - (a) Assigning responsibility.
  - (b) Identification of activities to be done.
  - (c) Granting authority.
  - (d) Establishing relationships among individuals and groups.
  - (e) Grouping and sub-dividing activities within each function on the basis of similarity or relatedness.
3. XYZ Limited is manufacturing chemicals and textiles. What type of organisational structure would suit the requirements of such an organisation?

### 7.12 FORMAL AND INFORMAL ORGANISATION

Formal organisation refers to the officially established pattern of relationships among departments, divisions and individuals to achieve well-defined goals and is a consciously designed structure of roles. In other words, formal organisation clearly spells what a person has to do, from whom he has to take orders and what rules, policies and work procedures he has to follow. Thus, it is a system of well-defined jobs, each bearing a definitive measure of authority, responsibility and accountability. This promotes order and facilitates planning and controlling functions. Informal organisations on the other hand, refer to relationships between individuals in the organisation based on personal attitudes, likes and dislikes. They originate to meet their social and emotional needs and develop spontaneously. They represent natural grouping of people in work situations and are supplementary to formal organisations as they serve the needs not satisfied by formal organisations. The formal organisation does not provide any opportunity to members to exchange personal views and experiences and so they interact informally to fulfill such interest and needs. In fact, informal organisation comes into being because of the limitations of the formal structure and both are interlinked. However, they differ with respect to their origin, purpose, structure, authority, channels of communication and behaviour of members.

**7.13 DIFFERENCE BETWEEN FORMAL AND INFORMAL ORGANISATIONS**

S.No.	BASIS	FORMAL ORGANISATION	INFORMAL ORGANISATION
1	<b>Meaning</b>	Established pattern of relationships among departments, divisions and individuals to achieve well-defined goals.	Relationship between individuals in the organisation based on personal attitudes, likes and dislikes.
2	<b>Creation</b>	It is created by the top management.	It is not created by top management. It arises out of the natural desire of the people to associate.
3	<b>Objective</b>	It is created to get the jobs of an organisation performed in a planned and systematic manner.	It is formed to satisfy those needs of members which cannot be satisfied through formal organisation.
4	<b>Authority</b>	The authority of every employee is defined in the organisational structure in accordance with the job. position.	The authority of employees arises out of their personal qualities.
5	<b>Nature</b>	Formal organisation is permanent and stable.	It is of temporary nature and changes from time to time with size and membership.



**Note**

**7.14 DELEGATION OF AUTHORITY**

In organisations, it is difficult on the part of a manager to complete all the jobs assigned to him. He thus, can take help from others by asking them to do some of the work in a formal way. It means, he can assign some of the work to his subordinates and give them authority to carry out the work and at the same time make them accountable. For example, a production manager may have the target to produce 1000 units in a week's time. He can distribute his work to three of his subordinates to produce 250 units each and keep 250 units for self to produce. And then he must also give them enough authority to use organisational resources to produce. By doing so he also makes his subordinates answerable to him for non-performance. This active process of entrustment of a part of work or responsibility and authority to another and the creation of accountability for performance is known as delegation.



Fig.: 7.5 Delegation of Authority



Note

Thus, there are three elements of delegation as follows:

1. **Assignment of Responsibility :** This is also known as entrustment of duties. Duties can be divided into two parts: one part, that the individual can perform himself and the other part, that he can assign to his subordinates to perform.
2. **Granting Authority:** Authority refers to the official powers and position required to carry on any task. When duties are assigned to subordinates, then the required authority must also be conferred on them. For example, when a manager asks his subordinate to receive a guest of the company on his behalf then he must also grant him some authority like use the company vehicle, booking the company guest house for accommodation etc. -
3. **Creating Accountability:** This refers to the obligation on the part of the subordinates, to whom responsibility and authority are granted to see to it that the work is done. In other words, the delegatee is fully answerable to his superior for performance of the task assigned to him. Thus, the superior ensures performance through accountability by his subordinate.

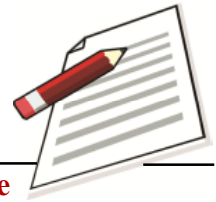
### 7.14.1 IMPORTANCE OF DELEGATION

Delegation is considered as one of the most important elements in the process of organisation because:

1. It **reduces the work load** on managers as work is successfully shared by the subordinates;
2. **Improves the managerial effectiveness** because by delegating a good part of work to the subordinate the managers are able to concentrate on important matters;
3. Helps the **subordinates to develop and grow** as they are provided with new responsibilities;
4. The faith and trust displayed in the subordinate builds his **confidence and self-esteem** there by boosting their motivation;
5. It leads to creating a healthy work environment and harmony among the employees. Thus, delegation facilitates **organisational growth**.

### 7.15 DECENTRALISATION

Decentralisation refers to a systematic effort to delegate authority at all levels of management, and in all departments. This shifts the power of decision making to lower levels under a well-considered plan. Take the case of traffic police controlling movement of vehicles on road. The traffic police holds a lower level position in the organisation,



Note

yet he has a lot of authority given to him. The seniors concentrate on ways and means to improve traffic control. In case of business units, the heads of departments have the authority to take decisions on most matters relating to the functioning of their department. The top managers focus on policy decisions like product lines to be added, future investments etc.

Decentralisation has a number of benefits as given below:

1. It reduces the workload of the top level management.
2. It motivates the employees and gives them more autonomy.
3. It promotes initiative and creativity.
4. It also helps employees to take quick and appropriate decisions.
5. In this process, the top management is freed from the routine jobs and it enables them to concentrate on crucial areas and thus plan for growth.

**7.15.1 DISTINCTION BETWEEN DELEGATION AND DECENTRALISATION**

S. No.	BASIS	DELEGATION	DECENTRALISATION
1	Meaning	Delegation refers to the process of entrustment of a part of work or responsibility and authority to another and the creation of accountability for performance.	Decentralisation refers to a systematic effort to delegate authority at all levels of management and in all departments.
2	Nature	It is a compulsory act as no individual can perform the entire task on his own.	It is an optional policy as it is decided by the top management.
3	Purpose	It is undertaken to lessen the burden of the managers.	It is undertaken to increase the role of subordinates in the organisation by giving them more authority.
4	Scope	Delegation is narrow in scope as it is limited to superiors and their immediate subordinates.	Decentralisation is wide in scope as it involves all the levels of the management.
5	Responsibility	The responsibility is not shared and remains with the superior.	Responsibility is also shared and is delegated to the subordinates.
6	Authority	Authority is granted by the superior to the subordinate	It is a systematic act which takes place at all levels and all functions.



**Note**



### INTEXT QUESTIONS 7.5

1. Identify the following as formal or informal organisation.
  - (a) Students enjoying a picnic in a park.
  - (b) Workers of the Health department are engaged in cleaning the roads.
  - (c) People gathered for a marriage party.
  - (d) Workers of Production department working at the machines.
  - (e) Tutors of NIOS tutoring during PCP classes.
2. Fill in the blanks:
  - (a) Authority flows from \_\_\_\_\_ level to \_\_\_\_\_ level.
  - (b) Accountability is being fully answerable to the \_\_\_\_\_ for the performance of the task assigned.



### TERMINAL EXERCISE

#### Very Short Answer Questions

1. List any two limitations of planning.
2. Name any two types of plan.
3. Define the term Organising.
4. What is meant by planning premises?
5. Explain the meaning of authority.
6. Define the term delegation.
7. Give the meaning of decentralisation.

#### Short Answer Questions

1. State the different steps of planning process.
2. Differentiate between external and internal planning premises.
3. What is functional authority? How is it different from line authority?
4. State the different elements of delegation.
5. Mention the different steps of organising.



**Note**

6. Why should a rule be considered as a plan?
7. Write a short note on 'Procedure'.

**Long Answer Questions**

1. Explain the features of planning.
2. What is meant by planning? Describe any four-points of importance of planning.
3. What is organising? Describe the steps in the organising process.
4. Explain the meaning of formal and informal organisations. What are the differences between these two?
5. If a person is responsible for supervising employees, why must that person have authority?
6. Write short notes on Rules, Procedures, Budget and Programme.
7. Explain 'Rules' and 'Methods' as types of plan. Differentiate between the two.
8. Explain the limitations of planning.



**ANSWERS TO INTEXT QUESTIONS**

- 7.1 1. Features - (a) , (c) Importance - (b), (d), (e)  
 2. (a), (c), (e)
- 7.2 1. External Planning Premises - (b); (c); (i); (ii)  
 Internal Planning Premises - (a); (iii)  
 2. 1 (e)      2 (d)    3 (b)              4 (c)    5 (a)
- 7.3 1. (c)    2. (b)    3. (b)
- 7.4 2. 1 (b)      2 (e)    3 (a)    4 (c)    5 (d)  
 3. Divisional Structure
- 7.5 1. Formal - (b), (d), (e)      Informal - (a); (c)  
 2. a) top, lower      b) superior

**DO AND LEARN**

You are asked by your teacher to plan an excursion trip in the month of September. Make a list of:



**Note**

1. Steps undertaken to plan the excursion.
2. Types of plans you require for making the trip successful.

### ROLE PLAY

Aditya and Abhinandan studied together. After finishing their studies they started their own business at different places. They do not find time to meet each other. Whenever Aditya fixes up a meeting Abhinandan excuses himself saying there is a problem in the organisation. Aditya visited him one day in his office.

**Aditya** : Abhinandan! Why is there always a problem in your organisation?

**Abhinandan** : Well, I can't make out! I have good number of people working for me in different areas. But, there is a confusion and argument about who has authority, responsibility and accountability in respect of different activities.

**Aditya** : Have you ever sit down and listed all the activities of your organisation? Grouped them? Assigned specifically to each of the employees ?

**Abhinandan** : No! But how will it help?

**Aditya** : Friend, what you need is not only number of people but also ensure that activities are properly identified, grouped and assigned to competent people.

**Abhinandan** : Means?

**Aditya** : Means, proper organisation.

(Thereafter Aditya explained to Abhinandan the importance of proper organisation)

Imagine yourself as Aditya and one of your friends as Abhinandan and continue the conversation.



# WHAT HAVE YOU LEARNT

