**CHAPTER THREE**

**THE ORGANIZING FUNCTION**

1. **An Overview of Organizing**

In planning, managers set their objectives and determine exactly what to do to attain these objectives. Of course, no one person can implement all the plans of a modern organization or one person cannot does everything necessary to meet the goals set forth in those plans. Planning, consequently, requires organizing the efforts of many people. It forces us to address several basic questions

* What specific tasks are required to implement our plans?
* How should these positions be grouped?
* How many organizational positions are needed to perform all the required tasks?
* How many layers of management (Organizational levels) are needed to coordinate them?
* How many people should a manager supervise directly?

The answers to these and other questions enable us to create an organizational arrangement, a structure, for putting plans into action.

**Organizing** - is a management function that involves arranging human and non-human (physical) resources to help attain organizational objectives. The management function establishes relationship between activity and authority. The result of an organizing process is an organization.

**Organization** - is the total system of social and cultural relationship among peoples who are joined together to achieve some specific common objectives. It is a whole consisting of unified parts (a system) acting in harmony to execute tasks to achieve goals effectively and efficiently.

1. **The Organizing Process**

Review plan

The organizing process has the following steps.

1. **Identification of objectives:** This is to understand clearly the objectives of the organization, i.e. to reconsider the objectives established during planning and identify the specific objectives to be pursued.
2. **Identification of the specific activities needed to accomplish objectives:** Knowing the objectives clearly makes the identification of activities needed clear and simple. Here we ask what work activities are necessary to accomplish the identified organizational objectives. Creating a list of tasks to be accomplished begins if we identify clearly what objective is to be accomplished or met. This identification of specific activities needed is called division of labor.

* List tasks
* Group task to jobs
* Group jobs

1. **Grouping of activities necessary to attain objectives:** The series number of activities listed and/or identified must be grouped together. That is, this involves grouping together of activities in accordance with similarities (homogeneity) of the activities, interdependence, job characteristics or any other grouping criteria, and this result in departments and the process is called **Departmentation**. Grouping of similar activities is based on the concept of division of labor and specialization.
2. **Assigning group of activities (work) and delegate the appropriate authority:** Management has identified activities necessary to achieve objectives, has classified and grouped these activities into major operational areas and has selected a departmental structure. The activities now must be assigned to individuals who are simultaneously given the appropriate authority to accomplish task.
3. **Design a hierarchy of relationships/ Provision for coordination:** This step requires the determination of both vertical and horizontal operating relationships of the organization as a whole. The vertical structuring of the organization results in a **decision-making hierarchy** showing who is in charge of each task, of each specialty area, and the organization as a whole. Levels of management are established from bottom to top in the organization. These levels create the chain of command, or hierarchy of decision-making levels, in the company.

Horizontal and vertical structuring

The horizontal structuring has two important effects.

1. It defines the working relationships between operating departments.
2. It makes the final decision on the span of control (the number of subordinates under the direction of each manager).

The result of this step is a complete organization structure. This structure is shown visually by an organization chart.

1. **Importance of Organizing**
2. Organizing promotes collaboration and coordination among individuals in a group. Thus, it improves communication within the organization.
3. Organizing sets clear-cut lines of authority and responsibility for each individuals or department’s. It helps employees to know their responsibilities and concentrate on the key tasks at hand. It specifies who is responsible for what.
4. Organizing improves the directing and controlling functions of managers. It enables management to effectively control the work and workers.
5. Organizing develops maximum use of time, human, and material resources. It also enables for proper work assignment for individuals in pursuit of common goal.
6. Organizing enables the organization to maintain its activities coordinated so that the efforts of managers and employees can be well integrated and directed towards an end; i.e. to accomplish organizational goal.

**Types of Organizations**

These are two types of organizations: Formal and informal

1. **Formal organization**

**Formal organization:** is the intentional, deliberate, or rational structure of roles in a formally organized enterprise. It is characterized by **well-defined authority,** **reporting relationships**, **job titles**, **policies**, **procedures**, **specific job duties,** and a host of other factors necessary to accomplish its respective goals.

It is represented by a printed chart that appears in organizational manuals and other formal company documents called **organization chart**. Organization chart is a diagram of formal relationship, which shows how departments are tied together along the principal lines of authority. Formal organization has consciously designed durable and inflexible structure. Formal organization may have legal personality.

1. **Informal organization**

**Informal organization**: is a network of personal and social relationships that arises spontaneously as people associate with one another in a work environment. It is an unofficial network of personal and social relations developed because of association or working together. E.g. the Chess group, the morning coffee group, the bowling team, etc. **It operates outside formal authority relationships**. It doesn’t have legal personality. Informal organization develops within the formal organization. It is composed of all the informal groupings of people with in a formal organization (it is not only the domain of workers; managers form informal groups that cut across departmental lines). Informal organization has a structure that is loosely designed, highly flexible and spontaneous. In such an organization, the pattern of information flow, the exact nature of relationships among the members, and the goals of the organization are unspecified. However, to identify the existence of informal organizations and their composition we can use two tools: a Sociogram and an Interaction Chart.

* A **Sociogram** is a diagram of group attraction. The Sociogram is developed through a process of asking members whom they like or dislike and with whom they wish to work or not to work. It is based on the belief that group interactions are the result of people's feelings of like and dislike for another.
* An **Interaction Chart** is a diagram that shows the informal interactions people have with one another. For any specific person, the chart can show with whom the person spends the most time and with whom the person communicates informally.

Members in most informal organizations change with time, i.e. when people highly vary in income level, educational background, status, etc they tend to leave the original group and join the new one. Members are bonded together through the need for one another’s company and the fact that they find their memberships beneficial to them in one way or another, i.e. **mutual benefit is the bondage between or among members.**

The informal organization presents a challenge for a manager because it consists of actual operating relationships not prescribed by the formal organization and, therefore, not shown on the company’s organizational chart.

**Types of Groups in the Informal Organization**

The informal organization is often looked at as groups of people. Informal groups may be described as horizontal, vertical, or mixed. These titles indicate whether the group members come from the same or different levels of formal organization.

**Horizontal Groups**

1. Include persons whose positions are on the same level of the organization i.e. they are groups that are formed by peers.
2. The groups can consist of all the members in the same work areas or membership developed across departmental lines.
3. Members may be all management or non-management personnel.
4. Horizontal groups are the common kind of informal groups by virtue of the ease of accessibility.
5. Membership in a horizontal group is usually mutually beneficial to individuals - “You help me and I will help you”. People in the same or related work areas often share the same problems, interests, and concerns.

**Vertical Groups**

1. Include people on different levels of the formal organization’s hierarchy.
2. These people always come together within the same department (work areas).
3. A vertical group can consist of a supervisor and one or more of his/her employees. It may also be formed through skip - level relationships - a top-level manager may associate with a first level manager.
4. Their relationships can be the result of outside interests or various employment relationships.

**Mixed Group**

1. It is a combination of two or more persons whose positions are on different levels of the formal organization and in different work areas

E.g. a Vice-President may develop a close relationship with the director of computer services in order to get preferential treatment.

A production manager may cultivate an informal, social relationship with the director of maintenance for the same reason.

1. Mixed groups often form because of common bonds outside work.

**Why people form informal groups?**

1. **Need for satisfaction:** People have needs that in some cases are not met through the formal organization. The opportunity to fulfill security, affiliation, esteem, and sometimes self-actualization needs can encourage people to look out and join others in an informal group. They provide the opportunity to satisfy needs.
2. **Proximity and interaction:** A common reason people join groups is that they work near one another. This can be either through working in close proximity physically or because of frequent interaction. **Horizontal** informal groups are prime examples of this.
3. **Similarity**: People may join informal groups because they are attracted to other people who are similar to themselves. Several persons with the same attitudes or beliefs may join one group. Other factors or similarity can be personality, race, sex, economic position, age, educational background etc.

In informal group/organization one is not limited to one informal organization because there may exist still unsatisfied needs by involving in one/two informal organization.

**Why informal groups exist?**

Informal groups remain in existence because they serve four major functions:

1. **They maintain the social and cultural values of the group members:** Individuals in the group are likely to share the same beliefs and values as a result of background, education, or cultural heritage. The many areas about which the group may have beliefs are reinforced and maintained by the group environment. Such belief areas are, for example, the work ethic.
2. **They provide group members the opportunity for status fulfillment and social interaction:** Individuals can receive what the formal organization cannot or has not chosen to provide. “I am just another figure” feeling (identity crisis) may be avoided by informal group. E.g. an individual whose post is a technician may assume a position of head for a volleyball team.
3. **They provide information for their members**: The informal group develops its own system and channels of communication parallel to management’s formal channels. The ability to acquire access to information for members is a major function of informal groups. Crucial information can be obtained through informal communications.
4. **They influence the work environment:** Informal groups regulate or influence the behavior, dress, or work standards of their members through positive means-acceptance, support, and affiliation or through negative methods – threats of ostracizing non-complying members. The informal group can also regulate or influence the actions of management and other informal groups.

**The Impact of Informal Organization on the Formal Organization**

The groups that compose the informal organization can affect the formal organization negatively and positively.

**The Negative Impacts**

1. **Resistance to change:** The informal organization can resist change. In an effort to protect its values and beliefs, the informal group can place roadblocks in the path to any modifications in the work environment. The informal group shows its resistance through hampering its implementation.
2. **Conflict:** The informal group can create two “masters” for an employee. In an attempt to satisfy the informal group, the employee may come in conflict with the formal organization.

E.g. The Company may allow 10 minutes for coffee break; however, the informal group may extend it to 30 minutes for the employee’s social satisfaction. Therefore, the employee’s social satisfaction is in conflict with the employer’s need for productivity.

1. **Rumor:** The informal communication system - the grapevine - can create and process false information or rumors. The creation of rumors can upset the balance of the work environment.
2. **Pressure to conform:** The norms that the informal groups develop act as a strong inducement toward conformity. The more cohesive the group, the more accepted are the behavioral standards. Non-conforming in the person’s reference group can result in gentle verbal reminders from the group but can escheat to harassment – ostracism (exclusion).

**The Positive Impacts**

1. **Makes the total system effective:** If the informal organization blends well with the formal system, the organization can function more effectively. The ability of the informal group to provide flexibility and instantaneous reactions will polish the plans and procedures developed through the formal organization.
2. **Provides support to management:** The informal organization can provide support to the individual manager. It can fill in gaps in the manger’s knowledge through advice or through performing the work, for example, budgeting, and scheduling. By performing effectively and positively, it can build a cooperative environment. This, in turn, can mean more delegation to the employees and less time spent by the manager controlling employee behavior.
3. **Provides a useful communication channel:** The informal organization provides employees with the opportunity for social information, for discussing their work, and for understanding what is happening in the work environment.
4. **Encourages better management:** Managers should be aware of the power of the informal organization in what is actually a **check and balance system**. Planned changes should be made with an awareness of the ability of the informal group to make the plan successful or unsuccessful.
5. **Provides stability in the work environment:** The informal organization can provide acceptance and belonging. This feeling of being wanted by the group can encourage employees to remain into environment, thus **reducing turnover**. Additionally, the informal organization provides a place for a person to vent frustrations. Being able to discuss them in a supportive environment may receive emotional pressures.

**Organizational Structure**

**Meaning**

* Organization structure is the structural framework for carrying out the functions of planning, decision-making, controlling, communication, motivation, etc.
* Organization structure is the formal pattern of interactions and coordination designed by a manager to link the tasks of individuals and groups in achieving organizational goals. The word “formal” in this content refers to the fact that organization structures typically are created by management for specific purposes related to achieving organizational goals, and, hence, are official, or formal outcomes of the organizing function.
* Organization structure is the arrangement and interrelationship of the component parts, and positions of an organization.

The process of developing an organization structure is sometimes referred to as organization design.

The formal structure of an organization is of two-dimensional: The horizontal dimension and vertical dimension.

The *horizontal dimension* identifies departments, units, and divisions on the same level of a management. Whereas the *vertical dimension* refers to the authority relationships between superiors and subordinates and it also identifies who is responsible and accountable for whom.

One aid to visualizing organization structure is the organization charts.

**Organizational Chart**

1. It is the means through which we depict the organization structure. Organization chart is a line diagram that depicts the broad outlines of an organization’s structure. It shows the flow of authority, responsibility, and communication among the various departments which are located at different levels of the hierarchy. An organization chart is a visual representation of the way in which an entire organization and each of its components fit together

Organization charts vary in detail, but they typically show in visual form the various major positions or departments in the organization, the way the various positions are grouped into specific units, reporting relationships from lower to higher levels, and official channels for communicating information.

Because organization charts facilitate understanding the overall structure of organizations, many organizations have found them useful. Such charts are particularly helpful in providing a visual map of the chain of command.

*The organization chart can tell us:*

* Who reports to whom (chain of command)
* The number of managerial levels
* How many subordinates work for each manager (the span of control)
* Channel of official communication through the solid lines that connect each job (box)
* How the organization is structured-by function, territory, customer, etc.
* The work being done in each job- the labels on the boxes
* The hierarchy of decision making- where a decision maker for a problem is located
* How current the present organization is (if a date is on the chart)
* Type of authority relationships- line authority, staff authority, and functional authority

President

V-P

Marketing

V-P

Production

GM

Manufacturing

GM

Quality Control

GM

Research

GM Advertising

GM

Sales

Division Sales Manager Appliances

Manager Consumer Research

Division Sales Manager Electronics

Manager Product Research

Manager

Shipping

Manager Manufacturing

Manager Operations

***Example of an organization structure***

* In addition, the chart is a trouble-shooting tool. It can help managers locate duplications and conflicts because of awkward arrangements. What the chart does not show are the degree of authority, the informal communication channels (grapevine), and the informal relationships.

**Major Elements of the Organizing Function**

1. **Division of Labor:**

When joint accomplishment of a grand task is the goal of many people, this overall task must be split into its component jobs and apportioned among the people involved. It is only after these jobs are correctly done that the grand task can be achieved. The degree to which the grand task of the organization is broken down and divided into smaller component parts is referred to as **division of labor**. Division of labor is performed in light of organizational objectives. It begins by determining (sub tasks) called **jobs** that are necessary to accomplish the identified objectives. These sub tasks could include ongoing tasks which are part of the regular routine for running any business such as hiring and record keeping or tasks unique to the nature of the business; such as assembling, machining, storing, inspecting, selling, advertising, computer programming.

After determining the sub-tasks, sub-tasks will be defined by enumerating the activities that each individual sub-tasks would entail in terms of what the initial sub task performer is expected to do. This is called job description. **Job description** is an account of activities what the sub-task performer is expected to perform and the associated authority and responsibility relationships among jobs. The sub-task assigned to the sub task performer is called **job**. Thus by doing so individuals specialize in doing part of the task rather than the entire task, i.e. division of labor in effect is the assignment of various portion of a particular task among organizational members.

**In short, division of labor involves**

* **Breaking down a task into its most basic elements**
* **Training workers in performing specific duties**
* **Sequencing activities so that one person's efforts build on another's**

**Advantages of Division of Labor**

1. It enables a person performing a task to become highly proficient in a relatively short time; as result efficiency and productivity increases.
2. Decreased transfer time. It saves the time that is always lost in changing from one job to another.
3. Less wastage of materials in the learning process including time.
4. Ease of supervision. When employees are performing similar simplified tasks it will require the superior to have a narrow range of skills to effectively oversee subordinates.
5. Training is easier with specialization and takes shorter period. Plus, it decreases training cost.

**Disadvantages of Division of Labor**

1. Bored on and fatigue caused by monotonous, repetitive tasks because the work becomes less challenging.
2. Specialization would result in workers' having limited knowledge.
3. Creates communication barriers. Specialists develop their own language and customs, which can hamper communication across departments.
4. Specialization sometimes causes workers to think more in terms of their department or function instead of the company. Becoming engrossed in their own tasks, they lose sight of the company's mission.
5. Specialization leads to time-oriented confusion. Production department, for instance, are commonly short-run oriented; research and development departments are concerned with the long term. Consequently, production departments typically evaluate their performance in the short run, where as R&D efforts may go unrecognized for several years.
6. Different specialties often formulate rules, policies, and procedures that conflict with those of other operational units.

**Departmentation: Meaning and Bases**

**Departmentation:** All organizations, regardless of their size or mission, divide their overall operations into sub-activities and then combine these sub-activities into working groups. **This process of grouping specialized activities in a logical manner is called Departmentation.**

**Department** - is a distinct area, division, or branch of an organization over which a manager has authority for the performance of specified activities. It is a unit formulated as a result of the Departmentation process.

The physical and mental limitations of individual managers to effectively oversee and coordinate activities beyond a given limit partly justify the need for departmentation.

Departmentation is not an end in it self but is simply a method of arranging activities to facilitate the accomplishment of objectives.

**Bases for Departmentation**

Since organizations are different in their activities, objectives, and areas in which they operate, there are different bases for departmentation. The most common bases are function, territory, product, customer, and process

1. **Departmentation by Function**

It is the grouping together of activities in accordance with the functions of an enterprise - on the basis of similarity of **expertise**, **skills,** or **work activities**. In other words, jobs that call for certain skills or the use of similar working methods will be put together. It is probably the most common base for departmentation and is present in almost every enterprise at some level in the organization structure. It asks the question “what does the enterprise/organization do” what kind of activities. E.g. Human resources, production, marketing, finance, etc.

It is the responsibility of top management to identify the activities needed for the attainment of organizational goals and then groups these activities into distinctive units, each one dealing with functionally similar activities and then assign them to people who can perform them efficiently and effectively.

**Advantages**

1. It is a logical reflection of functions.
2. It maintains power and prestige of major functions of the organizations. Assigns responsibility of each function to the head of that function by providing individual status and prestige to major functional areas.
3. It follows principle of occupational specialization, thereby promoting efficiency in the utilization of people. Simplifies to fill vacant positions.
4. It simplifies training. Train functional specialists by indicating special abilities required.
5. Provides unity of command for closely related activities.
6. Managers have an easier time coordinating and planning because all the jobs that report to them are similar in content.
7. Promotes specialization and operational efficiency. Because closely related activities and employees are grouped together, functional departmentation permits effective economies of scale.

**Disadvantages**

1. De-emphasis of overall company objectives - narrow minuends may develop. Identification with the department and its objective is often stronger than identification with the organization and its objectives.
2. Over specializes and narrow viewpoints of key personnel.
3. Reduce coordination and communication between (among) functions.
4. Decisions are concentrated at the top management, creating delay.
5. Limits development of general managers.
6. **Departmentation by Territory/ Geography**

* Groups activities on the basis of geographic region or territory.
* Is common in enterprises that operate over wide geographic areas i.e. it is attractive to large-scale firms or other enterprises whose activities are physically or geographically dispersed. The logic is that all activities in a particular area or region should be assigned to a manager. This individual would be in charge of all operations in that geographic area.
* Can be used by business, government, NGOs, or other enterprises.

Geographic departmentalization works best when different laws, currencies, languages and traditions exist and have a direct impact on the ways in which business activities must be conducted.

**Advantages**

1. Places emphasis on local markets and problems; better face to face communication with local interests or allows the company to address needs or characteristics of consumers that are particular to that area.
2. Encourages local participation in decision-making
3. Improves coordination of activities in a region
4. Takes advantage of economies of local operations
5. Furnishes measurable training ground for general managers. Managers are responsible for the activities in that geographic area. Decision concerning that region will be made of that level and not forwarded up the chain of command.
6. Encourages decentralized decision-making.

**Disadvantages**

1. Requires more persons with general manager abilities
2. Duplicates staffs, services, or effort.
3. Tends to make maintenance of economical central services difficult and may require services such as personnel or purchasing at the regional level
4. Increases problem of top management control
5. **Departmentation by Product (Line)**

It is the grouping and arrangement of activities around products or product groups. Departmentation by product should be considered when attention, energy and efforts need to be focused on an organization’s particular products. This can be true if each product requires a unique strategy or product process or distribution system or capital sources.

1. This approach works well for an enterprise, which engaged in very different types of products.

E.g. Textile products - Nylon products, woolen products, silk products, cotton products

Petroleum refining - kerosene, diesel,

Electronics - Radios, TVs, Computers

**Advantages**

1. Places attention and effort on product line
2. Facilitates use of specialized skill, capital facilities and knowledge
3. Permits growth and diversity of products and services
4. Places responsibility for profits at the division level
5. Furnishes measurable training ground for general managers

**Disadvantages**

1. Requires more persons with general manager abilities
2. Tends to make maintenance of economical central services difficult - duplication of business functions within each product line. Each needs marketing, personnel, finance, and production operations, which may be so specialized they are unable to serve more than one product line or division.
3. Presents increased problem of top management control
4. **Departmentation by Customer**

It is a grouping of activities around customers. This grouping reflects a primary interest in customers. Customers are the key to the way activities are grouped when each of the different things an enterprise does for them is managed by one department head. This makes economic sense when the customers are distinct enough in their demands, preferences, and needs. It helps organizations meet the special and widely varying needs of customers. It can be used in medical institutions such as hospitals and clinics - emergency services, out patient services, inpatient services, x-rays; retail stores- men's clothing, women's clothing, children's clothing.

**Advantages**

1. Encourages concentration on customer needs
2. Gives customers the feeling that they have an understanding supplier
3. Develops expertness in customer area

**Disadvantages**

May be difficult to coordinate operation between competing customer demands

Requires managers and experts in customers’ problems

Customer groups may not always be clearly defined

The possibility of underemployment of facilities and labor specialized workers in customer groups

**Departmentation by Process**

Manufacturing firms often group activities around a process or type of equipment. This is when special skill is needed to operate different machines. Making plywood, for example, involves several sequential processes: poling (removing bark from logs); sawing logs in to 8’ lengths, heating; veneer stripping and stamping veneer sheets in to 4' segments; drying and grading according to quality; gluing plies together; finishing and bundling.

**Advantages**

1. Achieves economic advantage
2. Uses specialized technology
3. Simplifies training

**Disadvantages**

1. Coordination of departments is difficult
2. Responsibility for profit is at the top
3. Is unsuitable for developing general mangers
   * 1. **Departmentation on Combined Base**

Multiple bases are used at different organizational levels of a particular organization in a base.

**Delegation of Authority**

***Authority*** - is the right to commit resources (that is, to make decisions that commit an organization’s resources), or the legal (legitimate) right to give orders (to tell someone to do or not to do something)

- is the right to make decisions, carry out actions, and direct others in matters related to the duties and goals of a position

-is the formal right of a superior to command and compel his subordinates to perform a certain act. All managers in an organization have authority. It provides the means of command.

Generally, level of authority varies with levels of management. Higher-level managers have greater authority, with ultimate power resting at the top. Authority decreases all the way to the bottom of the chart, where positions have little or none. Authority is vested in a manager because of the position he/she occupies in the organization that is why we say, **“*Authority comes with the territory*.”**

When an organization gives one of its member’s authority, or the legitimate right to use power over others, it carries with it the burden of responsibility. Responsibility means being held accountable for attainment of the organization’s goal. Authority is derived from the person’s official position in the organization. The person who occupies the position has its formal authority as long as he/she remains in the position. As the job changes in scope and complexity, so should the amount and kind of formal authority possessed. Even though a manager has formal or legitimate authority, it is wise to remember that the willingness of employees to accept the legitimate authority is a key to effective management. Chester Bernard called this ***Acceptance Theory of Authority.***

**Delegation of Authority -** is the downward pushing of authority from superiors to subordinates to make decision within their area of responsibilities. It is the process of allocating tasks to subordinates, giving them adequate authority to carry out those assignments, and making them obligated to complete the tasks satisfactory. Delegation is a concept describing the passing of formal authority to another person. It is the assignment of part of a manager’s work to others, along with both the responsibility and authority necessary to achieve expected results.

Delegation is necessary for an organization to exist. Just no one person in an enterprise can do all the tasks necessary for accomplishing a group purpose, so is it impossible, as an enterprise grows, for one person exercise all the authority for making decisions.

In delegating authority a manager doesn’t surrender his power because he does not permanently dispose of it; delegated authority can always be regained. This is called ***recovery of delegated authority***. Reorganization inevitably involves some recovery and re-delegation of authority. In a shuffle in an organization, rights are recovered by the responsive head of the firm or a department and then re-delegated to managers of new or modified departments.

**The Process of Delegation**

Delegation of authority has the following steps:

1. *Assignment of tasks*

Specific tasks or duties that are to be undertaken are identified by the manager for assignment to the subordinate. The subordinate is then approached with the assignment (task).

1. *Delegation of authority*

In order for the subordinate to complete the duties or tasks, the authority necessary to do them should be delegated by the manager to the subordinate. A guideline for authority is that it be adequate to complete the task - no more and no less.

1. *Acceptance of responsibility*

*Responsibility* is the obligation to carryout one’s assigned duties to the best of one’s ability. It is the obligation created when someone accepts task assignments together with the appropriate authority. Responsibility is not delegated by a manager to an employee, but the employee becomes obligated when the assignment is accepted. The employee is the receiver of the assigned duties and the delegated authority; these confer responsibility as well.

1. *Creation of accountability*

Accountability has to answer to someone for your results or actions. It means taking the consequences - either credit or blame. It is the requirement to provide satisfactory reasons for significant deviations from duties or expected results. When the subordinate accepts the assignment and the authority, s/he will be held accountable or answerable for actions taken. A manager is accountable for the use of his/her authority and performance. The manager is also accountable for the performance and actions of subordinates.

The manager should take the time to think through what is being assigned and to confer the authority necessary to achieve results. The subordinate, in accepting the assignment becomes obligated (responsible) to perform, knowing that s/he is accountable (answerable) for the results.

**Importance of Delegation**

1. *It relieves the manager from his/her heavy workload:* Delegation frees a manager from some time consuming duties that can be adequately handled by subordinates and lets the manager devote more time to problems requiring his/her full attention (lets the manager concentrate on strategic issues). Enables managers to perform higher level work.
2. *It leads to better decisions:* Since subordinates are closer to real “firing line” activities and problems than superiors, they have more realistic information and better understanding. The realistic information that subordinates have may lead them to make better decisions.
3. *It speedup decision-making:* Decisions made by lower level managers usually are timelier than those that go through several layers of management.
4. *It helps subordinates to train and builds moral:* Subordinate managers can reach their full potential only if given the chance to make decisions and to assume responsibility for them.
5. *It encourages the development of professional managers:* Had there not been any delegation, professional managers wouldn’t have been produced.
6. *It helps to create the organization structure:* If there were no delegation of authority is an organization, there would exist only the president/CEO/ top-level manager. In addition, an individual cannot create an organization.

**Centralization and Decentralization**

The terms centralization and decentralization refer to a philosophy of organization and management that focuses on either the selective concentration (centralization) or the dispersal (decentralization) of authority within an organization structure. Centralization or decentralization is a relative concept when applied to organizations. They are tendencies of delegation of authority.

***Centralization*** - is the extent to which power and authority are systematically retained by top managers.

If an organization is centralized:

- Decision-making power remains at the top

- The participation of lower-level managers in decision-making is very low

***Decentralization*** - is the extent to which power and authority are systematically dispersed / delegated throughout the organization to middle and lower level managers. It is the tendency to disperse decision-making authority in an organized structure.

* In a decentralized organization decision-making power is pushed downwards and lower-level managers actively participate in decision-making process. That is, they are not only called for implementation but also for decision-making.

Centralization and decentralization are not opposites rather they are tendencies/proportions in delegation of authority. If they were opposites, there could be absolute centralization or absolute decentralization, but there is no absolute centralization or absolute decentralization. There could be absolute centralization of authority in one person. However, that implies no subordinate managers and therefore no structured organization. Some decentralization exists in all organization, on the other hand, there cannot be absolute decentralization, for if managers should delegate all their authority, their status as mangers would cease, their position would be eliminated, and there would, again, be no organization. Centralization and decentralization are tendencies; they are qualities like “hot” and “cold”.

* Centralization and decentralization form a continuum with many possible degrees of delegation of power and authority in between.

**When decentralization is greater:**

1. The greater is the number of decisions made at lower level of the organization
2. The more functions are affected by decisions made at lower levels
3. The less a subordinate has to refer to his/her manager prior to a decision and the less checking required as decisions are made at the lower level.

**Factors Determining Delegation**

Managers cannot ordinarily be for or against decentralization of authority. They may prefer to delegate authority, or they may like to make all the decisions. Some factors that affect the degree of centralization or decentralization- delegation of authority- are:

1. *The history and culture of the organization:* Whether authority will be decentralized frequently depends upon the way the business (organization) has been built. Those enterprises that, in the main, expand from within show a marked tendency to keep authority centralized. On the other hand, enterprises that result from mergers and consolidations are likely to show, at least first, a definite tendency to retain decentralized authority. In other words, organizations, which were centralized or decentralized at their establishment, tend to centralize and decentralize authority to repeat what they have done before. When centralized organization is changed into decentralization and the vice versa people feel discomfort.
2. *The nature of the decision:* The costlier and the riskier the decision is, the more centralized the authority will be. Cost may be stated directly in birr and cents or in such intangibles as the company’s reputation, its competitive position, or employee morale. The fact that the cost of mistake affects the decentralization isn’t necessarily based on the assumption that top managers make fewer mistakes than subordinates. They may make fewer mistakes, since they are probably better trained and in possession of more facts, but the controlling reason is the weight of responsibility. Delegating authority is not delegating responsibility; therefore, managers typically prefer not to delegate authority for crucial decisions.
3. *Availability and ability of managers (Lower level managers):* A real shortage of managers would limit decentralization of authority, since in order to delegate, superiors must have quantified managers to whom to give authority. In addition to the availability of lower level managers, the quality of the existing lower level managers (subordinates) has impact on centralization or decentralization. Hence, the competency to carry out and exercise the delegated authority has some effects. Some managers lack confidence in their subordinate or fear the consequences or criticism of having subordinates make bad decisions.
4. *Management philosophy:* The willingness of managers to delegate authority and limit the degree of decentralization or the desire to do the job by herself/himself. The character and philosophy of top executives have an important influence on the extent to which authority is decentralized. Sometimes top managers are despotic, tolerating no interference with the authority they jealously hoard. At other times, top managers keep authority not merry to gratify a desire for status or power but because they simply cannot give up the activities and authorities they enjoyed.
5. *Size and character of the organization:* The larger the organization, the more decisions to be made, and the more places in which they must be made, the more difficult it is to coordinate them. These complexities of organization may require policy questions to be passed up the line and discussed not only with many managers in the chain of command but also with many managers at each level, since horizontal agreement may be as necessary as vertical clearance.

Slow decisions - show because of the number of specialists and managers who must be consulted - are costly. To minimize the cost, authority should be decentralized wherever feasible. Also important in determining size is the character of a unit. For decentralization to be thoroughly effective, a unit must possess a certain economic and managerial self-sufficiency.

1. *Geographic dispersion of operations:* Geographic dispersion of operations makes decentralization more necessary because top executives frequently find it impossible to keep abreast of the details of what is going on at various locations. Moreover, managers on site may be in a better position to assess local situations and make appropriate decisions.
2. *Environmental uncertainty:* Environmental uncertainty tends to produce a need for more decentralization. In this case, the fast pace of change interferes with top management’s ability to assess situations with the speed necessary to make timely decisions.

**Problems in Effective Delegation**

Despite of the advantages, many managers are reluctant to delegate authority and many subordinates are reluctant to accept it. Both these barriers hinder effective delegation.

**Reluctance to delegate/Problems from Managers**

There are a number of reasons that managers commonly offer to explain why they do not delegate. Some are:

1. *Fear of loss of power*- Some managers fear when they delegate authority because they expect that they will be substituted/replaced by their subordinates if subordinates have got the experience and skill of decision-making.
2. *“I can do it better myself” fallacy:* Some managers have an inflated worth of themselves and think that they do everything better than their subordinates.
3. *Lack of confidence in subordinates*: The perception of managers that my subordinates just are not capable enough. When managers delegate authority to their subordinates they do also delegate responsibility. That is, managers are accountable for the actions of their subordinates and may fear the blame if subordinates fail, if subordinates lack knowledge and skill.
4. *Fear of being exposed:* Some managers fear that their subordinates do too good job as compared with themselves i.e. feel threatened that competent subordinates may perform too well and possibly make the manager look poor by comparison.
5. *Difficulty in briefing:* Many times managers are reluctant to delegate authority if they conclude that the time for briefing is more than the time for decision-making or if they believe they lack the time to train subordinates. “It takes too much time to explain what I want done”.

**Reluctance to Accept Delegation/problems from subordinates**

1. *Fear of failure and criticism:* Subordinates who fear criticism or dissemble for mistake are frequently reactant to accept delegation. The solution for this problem can be teaching subordinates when they make mistakes than criticizing or dismissing.
2. *Subordinate may believe that the delegation increases the risk of making mistakes but doesn’t provide adequate rewards for assuming greater responsibility:* Lack of incentive or reward for assuming a greater workload. Accepting delegation frequently means that they will have to work harder under greater pressure. Without appropriate compensation subordinates may be unwilling to do so.
3. *Lack of adequate information and resources:* If subordinate managers think that they don’t have enough information on which to base a decision or other resources necessary to carryout the assigned duties, they tend to decline/reject accepting authority delegated.
4. *If subordinates are already overworked*
5. *Lack of self-confidence*
6. *Believing / Thinking that decision-making is the boss’s job.*

**Overcoming the barriers in effective delegation**

The most basic prerequisite to effective delegation is the willingness of managers to give their subordinates real freedom to accomplish delegated tasks. Managers have to accept the fact that there are usually several ways to solve a problem and that subordinates may legitimately choose a path differently from their own. In addition, subordinates will make errors in carrying out their tasks. However, they must be allowed to develop their own solutions to problems and learn from their mistakes. The solution to subordinates mistake is not for the manager to delegate less, but to train or otherwise support subordinate more.

Improved communication between managers and subordinates will increase mutual understanding and thus help to make delegation more effective. Managers who know the abilities of their subordinates can more realistically decide which tasks can be delegated to whom. Subordinates who are encouraged to use their abilities and who feel their managers will “back them up” will in turn be more accepting of responsibility

**Authority Relations in Organization (Line, Staff, Functional)**

In an organization different types of authority are created by the relationships between individuals and between departments. There are three types of authority.

**i. Line Authority**

Line authority defines the relationship between superior and subordinate. It is a direct supervisory relationship. It exists in all organizations as an uninterrupted score or series of steps.

In line authority a superior exercises direct command over a subordinate. Line authority is represented by the standard chain of command that starts with the most superiors and extends down through the various levels in the hierarchy to the point where basic activities of the organization are carried out.

**ii. Staff Authority -** is advisory in nature.

The function of people in a pure staff capacity is to give advice, expertise, technical assistance, and support to help line managers to work more effectively in accomplishing objectives. Advisory authority doesn’t provide any basis for direct control over the subordinates or activities of other departments with whom they consult (Within the staff manager’s own department, s/he exercises line authority over the department’s subordinates).

E.g. Personnel, research and development, legal, plant maintenance, compost quality control, etc.

* Staff authority is advisory and normally flows upward**.**

**Line and Staff Departments:** line and staff authority are concepts that describe the authority granted to managers. Line and staff departments have different roles or positions within the organization structure. ***Line departments***, headed by line managers, are the departments established to meet the major objectives of the organization. Departments normally designated as line departments include production, marketing, and finance. In functioning with employees and departments under their control, line managers exercise line authority.

Staff departments provide assistance to the line departments and to each other. They can be viewed as making money indirectly for the company through advice, service, and assistance. Staff departments are created on the basis of the special needs of the organization. As an organization develops, its need for expert, timely, ongoing advice becomes critical. Examples could be legal, personnel, computer service, etc.

**iii. Functional Authority**

It is the right, which is delegated to an individual or a department to control specified process, practices, or provinces or other matters relating to activities undertaken by persons in other departments. If the principle of unity of command were followed without exception, authority over these activities would be exercised only by their line superiors, but numerous reasons - including a lack of specialized knowledge, lack of abilities to supervise processes, and danger of diverse interpretations of policies - explain why they occasionally are not allowed to exercise this authority. It is delegated by their common superior to a staff specialist or to a manager in another department.

Functional authority is not restricted to managers of a particular type of department. It may be exercised by line, derive or staff department heads, more often the latter two, because they are usually composed of specialists whose knowledge becomes the basis for functional controls.

Example:

1. The Finance Manager can give direct command to the marketing manager of the same level about financial affairs.
2. The Legal Advisor can give direct command to others concerning the legal affairs of the organization.
3. The Personnel Manager can give direct command to others regarding recruitment, selection, performance appraisal systems

**Benefits of Staff**

1. Staff managers provide advice for line managers, i.e. the advice of well-qualified specialists in various areas of an organization’s operations can scarcely be overestimated, especially as operations become more complex.
2. These specialists may be allowed to the time to think, to gather data, and analyze, when their superiors, busy managing operations, cannot do so.

* As problems become more complex, staff analysis and advice becomes an urgent necessity.

**Conflict between Staff and Line Managers**

For several reasons there is a conflict between line and staff managers. Some are:

1. *Demographic factor:* There is a general premise that staff mangers are younger, well educated, firmly attached to their profession than their organization and want more money, power and prestige. The older line officers dislike or receiving what they regarded as instructions from someone so much younger than themselves.
2. *Threats to Authority:* Line managers consider staff managers as potential threats to their authority, particularly if staff managers exercise functional authority.
3. *Dependence on knowledge:* Line managers feel discomfort and get frustrated when they progressively depend on the advice of staff managers; i.e. they fell that they are less important to the organization.
4. Staff managers may *exceed their authority* and attempt to *give direct command* to the line managers.
5. Staff managers may attempt to *take credit for ideas* implemented by line managers; conversely, line managers may not acknowledge the role of staff managers.
6. Staff departments are organizationally placed in a *relatively high position* to top management.

**Resolving Conflict**

The line - staff problem is not only one of the most difficult that organizations face but also the source of an extra ordinarily large amount of inefficiency, solving this problem requires great managerial skill, careful attention to principles and patient teaching of personal. Some ways of resolving the conflict include:

1. *Understanding authority relationships:* Managers must understand the nature of authority relationships if they want to solve the problems of line and staff. Line means making decisions and acting on them. Staff relationship, on the other hand, implies the right to assist and counsel. In short the line may “tell”, but the staff must “sell” (its recommendations).
2. *Making line listen to staff:* Although line-staff friction may stem from ineptness or overzealousness on the part of staff people, trouble also arises when line executives too carefully guard their authority and resent the very assistance they need. Line manager should be encouraged or required to consult with staff. Enterprises would do well to adopt the practice of compulsory staff assistance where in the line must listen to staff.
3. *Keeping staff informed:* Common criticisms of staff are that specialists operate in a vacuum, fail to appreciate the complexity of the line manager’s job, or overlook important facts in making recommendations. Specialists should take care that their recommendations deal only with part of a problem. Many critics arise because staff assistants are not kept informed on matters in their field. Even the best assistant cannot advise properly in such cases. If line managers fail to inform their staff of decisions affecting its work or if they don’t pave the way through announcements and requests for cooperation - for staff to obtain the requisite information on specific problems the staff cannot function as intended.
4. *Requiring completed staff work:* Completed staff work implies presentation of a recommendation based up on full consideration of a problem, clearance with persons importantly affected, suggestions about avoiding any difficulties involved, and often, preparation of the paper work - letters, directives, job descriptions, job specifications so that a manager can accept or reject a proposal without further study, long conferences, or unnecessary work.
5. *Clear areas of responsibility and accountability for results.*

**Span of Management**

***Meaning:*** The term span of management is also referred to as a span of control, span of supervision, span of authority, or span of responsibility.

***Span of management*** - refers to the number of subordinates who report directly to a manger, or the number of subordinates who will be directly supervised by a manager.

This varies from one situation to another. There is no magical number for the span of control. There are various factors affecting the span of management. Based on the number of subordinates who should report to a manager or the number of subordinates that a superior should supervise, we can have *Wide span of management* and *Narrow span of management.*

**i. Narrow Span of Management**

This means superior controls few numbers of subordinates or few subordinates report to a superior. When there is narrow span of management in an organization, we get:

1. Tall organization structure with many levels of supervision between top management and the lowest organizational level.
2. More communication between superiors and subordinates.
3. Managers are underutilized and their subordinates are over controlled.
4. More trained managerial personnel and centralized authority.

**Advantages**

1. Close supervision and control
2. Fast communication between subordinates and superiors.
3. Easy to coordinate and control activities.

**Disadvantages**

1. Superiors tend to get too involved in the subordinates work
2. The problem of setting more trained managerial personnel
3. Excessive distance between lowest level and top level management. This kills intuitive for top-level positions.
4. High costs due to many levels

**ii. Wide Span of Management**

This means many subordinates report to a superior or a superior supervises many subordinates.

If the span of management is wide, we get:

1. A flat organization structure with fewer management levels between top and lower level
2. Many number of subordinates and decentralized authority
3. Managers are overstrained and their subordinates receive too little guidance and control
4. Fewer hierarchal level

**Advantages**

1. Superiors are forced to delegate
2. It initiates the development of clear polices

**Disadvantages**

1. Tendency of overloaded superiors to become decision bottle necks
2. Danger of superior’s loss of control
3. Require exceptional quality of mangers

*Span of Control Vs Levels of Management:* If one wants to reduce the number of hierarchical levels in an organization, the only way to do so without reducing the number of employees at the bottom is to increase spans of control.

**Relationship of centralization to span of control**

The company’s philosophy of centralization or decentralization in decision-making can influence the span of control of subordinate managers. A philosophy of decentralized decision-making generally means that the span of management should be wider for each manager. This is so because decision-making is forced down to subordinates, thus feeling up a manager’s time commitments. This situation also generally means fewer level of management in an organization.

Conversely, a philosophy of centralized decision-making should result in a narrower span of control and more levels of management. If it is the philosophy of the company to have managers makes the majority of decisions, the mangers will closely supervise their subordinates and delegate little. Contacts with subordinates should increase in number and in length, thus narrowing the span of control.

**Factors Determining an Effective Span of Management**

The principle of span of a management states that there is no any specific number of subordinates to be supervised by a manager. Rather, it states, there are factors that affect the span of management. Some are:

1. ***Ability of the manger:*** The ability of the manager (supervisor) who is responsible for supervising subordinates affects the span of a management. If the manager is well trained and highly capable, receives assistance in performing her/his supervisory activities, doesn’t have many additional non-supervisory activities to perform, and if that manager defines tasks and responsibilities to subordinates clearly, the appropriate span can be relatively broad (wide).
2. ***Manager’s personality:*** if managers strongly need to share power, they may prefer a wider span of control. Some managers develop reputation as empire builders and attempt to increase their spans.
3. ***The abilities of subordinates:*** The amount of training, experience, and ability that subordinates have is directly related to a manager’s span of control. Knowledgeable subordinates who work well on their own require less supervision than inexperienced, poorly trained workers do. Well - trained subordinates require not only less of their manager’s time but also fewer contracts with them.
4. ***Motivation and commitment:*** motivated employees take initiative and responsibility, utilize and develop their skills committed to their job, devote more time and effort and needs less of their supervisor’s time.
5. ***Need for autonomy:*** subordinates with high need for autonomy prefer to make decisions by themselves (wider span) and vise versa is true for those who take every problem to their superior for decision-making.
6. ***Type of work:*** Routines and simplicity of work. Managers supervising people with simple and repetitive jobs are able to manage more immediate subordinates than are those who supervise people with complex, non-repetitive tasks.
7. ***Geographic dispersion of subordinates:*** Normally, there is an inverse relationship between a manager’s span of control and the geographic dispersion of his/her subordinates. For example, a sales manager whose sales people are scattered over a wide geographic region cannot supervise as many subordinates as a manager can whose subordinates are in one building. This is especially true when the manger and subordinates must meet on a regular basis.
8. ***The availability of information and control systems:*** If there are sophisticated information and control systems, well-defined policies and plans, the manager can supervise many subordinates and hence the span will be wide.
9. ***Levels of management:*** The size of the most effective span differs by organizational level.
10. At the top level of management the span is wide, because
11. The communication and conceptual skill that top level managers have.
12. The nature of their work they deal with: general/broad policy control rather than direct supervision.
13. Their subordinates are relatively skillful.

* At the middle level of management the span is narrow, because they involve in policy supervision and much more direct, personal contract with subordinates than top-level managers.

1. At the lower level of management the span is wide, because as managers of operating employees, supervisors frequently supervise work that is not complex and that rarely requires policy decisions. Instead, they will usually rely on rules and procedures to help them solve the daily problems that arise.

***7. Economic Factor:*** Narrow spans of management require not only more supervisors (and their services) but also the added expense of executive offices, secretaries, and fringe benefits. However, the wide spans of a management require few supervisors with their accessories. Therefore, organizations should consider cost.

There are two major reasons why the choice of appropriate span is important.

* + - * 1. Span of management affects the efficient utilization of managers and the effective performance of their subordinates. Too wide a span may mean that managers are overextending themselves and that their subordinates are receiving too little guidance or control. Too narrow a span of management may mean that managers are underutilized.
        2. There is a relationship between span of management throughout the organization and the organization structure. A narrow span of management results in a "tall" organizational structure with many supervisory levels between top management and the lowest level. A wide span for the same number of employees means fewer management levels between the top and bottom.

The concept of an "optimal" span of management is the one that is neither too broad nor too narrow. The concept of an optimal span of management suggested that spans could be too broad or too narrow in specific instances.

The wider the span of management, the less direct supervision there is; the narrower the span, the greater the number of managers and, therefore, the higher the cost in salaries.