

**Principles of Management**  
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**Lecture - 29**  
**Organizing and Directing - I**

Today, I will be discussing foundations of organizing. As we all know that there are four important management functions planning, Organizing, Directing and controlling. In the planning stage, an organization plans its objectives and goals and decides what would be its mission and vision.

So, that the future course of action can be decided. Further once the plans are in place, then the tasks need to be allocated, a proper structure of an organization need to be decided.

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**LEARNING OUTCOMES**

- To gain an in-depth understanding of different concepts related to organizing.
- To understand how organizations design their structure and what are the various options available for organizational designing.

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So, in foundations of organizing the learning objective is to gain, an in depth understanding of different concepts related to organizing. We would also try to understand how organizations design their structure. And what are the various options available for organizational designing? So, with this background I would like to discuss first what is organization?

And then I will discuss about formal and informal organizations. And what is organizing, what are the steps in organizations for organizing process? And then we will also discuss about organizational structure and design. So, what is an organization and how do we define an organization?

As different managers view organizations differently, there are some managers who perceive organization as a living being, some perceive organization is like a machine, and few others perceive organization as an open system. So, there are different views of managers about organization, there are different views like a living being, a political system. So, conclusively we assume that different managers have different mental models.

But, what is the formal definition of organizational structure? So, let us discuss about a formal definition of organizational structure. Organization implies a formalized intentional structure of various roles and positions. Intentional structure of roles means that behavioral pattern expected of a person.

Certain set of behaviors which are expected to be exhibited by a person who is occupying a given position, should be intentionally designed to ensure that required activities are completed smoothly and efficiently.

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## WHAT IS ORGANIZATION

- ❖ **Organization** implies a *formalized intentional structure of roles or positions.*
- ❖ Intentional structure of roles means that behavioral patterns expected of a person occupying a given position should be intentionally designed to ensure that required activities are completed smoothly and efficiently.

Illustration: A group of diverse people in business attire standing in front of a background of interlocking gears.

Source: Digital HR Tech

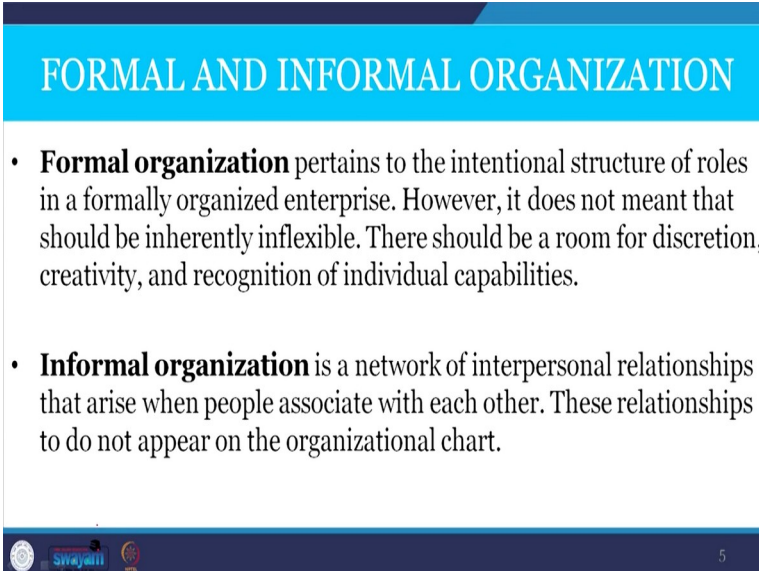
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As we discussed that before any initiative is being taken or before a plan is being or once a plan comes into force. So, that the plan has to be executed. And so, the managers who are given different roles and responsibilities, they need to know what task is to be executed by them. What are the expected behavioral patterns they should exhibit when carrying out a given position?

So, this is decided in the formal definition, the task and responsibilities of individuals are decided in organizational structure in organizing. So, what we discuss here is we will start with a very fundamental definition of formal and informal organization. So, what we learnt is, organization is an intentional structure of roles, means that behavioral patterns organization implies a formalized intentional structure of various roles and positions.

Intentional structure of roles means that behavioral patterns expected of a person occupying a given position. Should be designed intentionally to ensure that desired activities are completed efficiently, and then we move forward with the definition of a formal and informal organization.

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The slide features a blue header with the title "FORMAL AND INFORMAL ORGANIZATION" in white capital letters. Below the header, on a white background, are two bullet points. The first bullet point defines "Formal organization" as pertaining to the intentional structure of roles in a formally organized enterprise, noting that it is not inherently inflexible and allows for discretion, creativity, and recognition of individual capabilities. The second bullet point defines "Informal organization" as a network of interpersonal relationships that arise when people associate with each other, noting that these relationships do not appear on the organizational chart. At the bottom of the slide, there is a dark blue footer containing logos for "Swayam" and "eGangotri" on the left, and the number "5" on the right.

## FORMAL AND INFORMAL ORGANIZATION

- **Formal organization** pertains to the intentional structure of roles in a formally organized enterprise. However, it does not mean that should be inherently inflexible. There should be a room for discretion, creativity, and recognition of individual capabilities.
- **Informal organization** is a network of interpersonal relationships that arise when people associate with each other. These relationships do not appear on the organizational chart.

What is a formal organization? The definition of a formal organization is it pertains to the intentional structure. It defines what is the structure of an organization? The roles to be defined, roles to be decided to be given to employees in the organization so, formal organization pertains to intentional structure of roles, in a formally organized enterprise.

So, formal organization pertains to intentional structure of roles in a formally organized enterprise.

However, it does not mean that should be inherently flexible; there should be a room for discretion creativity and recognition of individual capabilities. So, what we learnt is a formal organization is one, where employees, where people are given different roles, responsibilities, authority.

And there is also a kind of a structural relationship between individuals and people are given plans or the managers are given plans to execute. They have some power to execute the roles being given to them. So, there is a discretion, there is a scope for exhibiting their competencies within certain rules and regulations.

So, that defines the organizational structure. What is informal? Something which is not bound by rules and regulations, which has flexibility and not rigidity is called informal organization. So, what is the definition of informal organization, it is a network of interpersonal relationship that arise when people associate with each other.

In an organization not everybody is bound by some kind of responsibility or authority relationship, there are informal associations within a work group within an organization. So, the interpersonal relationship decides the performance or interpersonal relationship that defines how people are associated with one another. These relationships do not appear on the organizational chart.

So, with basic understanding of what is organization formal and informal organization we move forward with a definition of what is organizing? Organizing is identification and classification of required activities.

So, in an organization there are different activities roles to be executed, by individual based on what is the plan they are supposed to carry out based on the strategies, based on the qualitative and quantitative goals so, identification and classification of required activities if there is a manager.

Who is taking care of managing an event? So, for event management what are the activities which need to be executed, is defined in while planning or while organizing his

task? So, there are similarly for a person a chief executive officer of a firm, will have certain activities designated for the specific position.

Similarly, for a manager in a bank who is taking care of say the transactions or the who is taking care of the ATM division or who is in the core banking division, or who is in the say international relations division or say in any particular division of the bank or in the hospital.

So, the roles responsibilities of individual varies from position to position. And, it is defined by the list of activities which a person would be taking care. So, it is identification and classification of required activities.

The grouping of activities necessary to attain the objectives. So, the list of activities like we say manager in bank, manager in a hospitality industry, a manager in healthcare so, the job the basic competency required for a manager in all these industries would be similar. They have to say coordinate with each other, they have to have some kind of say they have to exhibit certain skills of initiative taking, then negotiation.


So, these are basic skills required and further for each specific job there would be some job specific competencies required, certain activities which are specific to that organization or organizational specific competencies. So, what is organizing? It is identification and classification of required activities.

What activity is required for exhibiting a particular role? The grouping of activities which are necessary to attain the objective or purpose which has been defined in the planning stage. So, the assignment of each grouping to a manager with the authority, or delegation necessary to supervise it so, Stephen Robbins defines organizing as arranging and structuring work to accomplish organizational goals.

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## WHAT IS ORGANIZING

- ❖ the identification and classification of required activities,
- ❖ the grouping of activities necessary to attain objectives,
- ❖ the assignment of each grouping to a manager with the authority (delegation) necessary to supervise it, and
- ❖ **Stephen Robbins** defines organizing as:  
*“arranging and structuring work to accomplish organizational goals.”*



Courtesy: McKinsey

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So, as we have learnt that every organization has a purpose to be executed, they have certain qualitative and quantifiable goals qualitative and quantitative goals. So, to attain those goals there are sub goals being designed. And those sub goals are distributed to individual managers.

So, all those managers who are taking care of each and every role in an organization would try to arrange or they would collectively work coordinately or collectively work, they work in all the managers working in different positions.

Work in coordination with each other to accomplish the organizational goals. So, Stephen Robbins defines organizing as arranging and structuring work. That means, there has to be a proper arrangement of work and a structure has to be defined. So, what is organizing? Organizing means in an organization there has to be a proper structure.

A structure need to be defined first and then the task say suppose the organization has a structure, say some managerial levels and certain vertical differences, certain vertical differences and horizontal differences in the organization, which is otherwise called organizational structure.

So, structure has to be defined as per Stephen Robbins organizing is arranging and structuring work to accomplish organizational goals. Organizational goals can be qualitative and quantitative goals and arrangement and structuring of work to accomplish

organizational goals is called organizing. So, what is arranging? Arranging means allocating roles responsibilities to individuals, to managers, in different job positions as defined in the organizational structure, giving them appropriate or allocating appropriate responsibility based on the competency of the individual.

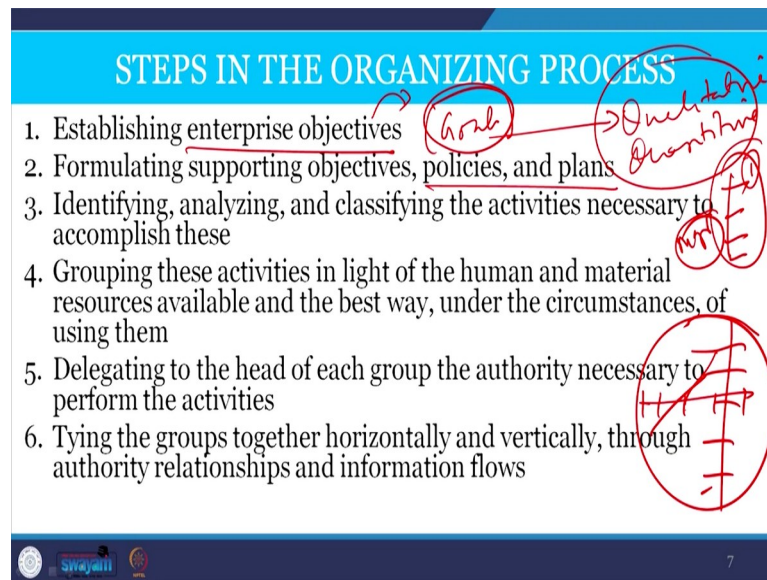
So, the individual managers, competency must be in synchronization with the position which is vacant. Each vacant position demands certain competencies certain result behavioral competencies, and certain traits which are specified which are required for an individual to carry out the task.

So, in organizing arrangement and structuring of work is very important and to accomplish the organizational goals. We discussed about that in an organization while organizing the task or the identification and classification of required activities. So, what is important there has to be a proper structure, with vertical differences and horizontal differentiation. Vertical differences are nothing, but organizational levels.

The various levels like first line, middle level management or the top level management, there are different levels in any organization. And along with the vertical differences there are horizontal differentiation, which is called departmentalization or divisions, where similar nature of work or based on work specialization the jobs are grouped together.

So, arranging tasks arranging and structuring work to accomplish the organizational goals means, giving roles and responsibilities to individuals based on the competencies based on their education, based on their experience is important in order to get maximum benefit. So, what are the steps in organizing process? Establish an enterprise objective, there are some steps, six steps important for organizing process the first one talks about establishing enterprise objective. What is the objective?

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Objective or goal is very important for an organization. What are the goals? The goals can be qualitative goals or subjective and quantitative goals; objectives are the goals which need to be accomplished. Formulating supportive objectives policies and plans is the second step.

So, once the objective or goals are well defined the objectives like what is the performance target, , what would be the profit either in terms of quantity or in quality like quality of products, or satisfaction of employees, customers say maintaining customer relationship. So, all these are qualitative targets.

So, after formulating objectives certain policies and plans need to be executed. Identifying, analyzing and classifying the activities necessary to accomplish these objectives is a third step that is identification analysis, and classification of activities. To accomplish any objective, there are certain step series of action plans to be executed. For attaining one objective there could be may 10 or 15 objectives. There could be certain activities which are required.

Grouping these activities together like I said a manager, to identify efficient manager or to carry out managerial activities like leadership, communication, motivation or risk taking, influencing others. So, these are certain activities which a manager need to carry out, networking skills. So, what activities are necessary to accomplish these objectives?



So, grouping these activities in light of human material resources available and the best way under the circumstances of using them.

So, now once the activities are identified what are the available human and material resources? What is the budget required to carry out each activity and what is the best way to optimally utilize the resources under a given circumstance? Next is delegation to the head of each group the authority, necessary to perform the activities, after the plan is decided and the objectives are in place. And the resources are allocated be it the human and the material resources.

Now, there has to be a person who can initiate or who need to have authority to carry out or to execute these activities, so, tying the group together horizontally and vertically through authority relationship and information flow. So, the entire activity cannot be carried out by one individual, but a group of individual would be taking initiative to perform a task.

So, tying the group of people together either through the horizontal the people, who are bound by a horizontal relationship or a vertical horizontal relationship or a vertical differentiation or vertical relationship. Tying the entire group of people together through authority relationships; that means, there should be some power to drive and execute the work.

And also there should be a continuous flow of information. So, tying the group together horizontally and vertically through authority relationship; that means, with power as well as the communication and information dissemination appropriately with information flow across the horizontal and the vertical levels. So, these steps are important while an organizing process is carried on.


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## ORGANIZATIONAL STRUCTURE & DESIGN

❖ **Organizational structure** is defined as how job tasks are formally divided, grouped, and coordinated. The visual representation of organizational structure is defined as an **organizational chart**.

❖ **Organizational design** is a process that involves decisions about six key elements listed below:

1. Work specialization
2. Departmentalization
3. Chain of command
4. Span of control
5. Centralization and decentralization
6. Formalization



The slide features a blue header with the title 'ORGANIZATIONAL STRUCTURE & DESIGN'. Below the header, there are two bullet points defining organizational structure and design. A list of six key elements of organizational design follows. To the right of the list is an illustration of a person wearing a hard hat and holding a large yellow organizational chart with arrows showing a hierarchical flow. The slide has a dark blue footer with logos on the left and the number '8' on the right.

Further moving towards the description of organizational structure and design. So, what we have learnt so far is what is an organizational structure? Organizational structure is allocation of roles and responsibilities to individuals who are working in a well-defined structure, who are bound by certain rules and regulations policies and norms.

So, what is organizational structure? It is defined as how job tasks are formally divided. what is the formal relationship of division of work? How the tasks are formally divided they are grouped and what is the level of coordination among all those who are in the working relationship?

So, the visual representation of organizational structure is defined through the organizational chart. Organizational design is a process which involves decisions about certain elements or six key elements, which are work specialization, departmentalization chain of command, span of control, centralization and decentralization and formalization.

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### 1. WORK SPECIALIZATION

- The degree to which tasks in the organization are subdivided into separate jobs.
- Division of Labor
  - Makes efficient use of employee skills
  - Increases employee skills through repetition
  - Less between-job downtime increases productivity
  - Specialized training is more efficient
  - Allows use of specialized equipment

Let us understand what is work specialization, when a person keeps on working on one activity. So, obviously, he becomes more specialized. Because, every day when you work on a similar activity. So, it will help you to develop your own competency to understand the drawbacks to understand, the performance flaws in the past and which will lead to specialization on a particular task, which will lead to improving the ability of an individual to become a specialist on that particular task.


So, the degree to which task in the organization are subdivided into separate jobs is called work specialization. It depends on the division of labor that is it makes efficient use of employee skills. As we discussed now, an employee keeps on working on the same activity again and again and it improves his efficiency.

Increases employee skills through repetition of task, it is less between job down time increases productivity. Specialized training is more efficient allows use of specialized equipment.

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## 2. DEPARTMENTALIZATION

- The basis by which jobs are grouped together
- Grouping Activities by:
  - Function
  - Product
  - Geography
  - Process
  - Customer



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graph TD; A[ ] --> B[ ]; A --> C[ ]; B --> D[ ]; B --> E[ ]; C --> F[ ]; C --> G[ ]
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The diagram is an organizational chart with a hierarchical structure. At the top is a single yellow box. Below it are two yellow boxes connected by a horizontal line, both connected to the top box by vertical lines. At the bottom level, there are four yellow boxes. The left box is connected to the left middle box, and the right box is connected to the right middle box. The two middle boxes at the bottom are connected to each other by a horizontal line.

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Then, we will understand what is departmentalization? The basis by which jobs are grouped together. Grouping activities by function, product, geography, process and customer. Departmentalization by functions by functional areas, based on different functions the department the activities are grouped together like.

The marketing human resources, operations, these are various types of departmentalization's by function. Information technology then operations, finance, marketing, HR. Departmentalization by product as, we will see in the banking sector the departmentalization is based on the product divisions the products they are offering. Bank international banking division is one division.

Then, you have ATM is one division, core banking is one division and then mutual funds is another division and so on. So, these are various products being offered by the banks; then some organizations also have departmentalization by geography. A very classic example would be Indian railways where the divisions are based on the zonal differences; we have say north zone, central zone, western zone, eastern zone of Indian railways.

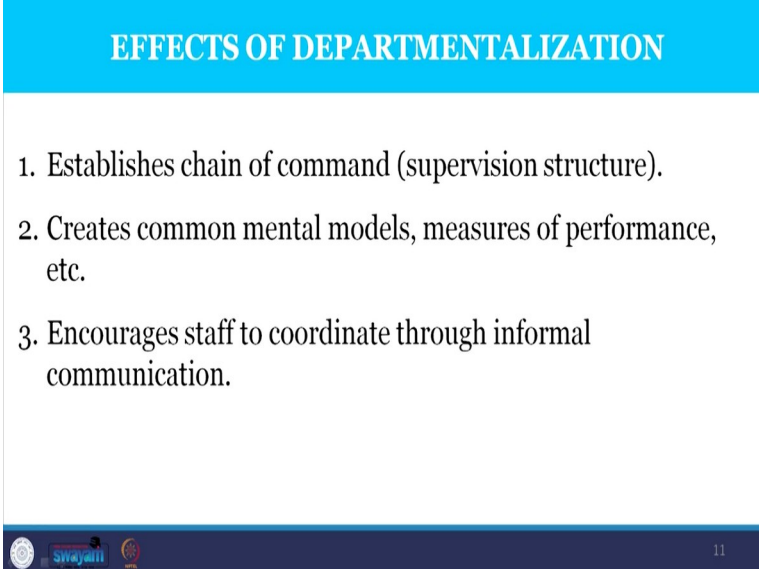
So, these are divisions based on the geographical territory. Then, there are also process based divisions grouping of activities in mostly in the production function. The processes or process based grouping is being done, say product development the various phases in which the manufacturing is being done. The various processes through which the product

is being manufacture so, on the basis of that the grouping of activities are done, then customer based departmentalization.

So, sometimes on the basis of the targeted customers the divisions or departments are being formed. Like the specific needs of customers, like say savings bank account, the banks also have this customer based divisions, like savings bank account, then you have the agricultural banking division, international banking division, then industrial development banks.

So, the bank divisions or the divisions is based on what is the target customer, who the target customers are and so, these are various examples of departmentalization and what is the effect of departmentalization. Departmentalization establishes chain of command or supervision structure.

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**EFFECTS OF DEPARTMENTALIZATION**

1. Establishes chain of command (supervision structure).
2. Creates common mental models, measures of performance, etc.
3. Encourages staff to coordinate through informal communication.


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It creates common mental models measures of performance etc. Encourages staff to coordinate through formal communication.

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### 3. CHAIN OF COMMAND

To whom do individuals and groups report? It is the line of authority extending from upper organizational levels to lower levels.



- Authority  
✓ The rights inherent in a managerial position to give orders and to expect the orders to be obeyed
- Chain of Command  
– The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom
- Unity of Command  
✓ A subordinate should have only one superior to whom he or she is directly responsible

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Moving further we will discuss about the chain of command. What is the chain of command? Chain of command is basically the reporting relationship within an organization to whom the individuals and groups report is the line of authority explaining or extending from the top or upper organizational levels to the lower levels of organizations. So, what is chain, what are the elements of chain of command?

Chain of command includes authority relationship, the chain of command and unity of command. So, what is authority? Authority is the right bestowed on a managerial position the right, which has been inherent in a managerial position to give orders and to expect the orders to be executed or obeyed.

Next element is called the chain of command that is unbroken line of authority that extends from the top management to other levels of management it is a kind of continuous line of authority.

So, the unbroken line of authority that extends from the top of the organization to the lowest echelons and clarifies who reports to whom. So, basically the chain of command or the scalar chain of command is a continuous line of authority from top to the bottom of the hierarchy, and then moving further we will discuss about the unity of command.

Unity of command means there should be one supervisor for all the subordinates. A subordinate should have only one supervisor to whom he or she is directly responsible.

So, these three elements that is authority chain of command unity of command, these have been proposed by Henry Fayol's theory of authority structures and relations.

And they are the basic fundamentals of the bureaucratic structure or the define the organizational structures, they are essential elements of organizational structure. Next point we will discuss about what is span of control. So, what we have discussed so far? We discussed about division of labor or work specialization, then we discussed about the departmentalization and third point we discussed is the chain of command.

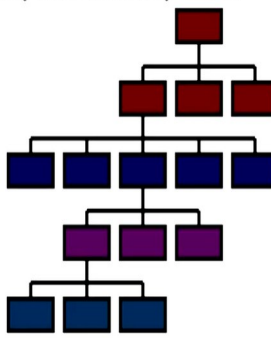
And we have related that all these definitions have emanated from. The definition 14 principles defined by Henry Fayol in their book of Theory of Authority Structures and Relations.

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### 4. SPAN OF CONTROL ✓

The number of subordinates a manager can efficiently and effectively direct.

- **Wider spans of management**  
increase organizational efficiency
- **Narrow span** drawbacks:
  - Expense of additional layers of management
  - Increased complexity of vertical communication
  - Encouragement of overly tight supervision and discouragement of employee autonomy



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graph TD; A[ ] --- B[ ]; A --- C[ ]; A --- D[ ]; B --- E[ ]; B --- F[ ]; B --- G[ ]; C --- H[ ]; C --- I[ ]; C --- J[ ]; D --- K[ ]; D --- L[ ]; D --- M[ ]
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The diagram illustrates an organizational structure. At the top is a single box (red). It has three direct subordinates (red). The middle subordinate has three subordinates of its own (blue). The left and right subordinates of the middle box each have two subordinates (purple). The bottom-most subordinate of the purple boxes has two subordinates (blue). This structure demonstrates a wide span of control at the top and narrower spans of control in the lower levels.

What is span of control? The span like how many managers oversee the work of others. So, we will discuss about the span of control in the next lecture. So, with this what we have discussed I will conclude like, we have discussed about What is organizing? Organizing is arranging tasks give allocating responsibilities, or then we discussed about what is organizing process.

What is an organization? Organization is a group of people, who are working within a well defined structure and working towards a unified goal or a common purpose.

Thank you.