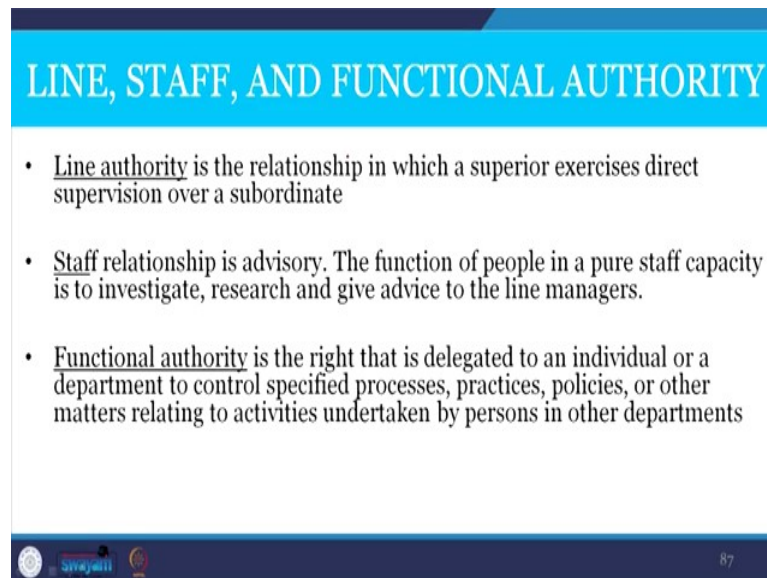


Principles of Management
Prof. Usha Lenka
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture - 33
Organizing and Directing - V

In this lecture I will discuss about what is line, staff and functional authority, scalar principles in organization, centralization of authority, decentralization and what is the advantage and disadvantage of the decentralization and so on. So, as we discussed in the previous section about the power and the basis of power and authority.

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LINE, STAFF, AND FUNCTIONAL AUTHORITY

- Line authority is the relationship in which a superior exercises direct supervision over a subordinate
- Staff relationship is advisory. The function of people in a pure staff capacity is to investigate, research and give advice to the line managers.
- Functional authority is the right that is delegated to an individual or a department to control specified processes, practices, policies, or other matters relating to activities undertaken by persons in other departments

87

So, what is line authority, what is staff relationship and functional authority? Line authority is the relationship in which a supervisor exercises direct supervision over a subordinate. When there is a direct control over subordinates, subordinates' behavior, subordinates work that is called line authority.

What is a staff relationship? Staff relationship is basically advisory relationship. The function of people in a staff capacity, in a pure staff capacity is to investigate research and give advice to the line managers. So, staff relationship is basically advisory in nature and the people who are working in staff positions or staff functions they cannot exercise direct control over the managers in the line.

They cannot directly control the line managers they can only give their view, suggestions and advice. What is functional authority? Functional authority is the right that is delegated to an individual based on the control. Functional authority is the right that is given to an individual, delegated to an individual or a department to control specific processes, practices, policies or other matters which are relating to activities undertaken by the person in other departments.

Functional authority is the right distorted to an individual or a department to control specific processes, practices, policies or other matters relating to activities undertaken by other departments by persons in other departments. What is scalar principle in organization?

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The clearer the line of authority from the ultimate management position in an enterprise to every subordinate position, the clearer will be the responsibility for decision making and the more effective will be organization communication.

The slide features a blue header with the title 'SCALAR PRINCIPLE IN ORGANIZATION'. Below the title, there is a text block explaining the principle. To the right of the text, there is a hand-drawn diagram in red ink showing a hierarchy with three levels. The top level has one circle, the middle level has two circles, and the bottom level has one circle. Arrows point from the top circle to the two middle circles, and from the two middle circles to the bottom circle. A long arrow points from the text 'organization communication' to the diagram.

88

The clearer the line of authority from ultimate management positions in an enterprise to every subordinate position, the clearer will be the responsibility of decision making and the more effective will be communication. So, scalar principle says that if there is clarity in the line authority from the management position. So, there would be effective communication, the clearer the line authority, clearer the chain of command.

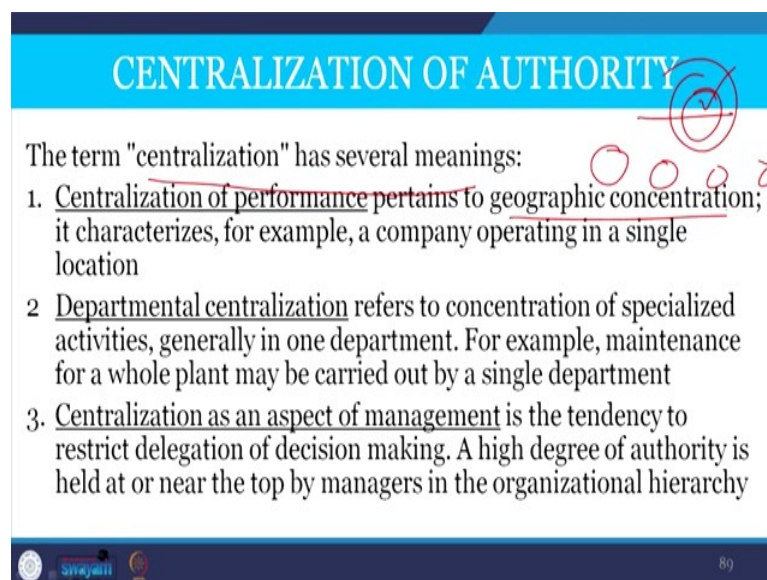
So, basically, the clearer the line of authority or authority relationship or the chain of command if it is very clear in the organizations. Authority relationship that the information from the supervisor will go to the next person in the hierarchy and to the

next level. So, it becomes very clear how the information moves, how the message is communicated from one person to another.

So, what it says, scalar principle in organizations or scalar chain of command? The clearer the line authority from ultimate management positions from the top management positions often enterprise to every subordinate position to every person in the chain of command the information.

The decision making will be more effective if there is a clearer chain of command, if there is clarity in how the message passes from one person to another person. However, there may be different managers in different levels. If there is clarity in flow of information the communication would be more effective in organization.

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CENTRALIZATION OF AUTHORITY

The term "centralization" has several meanings:

1. Centralization of performance pertains to geographic concentration; it characterizes, for example, a company operating in a single location
2. Departmental centralization refers to concentration of specialized activities, generally in one department. For example, maintenance for a whole plant may be carried out by a single department
3. Centralization as an aspect of management is the tendency to restrict delegation of decision making. A high degree of authority is held at or near the top by managers in the organizational hierarchy

89

Centralization of authority: Now, the question comes will the management will there be control of decision making by the top management or the decision making power should be given to other people, other individuals in the hierarchy. So, centralization decides; centralization means, when the top management has power to take decision, has access of over resources or say on various management processes, practices.


So, the person in the top management will be exercising more power, more authority and thus it is called centralization. So, the term centralization has several meanings. How is it defined? Centralization of performance pertains to geographic concentration. It

characterizes for example, a company operating in a single location. So, centralization can be departmental centralization refers to concentration of specialized activities, generally of one department. For example, maintenance of whole plant may be carried out by one single department.


Centralization is an aspect of management. It is a tendency to restrict delegation. The top management holds power to take decision and there is a restriction of delegation of decision making. A high degree of authority is held at the top management. By the top managers the decision making power is bestowed in the top management or we can say high degree of authority is held at the top by managers in the organizational hierarchy.

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DECENTRALIZATION OF AUTHORITY



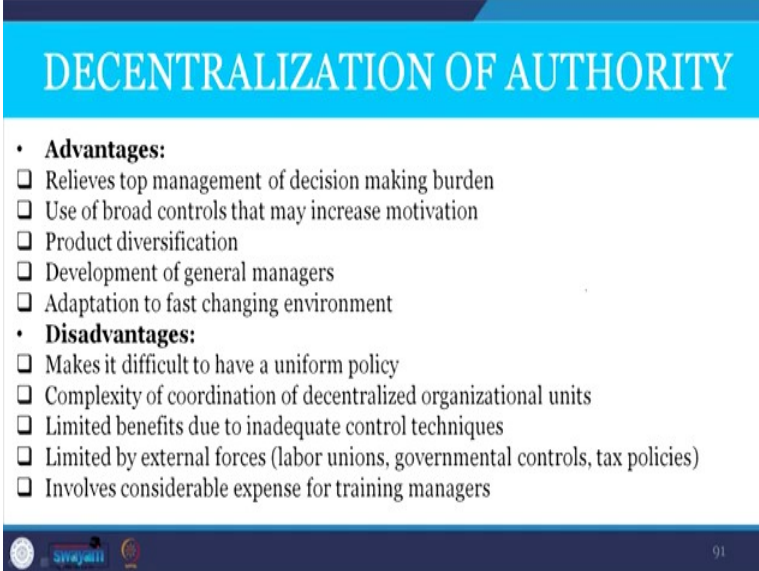
- **Decentralization** is the fundamental aspect of delegation.
- It is the tendency to disperse decision making authority in an organized structure.

90

So, if centralization is holding power at the top of the hierarchy, so, decentralization is the fundamental aspect of delegation. Decentralization means, the power is disseminated at different levels of hierarchy. It is the tendency to disperse decision making or access to resources given to or power given to people in different positions, different hierarchical positions.

So, it is a tendency to disperse decision making authority in an organized structure. Decentralization of authority: We discussed that decentralization is giving power to people in different levels of hierarchy. What are the advantages and disadvantages of decentralization?

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The slide features a blue header with the title 'DECENTRALIZATION OF AUTHORITY' in white. Below the header, the content is organized into two sections: 'Advantages' and 'Disadvantages', each preceded by a bullet point. The advantages list five items, and the disadvantages list five items, all marked with checkboxes. At the bottom of the slide, there is a dark blue footer containing a small logo on the left and the number '91' on the right.

DECENTRALIZATION OF AUTHORITY

- **Advantages:**
 - ☐ Relieves top management of decision making burden
 - ☐ Use of broad controls that may increase motivation
 - ☐ Product diversification
 - ☐ Development of general managers
 - ☐ Adaptation to fast changing environment
- **Disadvantages:**
 - ☐ Makes it difficult to have a uniform policy
 - ☐ Complexity of coordination of decentralized organizational units
 - ☐ Limited benefits due to inadequate control techniques
 - ☐ Limited by external forces (labor unions, governmental controls, tax policies)
 - ☐ Involves considerable expense for training managers

91

Advantages of decentralization: It relieves top managers of decision making burden as the power comes to people in different managerial positions. So, the top manager is relieved of decision making burden. Use of broad control that may increase motivation, as people get power as the power is disseminated to other individuals who are working in support to the top management. They will feel motivated because they have now access to resources, access to information. They are also participating in decision making. So, they feel motivated. There is a kind of motivation, which will increase their commitment. Product diversification: This will lead to the advantage, there will be more diversification of product, there would be more involvement of people working in different product divisions.

Development of general managers: Managers when they are taking decisions on their own. They are increasing their capacity to take decisions, they have give suggestions, their confidence level increases. So, general managers they feel they develop their competency adaptation to fast changing environment.

When there is more decentralization the decision making becomes quick, fast and the organization becomes more flexible and more responsive to the fast changing business environment. What are the disadvantages of decentralization? Decentralization makes it difficult to have a uniform policy, complexity of coordination of decentralized organizational units, limits benefits due to inadequate control techniques, limit by

external force; disadvantages of decentralization of authority. It makes it difficult to have a uniform policy.

When so many people have decision making power, so sometimes the top management starts losing control over decisions and it becomes very difficult to have a unified policy, uniform policy. There is complexity of coordination. It becomes very difficult to coordinate with different bases of power.

Because of decentralization of organizational units there arises complexity of coordination. Because of having power at different units, different organizational units because of decentralization there arises the problems of coordination or complexity of coordination.

Limited benefits due to inadequate control techniques; there are different people controlling. So, there is a limited benefit and limited by external forces as there is power, which is disseminated to managers in different positions. Labor unions, government control, tax policies will have a limited control there will be limitations by external forces.

Involves considerable expense of training managers; because there are many people who have been given power. There would be considerable expense for training all those people who are holding power. Earlier when say suppose or in a situation where there is centralization one person had to be trained.

But now as power is being exercised by different people, different bases or different individuals, so, there would be increase in training expenses. What is delegation of authority? The authority is delegated when a supervisor gives a subordinate discretion to take decisions, discretion to make decisions.

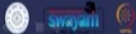
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DELEGATION OF AUTHORITY

The authority is delegated when a superior gives a subordinate discretion to make decisions.

The **process of delegation** involves:

- determining the results expected from a position,
- assigning tasks to the position,
- delegating authority for accomplishing these tasks, and
- holding the person in that position responsible for the accomplishment of the tasks

92

The process of delegation involves determining the results expected from a position. Delegation means, giving power to individuals in different positions, giving power to subordinate and the process of delegation involves determining the results expected from a position, assigning task to the person, to the position, delegating authority for accomplishing those goals, tasks and holding the person in that position responsible for accomplishment of tasks.

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SUCCESSFUL DELEGATION OF AUTHORITY

Receptiveness	<ul style="list-style-type: none">• Give other people's idea a chance• Welcome idea of others
Willingness to Trust Subordinates	<ul style="list-style-type: none">• Delegation involves a trustful attitude between superiors and subordinates
Willingness to Let Go	<ul style="list-style-type: none">• Release right to make decisions to subordinates• Managers should concentrate on tasks that contribute more
Willingness to allow mistakes by subordinates	<ul style="list-style-type: none">• Allow subordinates to make mistakes and learn from them• It acts as an investment in personal development

93

Successful delegation of authority can be ensured when there is receptiveness, willingness to trust subordinates, willingness to let go, willingness to allow mistakes by subordinates. So, successful delegation can happen when there is receptiveness. Give other people idea or a chance. Allow other people to give their views site their say or voice their concern.

Welcome ideas of others invite suggestions or suggestions of others. Delegation involves a trustful attitude. Successful delegation also depends on willingness to trust subordinates. First is receptiveness invite suggestions from the subordinates, welcome their ideas, give their ideas or recognize their ideas, willingness to trust subordinate.

It also happens when the supervisor is willing to trust subordinates. Delegation involves a trustful attitude between supervisor and subordinate. When there is a trust within supervisor and subordinate when the subordinate is respected by the supervisor so, there is a kind of interpersonal relationship which leads to the manager giving power to the subordinate.

Willingness to let go when the person, when the manager thinks that the other person can be given power and does not try to accumulate the power, release right to make decision to subordinate then he lets the other person also exercise power. Manager should concentrate on tasks that contribute more. It depends on the supervisor whether he wants to micromanage on small issues or he wants to focus on the larger issues.

Willingness to allow mistakes by subordinates: when the supervisor is also allowing the mistakes or is also accommodating the mistakes of subordinates in that case delegation can be successful, delegation of authority can be more successful. So, allow subordinates to make decisions and learn from their mistakes, it acts as an investment in personal development.

So, allowing subordinates to or accommodating the mistakes of subordinates, allowing them to participate in the decision making, give their suggestions, so, which will lead to ultimately the personal development of subordinates. So, now I will discuss about three predominant applications of employee involvement, I will discuss about the evolution of the concept of participative management.

Now, I will discuss about the evolution of participative management and the applications of employee involvement.

With respect to that I will discuss what is empowerment. As we are talking about centralization, decentralization then we discussed delegation of power, how delegation happens I will discuss in details about what is empowerment. Empowerment means that employee's managers or teams at all levels in the organization have the power to make decisions without asking their supervisors permission.

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WHAT IS EMPOWERMENT?

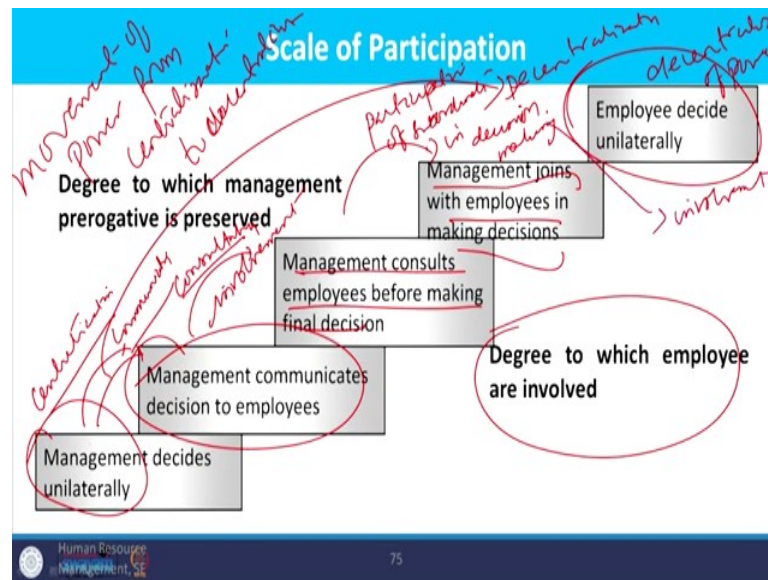
- **Empowerment** means that employees, managers, or teams at all levels in the organization have the power to make decisions without asking their superiors for permission

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The slide features a blue header with the title 'WHAT IS EMPOWERMENT?'. Below the title, on the left, is a bulleted definition of empowerment. On the right is a photograph of several hands of different skin tones stacked together in a supportive gesture. At the bottom, there is a dark blue footer containing logos on the left and the number '74' on the right.

Empowerment is giving power to subordinates, releasing power to or giving a delegation of power to the subordinates. This empowerment also means, empowerment is otherwise called employee participation, delegation of authority.

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What is the scale of participation? Degree to which management prerogative is preserved and degree to which employees are involved. We will discuss with that context when the manager decides unilaterally that is called centralization. In this slide I will discuss about how the power move from the manager, from centralization we will discuss about the movement from centralization to decentralization of power with some examples.

So, what is a centralization? When the top management holds power to take decisions has access over resources has access to allocate rewards, so, management decides unilaterally. Next is when management communicates decision to employees. So, slowly some power is given to the managers in different ranks in the hierarchy or to the subordinate.

Then management consults employees before making final decision. So, we are moving towards consultation, the consultation involvement of people in the decision making. Here the manager is management communicates. So, it is communication.

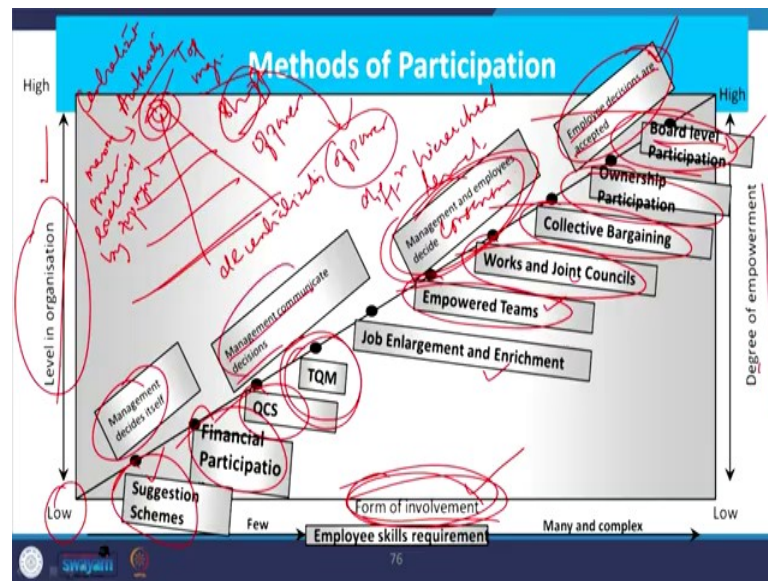
Communication then consultation and then management joins with employees in making decisions; joins with employees, participation or inviting suggestions participation of subordinates in decision making. Further lastly there is decentralization of power.

So, what we discussed? Degree to which management prerogative is preserved, degree to which employees are involved. So, we are talking about how power is dismantled from

the top to the people in different or managers in different levels of hierarchy. The management unilaterally decides two employee decides unilaterally.

The movement from centralization of power to decentralization movement of power from centralized or centralization to decentralization. It happens from communication, consultation, participation to employee's involvement. Last point is involvement, involvement of people.

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So, methods of participation; what are the various methods? If we see on one axis is the level in the organization, the second axis is the form of involvement. If we have two axis x and y; on the one x and on the y axis you see the level of the managers' level in the organization and their form of involvement in the organization.

So, the lower level of involvement would be when they are just management decides themselves and the involvement of employee is in the form of suggestion schemes. Further there is an involvement in time in terms of giving a financial participation then quality circle where they are just giving their suggestions to improve the system.

And then total quality management where the management communicates decisions, job enlargement and enrichment. And then the next step is empowerment of teams, work and joint councils, collective bargaining, ownership participation, board level participation. So, there are different levels of participation involvement of employees in decision

making and the skill requirement of individuals, the managers who are working in a hierarchical relationship.

If there are different positions, the top management or top manager holding the power or authority. Centralization holds power centralization or maximum power is exercised by top management. But then there is decentralization of power.

So, power moves from, power is shifted. There is shift of the basis of power, shift of power from top to lower level managers or managers in different hierarchical levels. So, how that is moving, how the power which is otherwise the power axis of an access to resources, control over rewards, punishment, taking decisions? These are various bases on power which is moving from the top management to people in different hierarchical positions.

How it is moving, how people are, what is the capacity of manager what is the level of skill of a manager required? Employee skill competency required in centralization of power is low where they need to only give suggestions there just participation is in the form of suggestions in schemes like financial participation, quality circles, improvement of quality.

In total quality management they give their suggestions and they are also involving their suggestions are also implemented and job enlargement and enrichment they are having some control over decision making and in joint councils, collective bargaining, ownership participation and board level participation, the decision making power is highest.

So, degree of empowerment is higher in board level participation. Employee decisions are accepted not only just suggestions are heard, but their decisions are accepted in collective bargaining, in ownership participation, board level participation. Management and employee decide jointly in empowered teams.

Empowered teams, job enlargement, work council there is a consultation there is a collective or consensus based decision making; consensus based decision making, management communicates decision. So, there is a shift from the employee method of participation. Management decides, self management themselves decide to how employees' decisions are accepted.

The key difference between traditional, organizations and empowered teams in organization. As we have discussed that there is a shift in the nature of organizations from the traditional to the organic traditional or mechanistic structure to an organic structure.

Organic structure are the new forms of organizational structures, which are flexible where there is more of empowerment. So, with respect to that we will discuss certain elements of organizational structure. We will discuss about how organizational structure is in traditional and the contemporary organizations.

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Key Differences between Traditional and Empowered-teams in Organisations		
Element	Traditional Organisations	Self-directed Teams
Organisational structure	Layered/individual	Flat/team
Job design	Narrow, single-task	Whole process/multiple task
Management role	Direct/control	Coach/facilitate
Leadership	Top-down	Shared with teams
Information flow	Controlled/limited	Open/shared
Rewards	Individual/seniority	Team-based/skill-based
Job process	Managers plan, control, improve	Teams plan, control, improve

Organizational structure in traditional form of organization is layered having different managerial levels or hierarchy. And there is individual control, there is an individual specific task given in a team or in an organic structure there is emphasis on a flat structure with less managerial levels and there is focus on team based task.

Job design is narrow and mostly focused on single task in a traditional organization whereas, there is whole process or multiple task in holistic work or a complete task or a holistic process or multiple task being assigned. Like, I will give you one example. As the business environment is highly dynamic and competitive their job was individual in nature individualistic and the scope of the job as very narrow. They use to their consultant's; people consultants their focus was on pay fixation or job evaluation.

Now, as there is more competition, more number of consultants in the people or people consultants or there are more consultancy services in HR. So, the hay management consultants who were effective in job evaluation they can no more continue to be in that specific domain. They also need to extend their horizons to be more competitive to be sustainable.

So, they have now shifted towards providing a complete solution to their clients not only restricting themselves to job evaluation. So, they have taken up the holistic task of solving problems, solving people related issues of an organization right from taking up issues of change management then HR consultancy the complete HR consultancies taken up by hay management; then training performance management systems and several other say consultancies or it HR consultancies.

So, which means that the task is now process concerned, the task is taking up to or to deal with the whole process and a multiple task to be taken up and it is more team oriented task. Managements role is direct and control mechanism is exercise in the traditional organizations where the management emphasis has shifted to coaching and the role of the manager has shifted towards a coach and a facilitator.

Leadership is top down in traditional organizations whereas, leadership is shared or participative shared or you can say participative management with focus on team work. Then information flow is controlled and very limited in traditional organizations and in the contemporary organizations, information flow is open and it is shared or consensus based.

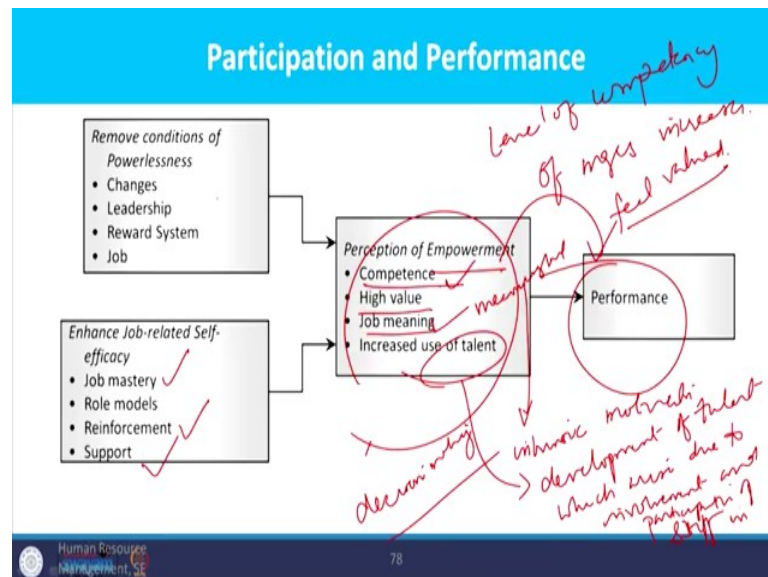
Access to rewards is individual specific reward and based on seniority based on position and seniority whereas, reward is allocated based on the team or how the individual contributes in the team and based on the skills an competency or merit of the individual.

Job process is managers plan, control and improve the process whereas in the contemporary organization self directed or you can say that in organic structures; in organic structures there is more focus on team plans, control and improve.

Traditional organizations are mostly mechanistic organizations which have a taller structure, tall structure with more levels in the hierarchy levels whereas less hierarchy in

less hierarchical levels. And they are more or less flexible in nature flexible there is more flexibility there is more rigidity in traditional organizations.

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So, what we have discussed now? Employee participation as we discussed that there was less involvement of managers in the traditional organizations in the mechanistic organizations but there is more demand for participation of employees in decision making in various processes and various processes in the organization.

So, there is a shift from the controlled structure to a participative form of organization there is more participation. So, participation has an effect on performance of organizations. How does it influence? Like if there is higher participation there would be increase in performance or we can say empowerment leads to performance. The perception of empowerment leads to increased performance.

There would be competence of employees, high value there is a meaningfulness of task. If there is more power given to employees and the different levels, they the level of competency of manager increases. They feel valued because the decisions are being included.

They are consulted in improvement of various processes, management practices. They feel valued, they feel involved in decision making and they find meaning in the task their job becomes more meaningful, and gives them a sense of intrinsic motivation to perform.

And otherwise you can say that there is a development of talent, which comes by which arises due to involvement and participation of staff in decision making.


So, we can say that the employees' self efficacy increases, it enhances the job related efficacy, job mastery, they feel it is a kind of intrinsic reward, it reinforces their behavior, they feel a psychological support from the management from the supervisor as they are getting involved in different decision making.

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Employee Involvement

A participative process that uses the input of employees to increase their commitment to the organization's success.

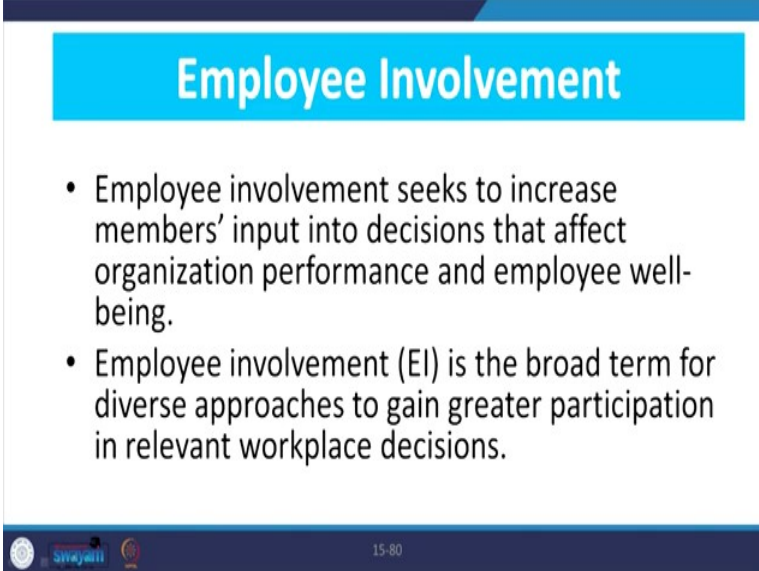
- By increasing worker autonomy and control over work lives (involvement), organizations:
 - Increase employee motivation
 - Gain greater organizational commitment
 - Experience greater worker productivity
 - Observe higher levels of job satisfaction



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So, employee involvement is a participative process that uses the input of employees to increase their commitment to the organization success by increasing workers' autonomy and control over work or involvement. It increases employees' motivation, gain increase organizational commitment, experience, greater worker productivity and higher levels of job satisfaction.

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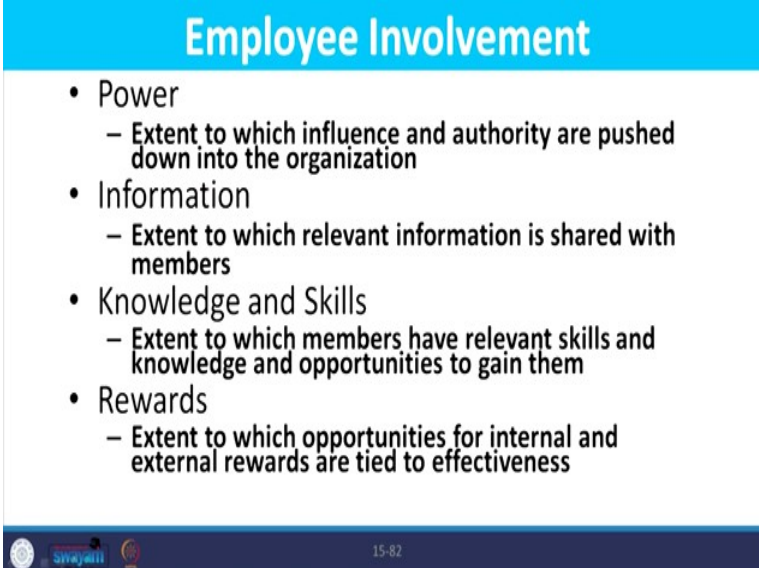
Employee Involvement

- Employee involvement seeks to increase members' input into decisions that affect organization performance and employee well-being.
- Employee involvement (EI) is the broad term for diverse approaches to gain greater participation in relevant workplace decisions.

15-80

So, employee involvement increases members input into decisions that affect their performance and employee well-being. It is a broad term for diverse approaches to gain greater participation in relevant workplace decisions.

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Employee Involvement

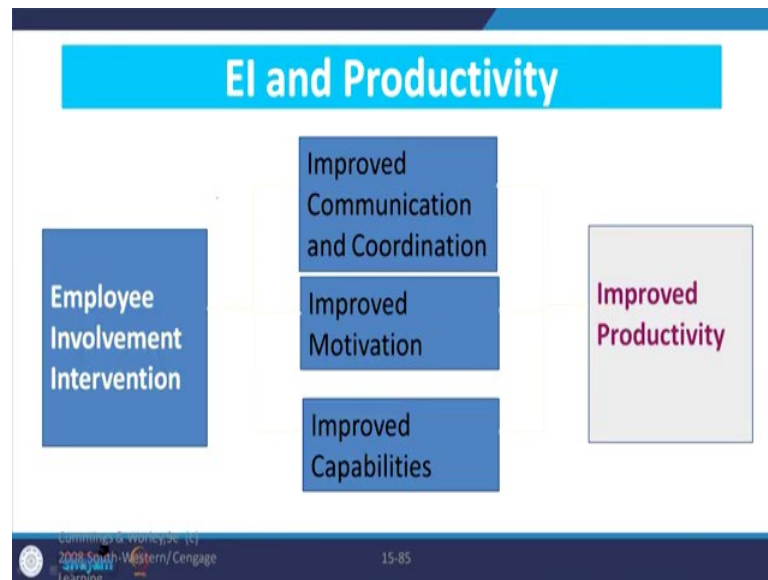
- Power
 - Extent to which influence and authority are pushed down into the organization
- Information
 - Extent to which relevant information is shared with members
- Knowledge and Skills
 - Extent to which members have relevant skills and knowledge and opportunities to gain them
- Rewards
 - Extent to which opportunities for internal and external rewards are tied to effectiveness

15-82

Involvement comes in the form of power, information, knowledge and skills and rewards. What is power? Extent to which influence and authority is pushed down into the organization. Extent to which relevant information is shared with members if they have access to power, access to information they feel they are more powerful. Knowledge and

skills extent to which members have relevant skills and knowledge an opportunity to gain them if they have the opportunity for internal and external rewards are tied. So, they feel more involved. So, employee involvement and productivity.

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So, what we discussed is the higher the employee involvement that would lead to improved communication and coordination, improved capabilities of employees and their motivational level also increases, so, which ultimately improves productivity. What we discussed here is we discussed about the line and authority when then we discussed about centralization, decentralization and how the centralization which is associated with the power bestrode with the top management.

The shift of power bases to the managers in different levels of hierarchy, which is otherwise called employee participation, employee involvement we discussed about how employee involvement seeks to increase members input into decisions that affects organizational performance an employee well-being.

Employee involvement comes in the form of power that is influence of authorities pushed down to the organization, then access to information, extent to which relevant information is shared with members, knowledge and skills, extent to which members have relevant skills and knowledge and opportunities to acquire more of them and rewards the extent to which opportunities for internal and external reward is tied to the performance.

So, finally, what we discussed is employee involvement. If there is more involvement of employees it will improve the communication, coordination with different people in the organization. There would be higher motivation and improved skills and competencies of individuals, which will ultimately lead to improvement in productivity of the organization.

Thank you.