

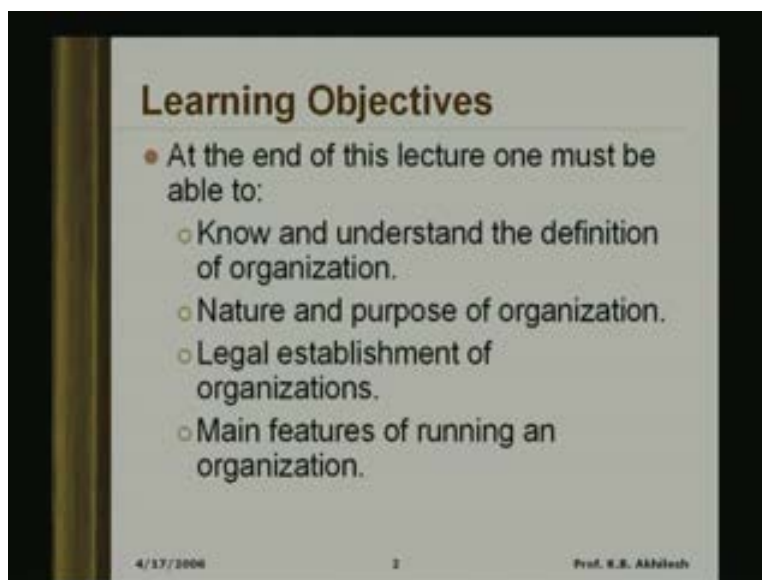
**Concept of Management and Evolution of Management Thought**  
**Prof. K. B. Akhilesh**  
**Department of Management Studies**  
**Indian Institute of Studies, Bangalore**

**Lecture - 04**  
**Organizing & Organization**

Hello with this lecture we will cover and discuss something about organizing and organizations. You know in my previous lecture I did talk about the historical views of management then we did discuss about the planning, objectives and management by objectives. Once we have set our objectives, once we have our goals, once we have our plans, once we have our vision, once we have our views what to have, what to achieve then another important aspect of the managerial function is organizing.

So organizing has been considered as one of the key aspects of management, one of the functions of management. Today these are our learning objectives. At the end of this lecture you must be able to know and understand the definition of organization, nature and purpose of organization and organizing legal establishment of organizations, main features of running an organization.

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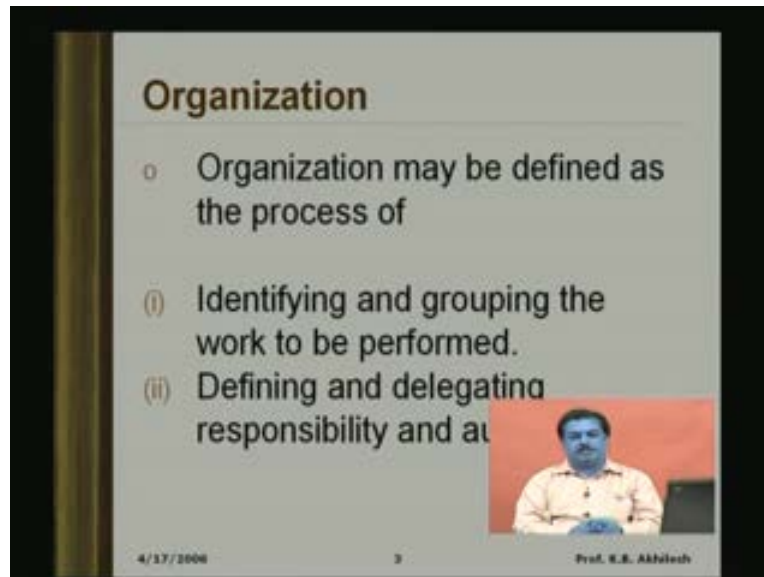


**Learning Objectives**

- At the end of this lecture one must be able to:
  - Know and understand the definition of organization.
  - Nature and purpose of organization.
  - Legal establishment of organizations.
  - Main features of running an organization.

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**Organization**

- o Organization may be defined as the process of
  - (i) Identifying and grouping the work to be performed.
  - (ii) Defining and delegating responsibility and authority.

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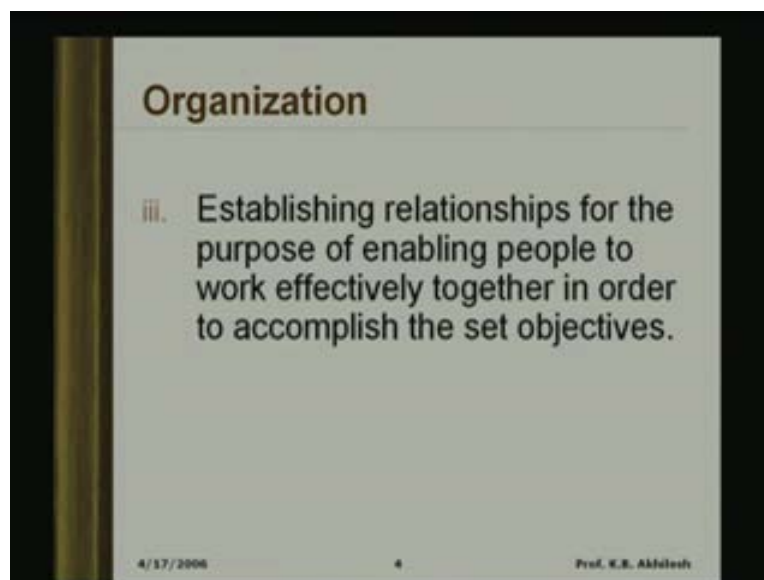
Basically these 4 key objectives we need to achieve at the end of this lecture. As we see organization may be defined as the process of identify and grouping the work to be performed, defining and delegating responsibility and authority. Well, all the keywords are important and let us run through each one of those things. The first of all the core of the any organizing is the work itself, the activities should be performed, the various tasks to be completed in order to achieve the set goals. Last time, we have talked about planning so what is that we have planned we have planned.

Our desired ends we have also discussed the means to achieve these events, we used the terms business models we used the word long term plans the short term plans and now we have all of those things and now we need to start discussing looking at each of the task to be completed. So that the overall goals can be met, so one of the key things of organizing is that identifying the various tasks and activities which can be considered as work and grouping of these works in an homogenous way, so that a good understanding, a good coordination is established to achieve the goals another is defining and delegating responsibility and authority.

You must know who is the responsible for, who is supposed to complete the task when certain things are not completed you know to whom and whom to approach, whom to ask and how to fix the blame it is not only fixing the blame that is one of the aspects of the control but certainly it is a negative aspect of the control but to guide making sure the individual who is supposed to complete the task understand all the requirements and feels comfortable in going after completion of the task that is how we are talking about responsibility The individual takes the position and make sure that the tasks are completed and similarly, the authority the responsibility and authority they go together, authority is to decide to ask for resources to come with the resources sometimes it also includes to make the necessary errors as a part of discharging the responsibilities, duties.

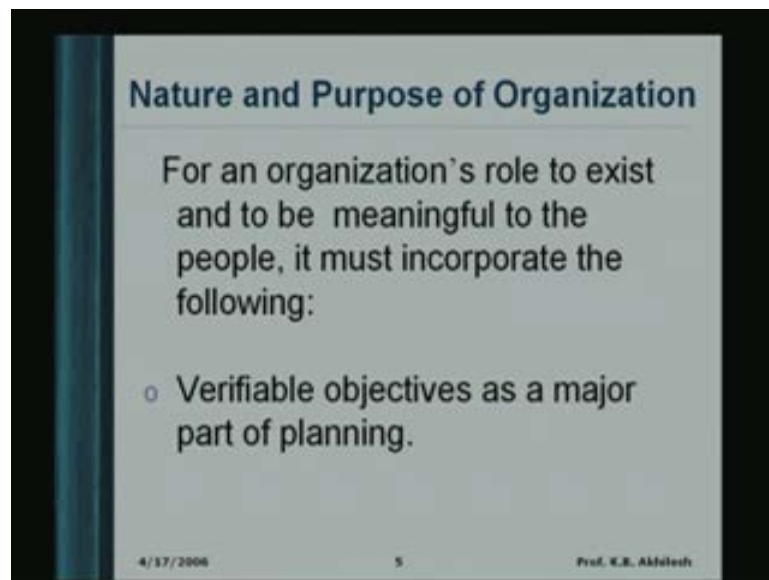
So it is in that sense it is considered as a process of identifying and grouping the various tasks, various activities defining the person who is supposed to do these things and allocating or delegating the required responsibility and authority. Further, establishing relationships for the purpose of enabling people to work effectively together in order to accomplish the set objectives. I have said all of it earlier but what is keyword is enabling people to work effectively.

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If you do not define the task and if you just define the individual task these things are not sufficient, you have to go beyond so that means definition of tasks are there the task also must be in relation to one another. In other words, there is an element of dependency; there is another element of interdependency. So which job depends on which other jobs in the organization and how the individuals who were occupying these positions perceive these nature of dependence or interdependence because in an organizing situation, tasks are not independent, most of the tasks are interdependent and they require mutual help working together having an understanding of overall scheme of things and then responding to each other's requirement and that is how the people dimension becomes very important and that is where we also use the word work effectively, the simplest definition of effectiveness is performance plus satisfaction.

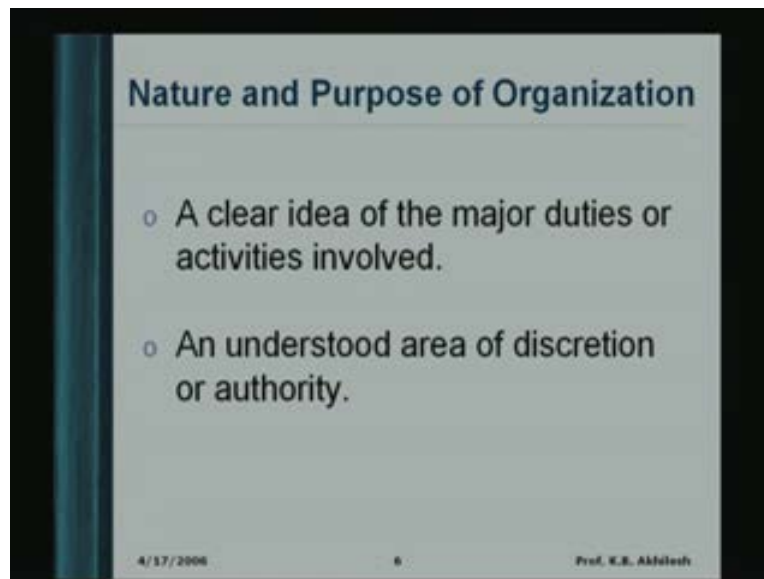
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So they achieve the task while achieving the task they are also working together, they are charged they are enjoying, they are satisfied. So work performance plus satisfaction defines the overall organizational effectiveness. Let us try and see few more things for an organization's role to exist and to be meaningful to the people it must incorporate the following. So what we are talking about to achieve this overall effectiveness, the task must be meaningful it should be purposeful and it should give overall identity to the individual.

So towards that a good organization would have the following things, verifiable objectives as a major part of planning that is individual understands very clearly why he is trying to complete the task and when to complete the task and in relation to other task he understands the and appreciates the set objectives and that is how the clear clarity of objectives becomes one of the very critical elements of success, management by objectives what we discussed in our in our last lecture is essentially towards getting that clarity, getting that commitment, getting that identification with the goals. So that boss as well as subordinate they work together in an harmonious and in a manner which satisfies both may would have the both the boss as well as the subordinate next important thing is a clear idea of the major duties or activities involved.

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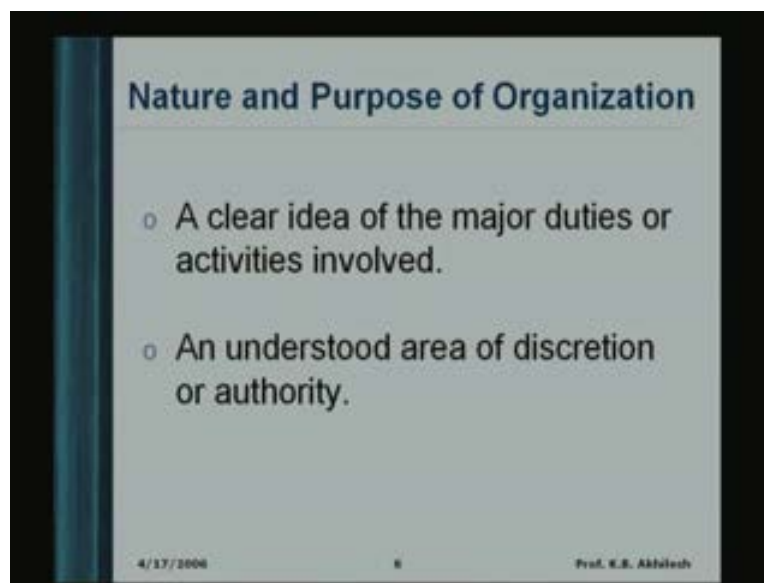


So that means what are the things to be done, it is also called as the know-how, so the know-how of the activities some activities, you also call it as a know why you must also know why we should do these things. So the know-how and the know why together an understanding of handling some of the crisis situations how to go about it how to fix some of the problems it is simply to give you an example one is a driving a car, see that is you know how to drive the car the next part of it is you also know how to use some of the tools, there is a toolkit you know it

how to fix a flat tyre or you know if there is some to check this engine oil is there or not these are some of the things you also known why, why it is so critical or some important.

You should also know how to handle some of the crisis situations. So when the task definition comes so one should see all the required things and the identifying that individual who can perform all the required things, distribution of these necessary tasks and an understood area of discretion or authority, what is that you should do and what is that you should not do so at some situations you have to report to the others or report to the bosses. So you must very clearly help the individuals to have that required discretion or giving that required authority to go after and fix the situation a good organizing also should have a good organization structure it should be designed in such a way to very clearly to clarify who is to do what and who is responsible for what results.

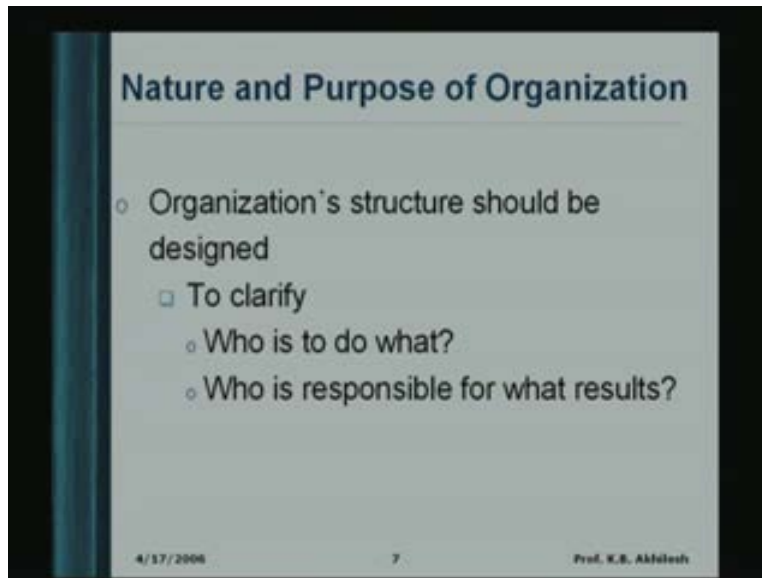
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So the organizing overall if you see it starts from the basic activities the activities are grouped and you get what is known as a job description. So it starts from job analysis and from job analysis you get into a job description and based on that you identify who could be the position holder and that position holder need to have that required authority the discretion and you will

also define in terms of duties and responsibilities when all such positions are available before anyone to achieve the goals or the objectives then you have an organization.

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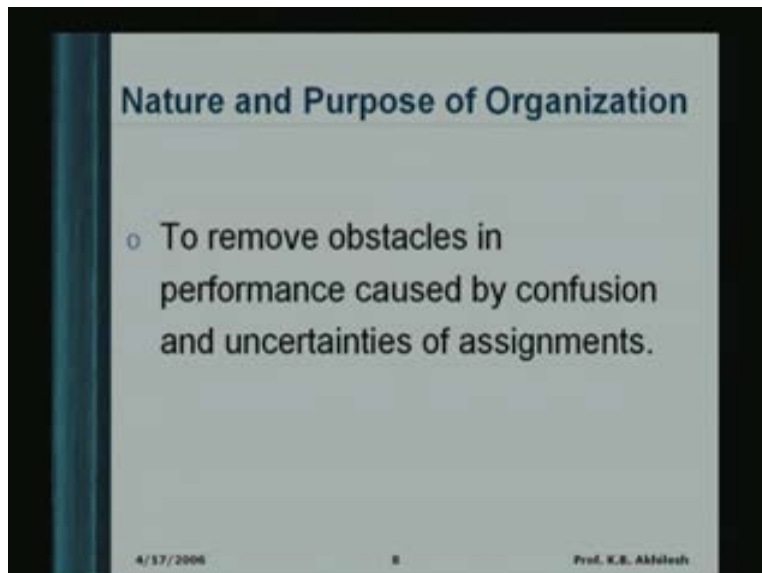


**Nature and Purpose of Organization**

- Organization's structure should be designed
  - To clarify
    - Who is to do what?
    - Who is responsible for what results?

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**Nature and Purpose of Organization**

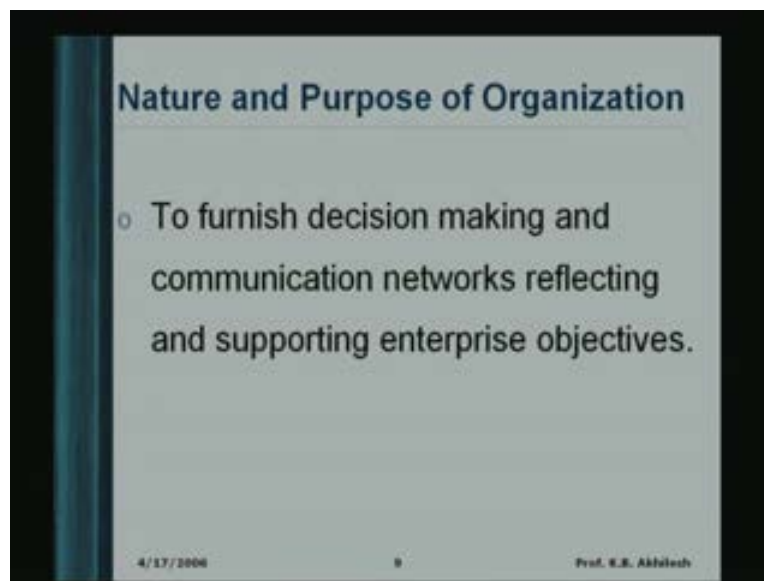
- To remove obstacles in performance caused by confusion and uncertainties of assignments.

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Without an effective organization one cannot run through one cannot run through in a smooth and effective manner and that is how it also said to remove obstacles in performance caused by confusion and uncertainties of assignments. In many organizations, you would have seen that people try to define their responsibilities in a narrow perspective that is the time they say I am not responsible, I am only responsible for the these things. So they may express this as I do not know how to do it or sorry, I am not authorized to do it or I do not have the necessary information.

So you will see one understanding of how to do the things, second necessary authorization in terms of the authority and also providing that necessary information. So education, information, authority these are the critical things of organizing or organization. As we go along to furnish decision making and communication networks reflecting and supporting enterprise objectives. Finally, what is that we want organizing means execution, organizing means enabling, organizing means enabling every task in the organization and the individuals are performing these tasks.

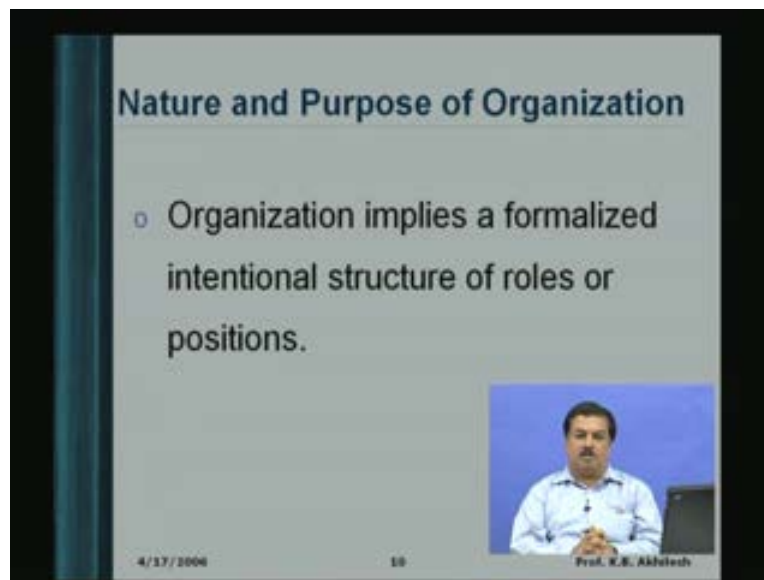
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So they understand there is clarity and they are authorized to go after and chase those set goals and objectives and it is also communication networks. We will elaborate and discuss in the next lecture about what is all about this communication kind of the thing but when we are talking about it is a reporting relationship, it is the approval relationships, it is to tell others about what you are doing and then seeking necessary help from others, so that you can complete the task not only you can complete the task according to your own expectation but to meet the expectations of your seniors and also the colleagues. So the communication networks, the link relationships are established as a part of organizing anything and clearly all these things you put in place not to meet the individual objectives or only individual expectations but you create an organization and you do all the necessary organizing to meet the enterprise or the company goals or the business goals or the business objectives.

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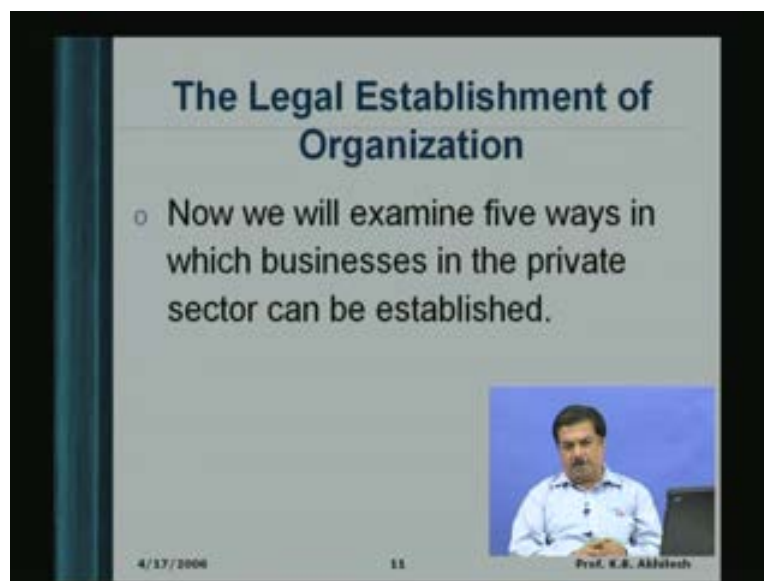


So organization implies a formalized intentional structure of roles and positions. I think, this is what the definition if you see formalized means the organization gives the kind of a sanctity, it is legitimized I think these are the two words a sanction in quotes of the members of the organization or the top management of the organization and then it also legitimizes the different positions in the organization because unless you have such positions such authority structures

you will not meet, meet the set goals and it is intentional, it is not unintended or it is not a consequence of something, it is not a unplanned thing. So the **tasks are** tasks are understood the roles are created and these tasks and roles along with the position holder or the person who occupying the position with necessary authority and description are supposed to meet the stated objectives and your views towards the roles and positions, positions as we saw it is the definitions of duties and responsibilities and the authority. The roles in in other words can be put as set of expectations, what do others expect out of this position and that is what the role roll definition is all about.

So the organizing means a formalized, deliberate, planned, intentional effort to create that required understanding by establishing the roles by establishing their task and duties and responsibilities and legitimizing these things towards meeting the goals of the organization.

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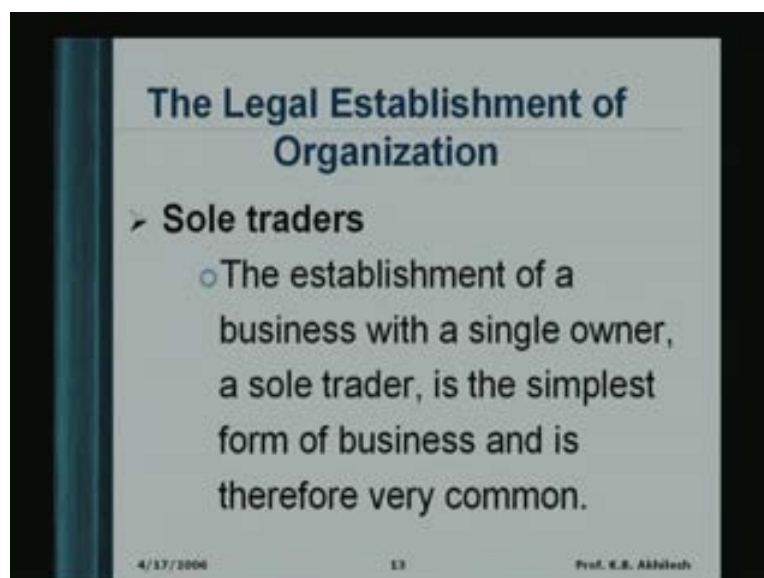
So when we see it is fine how these things can be done so that is way the looking at establishment of an organization or there any formalized well established procedures and protocols yes, we can think of 5 different ways how the businesses can be established in the private sector or in the public domain. The 5 ways are you can think of these one, the sole

traders, second one to be the partnerships, the third one is cooperatives, the fourth is public limited companies and the fifth one is private limited companies. Let me elaborate on each of these things, what it means and how, how we can use some of these forms of organization and what are its limitations and scope. You look at the sole traders we meet these people everywhere.

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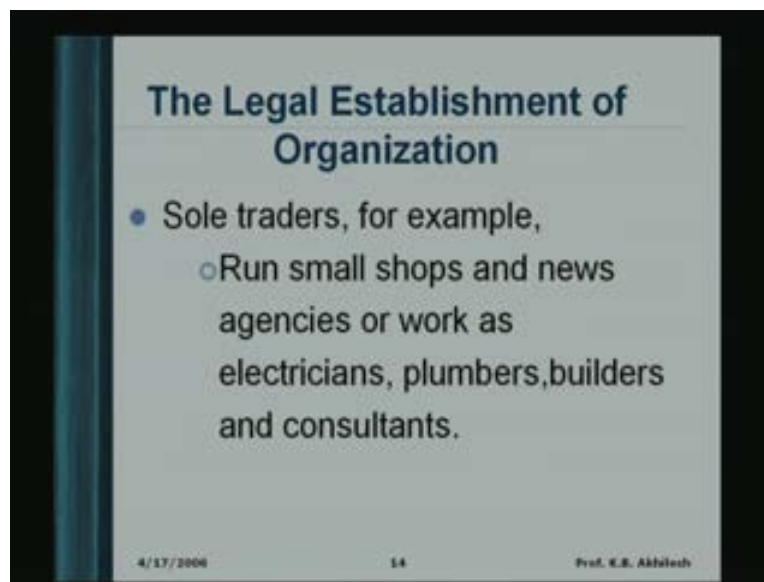


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So they have a business they have proposition and they have a methodology of doing things that is the typically organizing and so when you see the establishment of a business with a single owner, a sole trader is the simplest form of business and is therefore very common all entrepreneurs. When they establish it is basically called as the proprietary kind of an organization, so the proprietor is the owner, he is the manager and he performs all the necessary tasks, all the necessary tasks of planning organizing communication, coordination control.

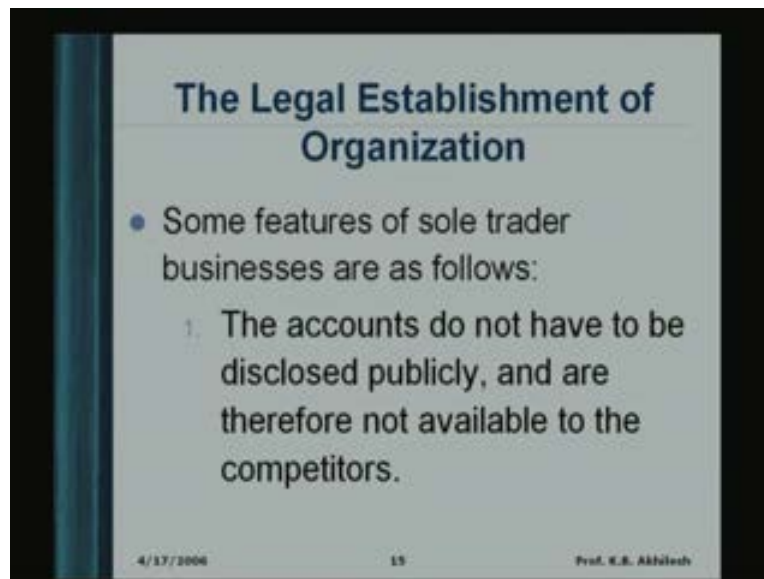
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So if you see then they run small shops, the news agencies and may be they work as electrician or a plumber or a contractor or a consultant. So that means you cannot differentiate the organization and the individual and the individual style of functioning also becomes one of style of organizing. So the some features of sole trader businesses are as follows. So one the accounts do not have to be disclosed publicly and are therefore not available to the competitors. So the know how the details all of these things are available with the with the individual with the sole proprietor, the owner makes all the decisions and therefore has total control of the business. So very clearly you can attribute the success or failure of the business to purely to the style and functioning of the owner success also is his, the failure also will be his. So it is in that sense you cannot differentiate between the individual and his system which is basically proprietary in his

nature. So the sole trader can offer a personal service which may be valued more highly by some customers because it is a very personalized service and you represent the organization, you are the whole and sole of the organization.

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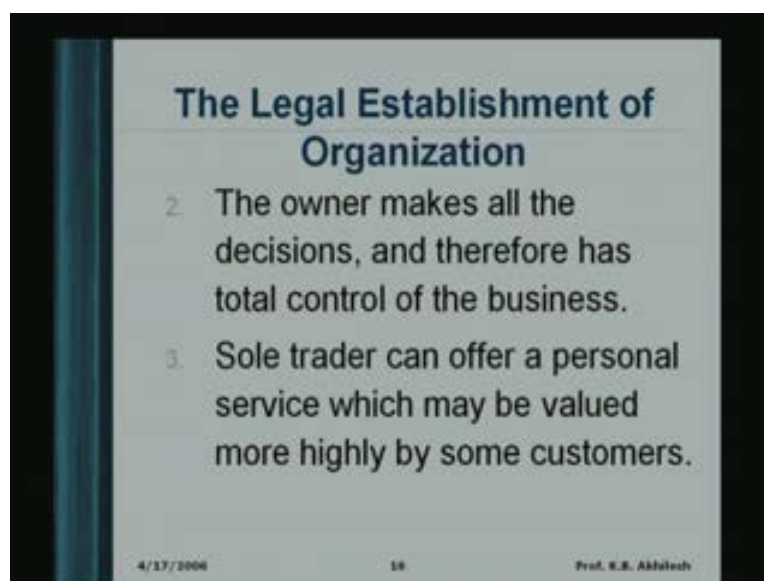


**The Legal Establishment of Organization**

- Some features of sole trader businesses are as follows:
  1. The accounts do not have to be disclosed publicly, and are therefore not available to the competitors.

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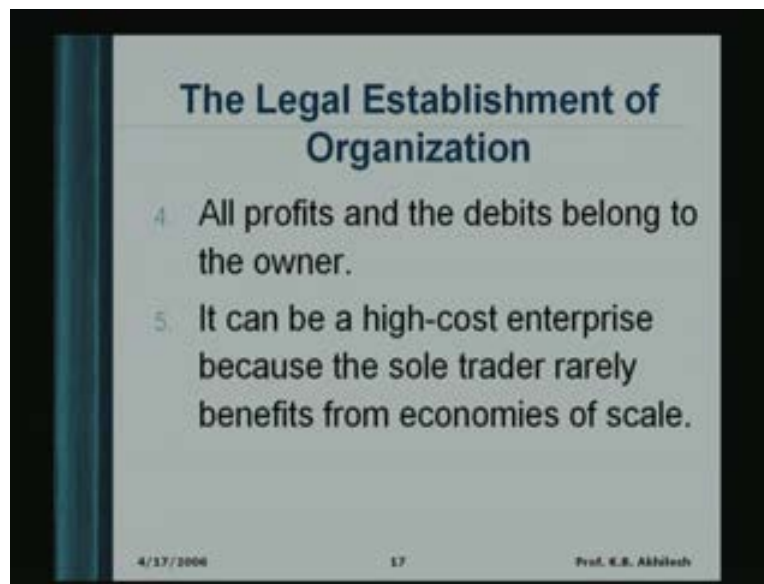
**The Legal Establishment of Organization**

2. The owner makes all the decisions, and therefore has total control of the business.
3. Sole trader can offer a personal service which may be valued more highly by some customers.

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So that is what is in the in a proprietary kind of a concern. So it in other words, you the all profits all losses are of the individual even though it is the proprietary concern it has a name but you cannot differentiate the name of the firm and the name, the owner. So it is they go together it can be high cost enterprise because the sole trader rarely benefits from economies of scale economies of scale is as you want increase the volume because you would like do to everything, you the as an individual one would like to complete all the task he can go up to a point, you cannot delegate, you cannot hire many professionals.

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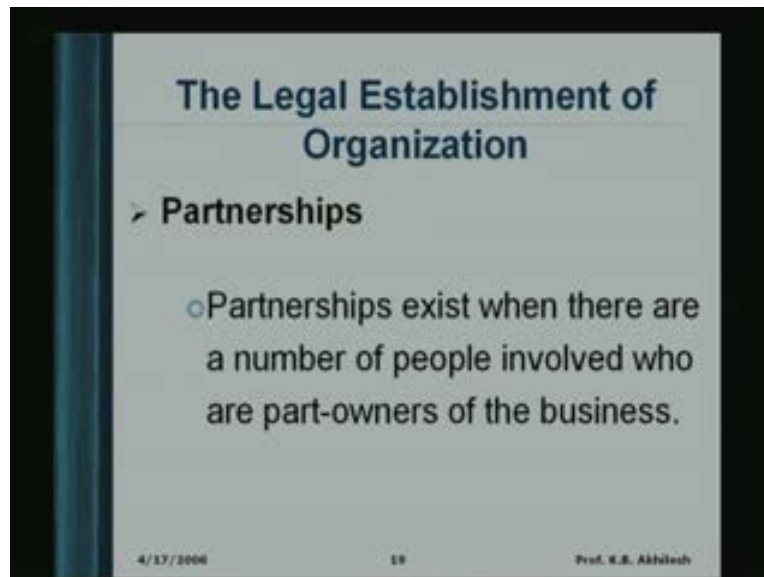


So the size becomes one of the critical limitations of the sole trading kind of an organization or individual enterprise or the entrepreneurship kind of a situation where one individual is the owner, the manager and everything. So you cannot make use of the economies of scale but the next kind of a thing is basically the partnerships. In partnerships or what you hear as partnership firms there are definitely more than one individual partnerships exist when there are a number of people involved who are part owners of the business. So the no individual is the sole as we saw earlier, so now you have 2 or more individuals and two or more individuals to agree to work together.

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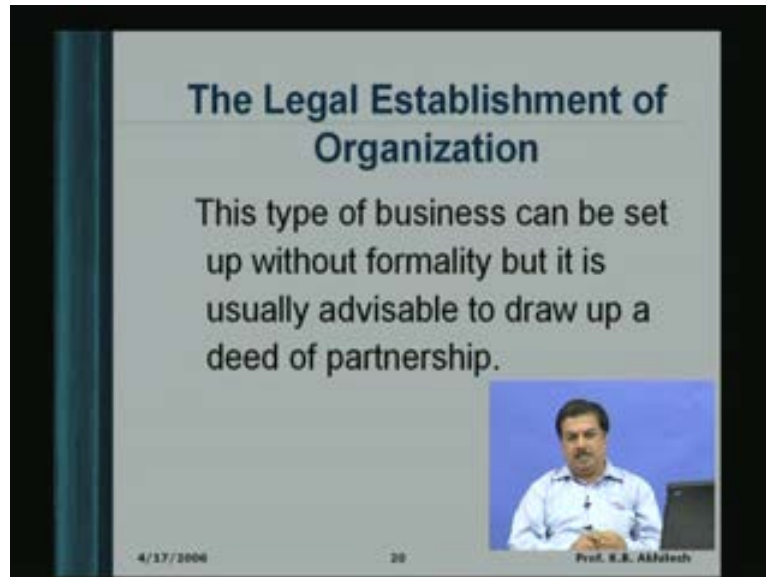
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One can always have a firm, a partnership firm without any without any legal formalities or without any into any legal approval process but people always suggest draw up a partnership deed. A deed having a kind of an understanding who is investing, how much and what is the kind

of a profit sharing and what is the responsibility of the partners and who can exit at what point of time.

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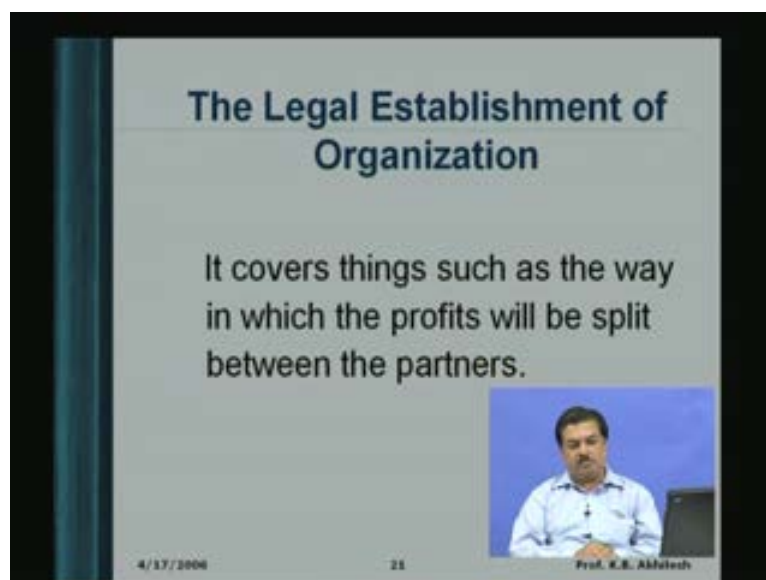
**The Legal Establishment of Organization**

This type of business can be set up without formality but it is usually advisable to draw up a deed of partnership.

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**The Legal Establishment of Organization**

It covers things such as the way in which the profits will be split between the partners.

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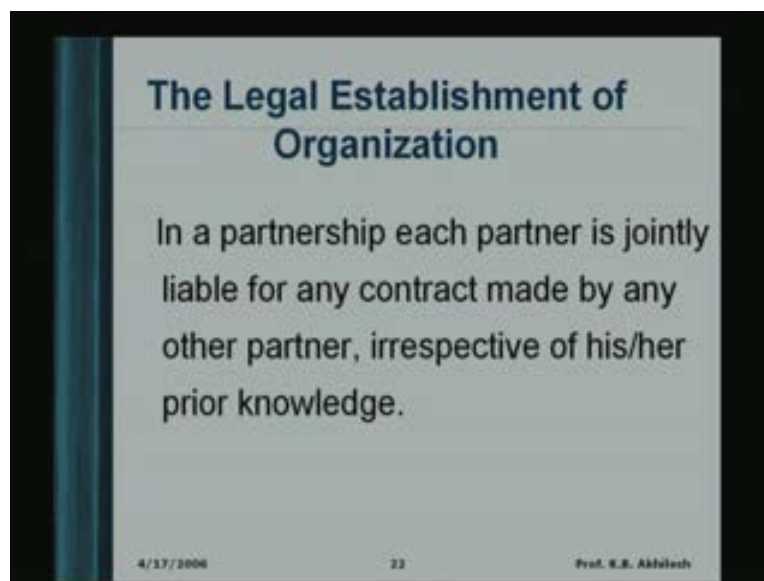
A small inset video shows Prof. K.E. Abhalesh speaking.



So it is it can be guided through very oral kind of an understanding but it is always important to have a written out document apart from the written out document but also a registered documentation process, one can always register in the appropriate before the appropriate authority. So it is the it covers things such as the way in which the profits will be split between the partners but also it is ask for the financial commitments, the other investments and also the kind of effort.

So that is how you also hear some of the partners could be sleeping partners that means they do not work actively but they are investing or they are supporting. So in a partnership each partner is jointly liable for any contract made by any other partner irrespective of his or her prior knowledge. So in a partnership firm, it is not easy to for one partner to say look I am not actively involved, I am not liable.

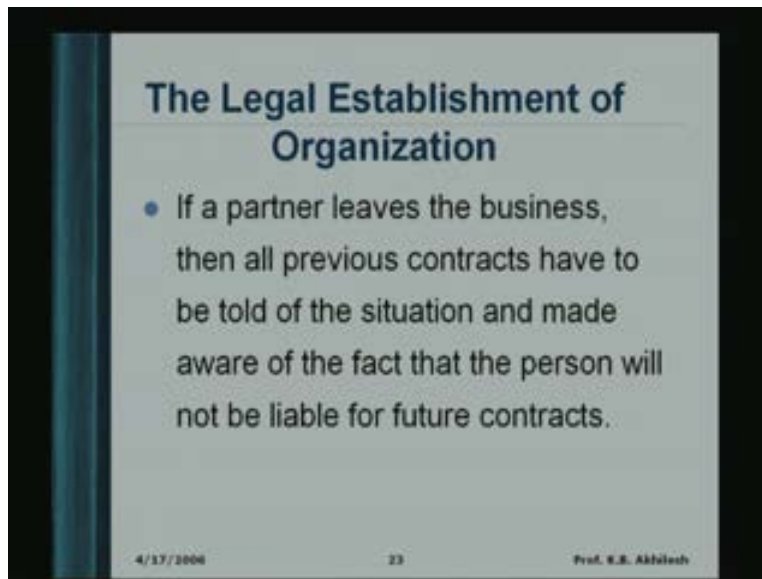
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So once you get into a partnership mode all partners are equally responsible, they are supposed to work together an organization binds them to work as a single entity. So no doubt they share but they share success as well as failures, all the liabilities, if a partner leaves the business then all previous contracts have to be told of the situation. One need to be aware of all the things and

made aware of the fact that the person will not be liable for future contracts. So that means he also has a departure time and date and then up till that whatever has been committed the individual becomes responsible for and then you can always say from now onwards I am not the partner,

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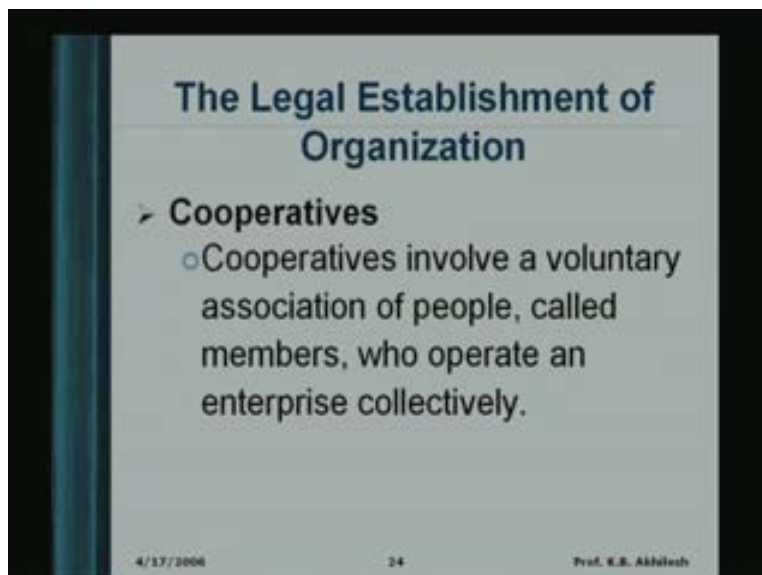


**The Legal Establishment of Organization**

- If a partner leaves the business, then all previous contracts have to be told of the situation and made aware of the fact that the person will not be liable for future contracts.

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**The Legal Establishment of Organization**

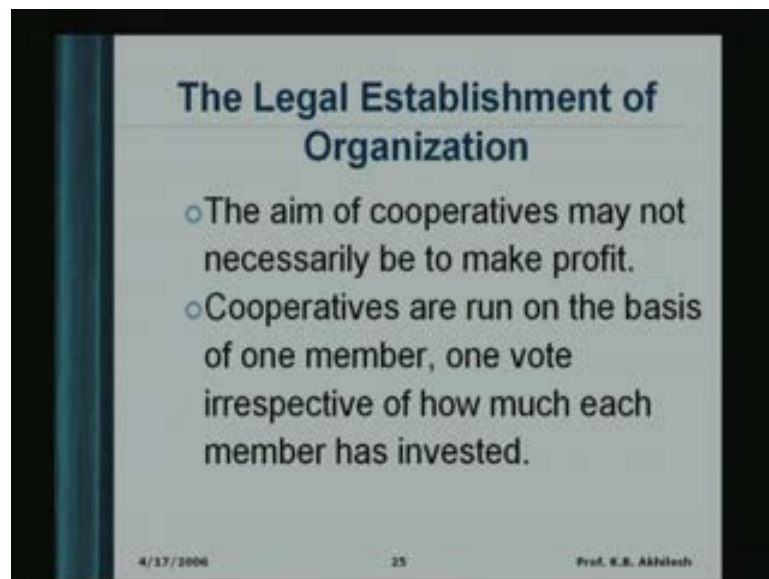
- **Cooperatives**
  - Cooperatives involve a voluntary association of people, called members, who operate an enterprise collectively.

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So the partnership needs a registered partnership deed and an understanding between the partners becomes very critical for the success of the enterprise and many partnerships fail, it is because that they have not understood, they have not established all the rules of game well before they have started the enterprise. A good relationship and a good understanding becomes very critical for the partnerships the third form of organization, what we have is called the cooperatives.

The cooperatives involve a voluntary association of people called members who operate in an enterprise collectively. So they work together they have come together and they have an objective and they create an entity and they registered usually under a cooperative society sector. So you are called as a society, so you will see that they can form a society with or without profit motive.

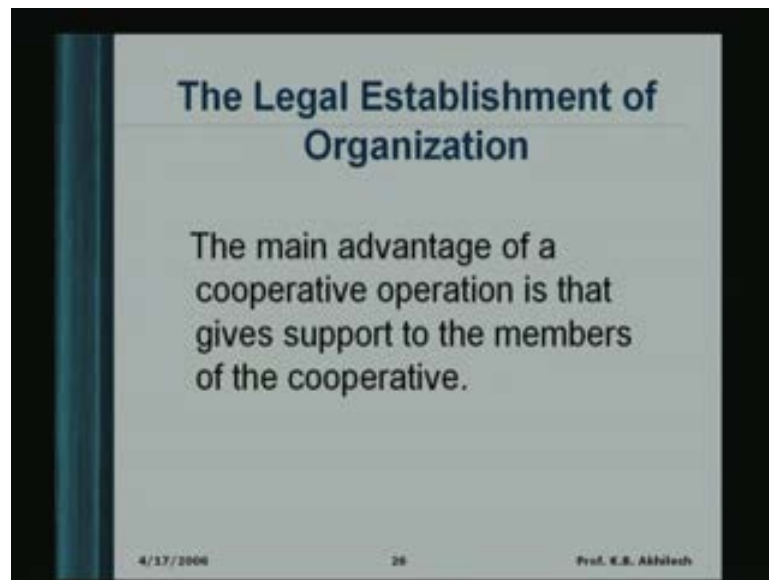
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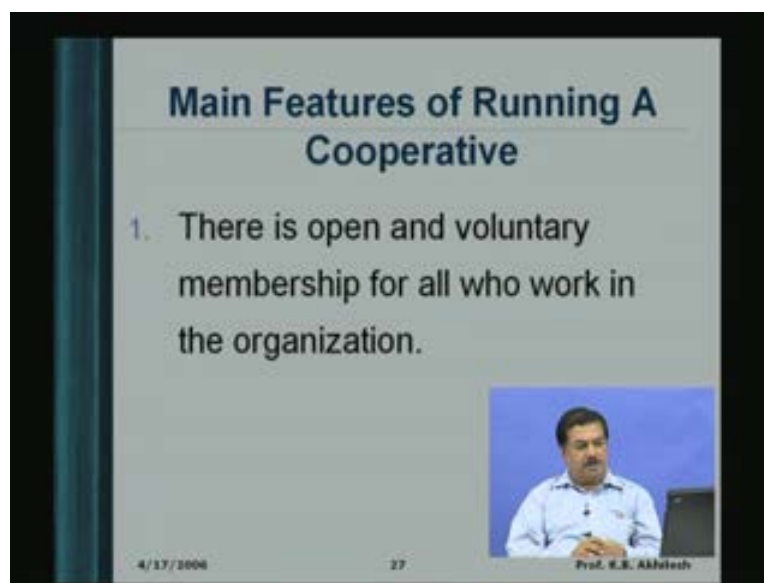
So the profit motive is the relevant but they can be always working together, they run on the basis of the that everyone is equal, there is no owner or there is no manager but they always can appoint but everyone is an owner, the question is they will have one vote irrespective of how much each member has invested. So they may invest their physical as well as other kind of resources but each one would carry the kind of ownership. So the main advantage of a

cooperative operation is that it gives support of the members and the members derive strength from the entity and they also energize the entity through their participation.

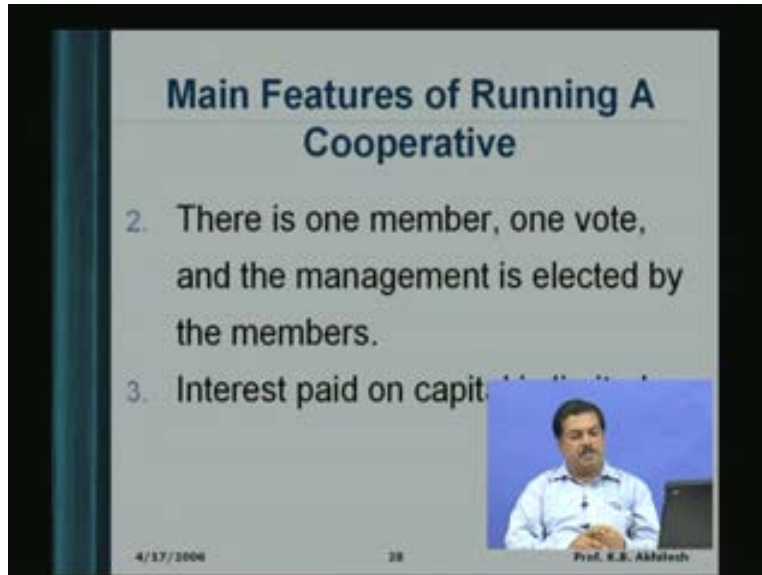
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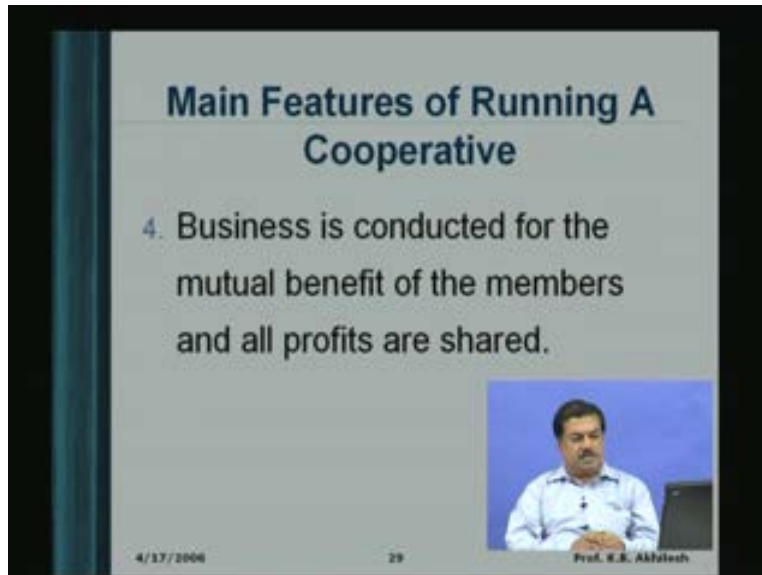
**Main Features of Running A Cooperative**

2. There is one member, one vote, and the management is elected by the members.
3. Interest paid on capital.

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This slide is part of a presentation. It features a title 'Main Features of Running A Cooperative' at the top. Below the title, there are two numbered points. Point 2 states 'There is one member, one vote, and the management is elected by the members.' Point 3 states 'Interest paid on capital.' In the bottom right corner, there is a small video inset showing a man in a light blue shirt speaking. The slide also includes a date '4/17/2008', a slide number '28', and the name 'Prof. K.S. Akhlesh'.

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**Main Features of Running A Cooperative**

4. Business is conducted for the mutual benefit of the members and all profits are shared.

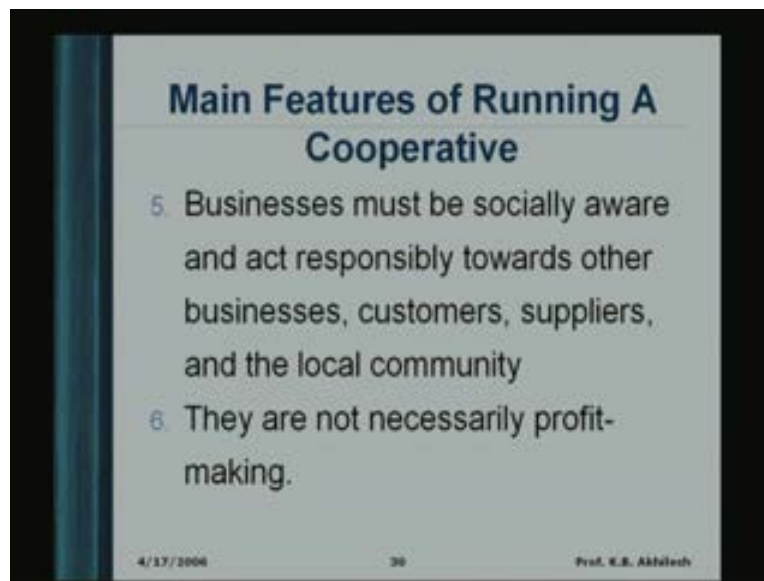
4/17/2008 29 Prof. K.S. Akhlesh

This slide is part of a presentation. It features a title 'Main Features of Running A Cooperative' at the top. Below the title, there is one numbered point. Point 4 states 'Business is conducted for the mutual benefit of the members and all profits are shared.' In the bottom right corner, there is a small video inset showing a man in a light blue shirt speaking. The slide also includes a date '4/17/2008', a slide number '29', and the name 'Prof. K.S. Akhlesh'.

So there is open and voluntary membership for all who work in the organization and as we see there is one member, one vote and the management is elected by the members and interest is paid on capital and that also gets defined by all the members are together and when you, I think you can recollect but the business is conducted for the mutual benefit of the members and all profits

are shared and we can see the business must be socially aware and act responsibly towards other businesses, customers, suppliers and the local community and the profit motive is not a must but profits productivity are always important and it is an important part of management as we defined earlier.

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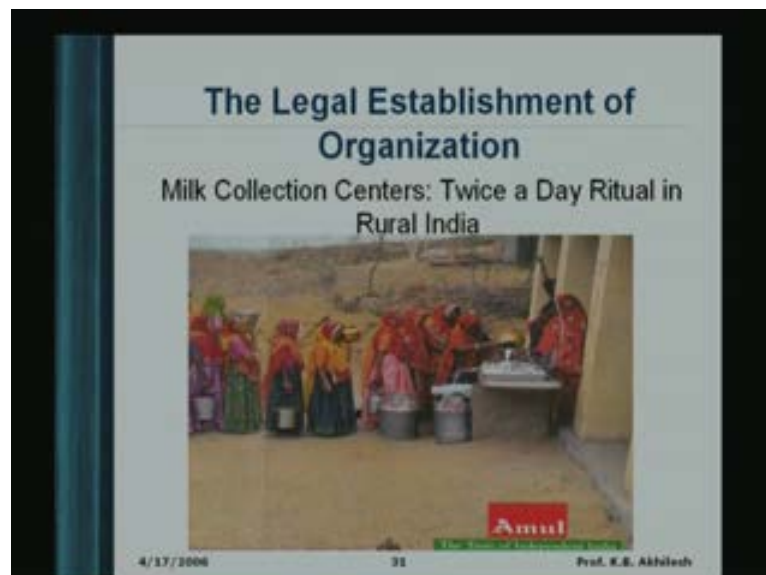


**Main Features of Running A Cooperative**

- 5. Businesses must be socially aware and act responsibly towards other businesses, customers, suppliers, and the local community
- 6. They are not necessarily profit-making.


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**The Legal Establishment of Organization**

Milk Collection Centers: Twice a Day Ritual in Rural India



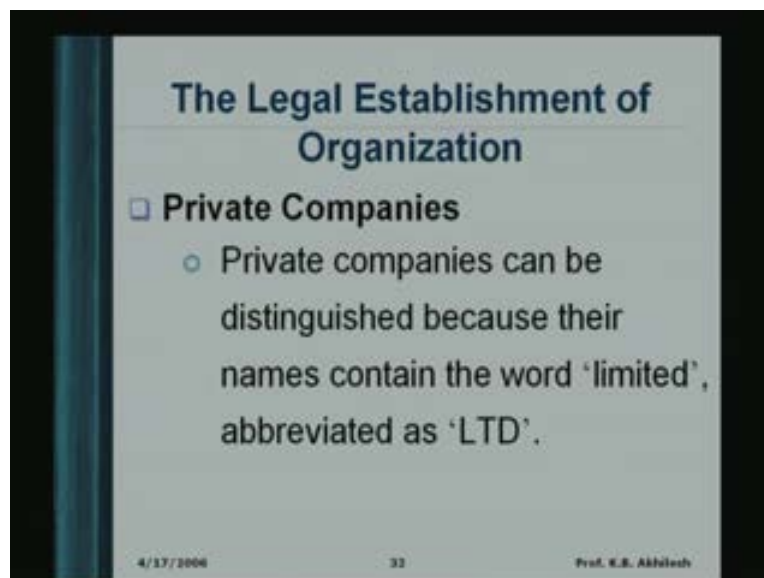
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So it is that concept of productivity profits drive any business enterprises. So the you know in the country when you moment mention the cooperative movement, the milk becomes a classic example in India. The whole moment of the white revolution was because of the cooperative moment, one of the extraordinary examples at the global level. Similarly, you have heard this Mumbai dabbawalas, the Mumbai dabbawalas, way they serve hot and nice food to every, to from every household to their work place it is another phenomenal movement again based on this cooperative principles.

So cooperative form of organization has emerged has one of the very critical form of organization where people have that ownership, people bring their energies and they have that pride of ownership but organizing is as we discussed earlier, the definition of jobs, definitions of authority, definition of roles are still critical, you cannot wish away those things. So whatever may be the ownership of the organization whether this whole proprietorship or it is the sole trader kind of a thing or it is partnerships or the cooperative kind of a movement?

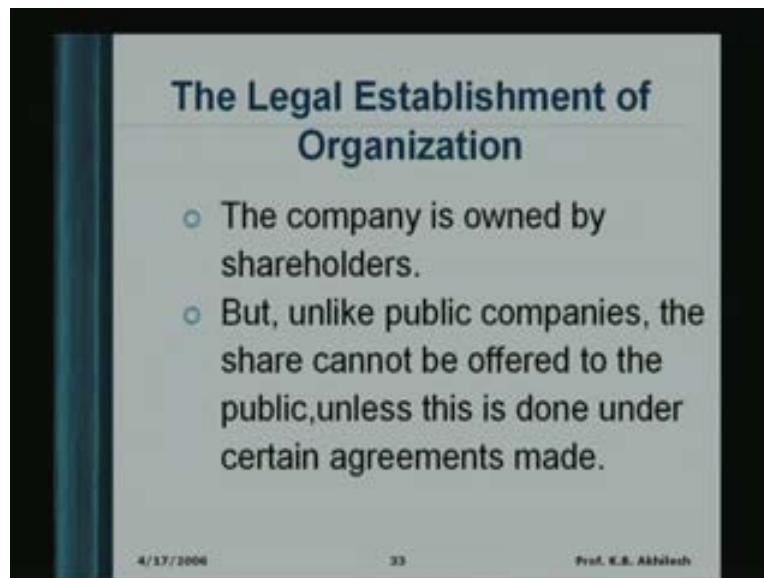
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Another important thing is to look at the legal establishment of organization in terms of the private companies it is called the private limited companies and public limited companies. The

both private limited companies and public limited companies are registered under the companies act particularly in India it is called the Indian companies act. So within that people come together and then they can they can form this private or public limited companies. So what is this limited because it is very important, limited by its liability not by the number of members. So they can be distinguished because their names contain the word limited or abbreviated as limited, LTD.

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So in the private limited companies, it is owned by the shareholders. So the shareholders are basically the investors, so the investors the become the owners. So the unlike public companies or the public limited companies, in private limited companies share cannot be offered to the public unless this is under done under certain agreements made and that is how we used the word memorandum of association and articles of association.

So these are two documents created where set of investors they come together and form a private limited company or a public limited company. So necessarily they have to state what is the shareholding pattern that is in terms of how many shares towards that how many people are involved and how much they have invested to have this many share. So we are talking about a capital capital is coming from set of people and for each of this capital what they have invested

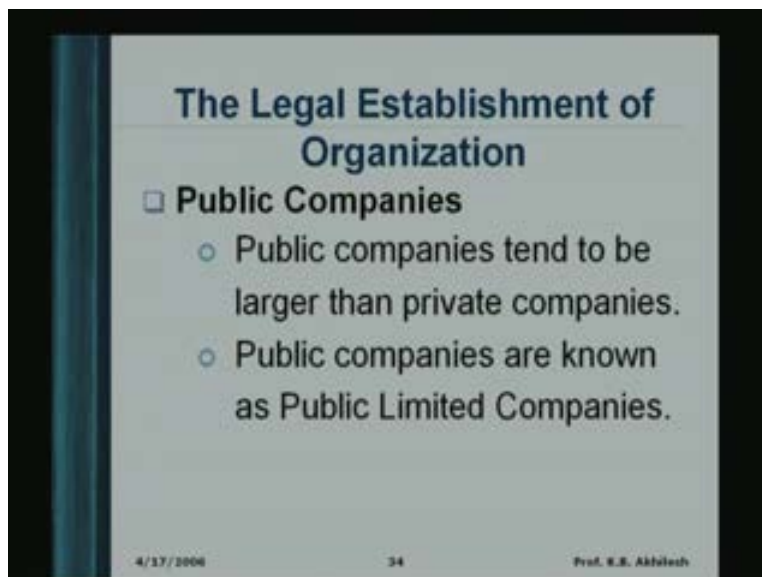


they can have different amounts of sharing of the shares. So the share it becomes a kind of a unit, a unit of investment.

So but the share can have a different values at different points of time at the beginning we think of that it is a phase value it at different point of time, it can what we people called it as a book value and there can also be a kind of a premium attached because at different points of time, the share can also get much much more than the book value. So we are using the word kind of a market, value of the market appreciation. So you will see this the differences are coming because of a next amount is or so many rupees are invested by an individual but may get only part of the share or some shares but whereas someone else who has entered early would have much much more.

So it is important to see what is that one, one has invested in but how much percentage of share he owns because of that investment. In private limited companies such shareholding pattern is limited to set of people that is how it is called as the private limited company but just because the numbers are limited they are not called as the limited but their liability unless in partnership the liability becomes unlimited.

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The slide is titled "The Legal Establishment of Organization" in a bold, dark blue font. Below the title, there is a section header "Public Companies" preceded by a square bullet point. Underneath, there are two circular bullet points. The first states that public companies tend to be larger than private companies. The second states that public companies are known as Public Limited Companies. At the bottom of the slide, there is a date "4/17/2006", a page number "34", and the name "Prof. K.S. Akhlesh".

**The Legal Establishment of Organization**

- **Public Companies**
  - Public companies tend to be larger than private companies.
  - Public companies are known as Public Limited Companies.

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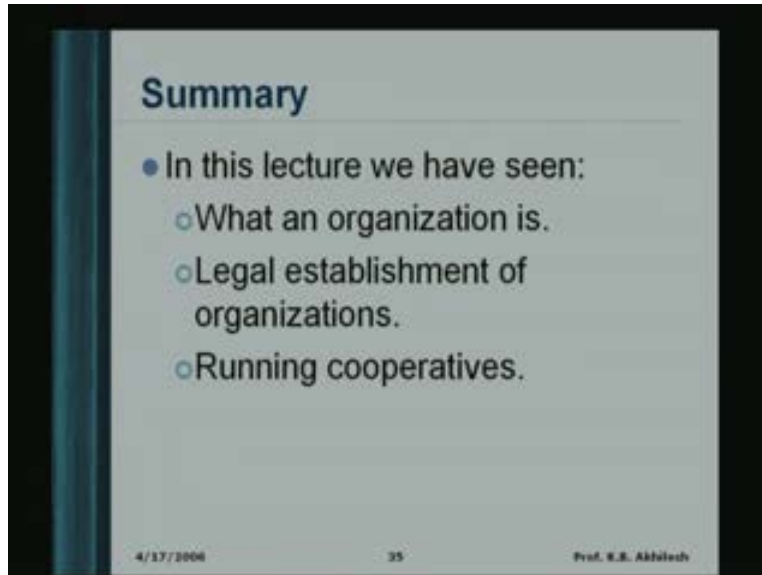
Similarly, in the sole trader an entrepreneurs, an entrepreneur kind of a situation there is no limited liability whatever the liability of the enterprise whatever the liability of a partnership firm that becomes the liability of the owner but in a private and public limited company, it gets limited to the amount whatever you have invested in and to that amount of share what you own. So public companies tend to be larger than the private companies and public companies are known as also known as the public limited companies or what I have mentioned.

So we have in a public companies and the public limited companies, when we mentioned for some of your understanding I must mention that there is a difference between a private sector and public sector. See, the private sector and public sector difference is that is basically the nature of ownership, the nature of ownership is with private individuals that is what is called as a private sector but in the public sector means the government is the dominant owner or the dominant investor.

So that is how you get this difference like this public sector and private sector but when we talk about a public limited or a private limited company, it is possible that a public limited company can be in the private sector or it could be in the public sector. So please do not have any confusion. So one when we use the word private sector or a public sector we are talking about it is the nature of ownership and in the public limited company or a private limited company, these are two forms of shareholding.

So when it is limited to set of people, the shares are within those people then it is called as a private limited company then otherwise, it become a public limited companies where you can also see whether you are going to list your shares in any of the public stock exchanges. So then you will talk about as a listed company if you are not allowing your shares to be treated or anything or to be traded in the public domain then it is called as the public limited company but unlisted. So the listing or unlisting comes with respect to whether your share is traded in the stock exchanges or not.

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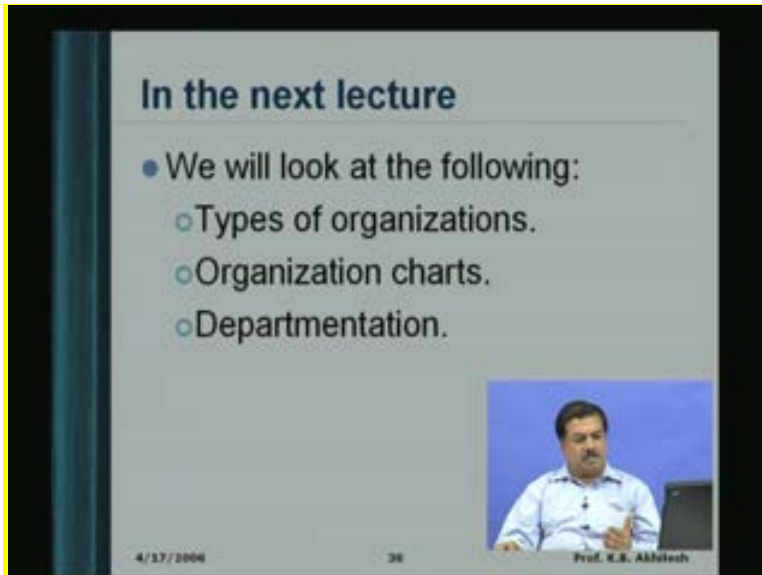


**Summary**

- In this lecture we have seen:
  - What an organization is.
  - Legal establishment of organizations.
  - Running cooperatives.

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**In the next lecture**

- We will look at the following:
  - Types of organizations.
  - Organization charts.
  - Departmentation.

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So when we look at these forms of this basically we are talking about what an organizing is so organizing is towards the basic definitions of the task and the roles and then linking some of these roles and responsibilities to overall goals of the system. But the legal establishment of organization can take any of these 5 forms and then the running of the cooperatives itself become

a very unique proposition and has been very successful in certain sectors but we need to see some more details of this organizing and now, I will continue to talk about the types of organizations and we will also talk about the organization charts and the aspects of departmentation and grouping of these activities.