# Organisation
## Theory and Behaviour

**N.S. Gupta**

# ORGANISATION THEORY AND BEHAVIOUR

**Prof. N.S. GUPTA**

Professor, Head and Dean Faculty of Commerce and
Management Studies (Retd.)
University of Jammu
Jammu

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# PREFACE TO THE SIXTH EDITION

I have great pleasure in presenting the sixth completely revised edition of the book to my esteemed readers. The book has been transformed by adding thirteen new chapters, revising most chapters and dropping a few chapters. New material has been added to enhance the value of the book.

Some of the chapters are based on the research studies completed by me or my students. Likewise, a few chapters are based on the research studies which were presented in International Seminars in USA, Canada, UK and other European countries.

The material in the book has been presented in the following manner:

   (*i*) Book I    — Organisation theory

   (*ii*) Book II   — Organisational Behaviour

      1. Part I    — Introductory

      2. Part II   — Individual Behaviour

      3. Part III  — The Group Dynamics

      4. Part IV   — Organisational change and Development.

Detailed chapter design and the index are the other new elements of the book which will prove extremely useful to the readers.

The book in its present form will be of a great use to executives in business and government, Research Scholars preparing for their M.Phil. and Ph.D., Programmes, and the students preparing for competitive examinations and other professional and technical programmes of higher education and learning.

I am extremely thankful to M/s Himalaya Publishing House Pvt. Ltd., Mumbai for undertaking the publication of the present edition of the book.

*Jammu*                                                                                  **N.S. GUPTA**
*April 10, 2014*

# ABOUT THE BOOK

**Organisation Theory and Behaviour** is the sixth completely revised edition of the book. The book has been transformed by adding thirteen new chapters, revising most chapters and dropping a few chapters. New material has been added to enhance the value of book.

Some of the chapters are based on the research studies completed by the author or his students. Likewise, a few chapters are based on the research studies which were presented in International Seminars held in USA, Canada, UK and other European countries.

The book contains two parts (1) Book I - Organisation Theory and (2) Book II - Organisational Behaviour. Book II contains four parts. They are: Part I - Introductory, Part II - Individual Behaviour, Part III - The Group Dynamics and Part IV - Organisational Change and Development.

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## ABOUT THE AUTHOR

**Professor N.S. Gupta** is one of the Senior Professors of Management in the country. He laid the foundation of Commerce and Management education in Jammu and Kashmir. He is associated with teaching and research in the faculty of Business Studies. He has been Professor and Dean, Faculty of Commerce and Management Studies (now Faculty of Business Studies) of the University of Jammu. He is actively associated with teaching, research and consultancy. He has guided a large number of students for Ph.D. programme. He has written twenty-four books and a large number of papers published in Journals of India and abroad and completed about a dozen research projects.

Professor Gupta has been associated with many national and international organisations. He has been the President of Indian Commerce Association, Member of the Board of IDBI and a number of social organisations associated with socio-economic development of the country. He is the Chairman of Society for Socio-economic upliftment of Rural and Urban Poor and the Director, Institute of Management and Finance, Jammu. His research input in the form of Govt. reports, project reports, Management Development Programmes for Executives in business and government is substantial.

# BOOK - I
# ORGANISATION THEORY

# 1
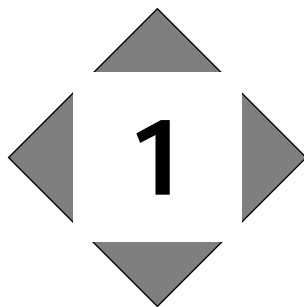
# Organisation: Nature and Structure

## ORGANISATION DEFINED

Generally speaking, organisation refers to a company or the group of persons who are working together to achieve a common objective. Apart from this simplistic approach to the concept of organisation, it has been perceived differently by different persons. The biologists consider the human body as an organisation, the sociologists think society as an organisation, and the political scientists think of Government as an organisation. Organisation thus viewed by different disciplines presents only the lopsided picture of an organisation

It was this diversity in viewpoints that March and Simon preferred not to define the term "Organisation". They stated that "it is easier to give examples of formal organisation rather than define the term."[1] Nevertheless, sociologists like Barnard (1938), Etzioni (1964), Scott (1964), Thomson (1967), political scientists like Gross (1968), Presthus (1958) and Simon (1952), psychologists like Schein (1970) and management scientists like Litterer (1965), Strother (1963), R.C. Davis (1951), Louis Allen (1958), Earnest Dale (1967), etc. have defined organisation but all these definitions contains the following five common characteristic features of organisations.[2]

### ▶▶ Characteristic Features

In the light of above facts a comprehensive definition of the organisation may be construed as follows:

Organisation may be defined as a system in which individuals and groups operating at different levels perform the tasks assigned to them from time to time which are rationally coordinated to achieve the desired organisational goals.

1. Composition of the organisation;
2. Orientation towards achieving the common objective;

3. Differentiated functions;

4. Intended rational coordination: and

5. Continuity through time.

## COMPOSITION OF ORGANISATION

The composition of organisation refers to specifying the "units" which constitute organisations. The other approach may be to consider organisation as units or parts in a larger total system. In this perspective we will think of level approach in compositional paradigm which has been referred to the nest of "Chinese block" as the sequences in physics as elementary particles $\rightarrow$ atom $\rightarrow$ molecule and in biology as gene $\rightarrow$ chromosome $\rightarrow$ nucleus $\rightarrow$ cell $\rightarrow$ tissue $\rightarrow$ organ $\rightarrow$ organism.[3]

A classification system of units relating to organisation may be depicted with the help of the following diagram:
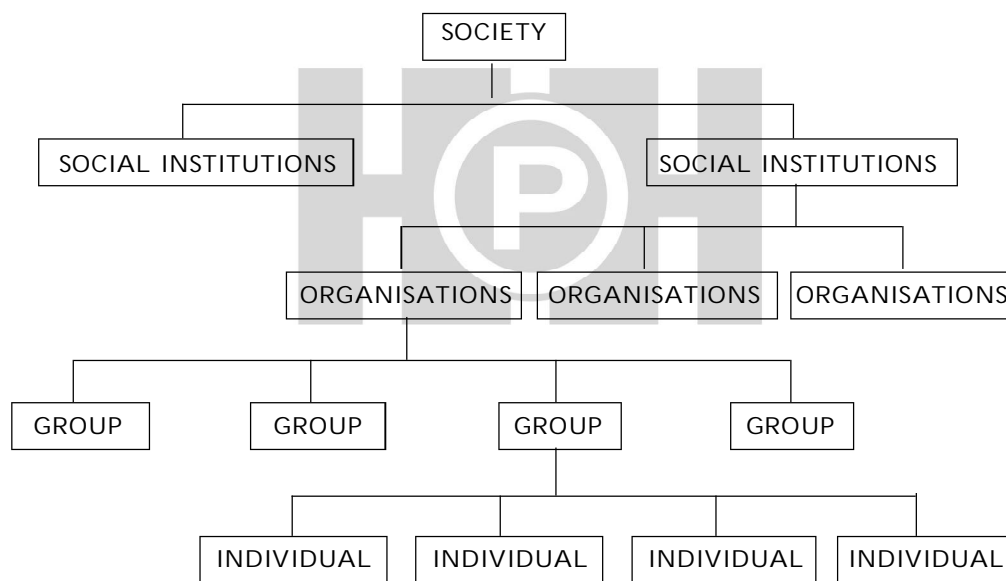


Fig. 1.1[4] : Classification System of Units Relating to Organisation

The classification clearly indicates that individuals constitute the group and the groups form the organisation. It may, however, be stated that a particular unit is subject to the impact of units preceding it. For instance, the group functioning will be influenced by its preceding component of individual or individuals. Further, the group shall also be influenced by other levels also, *i.e.*, social institutions. It may, therefore, be stated that an organisation comprising the individuals and groups operates without distraction within the social milieu.

Individuals separately and collectively as groups work at different levels to perform the tasks assigned to them by the superiors. Their activities are channelised and directed towards organisational goals.

### ⯈  Orientation Towards Goals

Goals of organisation are defined as desired future state of affairs.[5] Organisational goals are instrumental in mobilising collective human effort. They are essential to: (*i*) focus attention of individuals and groups towards corporate objective; (*ii*) provide legitimacy to justify actions; (*iii*) serve as a standard to measure the achievements; (*iv*) affect the structure of organisation; and (*v*) provide clues about the organisation.

Goals of organisation may be classified as (*a*) official, (*b*) operative and (*c*) operational. Official goals are the goals which are publicly announced through the charter of the company. Operative goals are the real goals within the framework of official goals. There may be some official goals which may be "non-operative". For example, one of the official goals of the corporation is to be "good corporate citizen" but seldom does it do anything for the direct good of the community. However, it is the operative goal with which we are concerned in a greater measure; it is this goal which exercises impact on the behaviour of individuals in a work situation. "Operational goals" or "goal operationality" though similar to operative goal is little different insofar as actual execution is concerned. A goal though having operability (operative) is not operational till it is actually implemented. In other words, goals are operational when "there are agreed upon criteria for determining the extent to which particular activities or programmes of activities or programmes of activities contribute to these goals."[6]

### ⯈  Differentiated Functions

Differentiated functions tend to distinguish organisations from other types of social collectivities such as crowd, audiences, etc. Organisations comprising individuals or groups seek to achieve the corporate object by dividing and subdividing the entire work relating to the achievement of that goal and assigning the subdivided tasks to the individuals operating at different levels in such a manner that each one of them gets the job for which he has the competence to do the work. Each one has a different task to perform which has been properly delineated but has to be coordinated with others to achieve the objective of the organisation. Degree of differentiation is needed due to environmental setting and goal orientation of the organisation. Further, since different tasks have to be performed by different people on the basis of their competence, level of performance and placement in the organisation, the elements of differentiation are bound to exist in order to attain the organisational goal with efficiency.

### ⯈  Rational Coordination

Organisational goals may be achieved only when the differentiated functions of individuals are properly and rationally coordinated. Individual's performance unless coordinated with other fellow workers in group and of one group with other groups is of no use to the organisation. Rational coordination refers to grouping together of the work done by individuals consciously[7] so as to achieve the organisational goal by reducing the wastage of resources to the minimum.

Rational coordination may be effected by: (*a*) sub-goal specification, (*b*) designing hierarchical authority structure. (*c*) defining precisely the role performance of people, (*d*) effecting communication and, (*e*) practising the technique of individual self-control.

### ▶▶ Continuity Through Time

"Continuity though time" is an essential characteristic of an organisation. It does not mean an abnormally long period but it does imply the existence of relationship or the people on more than "one time-only basis". The relationship does not come to end with the completion of a task or a function such as casual parties, crowds, audience, etc. For instance, University as an organisation has perpetuity though the students and teachers change. Individuals and groups like students and teachers will continue to work over the period of time. Hence the *regularity* and *relationships* are the visible threads of continuity of every organisation.

### ▶▶ Organisation and Organisational Structure

Basically organisation has two meanings[8]: (*i*) Organisation as a process; and (*ii*) Organisation as a structure.

### ▶▶ Organisation as a Process

Organisation is a process is an executive function which centres around the dynamics of organisation growth and change. If organisation is accepted as a "process", "pattern" or a "system" it will include[9]:

   (*i*) breaking up the entire work relating to the achievement of objective in different segments;

  (*ii*) each segment to be assigned to the individuals for which they are specially qualified; and

 (*iii*) coordinating the efforts of job holders to achieve the organisational goal.

Organisation as the process has been defined by a number of business scientists.[10] It includes the following components:

   (*i*) Division of work.

  (*ii*) Identification of different tasks or jobs or activities necessary for the achievement of organisational objective.

 (*iii*) Grouping together of activities of similar or interrelated nature to avoid duplication of effort.

 (*iv*) Allotment of activities to the persons for which they have the competence to perform the task,

  (*v*) Channelising the efforts made by different persons towards achieving the organisational goal.

### ▶▶ Organisation Structure

Organisation or organising confines itself to the tasks of (*i*) division of work: (*ii*) identification of different tasks or jobs (*iii*) grouping together of similar activities under a common head; (*iv*) assignment of tasks to the individuals; and (*v*) channelising the activities of individuals and the groups towards organisational goal. Merely luring down these tasks will serve no purpose. More important is who will initiate and coordinate; who will guide and supervise; and who will actually perform the task. These three sets of functions

namely, (*a*) actual performance by the persons, (*b*) guidance and supervision, and (c*)* initiative and coordinating the function performed by individuals or groups, will require the designing of an organisational structure in which the tasks of each individual will be formally or informally defined.

Organisation structure implies a network of relationship among persons operating at different levels. This relationship will be in the form of well-defined authority and responsibility in the formal structure. In other words, structure is the logical culmination of authority and responsibility at different levels. When the superior subordinate relationship is implemented in actual practice it becomes organisational structure. In other words it implies a system.

Both formal and informal organisations have structures, The structure in a formal organisation is defined by an executive decision. In an informal organisation it is laid down by the interaction, sentiments and other common characteristics of individuals comprising the organisation,

In the light of the above discussion, a comprehensive definition of organisation may be given as follows[11]:

*Organisation may be defined as a system in which individuals and groups operating at different levels perform the tasks assigned to them within the framework of delegated authority and responsibility which are rationally coordinated to achieve the desired organisational goals,*

## ▸▸ Elements of Organisation

Louis Allen has identified three elements of organisation.[12] They are: (*i*) division of labour; (*ii*) sources of authority; and (*iii*) relationship among the individuals and groups comprising organisation. The other element may be coordination.

## ▸▸ Division of Labour

To achieve organisational goals, it is necessary to identify the work which is necessary to achieve the desired objective: the work so identified has to be divided and subdivided so that the subdivided component could be entrusted to the person for which he has special competence for performing the task. By doing so the organisation brings in the principles of specialization and motivation, the element of efficiency by eliminating wastages involved in duplicating and overlapping of efforts and finally the principle of control by holding the individuals accountable for lapses on their part.

## ▸▸ Identifying the Sources of Authority

Every individual has to act as a cog in the wheel of the organisation. The effort of each individual has to bend towards the common objective of the organisation. Apart from the authority responsibility structure of a formal organisation, the power or authority arises from instinct culture, the consent of the governed, superior physical strength, intelligence, or some other influence.[13]

## ▸▸ Relationship

In every organisation structure different types of relationship present a unified whole for achieving the common goal of the organisation. Such relationship may be administrative

or operating, vertical, horizontal or diagonal, formal or informal. In this process, some may be working at par with another, others may either be above them or below them. Persons working at the same level are expected to possess the same quantum of authority; persons above them are expected to wield greater authority whereas persons operating below them are expected to enjoy lower authority, It is this hierarchical relationship which binds persons operating at different levels to continue their efforts to achieve common goal of the organisation,

### ▶▶ Coordination

Though Allen has not mentioned coordination as the element of organisation, yet without coordination, organisation's goal cannot be achieved. Coordination is a direction function which has to be performed by the executive entrusted with this vital function. He has to coordinate the efforts put in by individuals and groups in such a manner that organisation's goal is achieved with maximum efficiency by eliminating wastages but ensuring simultaneously ego satisfaction of each individual as far as possible.

## IMPORTANCE OF ORGANISATION

To achieve every object a proper organisation is needed. Whether it be the political goal of a party to be voted to power or the social goal to eliminate distinction among people on the basis of caste, creed, colour, religion, region or language or the economic goal of reducing inequality between different sections of people or different regions, they cannot be achieved without proper organisational structure. Apart from organisational goal, even individual goals cannot be achieved without proper planning and organisational framework. Planning, organising, coordination, motivation, and control cannot be implemented without organisation. Its importance may be studied in relation to the following facts:

### ▶▶ Facilitates Management and Administration

It has been stated that organisation is that machine which is employed by management to achieve the objective set by administration. The formulation of plans and policies and the execution thereof cannot be done without proper organisational structure. It is the organisation which will effect division of work, division of authority and responsibility, flow of authority from superiors to subordinates without which organisational goals cannot be achieved with efficiency.

In the absence of proper organisation, the whole enterprise will be overwhelmed by the elements of *ad hocism* leading to crisis and chaos, inefficiency resulting from overlapping or duplicating of authority and responsibility and the complete obliviscence of principles, of division, of work and specialisation, it will create other such problems and contingencies which will stifle every rational step towards improving efficiency by way of product or market diversification and development.

### ▶▶ Growth and Diversification

Allen has rightly connected organisation with growth and diversification. To increase or expand activity in an enterprise requires a proper organisational structure which will take care of different categories of people to be appointed at different times and other

inputs needed for such expansion. Within the organisation since the tasks are divided and subdivided the persons in-charge of expansion and development prepare a plan keeping in view the policies and programmes of the enterprise and the resources available. Similarly, market and product diversification will depend on proper market and consumer study, the policies of the government and the shareholders, the state of competitors, the gestation period, facilities available and the expected return on investment. A study of all these factors has to be done in advance on perpetual basis by the members of the organisation.

## ▶ Optimum Use of Technological Improvement

The Government of India has taken the decision to modernise its armed forces. It has taken the decision to equip the army with latest tanks and anti-tank missiles and the air force with latest aircrafts. So it has been decided to raise a new squadron of aircraft with latest technology. Air and ground personnel are being trained in not only flying the aircraft but even to maintain it and then to manufacture it. It makes it clear that the use of technological improvement is not possible in the absence of proper organisation.

Another example of this nature may be improvement in techniques. Suppose, the University Dept. of Management takes the decision to reduce reliance on traditional lecture method by replacing it with case method, audio-visual aids, discussions by playing tapes on certain management topics, etc. This improvement cannot be effected unless a proper organisation is designed to collect or prepare cases, provide exposure to teachers to teach through case method, collect films and other audio-visual equipment to show films to students and to develop competence among teachers to initiate discussion, etc. To implement and make optimal use of any technological improvement that becomes necessary to design and effect proper organisational structure.

## ▶ Humane Treatment of Human Beings

Organisation is of the people, for the people and by the people. It has to exist and operate for the betterment of its people. Any organisation which permeates discord or discontentment owing to faulty relationship or encourages monotony or boredom due to a higher dose of specialisation or stimulates the symptoms of inefficiency due to improper division of work or faulty direction or supervision has to amend itself to the changed circumstances and environment. It has to dispense with the classical norms of specialisation and productivity and adopt the modern concept of systems approach duly backed by the human relations approach. Organisation may be redesigned as has been done by a number of enterprises, if they fail to provide job satisfaction and conducive work environment and motivation to its workers. In this process greater authority may flow from superior to subordinates, the divisions and departments may be restructured to create higher positions for persons to be elevated and some labour-saving devices may be introduced to reduce pressure on human muscle, etc. Further, some built-in mechanism may be established within the organisation so that the individual worker may express his views regarding restructuring and modernising the organisation in such a manner as to make it more responsive to human problems which are experienced during and after work.

### ▶▶ Stimulates Creativity

Stimulus of challenge encourages the faculty of creativity. It depends on the distribution of work, the flow process of authority and responsibility, the communication system, the policy of motivation followed by the management, the process of supervision and direction and the ultimate feedback system. The superior has to distribute the work among the subordinates according to their choice involving a little or more challenge depending on the skill and enterprise of the workers. Once this is done in the normal course and the subordinates are duly assisted and supplied with the needed inputs they will leave no stone unturned to skip over the challenge and get satisfaction for themselves and bring name to their concern. In this process, the enterprise may cut across the traditional work procedure and flow process to ensure performance of tasks by the subordinates. If it adheres ceremoniously to its traditional procedures and designs it will stifle rather than stimulate the creativity among the workers.

Creativity, as already pointed out, should be properly backed by the policy of recognition if perceptible results are to be obtained from the employees. Further, it warrants pragmatism in organisational structure and design. Inept and traditional organisation structure cannot stimulate creativity as it strikes at the very root of it.

## ORGANISATIONAL GOALS

Goals or objectives are considered to be the *sine qua non* of an organisation. This was stated by theorists like Etzioni[14] and Schien.[15] Parsons puts it more forcibly when he states that it is "primacy of orientation to the attainment of specific goal defining characteristic of an organisation which distinguishes it from other types of social systems."[16] He asserts clearly that the goals of an organisation are specific and clear; conversely if these goals are ambiguous on comprehensive, it cannot form an organisation; it may be any group of persons or social collectivity.

### ▶▶ Goals Defined

Goals have been defined by organisation theorists like Vroom[17] in 1960 and Etzioni[18] in 1964 as "desired future states of affairs". Generally speaking, goals are the objectives, aims or purposes which are to be achieved by an organisation over varying periods of time. Goals are the result of planning which is related to future as described by Vroom and Etzioni. Both for choosing and attaining the goals, planning is required.

In spite of the fact that the words *aim, goal, mission, objective* or *purpose* are used interchangingly in general parlance, Bertram M. Gross has tried to draw a fine distinction in the use of these terms. Mission, according to him, is a general term which denotes the fundamental reason for an organisation's existence. It incorporates idealism relating to objectives within its frame. The idealism which forms part of the mission presents a very difficult or an impossible aim. For example, the labour unions have the mission of organising the unorganised or a political party has the mission of providing the government free from all types of exploitation. Mission, therefore, reflects the long-term commitment of the organisation.

Mission is generally associated with non-business organisation. A government may announce its mission in terms of eradicating poverty, unemployment, economic and social inequality, etc.

Purpose, according to Gross, is an all-inclusive term which refers to commitment to desired future. An *objective* may be defined as a specific category of purpose for which the organisation is committed. The objective may be production of goods or services, efficiency, mobilisation of resources, rationality, etc., etc.

A goal is even more specific and fine than the objective. An increase in production may be the objective but when its objective is expressed in relation to the particular norms on standard such as increase in production by 10 units per man per week, it becomes a goal. These distinctions become imperative when the organisation follows the policy of management by objectives.[19]

## ▸▸ Importance of Organisational Goals

Organisational goals are essential to regulate and control the functioning of individuals and groups *inter se* and also individuals and groups in relation to organisation. Importance of these goals has been described by Etzioni[20], Zald[21] and Steers[22], under the following heads:

**1. Focus Attention of Individuals and Groups on Specific Activities and Efforts of Organisations:** When organisation's goals are known to individuals and group, it will help them in channelising their activities towards maintaining organisations goals. In other words, the goals prescribe the course of action to individuals and groups which will be helpful and complementary to the achievement of organisation's goals.

**2. Provide a Source of Legitimacy to Action by Members:** Once the course of action has been decided for the individuals and the groups within the framework of organisational goal, it will promote legitimacy and justification to individual's or group's actions and decisions.

**3. Serve as a Standard of Performance:** Goals provide a measure of individual's or group's performance. They may help the organisation members to evaluate the level of their performance in the perspective of organisation's goals.

**4. Affect the Structure of the Organisation:** Goals and structure are intimately related to each other. The relationship among people in the form of authority and responsibility or the positions to be created at different levels have to be decided on the basis of organisational goals, In other words, what the organisation proposes to do will be determined by the organisational set-up it will structure. Similarly, it will be the structure also which will influence the goals.

**5. Provide Clues about the Nature and Character of Organisation:** The nature and character of an organisation may be known by its goals. For instance, the goal of maintaining quality of product without much regard to return on investment may help the outsider to hold the organisation and its members in very high esteem.

Peter Drucker emphasises the point that goals are important in every area of enterprise more specially when performance and results are directly related to its survival and prosperity. In these vital areas, goals will enable managers "to (1) organise and explain the whole

range of business phenomena in a small number of general statements; (2) test these statements in actual experience; (3) predict behaviour: (4) appraise the soundness of decisions when they are still being made; and (5) analyse their own experience, and as a result improve their own performance.[23] Drucker suggests eight specific areas in which goals have to be set in terms of performance and results. They are: (*i*) market standing; (*ii*) innovation; (*iii*) productivity; (*iv*) physical and financial resources; (*v*) profitability; (*vi*) manager performance and development; (*vii*) worker performance; and (*viii*) public responsibility.

### ▶▶ Goal Formulation

Goals are formulated by individuals after taking into account the interest of a large number of groups which have a bearing on organisation. These groups may be of: (*i*) managers, (*ii*) owners; (*iii*) creditors; (*iv*) consumers; (*v*) employees; and (*vi*) government, Each of these groups has a conflicting goal with one another *vis-a-vis* the organisation. For instance, labour and management and consumers and producers have a diagonally opposite interest which presents constraints in forging a coalition process and goal formulation. Goal formulation is a bargaining process in which each group has its own interest as paramount to the good of the organisation but the final outcome depends upon how best each group interacts, bargains and compromises. It may again be stated that organisational goals are established by the individuals in some collective fashion for the benefit of the total organisationeity. When the organisation is created originally, the goal formulation exercise is completed by its founders; it is done thereafter by those "who have sufficient control of organisational resources to commit them in certain directions and to withhold from others."[24] Though such individuals may be persons holding higher formal positions in the organisation but sometimes even persons in lower rung may fulfil the task as they may "have sufficient control of organisational resources."[25] Such persons may be technical persons who, though may not be occupying higher positions in formal organisation, may wield considerable influence on vital organisational resources such as technical expertise.

The goal formulation process should be so designed that primary or fundamental goals should permeate to the grass roots to form part of the activity of every individual working at any level. Unless the primary goal of organisation is converted into specific job tasks for individuals it will have no relevance to the common man working in the enterprise. This fact is illustrated very well by Herbert Simon in the following words:

"Profit may not enter directly into the decision making of most members of business organisation. Again, this does not mean that it is improper or meaningless to regard profit as a principal goal or the business. It simply means that the decision making mechanism is a loosely coupled system in which the profit constraint is only one among a number of constraint and enters into most subsystems only in indirect ways. It should be both legitimate and realistic to describe most business firms as directed towards profit, making subject to a number of side constraints operating through a network of decision making process that introduces many gross approximations into the search for profitable course of action. Further, the goal ascription does not imply that any employee is motivated by the firm's profit goal, although some may be."[26]

The above statement makes it clear that the overall goal of profit has no relevance to the workers operating at the lower level; he is more concerned with his individual goal.

But the individual goal has the linkage with the organisational goal of profit. The individual goals have to be so designed that they seek to achieve the organisational goal rather than conflicting with the overall goal of the organisation. In other words, it may be stated that the overall goal is permeated in all pervading manner in the organisation in such a manner it takes the form of group goals — goals of owners, managers, consumers, workers and even of government and creditors.

Goals of organisation are affected by the interaction of environmental setting which is reflected in individual and group expectations on the one hand and the behaviour of social forces in the form of trade unions, political organisations and social institutions on the other. The expectations of the social forces cannot be overlooked Consequently, the organisation's needs and the constituent's expectations flowing in different directions coupled with the demands of social forces unless brought around to a reasonably accepted paradigm of give and take, will create more problems than achieving the overall goal of the organisation. Consequently, goal formulation process has to be designed in the environmental setting of social forces and the legitimate expectations of different constituents of the organisation.

#### ▸▸ Nature of Goals

Organisational goals may be divided under three heads: (*i*) Official; (*ii*) Operative; and (*iii*) Operational.

#### ▸▸ Official Goals

"Official goals" are the goals which are publicly announced and are contained in the charter of the company. These are in the form of policy statements which are stated by the officers of the company. Official goal of a manufacturing enterprise may be stated in the form of say 2000 quintals of sugar production or so many thousand metres of cloth production within one year's time. These are the official goals. To what extent they are operative is a different matter which will be examined under the head "operative".

#### ▸▸ Operative Goals

Operative goals are those goals which could be implemented into actual practice. Though operative goals are based on official goals but a wide discrepancy may exist between the official goal and the operative goal. For instance, it is an ideal situation to increase production to 2000 quintals of sugar or to increase net revenue of 20 per cent within one year's time but actually none of these goals can be operative. The reasons may be internal constraints of resources in terms of manpower or equipment or external limitations of the government's policy and other social forces. In any case it is the operative goal which has greater relevance to individual or group behaviour in a work situation.

#### ▸▸ Operational Goals

Operative goals become operational when they are actually implemented into actual practice. A manufacturing enterprise has an operative goal of increasing production by 12 per cent in one year. Mere decision on this account will not make it operational; it will be operational when actually implemented. Operative goals become operational when there is an agreement among all concerned regarding the activities and the programme to

be undertaken in relation to these goals. In other words, goals are said to be operational when there is "agreed upon criteria for determining the extent to which particular activities or programmes of activity contribute to these goals."[27]

Operational goals relate to the means used to accomplish them. Means which are available and which are acceptable to the members or organisation and even the social and other forces operating outside the organisation. If the means present constraints, the goal will cease to be operational. Thus goals may be (*i*) operational: and (*ii*) non-operational. Goals which become non-operational are soon converted into a set of sub-goals; it is these sub-goals which may provide a basis for carrying on individual actions by members of the organisation.

It may be stated that each goal which is developed in an organisation may be considered a goal in itself and a *means* to achieve other goals also.

## ▶▶ Goal Changes

Goals are framed by (*a*) people in a particular (*b*) environmental setting. Since people change, *i.e.*, enter the organisation and leave the organisation, it is not necessary that new people will cling to the goals set by the people in the past. Their perception may be different to the earlier people and thus they will definitely require a change. Similarly goals are formulated in the midst of the environment, economic, technological, social and political which is bound to undergo a change with the passage of time. Consequently, the goals formulated in the earlier environmental setting may prove irrelevant to the new setting.

Goal changes may be: (*i*) goal displacement or (*ii*) goal succession. Goal displacement may be stated as a situation in which the new goals have been developed by completely disregarding the official or sanctioned goals. This situation arises when the behaviour or actions which were considered to be means to achieve the goals become the goal in themselves. For instance, the rigid enforcement of the discipline rules among workers which was considered indispensable may be treated as only desirable. Because if these rules are followed rigidly, it may endanger the existence of the organisation itself.

Probably it is in this connection that the phrase "rigidity with flexibility" has been coined. This phrase has a relevance in modern times in all types of organisations — business, political, social, autonomous or governmental. In educational institutions, students and teachers violation of rules are tolerated consequently up to a certain extent though the rules and regulations for their conduct and behaviour existing in the statute books remain unchanged. So is the case with workers and managers in business organisations or political organisations.

When we refer to goal displacement, we mean only covert goal changes. Explicitly there is no change; it is no change; it is done to avoid embarrassment both to individual as well as the organisation.

Goal succession refers to the situation where the (*i*) new or (*ii*) modified goals are incorporated or substituted for the existing ones in such a manner that they do not change the spirit of the existing goals. The new goals are such that individuals or the organisation are willing to state publicly. Members of the organisation openly state the changes in the goal structure in a scheme of rationalisation and adaptation to new environmental setting.

What is actually professed for the betterment of individual and organisation may turn out to be wrong in actual circumstances. This is a different situation. An example of goal succession may be as follows:

"A business organisation had stated labour welfare as its goal. With the passage it was realised that labour welfare is too ambitious a goal and thus it was changed to include (*i*) house building to the employees: (*ii*) medical facilities; (*iii*) transport subsidy; and (*iv*) subsidy for the education of employees' children. Such a change was well within the spirit of welfare concept".[28]

## METHODS OF ORGANISATION

Every organisation has to achieve a well defined goal; for this purpose it should possess some methods for attaining these goals. Methods which an organisation adopts may be classified under two heads:

 (*i*) Differentiated functions; and

 (*ii*) Rational coordination.

### ▶▶ Differentiated Functions

Organisation theorists emphasise the need for differentiated functions for individuals and organisations. Individuals having different competence and capacity to work in addition to having different attitude and value systems in the wake of a particular environmental setting in which they are brought up or working at present, are not expected to do all jobs at all time. Hence, the manager of an organisation may have to carve out jobs for different persons operating at different levels in the organisation. Similarly, organisations are distinguished on the basis of the functions performed by them. They are differentiated from other types of social collectivities such as crowds or audiences.

The need for differentiated functions arises out of three considerations, (*a*) Nature of tasks; (*b*) Nature of people; and (*c*) Environmental setting.

Every organisation aims to accomplish its goal with maximum efficiency; for this purpose the managers have to think and decide about the entire work related to the achievement of the goal of the organisation. This work is now to be divided and subdivided in such a manner that each person employed in the organisation gets the work of his own choice, for which he has competence and the needed interest to do the work. In modern times, each employee has specialised more or less in the performance of a single job or task; if he is given a different job, he will find it quite difficult to complete it with efficiency. Hence, the whole complicated work relating to the achievement of the goal of the organisation has to be divided and subdivided and each subdivided task duly differentiated has to be assigned to the individuals or the group for which they have the competence for performance. The organisation, thus, through such differentiated functions may ensure efficiency and accomplishment of the goal it has set before it.

Tasks and people are intimately related. An ideal situation will be that the tasks are so divided and subdivided that each individual according to his preference and competence gets the job so that he could accomplish it with the best of his ability. If this is not possible, then the individual should get the job which could utilise his effort and competence in

the best possible manner. It has to be judged by the managers of organisations which is the most suitable job for a particular individual in the larger interest of the organisation, keeping in view the employee's preference, his competence, his attitude to work and the value system he is embracing.

## ▸▸ Types of Differentiated Functions

Functions in an organisation may be differentiated as (*i*) horizontal; and (*ii*) vertical. Horizontal functions refer to those divisions of activities among individuals and groups where each of them operating at the same level possesses the same amount of authority and responsibility. The upper middle managers — Production Manager, Marketing Manager, Finance Manager or the Personnel Manager — managing different departments carry with their respective offices practically an equal quantum of authority and responsibility.

Horizontal functions exist at different levels in the organisation. Industrial organisations where functions are differentiated by technological requirements, all persons, working at a particular level will be carrying on horizontal functions. Further, allocation of function may be made on the basis of such factors as the personnel motivation, status differences, etc., etc.

Gullick well known management theorist, has stated that employee may be differentiated by: (*i*) the purpose he is fulfilling; (*ii*) the process he is using; (*iii*) the persons with whom he is acting; and (*iv*) the place in which he is carrying out his work. When employees are grouped according to purpose or process it is known as horizontal differentiation.

Vertical differentiation is established by such dimensions as: (*i*) the amount of authority and power an individual has to influence organisational decisions; (*ii*) the degree of responsibility he has for the actions; and (*iii*) the number of' individuals he supervises or manages,

In large organisations vertical differentiation results in the following four categories:

| | |
|---|---|
| 1. Top Management positions | Relate to goal and policy formulations, allocation of resources and deciding about the compass of organisation, |
| 2. Upper and Middle Management positions | Relate to sub-goal formulations, executing the plans and policies and to make use of organisations so designed to achieve the goal. |
| 3. Supervisory positions | Relate to the supervision of the work done by the operating force. Supposed to guide and supervise the work done by the workers at the lowest level. |
| 4. Rank and file position or operating force | Relate to carrying out specific task activities. |

The vertical differentiation contains two basic characteristics: (*i*) people who are connected with goal formulations — occupying a high degree of authority and responsibility (top managers and upper middle managers) and (*ii*) people who are connected with carrying out the goals — the operating force. Persons in the middle are concerned with both functions — orientation towards goal formulation and to help achieve the goal.

Vertical differentiation further hinges on different psychological and role requirements which individuals are expected to perform at different levels. An individual having a particular psychological framework and possessing competence suiting a particular role requirements will not be suitable for another job. For instance, a person with innovative thinking, initiative and enterprise will be more suitable for management position and *vice versa*. Regarding psychological point, it may be stated that an individual is entrusted with a particular task keeping in view the nature of individual in terms of his ability and capacity to do the work. The other relevant task is the manner in which the work has been divided and subdivided so that an individual does get a job commensurate to his preference and competence.

## ▸▸ Rational Coordination

Rational coordination is yet another function of differentiated functions. It implies putting together of the activities or efforts of individuals in such a manner that it seems logical to members of the organisation. It will be logical when all such efforts and activities are coordinated which are related to organisational goals. Coordination will prove a failure in the event of poor planning or unexpected events to happen, In other words, rational coordination cannot function under happening of random events,

The sequence of relation is illustrated by Porter and others as follows:

**SEQUENCE OF RELATIONSHIP AMONG CERTAIN ORGANISATIONAL CHARACTERISTICS**

| GOAL ORIENTATION OF ORGANISATIONS | → | EXISTENCE OF GOALS | → | NECESSITY FOR DIFFERENTIATED FUNCTIONS | → |
|---|---|---|---|---|---|

| → | INTERDEPENDENT FUNCTIONS | → | NECESSITY FOR RATIONAL COORDINATION | → | ORGANISATIONAL GOAL ACHIEVEMENT |
|---|---|---|---|---|---|
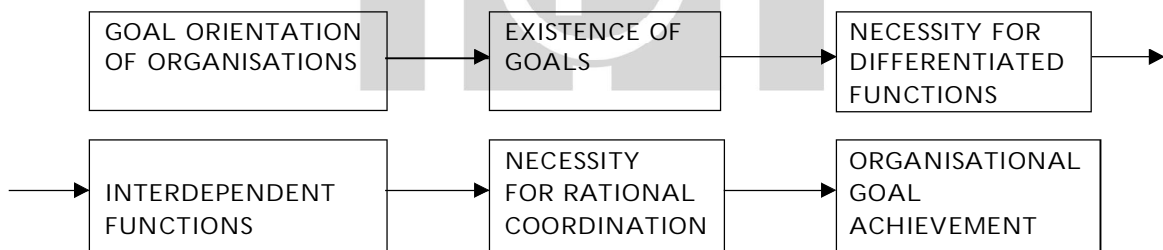
The above sequence makes it clear that the goal orientation of organisations leads to the existence of goals. After goal formulation, it gives rise to the need for the differentiated functions; when goals and differentiated functions are combined, it gives rise to interdependent functions. The existence of interdependent functions creates the need for rational coordination with a view to achieving organisational goals. In the absence of rational coordination, the differentiated functions will shatter completely the functioning of the organisation.

## ▸▸ Mechanism for Rational Coordination

The following steps are involved in rational coordination:

## 1. Sub-goal Specification

Individuals will be able to coordinate their efforts towards the common goal of the organisation if sub-goal formation at individual level is definite and specific and established a linkage with organisational goal. Individuals are expected to know specifically what exactly they are supposed to do and how can they depend on the work done by their

fellow workers. The rest can be done by the person/persons who has/have to effect coordination.

## 2. Hierarchical Authority Structure

In a state of vertical differentiated functions, the authority structure is apt to be hierarchical, The superior acquires the right to guide and direct the action and behaviour of his subordinates. In a hierarchical authority structure each individual exercises some authority over his subordinates in an interwoven relationship plan.

## 3. Roles

"Roles", as already defined, are the sets of expected behaviour of individuals attached to organisational positions. In each organisation an individual's behaviour has got to be established in relation to organisational position occupied by him. In other words, what an individual is expected to do in the position he is occupying is well defined which is essential to achieve effective coordination, If the persons occupying different hierarchical or even horizontal positions are not properly acquainted with the functions and activities to be performed by them, their behaviour pattern will turnout to be so incompatible that it cannot be coordinated towards achieving the common goal of organisation.

## 4. Communication

Communication — the system of free flow of information in all directions, is an effective instrument to forge coordination. The superior is expected to give direction to subordinates and the subordinates are expected to respond by way of obeying the command or seeking clarification or guidance with a view to channelising efforts to culminate in achieving organisation's goal. The task of pruning subordinates' activity or the function of receiving command or clarification needs a proper communication system to coordinate the activities of individuals operating at different levels.

## 5. Individual Self-control

Coordination is not merely a function of external direction and control. If it is left completely on this premise, coordination in any organisation — big or small — will only be a mirage in the desert. Consequently, individual self-control, though not highlighted explicitly, is the most important element of coordination. "Individuals bring to the organisation certain values, needs and expectations that serve to aid the coordination process. Many of these belief systems and motives that a person brings to the organisation will contribute to coordination, almost as a matter of course without the individual having to pay attention specially to the problems." In this manner coordination ought to become a normal function of individual behaviour rather than an imposition from above. The external direction and control involve extra efforts, care and supervision besides involving the problem of inept response from subordinates on the legitimate ground of unnecessary bossism. Self-control will make the process natural without impinging upon anyone's authority.

Rational coordination seeks to eliminate wastages in all functional areas of the organisation. This will improve efficiency of both the organisation and the individual. The organisation will, thereby ensure better environment of work, proper motivation to individual and the

achievement or organisational goal with minimum wastages of scarce human and material resources.

Likewise, rational coordination is instrumental in getting individual goals achieved as the individual goal is dependent on the role performance of his fellow worker and his superior. In the coordination process since everyone performs his activity in a normal fashion which continues to be coordinated at different points, the role performance and in turn the goal achievement of the individual is assured.

Coordination should not be construed to limit individual freedom and thus generate individual to individual or individual to organisation conflicts, Every individual working in any environment — domestic, neighbourhood, workplace or society — has to function within the limits of expected behaviour otherwise neither the individual nor organisational goals may be achieved. Hence the legitimate pruning of individual behaviour should be treated not as a limiting factor but the component of rational individual behaviour which is essential to achieve organisational goal.

## ORGANISATION AS A SOCIAL SYSTEM

Recent organisation theorists have sought to treat organisation as a "social system", Important among them are Etzioni[29] (1964), Thompsons[30] (1967), Katz and Kahn[31] (1966) and Berrien[32] (1968). Berrien has defined a system as "a set of components surrounded by a boundary which accepts inputs from some other systems and discharges outputs into another system.[33] Similarly, Katz and Kahn observe that the "system theory is basically concerned with problems of relationships, of structure and of interdependence rather than the constant attributes of objects". In other words, in system theory the unitary whole is comprising of interdependent components or subsystems with an in-built connecting system. Human body is a system having subsystems like nervous system, circulatory system, digestive system, etc. Each of these subsystems has interdependence; anything wrong with a particular subsystem is reflected in the system whole.

Some of the organisation theorists believe that organisation is an "open" system implying that it is subject to external environmental influence which represents situational uncertainty.

There are two major aspects of an open systems approach to organisations : (*i*) There are different characteristics or attributes of the organisation having mutual interdependence which cannot be regarded as completely independent features and (*ii*) the organisations are continuously in interaction on reciprocal basis with the external environment which are uncertain and unpredictable. It means that the organisation takes inputs from the environment and produces outputs for the environment. In this case both are equally affected in the input/output process.

Each organisation has the following five characteristics: (*i*) social composition in terms of types of individuals, (ii) goal orientation, (*iii*) differentiated functions, (*iv*) intended rational coordination and (*v*) continuity through time.

The composition of organisation depends on the types of individuals it has within its fold. Their ability, needs and interests will provide the needed input to the organisation for designing its goals and strategies. In the light of the social composition, the components

of the coordination process and the viability attributes of the organisation will be determined. In other words, goal orientation is related to social composition of the organisation. What type of people are recruited? What is the level of mental development? And what is the social background? — all these factors will exercise an indelible impact not only on goal orientation but also on differentiated functions, rational coordination, and continuity, *i.e.,* survival of organisation in uncertain environments and situations.

Intended rational coordination depends on the nature of tasks which have been designed and the nature of people having requisite ability and commitment to purpose. Unless the organisation is fully equipped with people of ability, commitment to organisation's purpose and the required initiative and enterprise, it will not be able to coordinate diverse functions of individuals and groups to achieve the organisation's goal.

The survival of the organisation is not only dependent on the harmony existing in the social composition and individuals/groups and the organisation's goals but also its ability to adapt itself to the changing outside environments. The environments manifest the composite influence of political, social, technological and economic forces which have a direct bearing on every organisation. Since the social milieu cast in the mould of such environment is changing, the organisation to ensure its continuity shall have to acquire the capacity to change and adapt itself to fit in the social systems. Its ability to change and adapt depends on the people who form the organisation. Hence organisation may rightly be called as a social system.

## PRINCIPLES OF ORGANISATION

Professor Henri Fayol has made effective contribution to enrich the science of management. His thoughts on management are contained in three books and a number of papers which he contributed between 1900 and 1923. The most notable book which is considered to be everlasting contribution of Fayol is *General and Industrial Management*.

Fayol has used the term administration for management. He has even used the terms Business Management and Public Administration in an overlapping fashion. He formulated "Principles of Management" which may rightly be called the "Principles of Organisation." He identified fourteen principles of organisation which have universal applicability.

### ▸▸ Division of Work or Specialization

Specialization is the hard core of modern management. The entire philosophy of the organisation revolves around the principle of division of work which embraces the element of specialization. Accordingly he states: "Specialization belongs to the natural order.... The worker always on the same path, the manager concerned always with the same matters, acquire an ability, sureness, and accuracy which increase their output. Each change of work brings in its train an adaptation which reduces output — yet division of work has its limits which experience and a sense of proportion teach us may not be excelled."

### ▸▸ Authority and Responsibility

Professor Fayol rightly advocated for an equilibrium between authority and responsibility. If there is a gap between authority and responsibility two situations may arise; one, there

may be more authority than responsibility and two, there may be less authority than responsibility. In case of the former, the person possessing authority is apt to misuse it and in the latter, he will not be able to execute the tasks entrusted to him by his superior."

## ▸▸ Discipline

Discipline is the part of every organisation. If there is no discipline among the subordinates to respect the command or the order of superior, no plans and .policies may be implemented to achieve the object of the enterprise. The superior and subordinates are expected to know the scope of their authority and responsibility. The superior is concerned with the distribution of work among the subordinates and getting work duly completed by them. If the subordinates are allowed to flout the legitimate authority of the superior, there will be anarchy in the enterprise. There will be no rule of law. Everybody will do the work according to his own choice because he knows nobody can force him to do the work in the required manner. Professor Fayol is of opinion that for the sake of establishing discipline force may be used against erring subordinates so that example may be set for the prospective offenders. He states: "General opinion is deeply convinced that discipline (obedience, application, energy, and the outward marks of respect) is absolutely necessary for the smooth running of a business — experience and tact on the part of manager are put to the proof in the choice and degree of sanctions to be used, such as remonstrances, warnings, fines, suspensions, demotion, dismissal. Individual people and attendant circumstances must be taken into account."

It is difficult to say whether all these punishments may be implemented by the superior to mend their subordinates in the eighties. The trade unions may not allow implementation of such strong types of punishments, as dismissal, etc., etc. There may, however, be no two opinions about the fact that subordinates should be made to work in accordance with the procedures, instructions and norms laid down which have the approbation of both the superiors and subordinates.

## ▸▸ Unity of Command

If there are many bosses to give orders at the same time to a subordinate, it will be very difficult for him to work efficiently. He will be faced with the dilemma as to which orders he should follow first and how best to allocate his time to the obedience of his bosses orders that none is displeased. Further, his position will be awkward in case he received conflicting orders from his bosses. In such a situation, the employee will get an opportunity to avoid work on the pretext that he is unable to cope with more work as he is busy with the job entrusted to him by other bosses. He cannot be held accountable because he is not supposed to be answerable equally to all bosses at one and the same time.

His concept of unity of command is incomplete contrast with Taylor's functional foremanship concept in which a worker is supposed to receive orders from as many as eight bosses.

### ▸▸  Unity of Direction

Unity of direction according to Professor Fayol was one head and one plan for a group of activities having common objectives. He emphasised that unity of direction should not be confused with unity of command. Whereas direction is related to the body corporate, command is decisively a personal function. Unity of command cannot exist without unity of direction.

### ▸▸  Gang Plank Against Scalar Chain

Fayol suggested the: use of "gang planks" between two persons in the group working in different departments instead of the communication percolating from top to bottom. He illustrates the process with the help of the following figure:
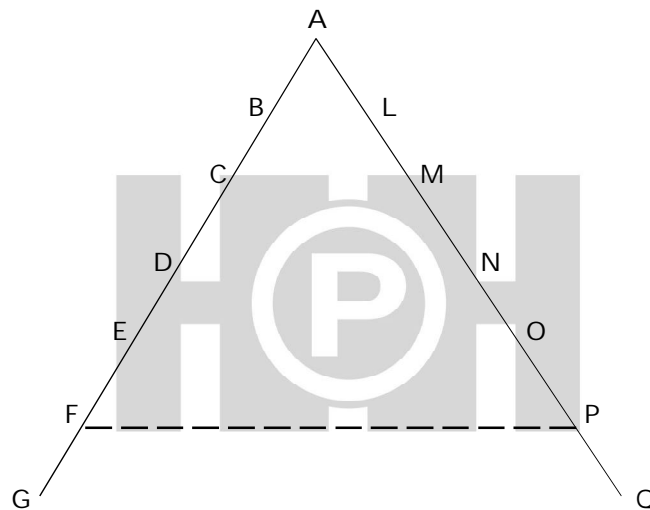


In this triangle A is the head of the group. B, C, D, E, F, G and L, M, N, O, P, Q are the subordinates working under him. The triangle shows the hierarchy. Under A are B and L. The subordinates of B and L are the persons falling in sequence C and M. Similarly D and N are under C and M, E and O under D and N and F and P under E and O as given in the above triangle. F and P have to confer with one another. Under the hierarchical system the entire information will percolate down from the top boss A. It will pass through different hierarchical channels to reach the ultimate persons. In this process, the entire information will not only reach late but is likely to be misinterpreted by certain persons in-between with the result that the basic purpose of the information will be jeopardised.

To avert this situation Fayol suggested that a "gang plank" (the dotted line) could be thrown across without weakening the chain of command. Only the superiors, *i.e.,* E and O, should authorise them to interact with each other. The superiors will have no objection if they are informed of the action taken by them. He states: "It allows the two employees F and P to deal... in a few hours with some question or other which via the scalar chain would pass through twenty transmissions, inconvenience many people, involve masses of paper, lose weeks and months to get to a conclusion less satisfactory generally than the one which could have been obtained via direct contact."

The "gang plank" philosophy of Fayol is probably based on wrong premise. No group or groups under the same leader could function effectively unless there is a well laid down system of interaction between different members of the group or the groups. There is no need to obtain persuasion from their respective bosses in case the work of one has to be coordinated with another. It should be automatic and decided once for all. What is known as the "gang plank" in Fayol's terminology may be stated as the line of communication which should exist in every organisational framework if it has to function effectively.

## ▸▸ Subordination of Individual Interest to General Interest

The corporate object should prevail over the individual or personal interests of the employees. If personal interests are allowed to sway the corporate interest, the company will never be able to achieve its object with efficiency.

This warrants the superiors to set examples to be emulated by their subordinates, It may however be pointed out that the superiors should safeguard the legitimate rights and privileges of their subordinates. "The agreements between the employers and employees should be fair and there should be constant vigilance and supervision."

## ▸▸ Remuneration

Fayol advocated for the payment of fair remuneration to each employee. The remuneration paid should commensurate to the work done by him. The employee should be reasonably rewarded to sustain his morale. Fayol did not recommend profit-sharing plan to the lower level but he favoured it for managers. He was also in favour of non-financial incentives to the employees of big organisations.

## ▸▸ Centralization

Whereas Fayol regarded centralization as the natural order, specially for the small firms, he was not averse to decentralization. He thought that the existence of intermediaries was necessary for the big organisation but there should be a sense of proportion between the centralization and decentralization.

## ▸▸ Order

Order according to him implied a place for everyone and everyone in his place. If "right man is to be in the right place" it requires a complete knowledge of the human resources and the availability of jobs. There should be balance between the availability of jobs and the manpower. He, however, feels that this balance is difficult in big business.[34]

Fayol is not correct in this regard. Big businesses have greater resources at their command to ensure that each one employed by them gets appropriate placement. He is neither underemployed nor overemployed; he gets the work of his choice in which he has acquired proficiency. On the contrary, there may be little problem with regard to small concerns to strike a balance between the human resources and the availability of jobs due to paucity of resources.

## ▸▸ Equity

Equity is the contribution of kindness with justice. Justice demands that the employee is to be provided with the right type of job, rewarded properly and given promotion

when due. In times of difficulties he should be treated kindly as a human being. He should be guided or even taught to skip over his problems as quickly as possible.

▶▶ **Stability of Tenure of Personnel**

The personnel employed should have security of job which is the kingpin of motivational dynamics. If the employee is not sure of his continuity in job what interest would he derive in executing his job. In this process, the deserved should not only be retained but promoted and the undeserved should be sacked and even retrenched. This will help the hardworking, devoted and sincere employee to put his mind and heart into work.

▶▶ **Initiative**

The employee with initiative and drive should be encouraged to fulfil the tasks initiated by him. He should be encouraged in an appropriate manner to continue to keep this initiative alive because it is such initiative which more often leads to innovation in the large interest of the business.

▶▶ *Esprit de Corps*

It implies unity is strength. The success of business depends on the unity in work and purpose. Unless all efforts bend towards the common objective of business enterprise the objective cannot be achieved with efficiency.

Professor Fayol felt that the policy of "divide and rule" as pursued by some managements should be dispensed with. It is in the larger interest of the enterprise that the employees are united; they have their organisation in the form of union so that they could put forth their viewpoints in an effective manner. They could bargain effectively on the discussion table on the basis of their own authority. It is much easier to talk to an organised band of people rather than an unorganised mass of people who have no common ideal or programme.

He felt that unity may be forged better if the communication between the superior and the subordinate is direct and oral. Written communication at times complicates the issue. The erring employee should be set right by oral direction rather than asking him for written explanation for any deviation on his part. Written explanation is a time-consuming process apart from spoiling the relations between labour and management by way of creating a void between labour and management. Not only should the unity exist between the employees *inter se* but also between the employees and the employer. Such unity is indispensable for the success of every enterprise.

Lyndall F. Urwick has also given the principles of organisation in his booklet "Notes on Theory of Organisation."[35] These principles conform more or less to Henri Fayol's principles of organisation.

**1.   Principle of Objective**

Every organisation and in turn every part of organisation should indicate the purpose for which it has come in existence. Absence of objective will make the organisation redundant.

## 2. Principle of Specialisation

The entire work relating to the achievement of the objective of the organisation has to be divided and subdivided in such a manner that each member of organisation gets the work of his own choice. The work to be entrusted to an individual should be of the nature of a single function so that he could acquire specialisation by repeating the task over and over again.

## 3. Principle of Coordination

The objective of an organisation cannot be achieved unless there exists unity of effort through coordinating the activities performed by different people at different levels.

## 4. Principle of Authority

In an organisation there should be free flow of authority to enable people to take decisions without delay. Hence authority should percolate down from top to bottom.

## 5. Principle of Responsibility

Authority has to go with responsibility. A subordinate is responsible to his superiors. However, the responsibility of the superior is "absolute" for the acts of subordinates.

## 6. Principle of Definition

There should be well defined authority and responsibility of each individual. This should be written and published to ward off the exigency of overlapping or duplicating of efforts of two or more individuals.

## 7. Principles of Correspondence

In each case the authority should commensurate with responsibility of the individual. Gap between authority and responsibility should not exist.

## 8. The Span of Control

"No person should be asked to supervise more than five, or at the most six direct subordinates whose work interlocks."

## 9. Principle of Balance

Various units in the organisation should be kept in balance.

## 10. Principle of Continuity

Specific provisions should be made to ensure reorganisation as a continuous process. This will help change and adapt the organisation to the changing environments.

## ▸▸ Formal and Informal Organisation

*Formal Organisation:* A distinction may be made between formal and informal organisations.

"The formal organisation is a system of well defined jobs each bearing a definite measure of authority, responsibility and accountability, the whole consciously designed

to enable people of the enterprise to work more effectively together in accomplishing their objects."[36]

The formal organisation defines jobs of each individual and the relationship with each other in terms of authority and responsibility. This relationship appears on the formal chart of organisation. The authority and responsibility of each is well-defined which sets aside the danger of duplicating or overlapping of authority. In this organisation, even the process of coordination is carried in a well defined manner.

With the definition of authority responsibility and accountability of each component of the organisational structure, it becomes easier to achieve the individual goals within the framework of the group's or the organisation's goals. There will be less chances of deviation because the persons responsible for any deviation will be held liable for the lapse on his part. The care and vigilance exercised by every individual in the performance of his duties will lead to eliminating the forces of wastages and help achieving the object with a fair degree of efficiency.

The formal organisation helps in not only implementing but also determining the objects and policies. The achievement will further be facilitated by the capacities, attitudes and the character of the people.

The formal organisation in a way is an arbitrary structure in which the individuals have to adjust themselves without much choice. Consequently it seeks "to restrict and circumscribe" the activities of the persons comprising the organisation. In other words, formal organisation relates to the work of individuals, single subgroups, collections of subgroups and the enterprise as a whole. It defines the jobs required to be done by each member of the subgroup, group or the enterprise as a whole; the relationship between them; the authority each person enjoys over man, material, machines; his responsibilities in the firm; the responsibility of each corresponding to the authority enjoyed by him; the places where different decisions have to be made; and the channels of communication through which the command has to flow from the superiors to subordinates.

The best example of the formal organisation is organisational structure of a company in which the authority and responsibility of General Manager, Functional Area Managers such as Production Manager, Marketing Manager, Finance Manager and Personnel Manager are very well defined. On the same pattern, the authority and responsibility of the other persons at the lower level in the hierarchy are stated very clearly. All the persons appear on the formal chart of the organisational structure.

*Informal Organisation:* Informal organisation comes into existence on account of the common characteristics of the people, their likes and dislikes, etc., etc. Among common characteristics, mention may be made of religion, region, race, language, etc. Hence the people with these common characteristics become a big force in the form of informal organisation both within and without.

In the informal organisation the formation of group is in the natural process. The members have chosen to acquire the membership not by force but by choice out of their natural desire. In such a circumstance their allegiance to leadership is out of respect and skill of the leader rather than compulsorily thrust upon him by the enterprise. This results

in greater cohesiveness among the organisations which may be instrumental in achieving the object of the group with maximum efficiency.

The informal organisation is a spontaneous structure which arises out of the will of the people. There is no element of arbitration like the formal organisation.

For instance, all low paid employees working in any department in a particular institution will form the organisation (even formal) on the basis of the common characteristic of lower level of earnings. Similarly all employees coming from south and working in Central Secretariat, New Delhi, have formed an organisation which may be a big force to be utilised by the government.

Informal organisation is a big force which may not appear on the formal chart of the organisation. I will give another example. A P.A. to Chief Engineer is generally of the rank of the Executive Engineer. But as P.A., he commands even greater authority than his boss, the Superintending Engineer, by virtue of his closeness to the head of the organisation, *i.e.*, the Chief Engineer. If we make the organisational chart of the Engineering Department, P.A. will not appear on this chart, yet he commands a good deal of authority.

Such informal organisation in the form of a group or groups exists in every enterprise. At times even the official job is expedited through the medium of informal organisation. Mr. X of personnel department has to secure some information from Mr. Y of production department. If he has to proceed officially then the Personnel Manager will write a letter to the Production Manager. The Production Manager will, after studying the letter, direct Mr. Y to supply the information. It is a time-consuming process. If X and Y are the members of an informal organisation then X may cut short the formal channel and approach directly Y and procure the official information.

The informal organisation is like an atom of power which may be utilized both for productive and destructive purposes. It depends on the ingenuity and skill of the manager to make the best use of informal organisation in the larger interest of both the employees and the enterprise.

A new comprehensive view of informal organisation may be obtained from the discussion of Chester Barnard.

## INFORMAL ORGANISATION[37]

▸ **Concept**

Informal organisation may be defined as a process in which "persons are frequently in contact and interact with each other when their relationships are not a part of or governed by any formal organisation".

The contacts though "accidental or incidental to any organised activities arise from some personal desire or gregarious instinct (which) may be friendly or hostile". Whatever be the origin of such contacts or interactions or groupings it is definite that these contacts change "the experience, knowledge, attitudes and emotions of individuals affected". The effects of contacts of persons are embodied in the "states of mind and habits of action which indicate the capacities of memory, experience and social conditioning. As a result of these capacities some of the effects of contacts of persons with limited number of persons

can spread through very large numbers in a sort of endless chain of interaction over wide territories and through long periods of time".

In short, informal organisation implies the aggregate of personal contacts, interaction and the associated groupings of people. Barnard rightly states that though common or joint purpose of informal organisation may be excluded in the beginning but the common or joint results are the necessary outcome of such organisation. In other words, when relationship among persons exists in consideration of some common characteristics of race, region, religion, language, etc., much different to formal relationship defined within the framework of formal organisation "of a system of consciously coordinated forces," it becomes informal organisation. Since such common characteristics of people exist in every organisation, there exists an informal organisation in every formal organisation.

## ▶▶ Consequences

Barnard classifies the effects of informal organisation under two heads: (*i*) It establishes certain attitudes, understandings, customs, habits, institutions, and (*ii*) it creates the conditions under which formal organisation may arise.

The best example of the formation of the formal organisation out of informal organisation may be the formation of the Janata Party in India. During the emergency personal contacts and interaction took place in the erstwhile B.L.D., Jana Sangh, C.F.D. and even Akali Dal (parties) which ultimately culminated into the formation of the formal Janata Party. On the eve of elections in 1977, there was no well defined common object, except safeguarding their individual interests but the joint result was the common concern of all the informal groupings.

The informal cooperation ultimately results into "purposive cooperation" to get the desired results. This is human nature. In the light of this fact, it may be stated that there is inbuilt formal organisation in every informal organisation in as much the same manner as there exists an informal organisation in every formal organisation. "For these reasons either small enduring informal organisations or large collectivities seem always to possess a considerable number of formal organisations." Hence every society is completely structured in formal organisation beginning from the family to the "great complexes of states and religions".

Barnard further states: "The attitudes, institutions, customs of informal society (or group) affect and are aptly expressed through formal organisation. They are independent aspects of the same phenomena — a society is structured by formal organisations, formal organisations are vitalised and conditioned by informal organisations." This makes it clear that both formal and informal organisation are complementary to each other. One cannot conceive of formal organisation in the absence of informal organisation and *vice versa*.

## ▶▶ Creation of Formal and Informal Organisation

The complementarity in types of organisations has already been established. It may, therefore, be stated again that formal organisation like the Janata Party emerges out of the informal organisation in the form of contacts, interactions and groupings in the shape of different parties existing on the eve of general elections in March 1977. After the coming

up of the formal Janata Party, it needed vitality and endurance in the form of informal groupings, contacts with people and interactions among such persons who were not the formal members of the Janata Party. Further, the informal organisation is needed to control tensions and conflicts among even the members of the Janata Party as the conglomerations like NDA or UPA.

### ▶▶ Functions of Informal and Formal Organisations

One of the important functions of informal organisation in formal organisation is the *communication*; attitudes, impulses, influences and even the discontentment of the members of formal organisation cannot be obtained merely by looking at the organisational chart, its charter and rules and regulations, nor can they be known by watching its personnel. This is true of not merely the business organisations but also political organisations, governments, armies, churches, universities. The discipline in these formal organisations is so strong that anyone who expresses his resentment is likely to meet with severe consequences. Members of such formal groups become hostile to the former leadership when the changeover takes place. The living example is the pre-split Congress Party.

Another function of informal organisation is to enforce cohesiveness in the formal organisation "through regulating the willingness to serve and the stability of objective authority".

The third function is "the maintenance of the feeling of personal integrity of self-respect, of independent choice".

### ▶▶ Tailoring the Organisation Structure

Organisation structure which is pyramidal in nature is not static. It is subject to change from time to time in the light of the environments obtaining within and without the organisation, the change in the objective and the situations of the business enterprise and the expertise available within the business enterprise. In other words, tailoring the organisation structure is a continuous process. The team of managers and specialised staff continuously involved in tailoring the organisation structure in such a manner that it seeks to fulfil the objectives of the business enterprise with efficiency in the changing environments and situations.

The concept will be discussed under two broad heads: (*i*) the parameters of tailoring the organisation structure and (*ii*) tools and technique of preparing the suitable organisation structure.

### ▶▶ Parameters

The parameters of a suitable design may be categorised under the following heads:[38]

 (*i*) the dynamics of organisation structure,

 (*ii*) basic requirements of organisation design,

 (*iii*) staffing,

 (*iv*) methods of effecting change in the organisation of business, and

 (*v*) practical problems of organisation design.

## ⏩ Dynamics of Organisation Structure

The organisation structure may have to be changed on account of the (*i*) changes in the government's policy or the law of the land, (*ii*) changes in size, scope or objectives of the business enterprise, (*iii*) changes in the managerial structure more specially in the wake of the exit of a few managers and (*iv*) the deficiencies in company's operations.

A business enterprise in order to survive and grow has to keep pace with the government's policy, If the government's policy seeks to discourage either the horizontal or vertical expansion of the business enterprise, the company shall have to take suitable steps to fall in conformity with desire object of the government's policy. If the business enterprise does not structure its organisational structure in the form of decentralization, it may even invite the extreme step of nationalization by the government.

The size, scope or the objective of the business enterprise may change due to product diversification which may lead to horizontal or even vertical expansion. If new products are added to the existing line of production it will require horizontal expansion in the organisation structure. The new products may require the management to create new departments or divisions for the products which may be headed by the professionally or technically qualified persons.

The other source of such change may be mergers and acquisitions which may entail major structural changes in the organisation of the company. When two or more firms combine through merger a new company emerges, it will require a new structure which could consolidate and streamline the functioning of the existing company.

Mergers and acquisitions may not necessarily change the basic objects and even the policies of the company. However, in the scheme of reorganisation after the merger of two or more firms, a new company emerges. In this scheme of reorganisation, the entire organisation shall have to be restructured so as to accomplish the desired objective of the new enterprise.

With the exit of any person in the managerial cadre — whether upper or middle — consequent to the death, resignation, retirement or discharge, when the vacancy is filled up, some structural changes may be called for either in terms of the flow of authority or responsibility or the number of subordinates to make the new incumbent comfortable. The new person may have either put such conditions for increase in authority or the number of subordinates or even scrapping the authority above him. Conversely, if the new incumbent is of a lower status, the change may be effected in the reverse direction.

Structure may also have to be changed in the light of deficiencies experienced in the operation of the enterprise. It is difficult to give an exhaustive list of the defects requiring the changes in structure but an idea may be obtained from the following list given by Ernest Dale and quoted by Dalton:[39]

1. Slowness in decision making and in carrying out decision;
2. Frequent and serious errors in decision making;
3. Inadequate communication; communication breakdowns:
4. Bottlenecks in production, finance or marketing operations;

5. "Below par" executives — high turnover, absenteeism, low morale, tension, overwork, underutilisation of politics;

6. Interdepartmental and personality clashes;

7. Excessive line-staff conflict;

8. Poor control, lack of knowledge of results, poor compliance; and

9. Inefficient committee work.

## ▶▶ Requirements of Organisation Design

It is difficult to universalise the criteria for sound organisation structure but the following nine characteristics as suggested by Ernest Dale may be the guiding factors for making the organisation structure sound:

"(*i*) Effectiveness — a yardstick of economic and social performance. Does the organisation accomplish its purpose?

(*ii*) Efficiency — the fulfillment and individual objectives of those who are associated with the enterprise. This criterion assumes fulfilment of the criterion of effectiveness, extending and amplifying it.

(*iii*) Division of work — the division of work into as small a number of dissimilar functions as possible.

(*iv*) Functional definition with authority and responsibility — refers to the need to define the scope of authority clearly and to determine the exact functional content of the various positions.

(*v*) The chain of command — the channels of communication connecting the various levels — the hierarchy of authority.

(*vi*) Channels of contact — since adhering strictly to the chain of command would involve considerable time, it is frequently desirable to permit direct contact between individuals on a given level, provided they keep their superiors completely informed of what is going on.

(*vii*) Balance — the continuous need to make changes can lead to throwing an organisation structure out of balance. Balance is required in the relationships between horizontal units and levels and getting the proper proportions between centralisation and decentralisation of authority.

(*viii*) Control — involves the successful operation of the exception principle, the correct management of records, forms and procedures and the establishment of standards against which to measure performance.

(*ix*) Perpetuation — the organisation structure must contain the hierarchy of positions of gradually increasing responsibility in order to provide a source of-replacements training. The general structure of the company must maintain itself independent of the particular people who hold positions in that structure."

## ▶▶ Changing the Organisational Structure

Louis Allen[40] has enumerated the following set of seven steps in effecting the change in the organisation structure:

1. Develop objectives and other plans,
2. Analyse the existing organisation,
3. Prepare an ideal plan,
4. Tryout the plan,
5. Prepare phase plans,
6. Establish uniform nomenclature,
7. Overcome resistance of change.

## ▶▶ Develop Objectives and Other Plans

Organisation structure is not a static but a dynamic concept. It has to change itself, as pointed out earlier, according to the changes occurring in the objectives, policies, programmes and procedures. With the change in the objectives and policies if the corresponding change in the organisation structure is not effected, the efficiency of the organisation cannot be sustained beyond a certain limit. Let me give the example of a steel company which effected a little change in the company's objective which required a change in the existing organisation structure.

The overall objectives of the company were defined as follows:[41] "First to promote reasonable and improving corporate earnings, through productive efforts applied primarily but not limited to the manufacture of steel plates, steel plate specialities, fabricated parts and partially or fully assembled units.

"Second to conduct the business in a manner that it earns recognition as constructive and honourable corporate citizen in its relation designed to be mutually profitable with stock holders, employees, customers, suppliers, community and government."

The company effected change in its objectives in other areas of business such as sales and marketing with a view to augmenting its income. The new objectives incorporated by the company were as follows:

1. "To search out and develop satisfactory markets for products and services with special attention to more lucrative and stable markets than are traditional for the steel industry in general and for the company in particular.
2. To sell company products and services at prices which will yield a reasonable and improving return over costs.
3. To assist customers to develop and service their own "markets to the benefit of the company."

The company brought a change in its objects by adding the objectives of marketing by tapping new customers and new markets and assisting customers to service their own markets.

To achieve these objects the company brought about the following changes in its organisation structure because the existing structure was not capable of achieving the additional objects:

1. Establishment of a commercial research unit within the market development organisation. In this unit, an economist and a group of market analysis were appointed.

2. Organisation of a plant visitation unit within the market development division. The object was that the potential customers could see that the production facilities of the company at first hand and also to provide free plant services to the customers who wish to visit the plant.

In the light of the changed objectives the organisation structure has to be changed to accomplish the desired object with efficiency. The change is effected only after an analysis is made of the existing structure. If the existing structure is unable to accomplish the new object as envisaged by the company, only then the new change in the structure may be effected which is explained in the subsequent steps in the process of changing the organisation structure.

### ▸▸ Prepare a Suitable Plan

The preparation of the ideal plan depends on a number of factors: (*i*) What type of structure will be suitable to accomplish the objects set by the administration? (*ii*) What kind of work is supposed to be performed by each component of the organisation? A plan prepared after taking the above considerations into account may not be called an "ideal plan" as characterised by Allen. Anything ideal is generally impracticable. What is considered ideal will cease to be so if slight change takes place in the organisation. It will therefore be appropriate to call it a suitable plan rather than an ideal plan. Generally speaking, the suitable plan may be called a flexible pragmatic plan which is capable of incorporating any change at any time with regard to flow of authority or responsibility, the pattern of relationship and the quantum of authority and responsibility in the wake of induction or even the replacement of persons operating at different positions.

Such an organisational plan will be helpful in laying down the guidelines for developing policies and philosophies which are needed to develop the long-term or even the short-term plans for a business establishment. It will also be helpful in reorganising the organisational pattern either in regard to various components or the creation or reorganisation of subordinate departments.

Designing of a suitable plan is not free from many problems. Since the suitable plan is the synonymous of long-range organisational plan, it is expected to encounter many hazards due to uncertainty of future which is the genesis of long-range planning. For instance, an automobile factory prepared a long-range plan to increase its manufacturing capacity from half a million to 2.5 million vehicles in five years keeping in view the growing heavy demand for automobiles, the rising rate of economic growth and growing agricultural and industrial potentiality. The company had already made provisions for expansion but the entire programme of expansion was vitiated as a result of successive setback in agricultural and industrial production.

A suitable and successful organisation plan is that which takes into account the future course of events and also has the built-in capacity to readjust itself without jeopardising the basic object proposed to be achieved. While preparing a suitable organisation plan it will be appropriate to ignore the existing personalities in the organisation. The master organisation plan may be prepared on the basis of normal individuals who are not status conscious or position-minded. Though this is a difficult proposition, yet it will be appropriate

to prepare an organisational chart in which the authority and responsibility of each is well defined to avoid any duplication or overlapping.

### ▶▶ Try Out the Plan

Once an organisation plan has been prepared, it will be relevant to tryout the plan, When the plan is actually executed, it will bring to light the operational difficulties either in terms of the quantum of authority and responsibility or the pattern of relationship or the change in the framework of organisational structure. For example, there may be a change from functional to product or geographical division patterns.

All these problems should be identified specifically and action taken in a phased manner because a complete transformation of organisational structure will ultimately crumble down the entire edifice of organisational structure.

### ▶▶ Prepare Phase Plans

To identify the problems, a survey should be undertaken on the basis of on-the-spot study. This survey apart from highlighting the directions of change will also identify the "potential pitfalls".

The future plans should take both these factors into consideration so that the gap between the existing and the proposed plan may be bridged to the minimum. The overall change which is the ultimate object can be effected in a phased manner as already pointed out. The phase plans may be called the intermediate plans which may be prepared after taking into account the personality factor and such other factors as the application of machines for doing the work hitherto performed by human ingenuity, etc. Phase plans may necessitate temporary deviation from the master plan to accommodate persons with proven skill. They will not be prepared to work either in the subordinate position or with less independence in decision making. It is just possible that special positions may be created to accommodate such persons. Sometimes, these positions are created to attract persons of higher expertise or sometimes to accommodate the local pulls and pressures. For instance, in Jammu University there is a special post of Senior Assistant Librarian which does not fit in the Library structure.

### ▶▶ Establish Uniform Nomenclature

To make the organisation viable and smooth in operation there should not be any dichotomy in the nomenclature of the positions held by the persons. This dichotomy creates tension, bickerings and ill-wills among the persons. Sometimes a different designation of the same position may put the person in a false impression that he is superior or inferior to his counterpart. For instance, after the revision of grade of pay of university teachers by the University Grants Commission, there is no position like the Senior Professor. In spite of this fact, some professors continue to style themselves as Senior Professors. If this philosophy of Senior Professorship is accepted then others will automatically become the junior professors which has never been the intention of the University Grants Commission. Similarly, if a company adopts three designations of "supervisors", "managers" or even "directors" in the personnel department in different units it will prove to be highly anomalous. Probably "director" will consider himself superior to manager in as much the same manner

as manager may think himself higher than the supervisor. This anomaly should be rectified as speedily as possible. Otherwise it is likely to cause friction among persons of the similar rank on the one hand and between the position holders and management on the other. The persons claiming higher status may demand higher salaries, perks and other service facilities as compared to the counterpart considered to be lower in status.

## ▶▶ Overcome Resistance to Change

Once the organisation has been designed and implemented it should not be changed easily on the whims and sentiments of a few persons unless it is fundamentally or even organisationally needed to accomplish the desired objectives of the enterprise. Change disrupts the functioning of the set-up, and creates new situations for persons in positions. In spite of these facts, if the change becomes inevitable it has got to be effected. But in this process the persons already well-placed and attuned to the set routine of work will resist such change. This resistance to change may be overcome by taking the following steps:

(*i*) participation in planning for organisational changes,

(*ii*) communication,

(*iii*) education to people regarding proposed organisational changes.

Participation of people in planning for organisational changes will satisfy their ego that they are the party to this change process. In spite of being elbowed out to the position of not their exclusive choice, they cannot oppose the decision because they are the party to such decision.

Sometimes the employees think that the new change will be to their detriment. This apprehension may be set aside by face to face communication between the representatives of labour and management. The management should remove all apprehensions of the labour and convince them that the proposed changes have been necessitated by the growing needs of the organisational structure. It may not mar the interests of workers in any way. Whatever queries are put by the representatives of the workers they should be pointedly answered to the satisfaction of the working community. At times, the company decides to inform public regarding new changes because more often public side with the opponents to the philosophy of change. Hence the company informs public through press release or through formal or informal talks regarding the need for effecting the change. Once the public also feel convinced regarding the desirability of change in the larger interest of the company there will be lesser resistance to change from different quarters. The creditors and stockholders should also be taken into confidence regarding the proposed change in the organisational set-up.

Before effecting change it may be appropriate that the concerned persons should be educated properly regarding pattern of new relationship and new skills. They should also be helped to change attitudes which are necessary for executing the tasks in the new set-up. They should also be passed on the requisite information regarding their role position in the new set-up. The programme of education may be carried through organising regular training classes, meetings and conferences where there is free interaction between the members and the planners of organisational change.

In short, "people can be conditioned and reconciled to change by ensuring maximum participation on the part of those who will be affected, providing for communication of as much information about the changes as soon as possible, and by providing for the education of people to understanding and acceptance of their new roles and mastery of the work assigned to them."[42]

## ▶▶ Tools and Techniques of Organisation

The superior-subordinate relationship in the form of authority and responsibility emanating from the element of division of work is the genesis of organisation, The relationship may be carried out and implemented with the help of tools and techniques of organisation.

The tools and techniques of organisation[43] may be classified under the following heads:

   (*i*)  Records,
  (*ii*)  Reports.
 (*iii*)  Organisation Charts,
  (*iv*)  Organisation Manual, and
   (*v*)  Policy Statements.

## ▶▶ Records

The designing of an organisational plan depends on the information pertaining to the operation of different departments and divisions in the similar organisations, the requirements of the government for the supply of different information, the availability of personnel with their academic and professional expertise, the pattern of consumers' preferences regarding the products to be marketed, the information relating to market spread, the engineering details of the plant and machinery, etc. Unless the information relating to these areas has been carefully collected and meticulously presented in the form of a report (to be discussed under the next head) it will be difficult to design an effective organisational framework,

If a particular organisation is already in operation, then its reorganisation will depend on the organisation of each division or department. The pattern of flow of authority and responsibility, the quantum of authority commensurate to the responsibility for each position, the difficulties experienced in harmonising and implementing the pattern of relationship between superior and subordinates, etc. If the reorganisation is necessitated as a result of induction of new set of persons it will be appropriate to collect information from their terms of contract and their verbal explanation regarding the span and quantum of authority needed by them to function effectively to achieve the required object.

Records become an indispensable tool of an organisation to lay the needed foundation to raise an effective organisational structure.

## ▶▶ Reports

The information collected on a specific problem has to be sifted, tabulated and analysed before it can be presented in a written form with conclusions and suggestions. When the entire information pertaining to a specific problem is presented in a written form in a

systematic manner as detailed above, it becomes a report. Reports can be made orally also to avoid wastage of time and energy on certain issues where detailed investigation and their write-up in the proper form are not needed. Reports in both form art required by the executive to design or redesign the organisational set-up. These reports will be helpful in focussing the weaknesses and shortcomings in the existing or the proposed set-up, If the enterprise wants to be up to date in its organisational plan, it will be required to make periodic audit or surveys of the organisational structure and its findings together with the problems encountered in implementing the organisational plan will be presented for consideration in the form of a report.

Reports may be required monthly, quarterly, bi-annually and even annually depending on the needs for effecting change in the organisational system. If the reports go unattended, the reporter will take a casual attitude with regard to the preparation of report because he knows that it is simply a formality which he is performing. On the contrary, if the subordinates or the reporters feel convinced that their reports are taken seriously and that they are used in effecting needed change in the organisational structure, they will be much more careful in collecting information and preparing the reports for submission to their superiors,

Reports and records form part of the communication system. They may be instrumental either in initiating any action and resisting every undesirable change or organisational system. The communication value of these records and reports will, however, be discussed in the chapter on communication.

## ▸▸ Organisation Charts

An organisation chart is a type of record which shows the formal relationship among different positions in the organisational structure which is intended to be achieved by the executive. It shows clearly in the five levels of authority ranging from the top management to the operating force. It automatically depicts the flow of authority, responsibility and accountability together with the levels of communication. It may also depict the line and staff relationship as also the functional relationship depending, of course, on the type of organisation as discussed in the chapter on types of organisation.

Chart may be of three types: (*i*) Traditional charts, (*ii*) Left to right charts and (*iii*) Concentric or Circular charts.

Traditional charts show the position of each level with the flow of authority downward and flow of responsibility upward. It may show the line relationship, line and staff relationship, functional relationship and even committee relationship. (For details refer to chapter on Types of Organisation.) For example, the formal line authority and responsibility may be shown as follows:

```
Flow of                    General Manager                          ↑
Authority                         ↓
                         Production Manager
                                  ↓
                          Superintendents
                                  ↓
                              Foremen
                                  ↓
                              Workmen

  ↓                                                          Flow of
                                                          Responsibility
```
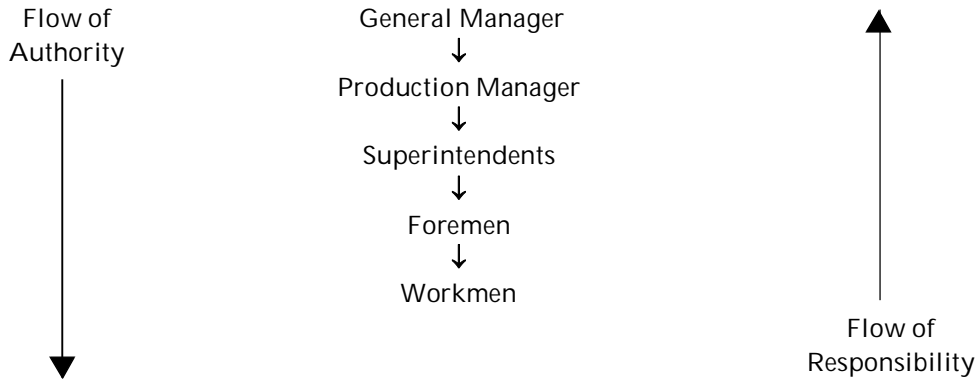
A left-to-right chart shows the positions of authority from left to right. Starting with the top echelon from left, the successive subordinate echelons continue to extend towards right.

The horizontal left-to-right chart may either be based on the box technique or the caption technique to show the levels of authority,

Organisation charts have many advantages: (*i*) the organisational relationship becomes crystal clear in one glance; (*ii*) they are source of information to outsiders who are interested in getting information about the organisational structure; (*iii*) they are useful in providing training or orientation courses to new and existing personnel; (*iv*) they are instrumental in starting the work of organisational planning and also evaluating the plus and minus points of the existing framework.

### HORIZONTAL CHART UTILISING BOX TECHNIQUE

```
                    ┌──────────┐        ┌──────────┐    ┌────────────┐
                    │ FINANCE  │     ┌──│ FINANCE  │ ┌──│ PRODUCTION │
                    └────┬─────┘     │  └──────────┘ │  └────────────┘
┌──────────┐ ┌──────────┐│  ┌──────────┐             │
│ BOARD OF │ │ GENERAL  ││  │FERTILIZER│─────────────│
│DIRECTORS │─│ MANAGER  │───│ DIVISION │             │
└──────────┘ └──────────┘│  └────┬─────┘             │
                    ┌────┴─────┐ │  ┌──────────┐     │  ┌────────────┐
                    │PERSONNEL │ └──│PERSONNEL │     └──│ MARKETING  │
                    └──────────┘    └──────────┘        └────────────┘
                         │
                    ┌──────────┐    ┌──────────┐        ┌────────────┐
                    │  CLOTH   │ ┌──│ FINANCE  │     ┌──│ PRODUCTION │
                    │ DIVISION │─│  └──────────┘     │  └────────────┘
                    └──────────┘ │                   │
                                 │  ┌──────────┐     │  ┌────────────┐
                                 └──│PERSONNEL │     └──│ MARKETING  │
                                    └──────────┘        └────────────┘
```
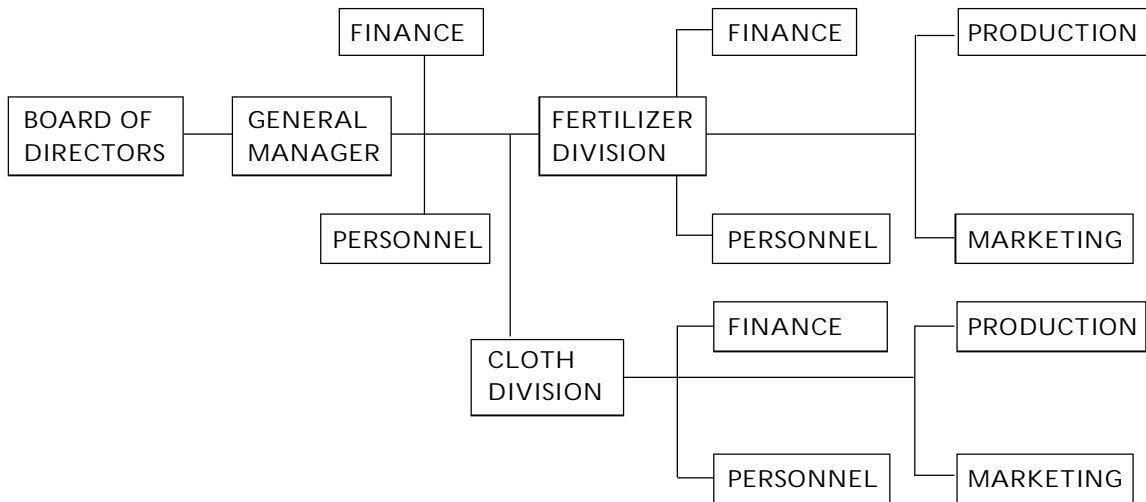
**Fig. 1**

**HORIZONTAL CHART UTILISING THE LINES AND CAPTION TECHNIQUE**
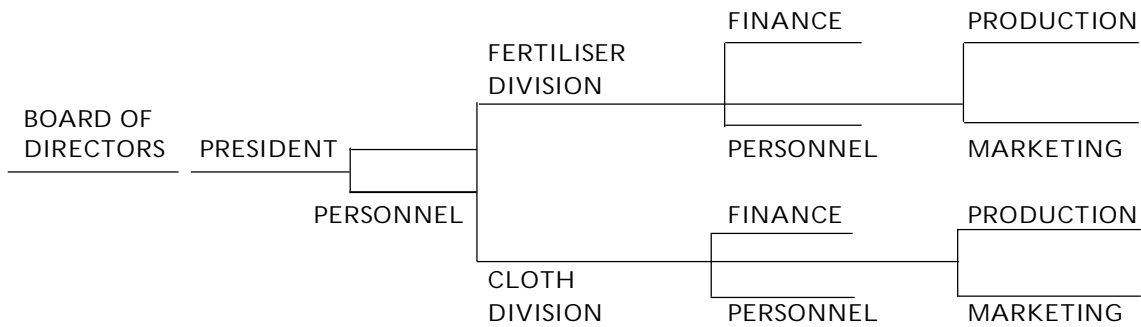


**Fig. 2.**

**CONCENTRIC ORGANISATION CHART**
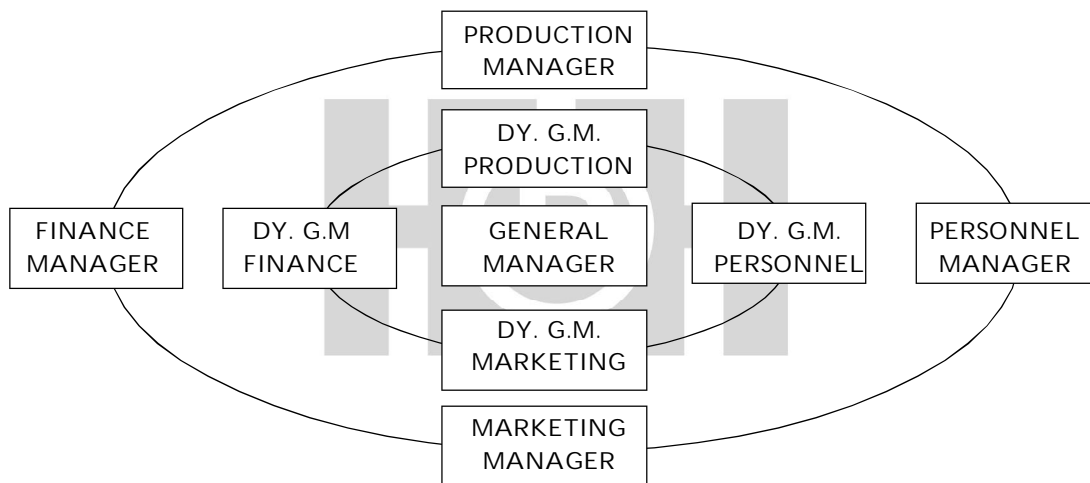


**Fig. 3**

They possess the following disadvantages: (*i*) A particular chart holds good till any change is effected; (*ii*) human relationship cannot be drawn precisely on paper; it is more than this which cannot be drawn; (*iii*) charts often cause friction among the superior and subordinates; (*iv*) they enforce rigidity in relationship; (*v*) they encourage the technique "pass the buck"; (*vi*) they provide little information about the real or informal relationship which is far more powerful than the formal relationship: (*vii*) "the costs of preparing, disseminating, storing and studying charts may be higher than their benefits are worth".

## ▸ Organisational Manual

Organisational charts merely put down the broader pattern or relationship in terms of positions held by persons at different level. They do not indicate the rationale of such division, complete titles and their scope of work, job descriptions with their salaries and perks, etc. All these details are available in organisational manuals. The manuals further indicate the departure of organisation from the set customs, the reasons and rationale for such departure and the improvement effected by taking such off-the-track steps. Such a

detailed information is needed to have a proper perspective of the organisation which may be helpful in improving or redesigning the structure in accordance with the newer challenges confronting the organisation.

The preparation of the organisational manual starts with a complete job analysis of each position. The material collected in this regard will determine if the jobs are correctly organised to be accomplished by the persons required to do with the available competence in them and the physical inputs made available by the enterprise. The material collected in this regard and the analysis of the jobs done provide the needed material for writing the manual.

Writing of manual is a technical job which may be done by the professionally qualified persons. A few companies engage the services of management consultants to write their organisational manuals.

Before giving the final shape, it is essential to compare planning with performance to judge the efficacy of organisational framework. The organisation designed in the form of relationship between superiors and subordinates in terms of positions held by them has got to be verified by way of the survey of position holders. If the position holders are satisfied with the span of authority and their relationship with subordinates at each level, the results are likely to be in conformity with the intention of executives. If not, it is subject to discussion and amendment. The manual will be written only when the position holder's views conform to the intentions of the executives. The last step in this process is to edit and secure the approval of concerned authority before it is presented in the final shape. There is the need for the proper indexing and cross indexing of manual so that it could be consulted by the concerned persons without loss of time. It is better if the manual is available in the form of loose-leaf notebook so that it could be distributed to the concerned executives easily.

### ▶▶ Policy Statements

Generally speaking, policy statements do not form part of tool or technique of organisation but their impact on organisational structure is indelible. For instance, if the policy of the company is that all personal matters will be solved by the departments concerned, the impact of this policy decision will he that there will be no separate personnel department. Similarly, in another company, if the stated policy is that the staff in the personnel department will be kept stable, the implication will be two-fold: One, in the event of expanding activity, the personnel department will not expand. The existing staff shall have to work hard to cope with the expanding work, Two, in the event of any cutback, the staff of the personnel department will not be reduced. Such policy statements have a definite bearing on the structure of the organisation.

In the end we may summarize this topic of organisation tools and techniques in the following words of Alvin Brown.[44]

"Organisation will be of scant avail unless it is understood and praised by all the members or an enterprise. It will not be understood and practised unless it is set down in plain words for them to read and re-read. A transient communication will not suffice…. The record of organisation must be durable and references thereto encouraged, so that its prescriptions may grow into the consciousness of those whom it is to guide."

## DEPARTMENTALISATION

Organisations performing different set of activities cannot achieve the desired objective with efficiency unless the organisations are structured in small units according to

1. functions
2. products
3. territory
4. customers
5. process

### ▶▶ Departmentalisation by Functions

Activities of the organisation may be segmented according to the functions of (*i*) Production (*ii*) Marketing (*iii*) Personnel (*iv*) Finance. This type of structure is suitable to the organisations dealing in the single product or service. Each of their functions is complementary to each other. It is suitable not only to business organisations but also to service organisations like Hospitals, Educational Institutions etc. Functions may be different to different sets of organisations. Functions stated above may not be relevant to service organisations such as Hospitals, Universities etc.

```
                        ┌─────────────┐
                        │ Top Manager │
                        └──────┬──────┘
        ┌───────────────┬──────┼──────┬───────────────┐
   ┌────────────┐ ┌────────────┐ ┌────────┐ ┌────────────┐
   │ Production │ │ Marketing  │ │ Finance│ │ Personnel  │
   └────────────┘ └────────────┘ └────────┘ └────────────┘
```

**Fig. 4**

A hospital may have such departments as Research, Inpatient, Outpatient etc. Functional organisation leads to employment of specialists to perform each task with efficiency which will ultimately be reflected in overall efficiency of the organisation. Another advantage pertaining to concentration of authority in the top man is that he seeks to remove all chances of conflict arising out of authority wielded by different set or persons, The limitation that specialists concentrate and concern themselves with narrower objects in their respective areas of specialisation rather than taking the holistic view or the organisation. The other problem relates to coordination among different functional areas of the organisation. It becomes difficult in the wake of each of the different functions managed by a specialist having his perception and independence in functioning.

### ▶▶ Departmentalisation by Products

When any company shifts from the manufacture of a single product or service to multiple products, it is necessary to ascertain separately the operating efficiency of each product. In addition, the technology, requirement or professionally and technically qualified personnel and the material used in different products are different from each other, there is the need for an independent separate organisational structure according to product.

Each product will have its own (*i*) Marketing (*ii*) Production (*iii*) Personnel and (*iv*) Finance department.

```
                            ┌─────────────┐
                            │  President  │
                            └──────┬──────┘
          ┌────────────────────────┼────────────────────────┐
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  │    Cloth      │       │   Chemicals     │       │   Electronics   │
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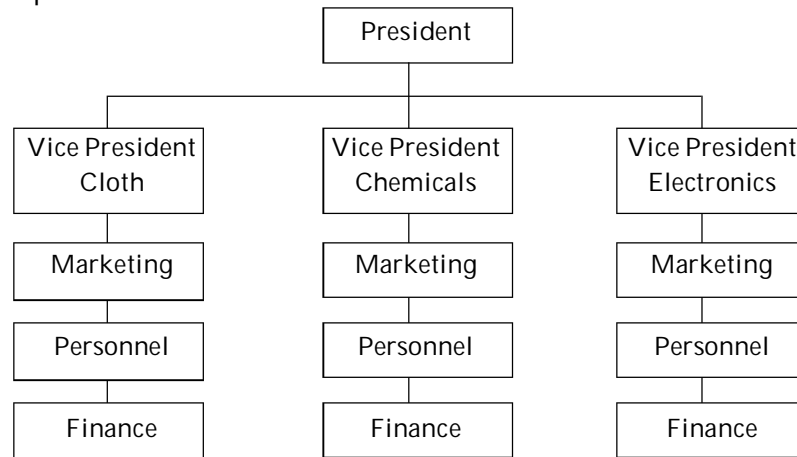
**Fig. 5**

Fig (*ii* ) shows that product differentiation may be made either on the basis of (*i*) a single product or (*ii*) a line of products. Under electronics product line, a number of products in that line may be incorporated such as T.V. Black/White or Colour, Calculator, Computer etc. Product type of organisation provides considerable autonomy to each department. It gives a chance to show its performance as an independent profit centre. Such an arrangement may be motivating to the personnel working in different departments because the efforts made by them are reflected in terms of the profits generated by them. Conversely, in the event of poor performance, it provides them opportunity of having self-introspection to identify the areas of had performance requiring additional effort to he made to improve the performance. This will be advantageous to both the respective departments as well as the organisation. It will also provide opportunity of inter-product comparison which may more often lead to improving the performance of many product departments.

Product organisations may be available both in public sector and private sector. In the private sector DCM, Hindustan Levers or Richardsons Hindustan have adopted product types of organisations to improve the efficiency of difficult product lines.

Other advantage of using a product based organisation structure is that it helps to make optimal use of specialised machinery, processes and other infrastructural facilities and specialised manpower to the advantage of all concerned.

### ▶▶  Departmentalisation by Territory

When activities of the organisation are grouped on the basis of territory, it is known as *Departmentation by Territory or Geographical Departmentation.* Under geographical departmentation, the activities of a particular area are grouped and assigned to a manager.

Territorial departmentation is suitable to large-scale enterprises where activities are physically and geographically widespread. These forms have similar operations at different geographical regions like Indian Oil Corporation or Hindustan Petroleum who have the

net work of outlets in the form of petrol pumps or the LPG liquid petroleum gas which are spread in every nook and corner of the country. Other such examples may be of automobile assembly chain retailing and wholesaling.
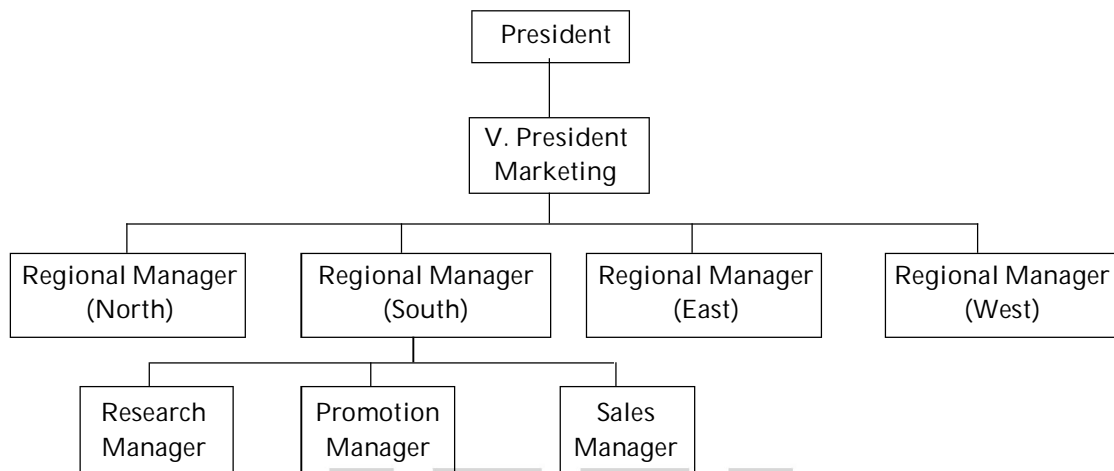


**Fig. 6**

Departmentation by territory places responsibility upto the lower level for boosting up sales. For this purpose, the workforce operating at the lower level is expected to know the problems of the local markets so that suitable measures could be taken to remove them. Once these problems are removed, it will lead to increasing sales of the products is and face to face interaction with local people. Management will come to know the expectations of the local people, They will also acquaint themselves with the expected role of their marketing staff so that a proper training anti development module could be designed to make them accessible better to the common man in the local market. The marketing man will now be able to mould the local population towards their goods by convincing them much better.

One of the major limitations of this type of organisation is that It requires a number of persons having managerial abilities to take decisions in different territorial regions. It may also make top management's control a little difficult.

#### ▸▸ Departmentation by Customers

Departmentation by customer implies grouping together of activities according to the customer is known as *Departmentation by customer*. This customer may be (*i*) Wholesalers (*ii*) Retailers and (*iii*) Mail Order Shoppers. Each officer has to look after the activities of his customers.

Likewise, in a banking organisation there may be different types of customers. They may be (*i*) Saving Bank customers (*ii*) Agricultural Banking (*iii*) Industrial Banking (*iv*) Exim Banking.

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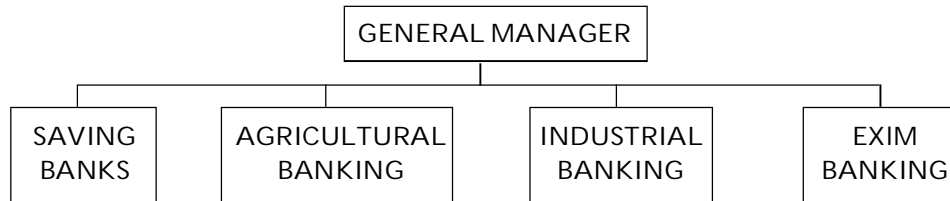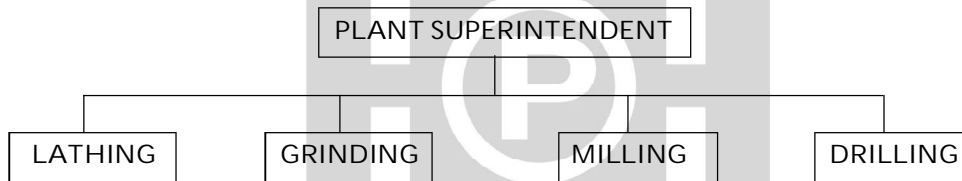
**Fig. 7: Departmentation by Customers in a Banking Organisation**

Departmentation by customers seeks to concentrate on the needs of the customers which may provide better understanding between the customers and the organisation.

The main problem however lies with the difficulty of meeting competing demands of the customers. It requires specialised training and expertise on the part of managers and staff to understand and tackle the problems of customers. In addition, sometimes, the customers' groups are not clearly defined.

▶▶ **Departmentation by Process**

Departmentation may be made according to the processes involved the manufacture of goods or services. For instance a workshop may involve the following process:

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│  LATHING  │  │ GRINDING  │  │  MILLING  │  │ DRILLING  │
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**Fig. 8**

Likewise even in service organisations, many processes are involved. For instance to get the passport, following processes are involved:

1. Receipt of application
2. Scrutiny of application
3. Police verification
4. Issue of passport

Some processes are fixed like the issue of passport but in the above examples of workshop, the sequence of the process is not fixed. It changes with the nature of the product.

▶▶ **Modern Organisation Designs**

Under modern organisation designs we may discuss some of the important types of organisation structures:

1. Project Designs
2. Mintzberg's Five Designs Configurations
3. Matrix structure

▸▸  **Project Designs**

Project design is more relevant to those organisations which require a great deal of planning, research and coordination. Likewise in some of the industries using highly sophisticated machinery such as aerospace and other industrial and financial institutions using advanced technology will require project designs.

Every project has its own components which are managed by the project manager. Each component of the project such as quality control, research and development, manufacturing, engineering and purchasing has to be managed and, the executives under the overall charge of the project manager. All project managers are managed, supervised, directed and controlled by the general manager.
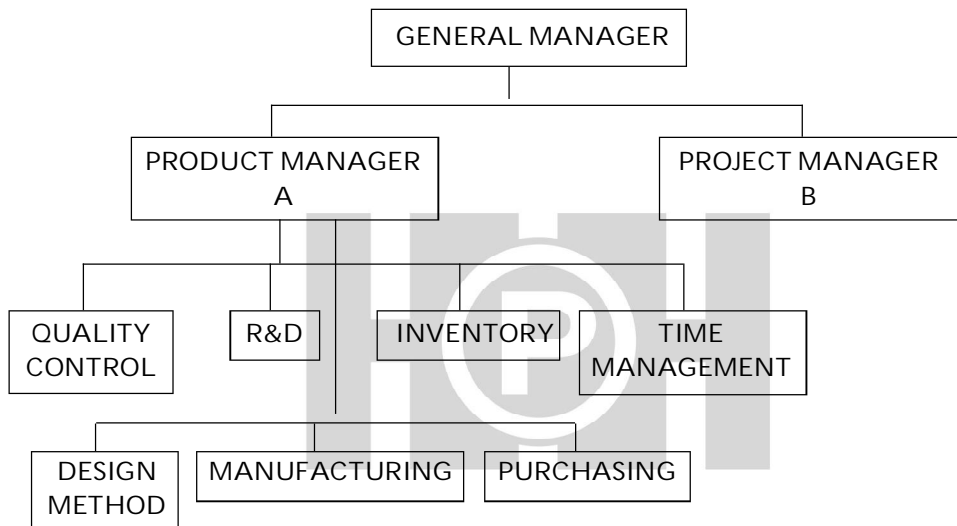


**Fig. 9**

(*Adapted from Fred Luthans Organisational Behaviour*)

The organisational structure based on a project may be designed in a number of ways. Designing of departments, relationship among departments and the pattern of authority relationship will depend on the nature of project. The organisational structure shown in Fig. 9 is not different from the traditional organisational structure based on product or unit type of departmentation. Inspite of the fact, project organisations have different areas of emphasis:

1. Emphasis should be laid more on the management of human and non human resources.

2. Conflict is the part of life where projects are managed across vertical lines.

3. Project Management, is the dynamic activity in which major changes have to be incorporated to make the organisation result-oriented.[45]

What is true of non-human resources is also true of human resources, Project view point is different from the industrial view point.

## ▶▶ Mintzberg's Five Design Configuration

Henry Mintzberg[46] developed a new organisation structure having five basic components. These components have a lasting impact on employee behaviour.[47] These five components are as follows:

1. *The Operating Core:* It is consisting of employees who perform the "basic work" to produce products or services in the organisation.

2. *The Strategic Apex:* Like any organisation it is comprising the top level managers who are expected to shoulder overall responsibility of the organisation.

3. *The Middle Line:* They are the managers who connect the operating core with the strategic apex.

4. *The Technostructure:* It is comprising of analysts who are expected to introduce certain forms of standardisation in the organisation to make it formal with the greater amount of objectivity and acceptability on the basis of qualifiable value judgement.

5. *The Support Staff:* These are the people who are found in every unit to provide the needed indirect support for every decision and to realise the tangible organisational goals in the form of products and services.

Though all the five components form a configuration and in a way interconnected with each other; but each part is capable of enforcing control. Depending on which part is in control a set of configuration will start in motion. According to Mintzberg, if the control is with operating core, it will lead to decentralization in decision making. This creates a professional bureaucracy according to him; conversely if the control rests with the usual strategic apex, it amounts to centralisation in decision making. If the middle management is in control, it leads to the operation of the autonomous units in a divisional structure. Likewise, if the analysts of technostructure are in command equal control will be through standardisation and the resultant structure will be a machine bureaucracy. Lastly, if the control is exercised in the support staff, it will lead to controlling through adhocracy.

Each of the five designs has its own strengths and weaknesses. Each will have definite impact on an individual employee.

## ▶▶ Matrix Structure

A matrix structure is combination of the project structure with the functional structure. In other words, a matrix organisation may be stated to be a project organisation plus a functional organisation. In the organisation, there are functional heads who have the line authority; they also possess the respective proficiency in their respective areas of operations. Then there are project specialists; functional and project specialists join hands and work as team to execute the project with efficiency. Project specialists have the project manager. There are different degrees in the stage in matrix organisation. The first stage in the matrix is the temporary work force employed to complete a particular project or task. Later on when it becomes permanent as in case of certain products which are produced on permanent basis, it is followed by the creation of teams or committees to look after specific problem or specific need of the project/product/service. The last stage is the appointment of the project or product manager who is held responsible for coordinating the work or catering
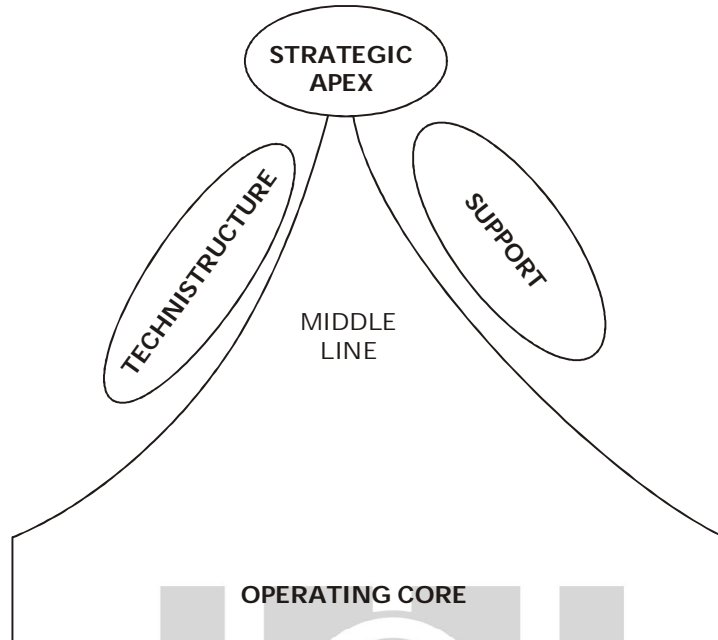
**Fig. 10: Mintzberg's Five Design Configuration**

to the inputs needed by the committee or team.[48] In addition to the project manager there may be the matrix manager also who is expected to execute the coordination work between the functional heads and different project managers. He is assigned a highly delicate task; he possesses no line authority and his authority is ambiguous. Hence he is expected to possess skills negotiations and tolerance for dissent.[49] Matrix design is becoming more popular with the multinational corporations as it is considered to be more responsive to the strategic personnel and such corporations.[50]

Matrix design operates under a few limitations. One of them is that it has divorced the basic principle of the organisation unity of command. It operates under dual authority. The project manager receives command from the matrix manager and a different functional manager; like wise the specialist gets command from a different sources. Fig. 11 shows that the project manager processes only functional authority in relation to different functions. This authority is received by the functional head at the centre, *i.e.,* Head Office.
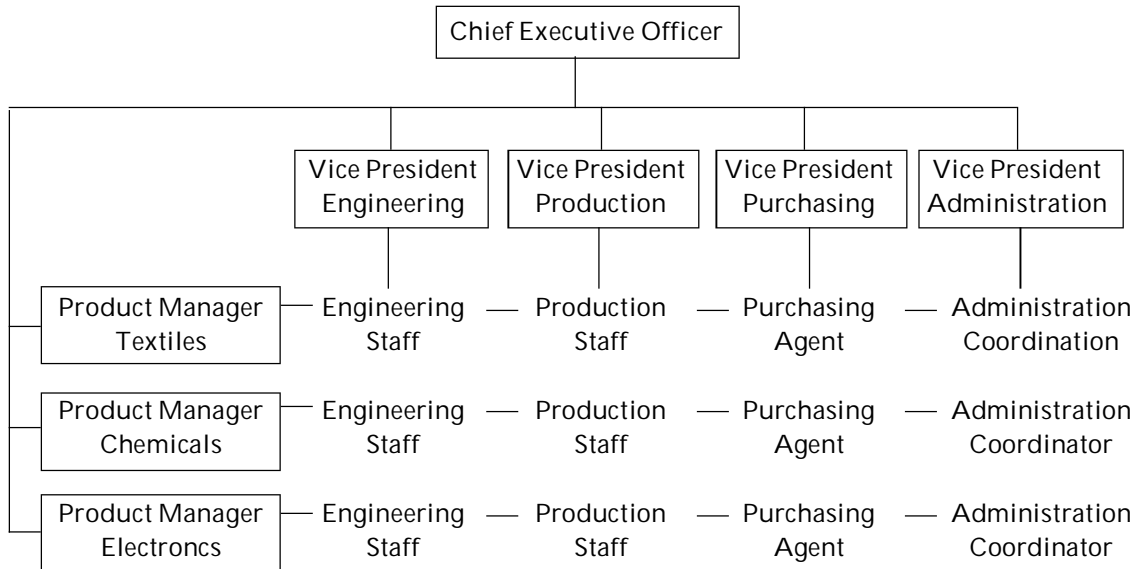
**Fig. 11: Matrix Organisational Structure**

Fig. 11 shows that the firm is dealing in the products *viz.,* (1) Textiles (2) Chemicals and (3) Electronics. Each of these products is headed by the product manager. Hence the figure shows (1) Product Manager Textiles (2) Product Manager Chemicals and (3) Product Manager Electronics.

The organisation is headed by the Chief Executive Officer, he may be designated as President or the Managing Director. At the Head Office level there are four departments viz., (1) Engineering (2) Production (3) Purchasing and (2) Administration. Each of these department is headed by a Vice President as indicated in the figure under reference.

In matrix organisations, the line-staff relationship which is considered to be existing in a typical line-staff organisation does not exit. It is existing differently; the manner in which line-staff conflict is resolved has no applicability in matrix organisation. Consequently, the matrix organisation is impregnated indelibility with deeper conflict dynamics which makes it non-functional many time. Further, the matrix organisation does not allow informal groups[51] to flourish with the result that there are comparatively less chances for the development of harmony, trust and reciprocity in such organisations.

Many experts feel that the advantages needed in the matrix organisations are non-weighty than the disadvantages. They feel that matrix organisation tends to have high level of performance in dealing with complex, curative and work products. Also because of the amount of interaction among nucleus in matrix structure and the high level of responsibility they possess, matrix organisation usually have greater job satisfaction.[52]

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8. See Note 9.

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    Louis A. Allen, *'Management and Organisation'*, McGraw-Hill, New York, 1958, p. 58.

    "Organisation is the pattern of ways in which large number of people too busy to have face to face contact with all others are engaged in a complexity of tasks, relate themselves to each other in conscious, systematic establishment and accomplishment of mutually agreed purpose", Pfiffner and Sherwood, *'Administrative Organisations'*, Prentice Hall of India, New Delhi, 1960, p. 30.

    "Organisation may be defined as any group of individuals, large or small, that is cooperating under the direction of executive leadership in accomplishment of certain common objectives".

    R.C. Davis, *'The Fundamentals of Top Management'*, 1951, p. 327.

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# DISCUSSION QUESTIONS

1. What do you understand by organisation? Discuss various elements of organisation.

2. Write a detailed note on organisational goals.

3. Organisation as a social function. Discuss.

4. Discuss Henri Fayol's Principles of Organisation.

5. Distinguish between Formal and Informal organisations. Discuss the characteristics of Informal organisation.

6. What do you understand by departmentalisation. Discuss briefly any two types of organisations according to departmentalisation.

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