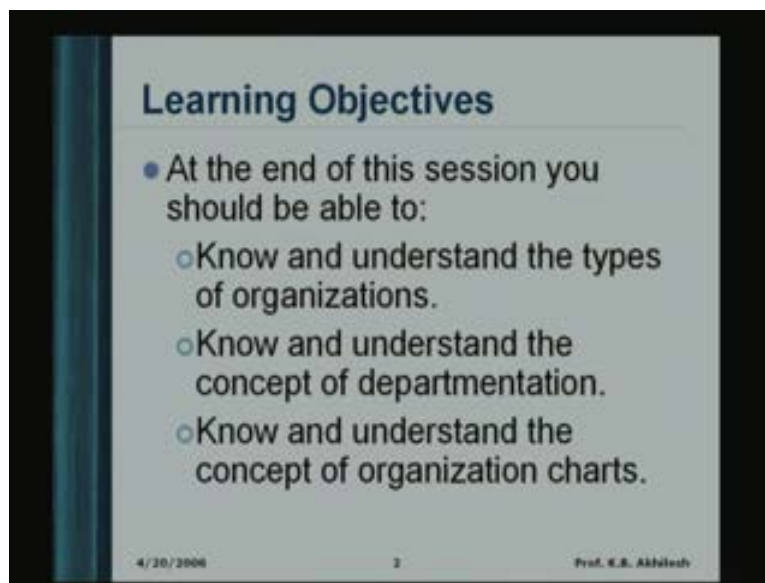


**Concept of Management and Evolution of Management Thought**  
**Prof. K. B. Akhilesh**  
**Department of Management Studies**  
**Indian Institute of Science, Bangalore**

**Lecture - 05**

In my previous lecture, we discussed about different forms of organization and we link organizing as an important function of management. We also covered planning and management by objectives, these are all aiming towards achievement of the organizational goal and managing management meant basically a productive function always concerned with profitability, efficiency and productivity. So today we will look at organizing in more details specifically, at the end of this lecture you should be able to understand the types of organizations know and understand the concept of departmentation also you should understand the concept of organizational charts. We will look into each of these things in detail and see how this has evolved over a period of time.

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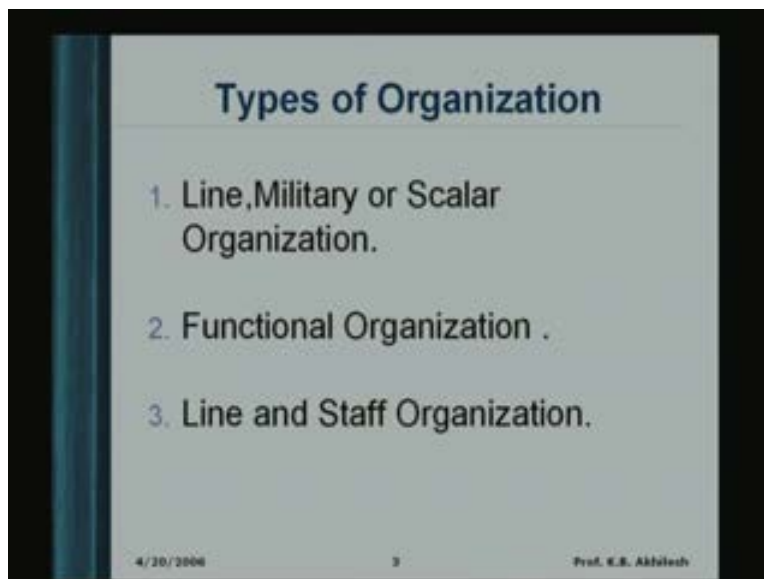
**Learning Objectives**

- At the end of this session you should be able to:
  - Know and understand the types of organizations.
  - Know and understand the concept of departmentation.
  - Know and understand the concept of organization charts.

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We will also critically assess how new forms of organizations are coming to enable the business and how organizing is a critical aspect of any management function. If you see the types of organizations, as we looked at earlier the forms of organization could be entrepreneurial, it could be cooperative, it could be a private limited company, it could be a public limited company, closely held system. So there could be different forms of ownership and there are different forms of distributional wealth when you create an organization but when we see organizing as a specific element, we will also see what could be the different types of organization based on how have you arranged the task how is the reporting relationship between one level and the other and also how we create vertical and horizontal distribution when several people are engaged in achievement of the task.

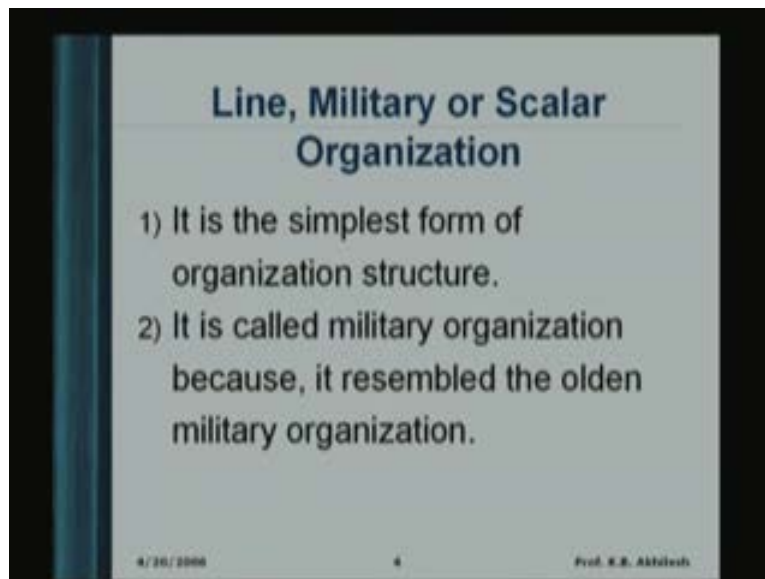
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So when you look at that so you get 3 forms of organization one is line military or scalar organization, another is functional organization and the third is line and staff organization. These 3 forms of organizations have been recognized primarily over the period of time. So it has some historical bearing and also the different institutions which came into existence at different periods of history but all of these are of the history of last

80, 90 years. So initially if you see the line and military or scalar kind of an organization where the simplest of form of a putting people together that means there is the one person reported to the next level and next person reported to the next level.

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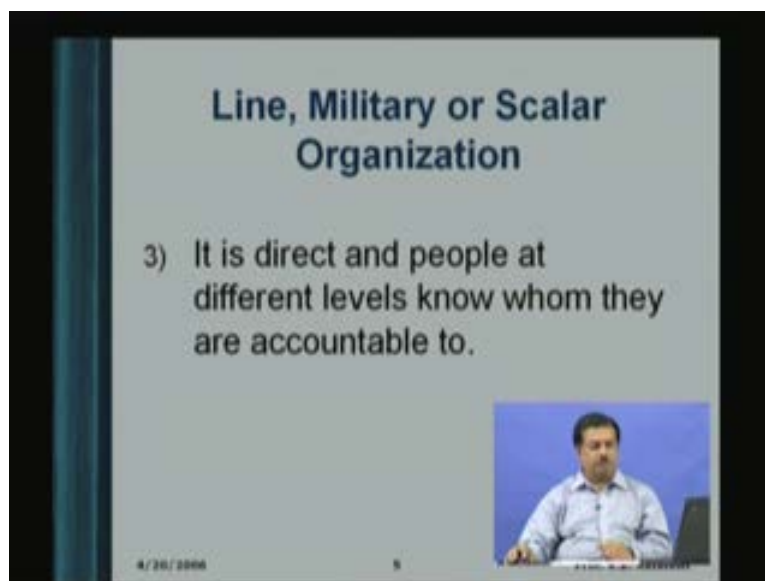


**Line, Military or Scalar Organization**

- 1) It is the simplest form of organization structure.
- 2) It is called military organization because, it resembled the olden military organization.

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**Line, Military or Scalar Organization**

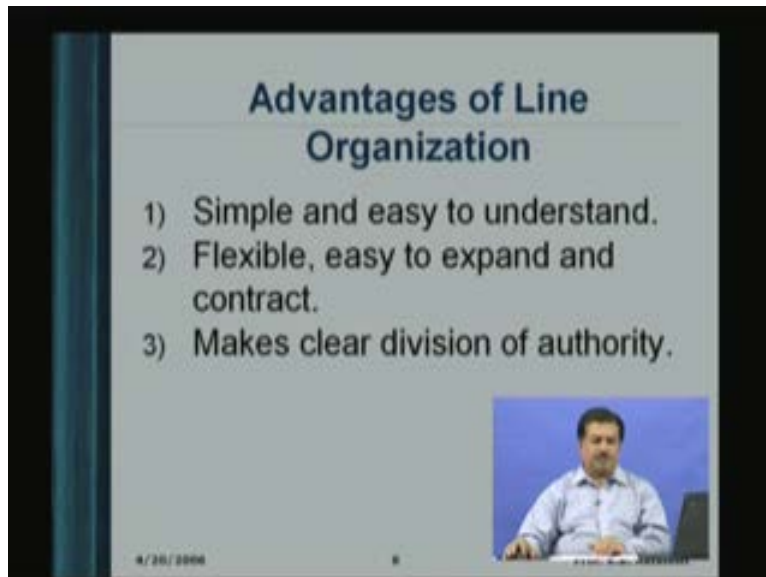
- 3) It is direct and people at different levels know whom they are accountable to.

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So that, so up to the highest level or to the CEO level or at the commanded level or whatever, so that means one person reported to one boss and now the boss had set of people to supervise and it is typically the olden days of military organization.

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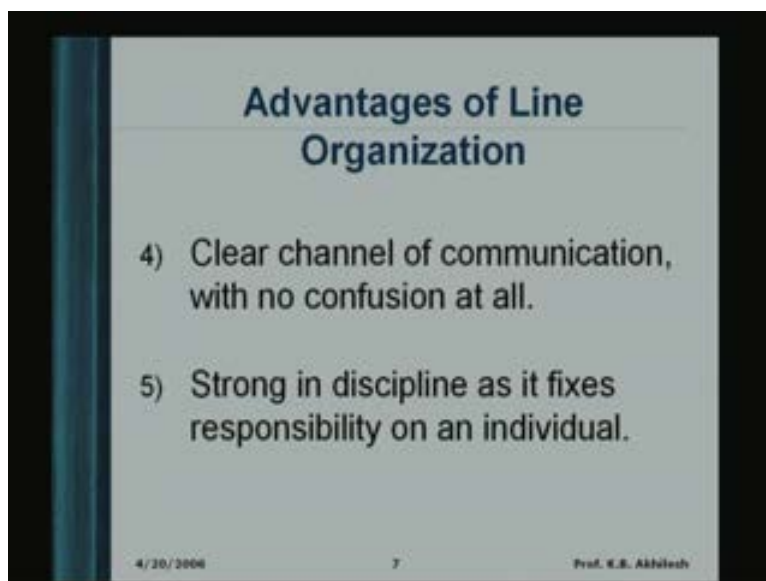
A presentation slide titled "Advantages of Line Organization" with a list of three points. A small video inset shows a man speaking. The slide footer includes the date "4/20/2006" and the number "6".

### Advantages of Line Organization

- 1) Simple and easy to understand.
- 2) Flexible, easy to expand and contract.
- 3) Makes clear division of authority.

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A presentation slide titled "Advantages of Line Organization" with a list of two points. The slide footer includes the date "4/20/2006", the number "7", and the name "Prof. K.S. Abhishek".

### Advantages of Line Organization

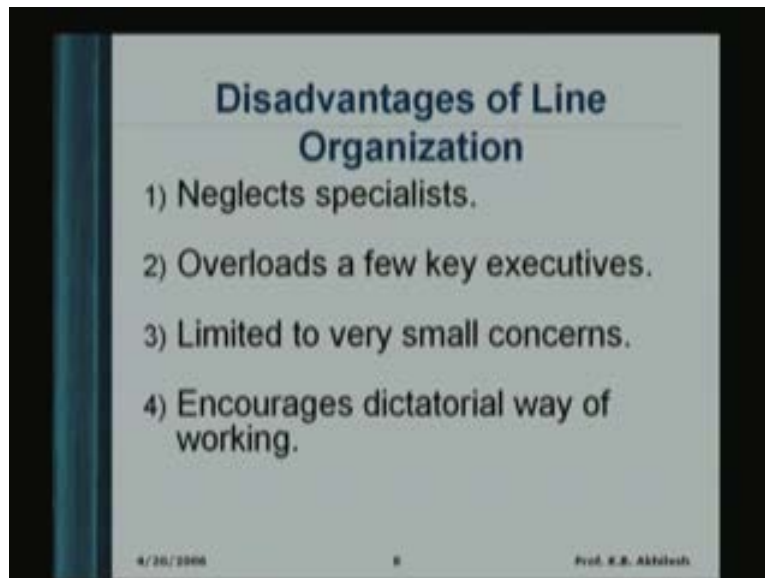
- 4) Clear channel of communication, with no confusion at all.
- 5) Strong in discipline as it fixes responsibility on an individual.

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So, military organization and the line organization has been used synonymously in many texts. So it is direct and people at different levels know whom they are accountable to, so very clearly they know who the boss is? Whom to from? Whom they should get instruction? Whose objectives they are trying to meet? So the bosses objectives and the organizational objectives are not too different and very clearly, they were accountable for so in that kind of a situation there was a great clarity with respect to the boss to whom he is responsible for and the subordinates to whom they are reporting to.

So this form of organization existing today, it is simple, it is easy to understand and you get it is also flexible you can always add few more people and you can create the different lines depending upon the kind of task to be achieved, point is the division of authority is very clear, how many levels, how many layers was very very clear a military kind of an organization. So you see a simple one below the other, so that means you have a senior, manager below I am a manager, below I am an assistant manager and the say supervisor and the worker.

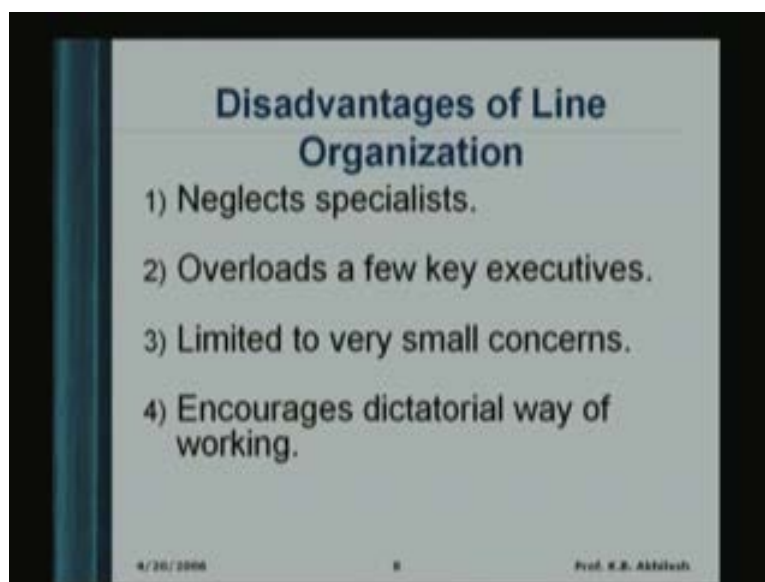
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So you could relate organizational hierarchy from one, one to the other very clear channel of communication and according to many no confusion at all because people knew exactly from whom they are supposed to take the order and what is that they should deliver and whom they should satisfy all these things were defined very clearly in a line kind of a system. So it is strong in discipline as it fixes the responsibility on an individual. So individual cannot say that I got orders from many people or I have to oblige many people or I have to consolidate views of too many people, no such things, very clearly the boss articulated the organizational requirements define what is to be done, how should that be done and then he also made the other person accountable too for whatever he ask for.

So it is in that kind of a situation it is strait forward simple and executable. But the system could work very well when the number of layers in the organization was small that means if it was very great and perfect for a smaller entrepreneurial or what we say, the trader, single owner kind of a system, it was very easy because not too many layers size of the organization was not too big, very small and 3 to 4 layers the system work pretty well.

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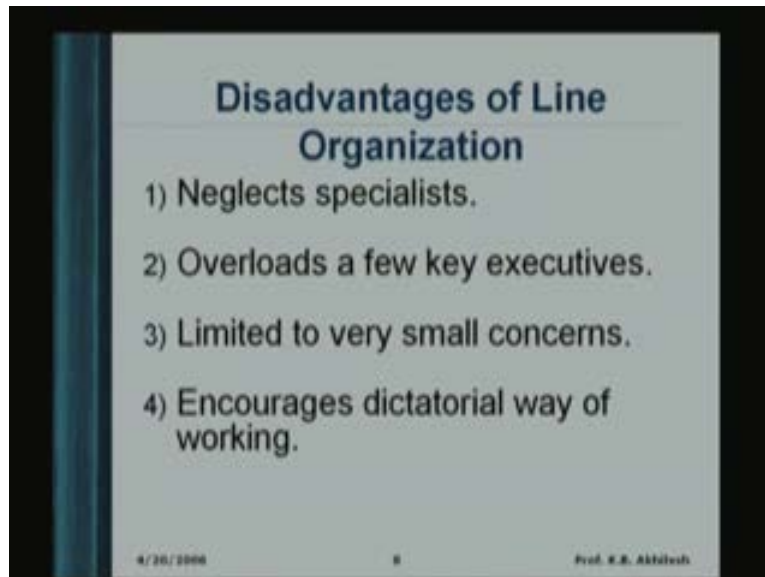


But when you see a complex organization or where there are too many functions and too many layers too many levels in the organization that time people had to go through their bosses. So in other words, if you think of an hierarchy where there is a supervisor there is an assistant manager, there is a manger, a senior manager and a general manager and if 2 colleagues had a problem at the lowest level then one had to report from one level to the other to the 4 levels up and then the instruction has to come down 4 levels down to solve a problem between the two individuals at the fifth or a sixth or the eighth level in the organizational hierarchy. So that was the kind of a problem where the difficulty of communication and the time it is used to take because you have to go up the line and then come back.

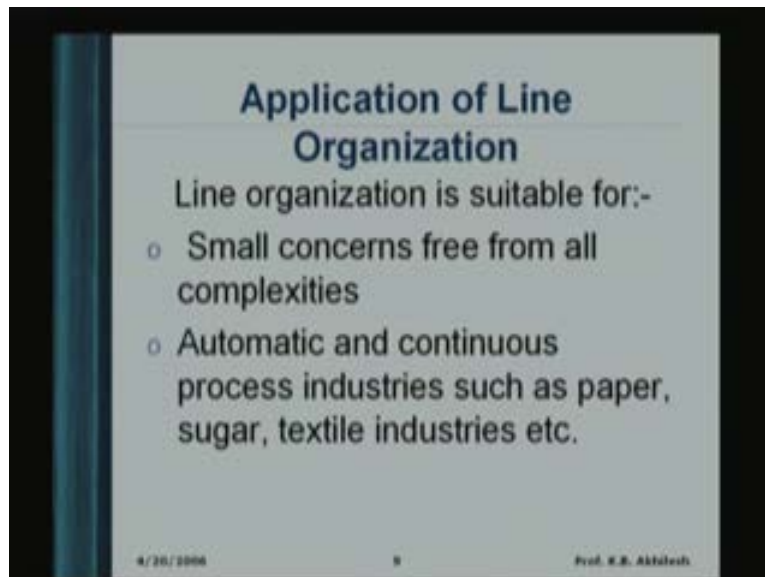
So another thing is that if there are some expert who is thinking that something is not happening like specialist in the area of human resource management or in the area of finance or in the area of accounts or accounting or the tax or the law, any of these things when they have to give the advice then the advice of these people were not taken seriously into consideration because you are basically responsible to your next person and apologizing him, pleasing him, following the orders of the superior became more critical and more important than integrating this specialist view and that is how the line organization did not exploit the views of the specialist and the senior people when they have to have a 3 or 4 subordinates, each subordinate created their own line down below them then what would happen.

So that is several of them will have 4 or 5 next level another, so when you see this hierarchical line organization senior people became really overburdened because too many things, they have to clear at their level particularly, when it is a policy implications overburdening of the executives at the senior level was a kind of a very very common issue and it was fine for a limited to very small concerns and sometimes, it also provided the dictatorial kind of a management because they had the complete control complete, control over the organization and their lower level subordinates and the problems 2, 3, 4 lines down below, it was not reaching the highest level at all.

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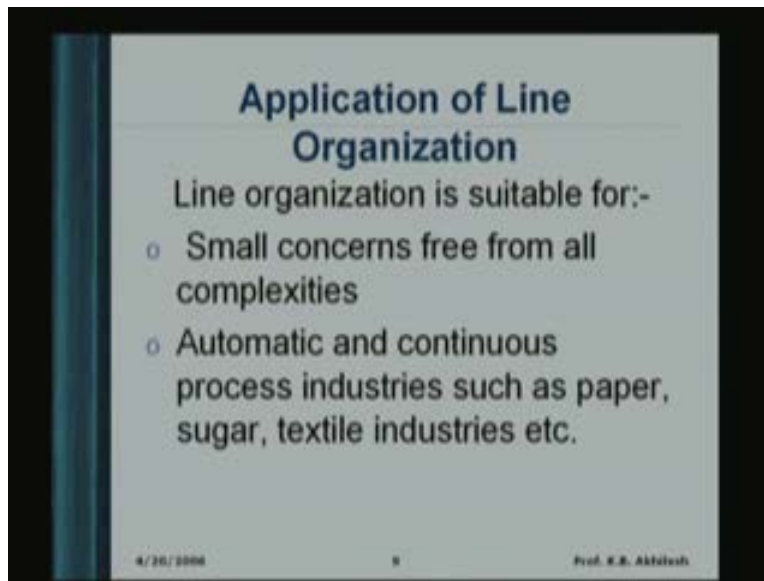


So that means they were not grounded in the realities, so they are pretty away from the realities when the next level subordinates, when they created a vacuum or a barrier to communication that time the bosses thought whatever they are doing as right and they continue to do and one day they had to face set of surprises because they were not



grounded in the reality. So the dictatorial we are working is another disadvantage of line organization which can develop as a dysfunctional consequence over a period of time. So when you see the application of line organization definitely, it is suitable for all concerns particularly small concerns free from complexities.

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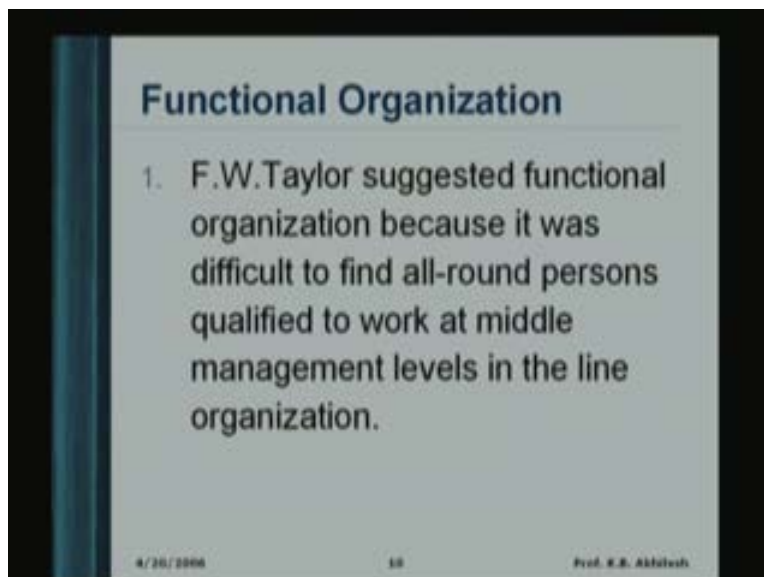
**Application of Line Organization**

Line organization is suitable for:-

- Small concerns free from all complexities
- Automatic and continuous process industries such as paper, sugar, textile industries etc.

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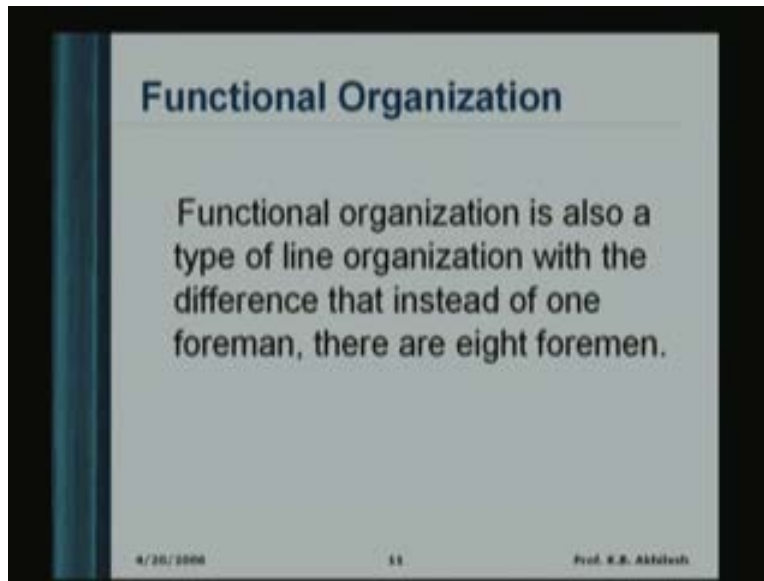
**Functional Organization**

1. F.W.Taylor suggested functional organization because it was difficult to find all-round persons qualified to work at middle management levels in the line organization.

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So if they are not facing a turbulent kind of a situation, they are not seeing demands of the customer changing from one point to the other or they are **develop** delivering standard good and services line organizations was fine because there was no uncertainties, no unpredictabilities, things were standardized, things were routine and the line organization was the best suited form of organization. Automatic and continues process industries such as paper, sugar, textile industries, you name it several industries have this kind of a line organization.

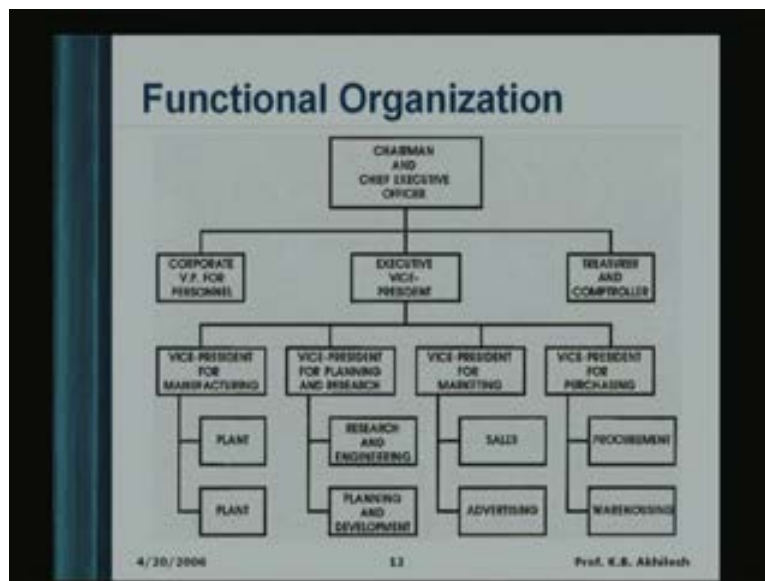
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Basically, because they provided that required reporting relationships provided the clarity how so ever the length, the complexity of the relationship was of the line but they were able to handle several of the organizational decision making situations. But as we are seeing the line organization but people also started seeing an another possibility particularly, FW Taylor suggested another form of organization still known as the functional organization because it was difficult to find all round persons qualified to work at middle management levels in the line organization that means the line person had to be specialist, generalist should know all different functions within the organization. So then they started introducing the aspect of functional organization means different functions

like could be marketing, finance, human resource, manufacturing, operations materials. So, different functions of management were distributed at different levels. Earlier days particularly, the Taylor days the foreman was considered as the critical thing or what we call today, the general managers.

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### Advantages of Functional Organization

1. Since one foreman is responsible for one function, he can perform his duties in a better manner.

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So the organization chart consisted of particularly in a functional organization. So you will find the from chief executive, the area gets distributed and different heads in the area of manufacturing, it could be in the area of planning, it could be in the area of R and D management, it could be marketing, purchasing. So the, so various functions got distributed so typically then a manufacturing organization and the department like operations then personal and administration then, sales and marketing and then, finance and accounts. So these were typically the kind of functionality which has to be there for any organization to be successful.

So the functional organization gave way to very clearly that we were able to appoint somebody who also knows that particular domain knowledge. So this domain knowledge, discipline knowledge enabled and they, there we saw in the functional organization role for specialist. So specialist is they were good at the technology of the organization, the services of the organization but along with that the also brought their own domain understanding domain knowledge.

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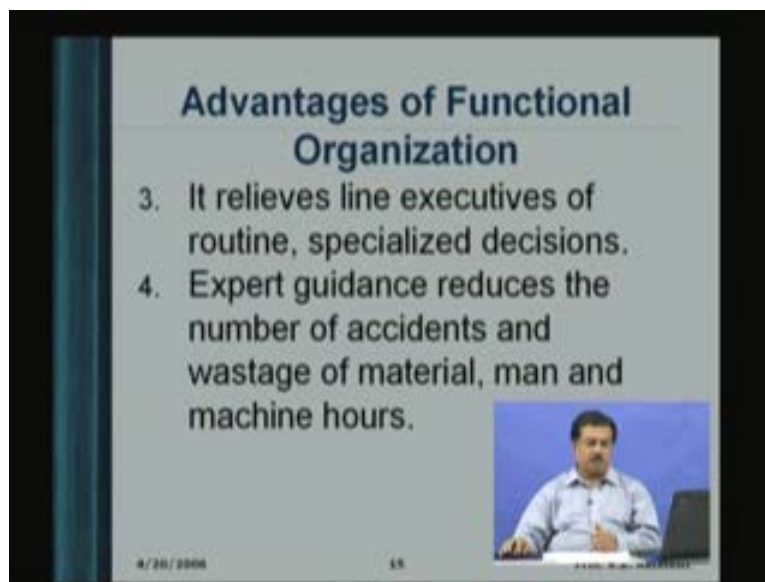
**Advantages of Functional Organization**

2. Functional organization makes use of specialization to give expert advice to workers.

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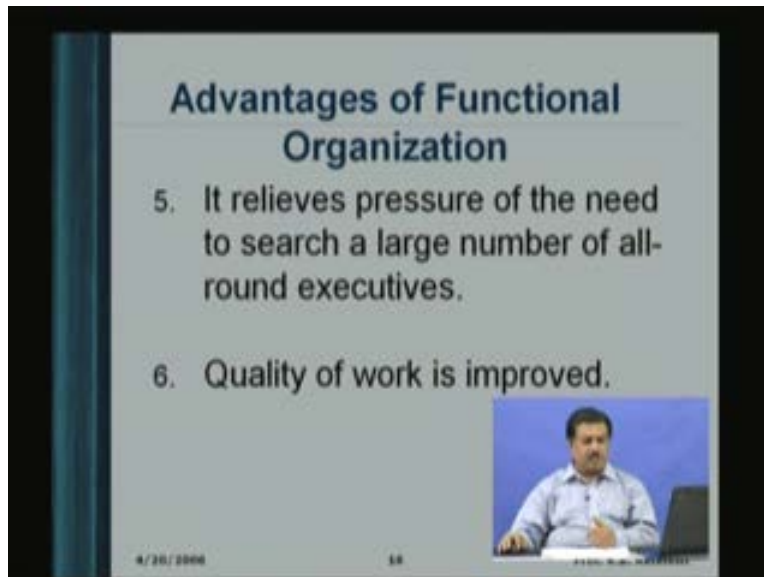
So the expert was able to give advice to the workers for example in those days, industrial engineers were giving advice to the workers how to have more efficient and productive systems or practices at the work place and similarly, at a later point of time the expert in the area of finance was able to see how to manage the funds, how to invest and how to look at the resources particularly, the financial resources. So it relieves line executives of routine but specialized decisions.

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So the specialized decisions to which they were not aware of which demanded understanding of the markets, which demanded understanding of the technology, which demanded a specialized methods of calculations. So these were not a part of any the line fellows, line managers but it was given to the specialized or the specialist. So the expert guidance reduces the number of things in the organization particularly, the negative consequences of decision making, it reduce accidents it reduce the wastage of materials, it helped efficient productions systems and practices better planed layout and things like that.

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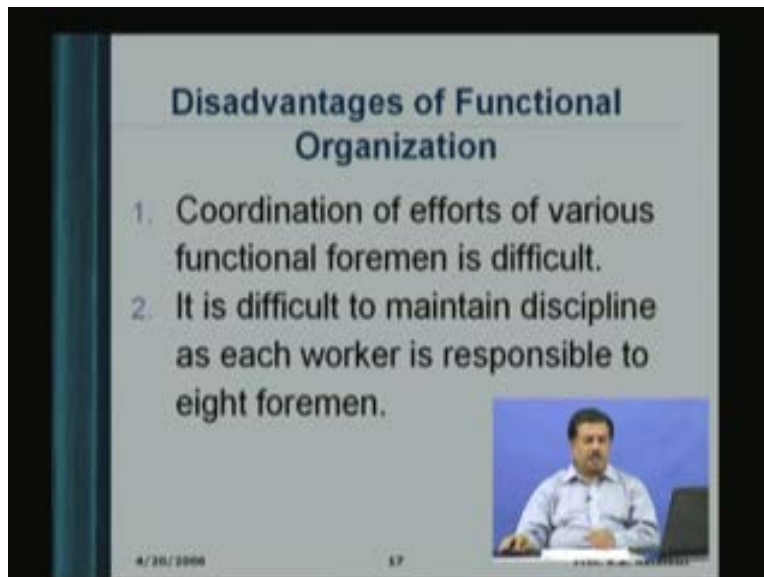
**Advantages of Functional Organization**

5. It relieves pressure of the need to search a large number of all-round executives.
6. Quality of work is improved.

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A small video inset in the bottom right corner shows a man with a beard and mustache, wearing a light blue button-down shirt, sitting at a desk with a laptop. He is speaking and gesturing with his hands.

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**Disadvantages of Functional Organization**

1. Coordination of efforts of various functional foremen is difficult.
2. It is difficult to maintain discipline as each worker is responsible to eight foremen.

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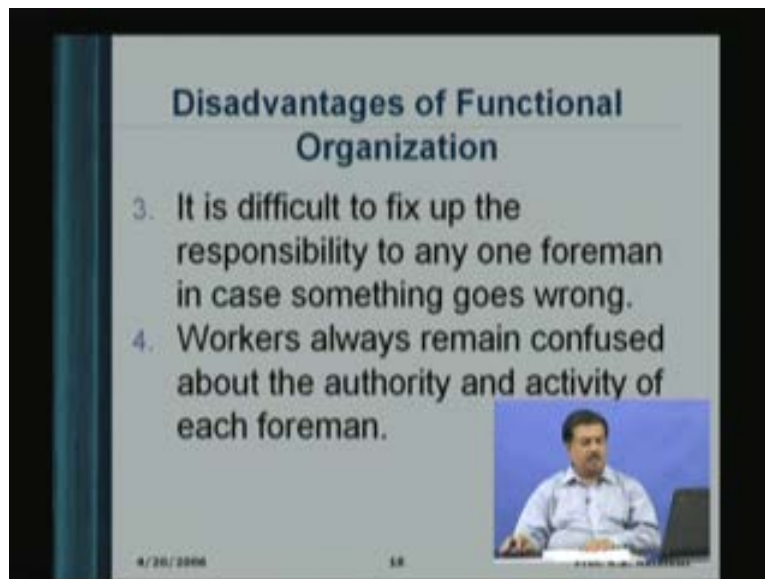
A small video inset in the bottom right corner shows the same man from the previous slide, sitting at a desk with a laptop, speaking and gesturing.

So as we are seeing that the functional organization brought that the new forms of systems where you have to blend the specialist role into the organizational requirements but the quality of work certainly improve in the **in the** specialization where people were able to perform different functional roles but this functional roles also lead to the issues

of coordination which we will see later on when we discuss various dimensions of coordination but the functional specialist they started saying that who is making profit to the company is operations is more important is finance is more important is marketing more important.

So that each one of them could describe themselves as the organization and they are the one to make the basic difference in terms of profitability, growth, productivity. So we could see in many organization, functional specialist who are running into conflict were claiming their superiority over the other. It also lead to the power struggle and the competition between the functional specialists became unhealthy. So in that sense the functional organization was giving way and always they were merging themselves into a kind of a line form where they wanted the direction, they wanted to have the responsibilities and scope of work defined by one rather than the scope of the function itself.

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**Disadvantages of Functional Organization**

3. It is difficult to fix up the responsibility to any one foreman in case something goes wrong.
4. Workers always remain confused about the authority and activity of each foreman.

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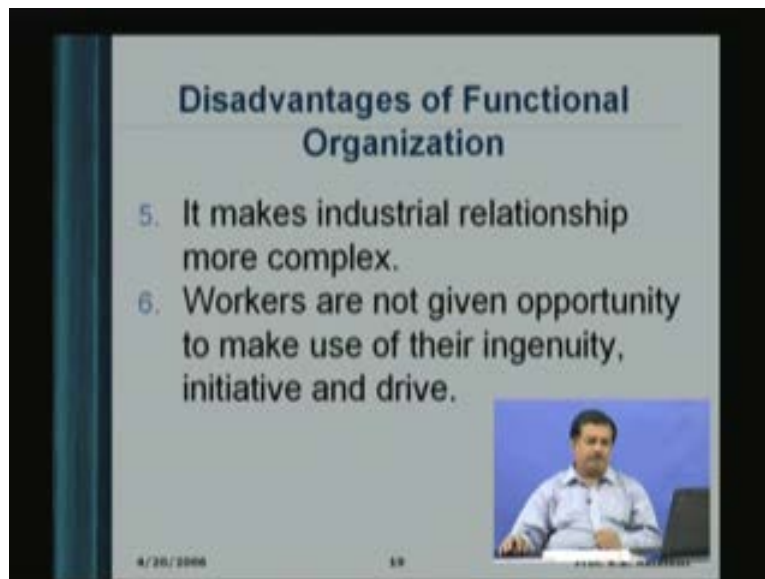
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So the functional organization it was difficult to fix up the responsibility for any manager any foreman particularly, when things went wrong because they were always dependent

on other functions. So an absolute machinery meant that there was no finance available but the finance person would say that we do not have enough order booking and the sales guy would could say that we do not have good quality of manufacturing and manufacturing person could say look our people are very indiscipline, they are not there at the work place at the proper time and so, so and so forth.

So in other words in a functional organization people could blame each other and the it was so difficult for somebody to fix their scope of action and fix the responsibility and at some point of time at the workers level that use to be confusion because when they have to ask for resources, when they have to see who to take the guidance at some point of time, who is was having more authority because you wanted certain things, your boss has approved but somebody else would say, finance is not available or you have to finance but your materials guide would say that I cannot follow up proper procedure and wait to wait a minute or wait for years.

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So, the question of that the interdependencies were not managed very effectively as the organization started growing and the functionality got defined into various specialties and

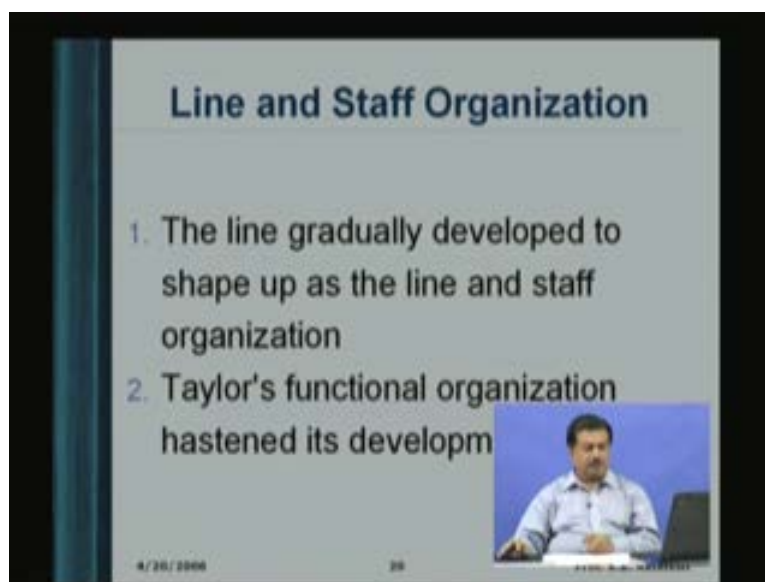


specialization in the organizational form. So if we continue to look at how the functional organization give way the the relationship was very very complex as the specialist started getting into unhealthy competition and then.

So they were not given opportunities because the way people could take initiatives, people can have ingenuity then way people could have their drive but they were all bound by the kind of specialization, kind of functionality and their skills could not be transferred from one area to the other in a very comfortable fashion and this is the time where we started seeing a form of organization today or still today called as the line and staff organization.

So the specialist roles are basically to enable the line function to perform and so the organization structure would have very clearly the people who are into main or core of the organization and there are several others who are called as the staff or the support functions or enabling kind of a function. So many a times you also would have a pure line organization, pure staff organization or a kind of a line and staff organization or within the staff you could also have line.

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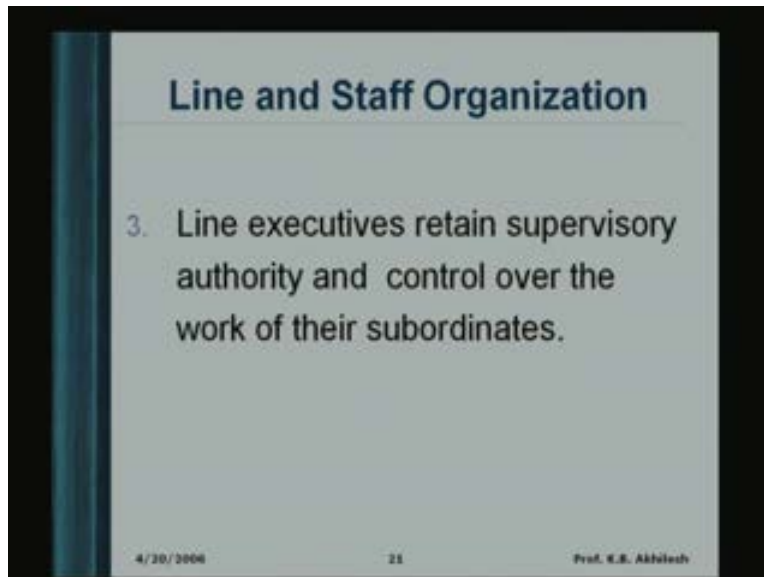
**Line and Staff Organization**

1. The line gradually developed to shape up as the line and staff organization
2. Taylor's functional organization hastened its developm

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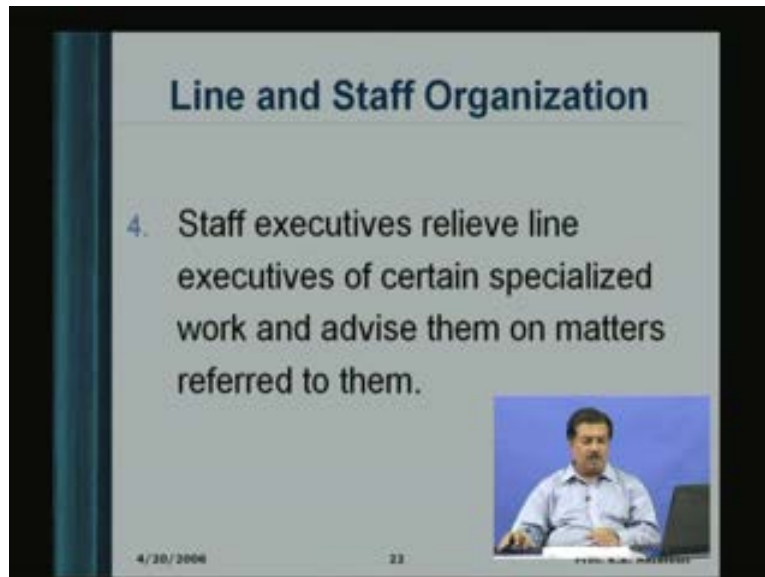
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So all these staff combination started emerging as we started seeing a merger of a pure line organization and pure functional organization and the combination of these things. So the developments can be seen from the Taylor's time but the supervisory authority and control over the work of their subordinates was there with the bosses but the bosses also were accountable for not only to their bosses but also to the, you know the staff specialist. So the human resource HR was a specialist function the audit and accounts were kind of a specialist function.

So there you could see many of these staff functions within the organization but the also the line which was basically responsible for operations manufacturing or service. So these were considered as core and the staff as enabling but have you seeing the staff executives relieved many of the line managers preparation then these people worked as advisors to them and many at times the question came who should refer, who should ask for that is the staff would go and ask in a proactive way, what is your problem can I do something for you or line people should go and ask the staff I have this problem, what is that you can do for me?


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**Line and Staff Organization**

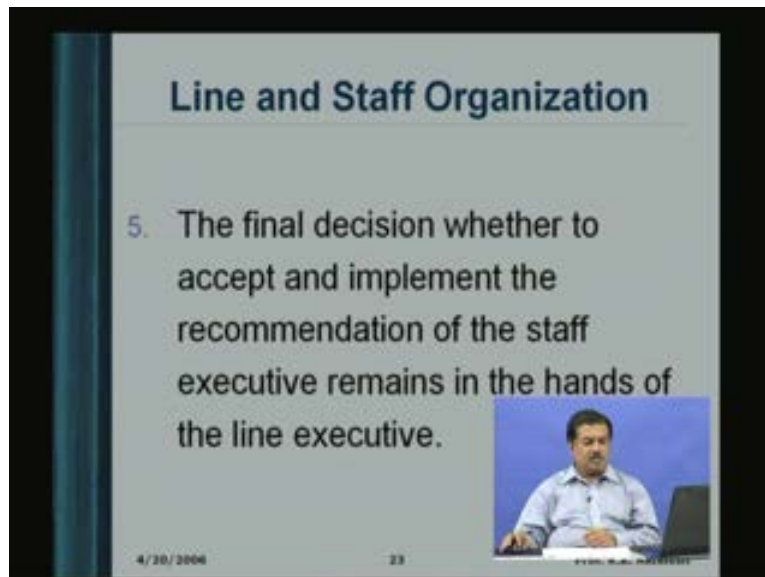
4. Staff executives relieve line executives of certain specialized work and advise them on matters referred to them.

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This slide is part of a presentation titled "Line and Staff Organization". It features a blue header with the title. The main content is a numbered list item "4." which states that staff executives relieve line executives of certain specialized work and advise them on matters referred to them. In the bottom right corner, there is a small video inset showing a man in a light blue shirt sitting at a desk with a laptop. At the bottom left, the date "4/30/2006" and the number "23" are visible.


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**Line and Staff Organization**

5. The final decision whether to accept and implement the recommendation of the staff executive remains in the hands of the line executive.

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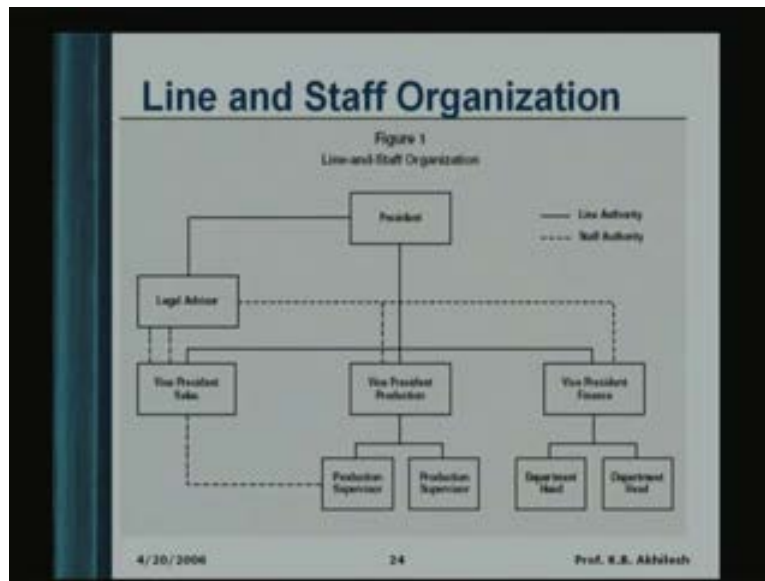


This slide is part of a presentation titled "Line and Staff Organization". It features a blue header with the title. The main content is a numbered list item "5." which states that the final decision whether to accept and implement the recommendation of the staff executive remains in the hands of the line executive. In the bottom right corner, there is a small video inset showing a man in a light blue shirt sitting at a desk with a laptop. At the bottom left, the date "4/30/2006" and the number "23" are visible.

So many a times when these kinds of initiatives were not there staff were sitting in one corner but they were under-utilized. The early stage of 50's and 60's where some of the R and D specialist were employed. So they were waiting that line people or the shop floor would come and ask for solution whereas the shop floor people are expecting that we

have an R and D director or a specialist who would come and solve their problems but they were all looking for initiatives to be taken by the other but they could not meet and discuss and so you saw the specialized roles sometimes were becoming redundant or particularly when they were not taking the required initiatives.

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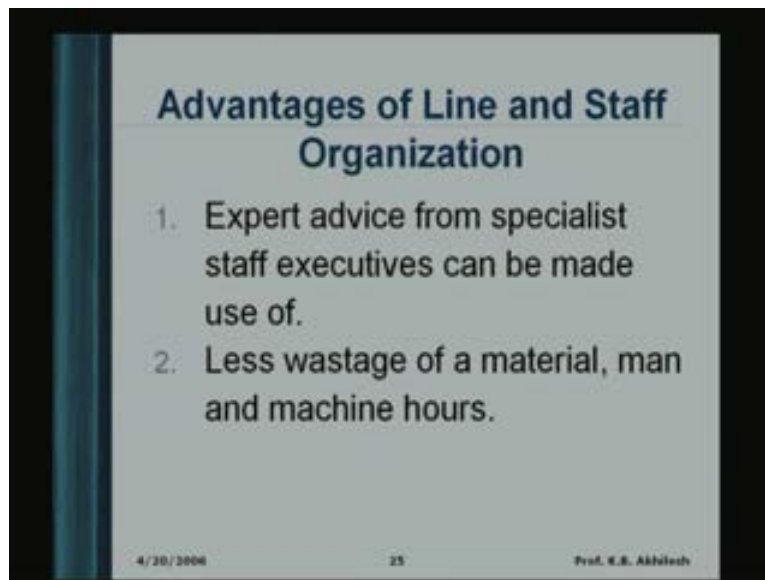


So to accept or implement the recommendation of the staff clearly was left to the line person or with the hands of the line executive. So the it was not an effort to take away the authority of the line person, authority or the scope of action of the line person but the specialist existed to advise to help to enable but these roles also got either misused or new role definitions took place both the staff specialist started controlling the line people.

So, the staff role was a kind of a rule making and then they expected the line people to be a kind of a, to have that kind of a rule enforced behaviors. So these times were creating a kind of a line versus staff conflicts, who is important, who is more relevant. So such type such, in such situations definitely left to the redefinition of the role of the line people as well as the role of the staff people but typically the line and staff organization you can see that the legal advisor exercised an indirect influence on the other people. So particularly,

you will see that there is an indirect influence is shown in terms of this dotted lines and whereas the stripped hard lines are shown where they are directly reporting and they are accountable for.

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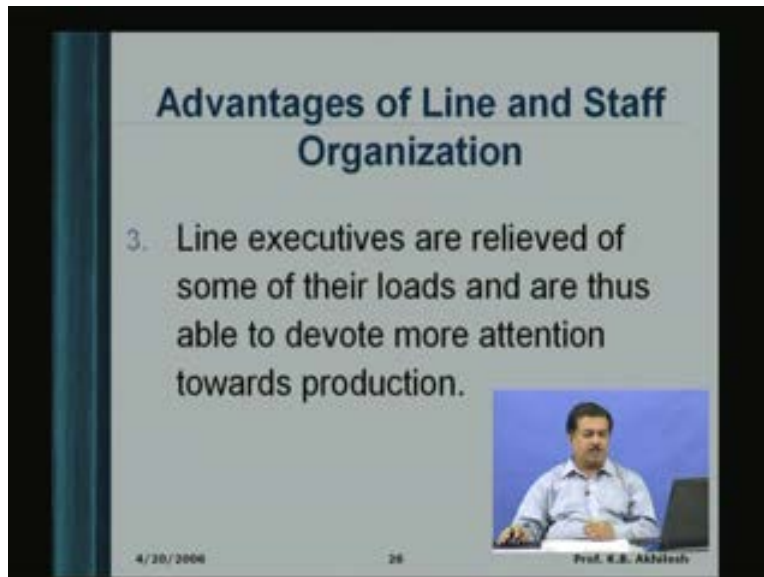


So this line and staff if you see there are many many obvious advantages. So expert advisor, advise from specialist, staff executives was made use of then, definitely there was a wastage of material man and machine hours because of the line people were able to focus on and whenever they made any problems, they could seek the advise of legal human resource and other functional specialist and the such focus also brought more, more discipline, more tightening of the focused work in the organization but the conflict always was less and minimum, when the organization was at a medium growth level quality improved and there was no confusion like in the functional organization because specialist role were specialized role whereas the line role were the line.

So it is in that sense one was advisory, one was execution, one was focused on the day to day routine task and the, were making decisions but decision maker always could see the advice of the expert, advice of the staff members. So the line and staff organization

possessed practically, all the advantages of both the line as well as the functional organization. It was a kind of an organic evolution but as I was telling you that the who should bare these staff expenses.

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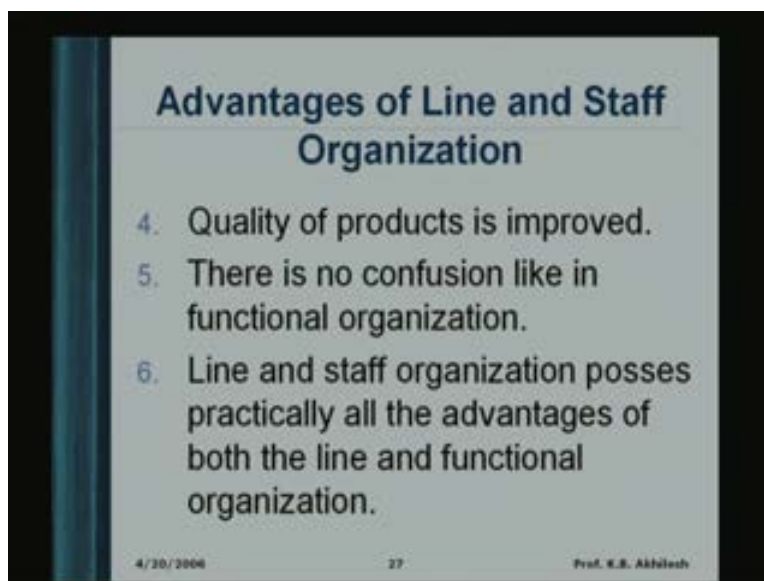
**Advantages of Line and Staff Organization**

3. Line executives are relieved of some of their loads and are thus able to devote more attention towards production.

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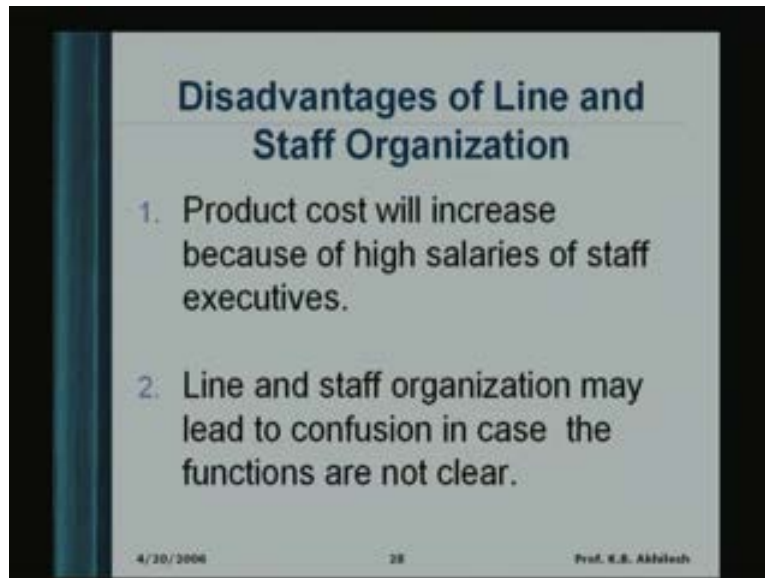


**Advantages of Line and Staff Organization**

4. Quality of products is improved.
5. There is no confusion like in functional organization.
6. Line and staff organization posses practically all the advantages of both the line and functional organization.

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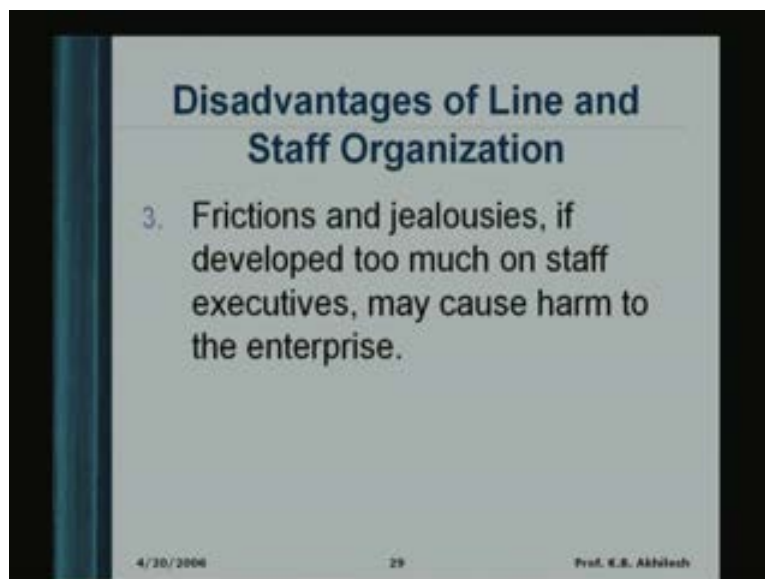


**Disadvantages of Line and Staff Organization**

1. Product cost will increase because of high salaries of staff executives.
2. Line and staff organization may lead to confusion in case the functions are not clear.

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**Disadvantages of Line and Staff Organization**

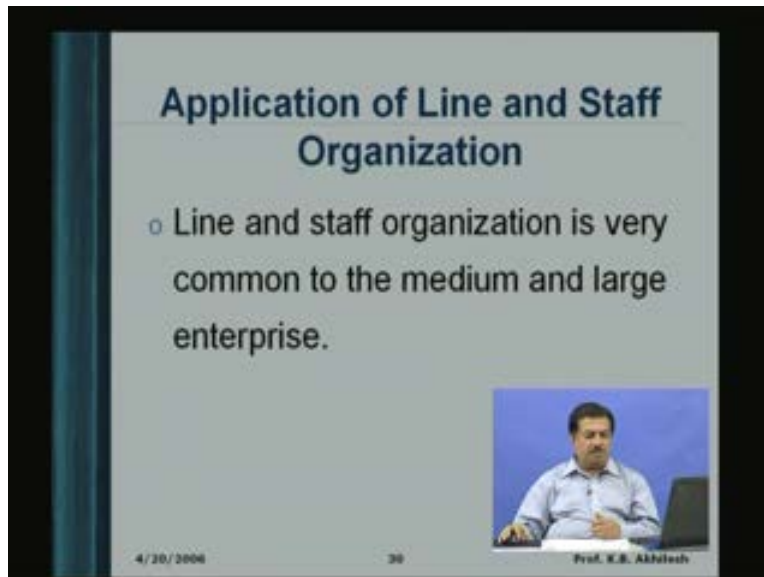
3. Frictions and jealousies, if developed too much on staff executives, may cause harm to the enterprise.

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So the line people were saying the staff people as overheads they are not really required so this is one kind of a view. So the staff people were always criticized for their roles as they are really not required within the organization. So the roles were seen as overheads

and similarly, sometimes where the authority were to be exercised more by the staff people. So the line people was becoming more and more agitated in terms of what is their function, what is that they are responsible for more.

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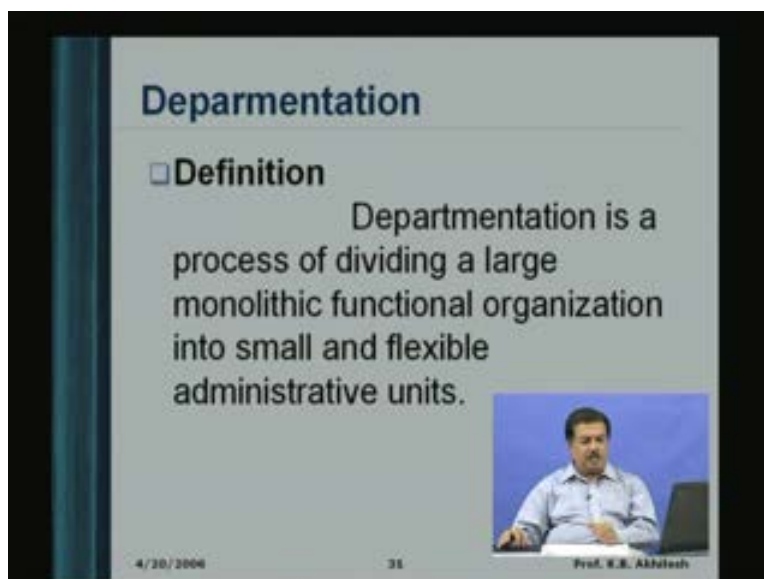
**Application of Line and Staff Organization**

- Line and staff organization is very common to the medium and large enterprise.

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This slide features a title 'Application of Line and Staff Organization' in bold. Below the title is a single bullet point with a circle icon, stating that line and staff organization is very common to medium and large enterprises. In the bottom right corner, there is a small video inset showing a man in a light blue shirt sitting at a desk with a laptop. The slide footer contains the date '4/20/2006', the slide number '30', and the name 'Prof. K.B. Akhlesh'.

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**Departmentation**

- **Definition**  
Departmentation is a process of dividing a large monolithic functional organization into small and flexible administrative units.

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This slide features a title 'Departmentation' in bold. Below the title is a bullet point with a square icon, labeled 'Definition'. The definition text states that departmentation is a process of dividing a large monolithic functional organization into small and flexible administrative units. In the bottom right corner, there is a small video inset showing a man in a light blue shirt sitting at a desk with a laptop. The slide footer contains the date '4/20/2006', the slide number '31', and the name 'Prof. K.B. Akhlesh'.



So frictions and jealousies, when it was developed too much then they could infect instead of enabling, they were becoming blocks then, they were causing delays, they were causing for file movements, they were not really helping people to do the faster decision making. In fact, they would ask more questions and stop faster and efficient decision making to which the line organization was known for. So this specialist role the staff role became a kind of non-enabling, stifling in some of the situations and so the line and staff conflict was not easy to build it but it is very common in medium and large enterprises and typically the 80 to 90 percent of the organizations represent even today the line and staff organization.

We also see this contributing to many other forms of organization, we must see sometimes the organizations are based on geographically distributed sometimes, it is product wise distributed sometimes, we also see the organizations are distributed depending upon the kind of markets which they are serving. So we do see the lot of differentiation and sometimes the integration most of the staff functions got integrated and the line work got distributed. So when that was the case most of the staff function moved to the corporate world or what is called as the corporate office.

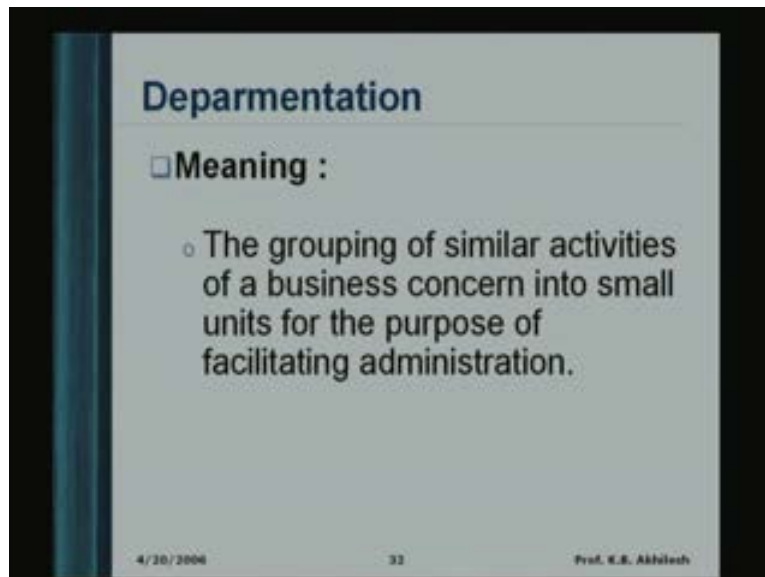
So, the corporate office and the other divisions or the divisions at different local levels. So it used to be a kind of a conflict because all the staff functions were put into the corporate functions. So the conflict between the staff and line also resulted in many organizations like the top management versus the other senior and middle management people or it is the corporate versus other functionaries or other divisional heads. So these kinds of conflicts these kinds of issues made this line and staff organization to have more and more dis-functional consequences, dis-functional consequences essentially in terms of rigidity inflexibility slow response time and not having concern to the technology to the market to the speed or to efficiency.

So we will see how some of these things are affected and how these things can be overcome as we go along as a part of leadership, coordination and other functions of management. However, by design we got some the issues but our discussion line and

staff is incomplete unless, we spend little more time on departmentation. When you see the departmentation or it is also called as the specialization then, we can, we can appreciate few more problems of the organization design. Departmentation is the process of dividing a large monolithic functional organization into small and flexible administrative units.

So this is a kind of a broad definition but what we are seeing is that departmentation is a process of division of set of functions into its specialized whole. So that we can divide, so the division of labor is the fundamental of the departmentation as we are seeing the organization design one of the principles is the division of labor and division of labor leads to the specialist functions and that leads to the departmentation.

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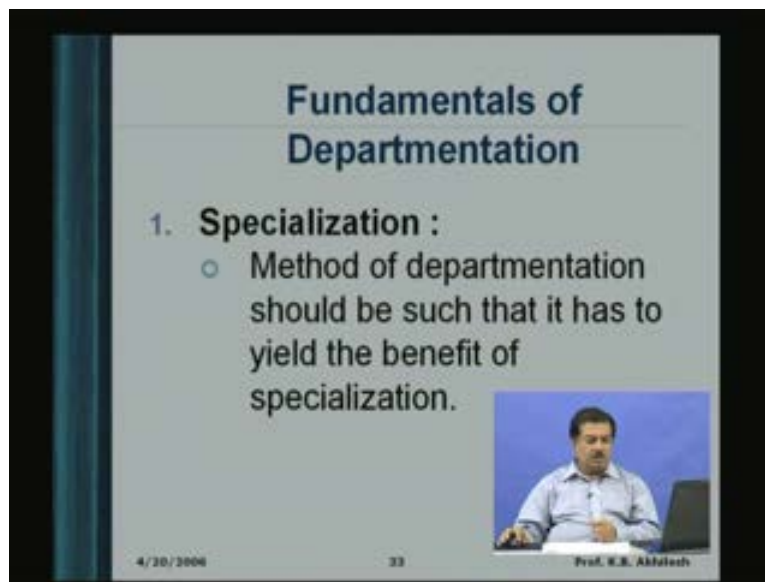


So grouping of similar activities of a business concern into smaller, small units for the purpose of facilitating administration. So the grouping and the regrouping of the activities under each of the function and functional specialization, you see a complex kind of an organization coming in with several of the departments. Let us make it things more

simpler, so you look at manufacturing. So the manufacturing would have what so would have materials then you have maintenance.

So then if you look at maintenance it can be further divided into two groups, one is preventive maintenance another is could be breakdown maintenance. So and if you see human resource management so within that human resource management you will have a department which is focusing on recruitment, another focusing on compensation, another focusing on the union management relationship, another focusing on the welfare. So the departments represented a specialist focus of each of these functional subunits.

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So the, it help to see who is focusing on that particular aspect or the particular dimension. So the method of departmentation was such that it enable the benefit of specialization. So the department always represented this departmentation represented this specialization, department give that kind of an identity which the that particular group of people, suppose to focus on and deliver a value to the to the particular division and to the organization.

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**Fundamentals of Departmentation**

- Benefits of specialization can be
  - secured if the total effort required to be undertaken by the enterprise is divided into function and sub

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The slide features a small inset video of Prof. K.B. Abhilesh in the bottom right corner, showing him seated at a desk with a laptop.

So if you see the benefits the benefit are several, so it secured the total effort required to be undertaken by the enterprise now into function and sub functions. So you were able to see the kind of preparation required. Today we are also using these words, what is known as competencies.

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**Fundamentals of Departmentation**

**2. Coordination :**

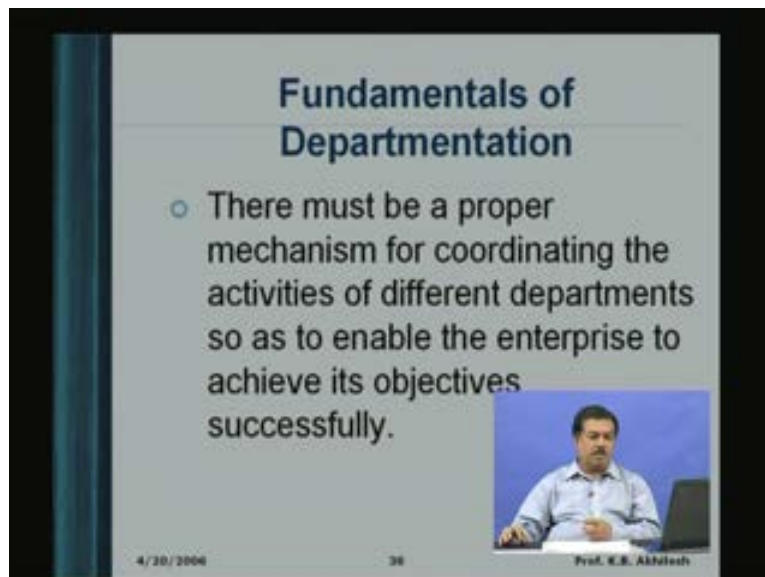
- Under departmentation, the work is carried on in a number of departments.

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So as you are seeing divisions you are seeing departments within the departments, you are seeing sub departments then we are also seeing how to get the best person in the sub departments, what kind of preparations, what kind of educational and experience exposure one need to have to fulfill those positional requirement. These are all today, what is has contributed to their field of competency mapping and the competency framework.

So the, it also this specialization and the departmentation also helped in terms of the coordination. So in several, several departments were, were part of the organization and then the departments also were required to coordinate and unless you coordinate different departments, you could not have achieved the enterprise objectives very successfully. So that means you created several departments but these departments were part of an organic whole. So the starting point was the goals, the missions, the vision of the organization and then you will created several objectives. The objectives one could be seen in terms of several task, duties and responsibilities to be performed. So the duties responsibilities the task and the activities were grouped, were regrouped to achieve what is required.

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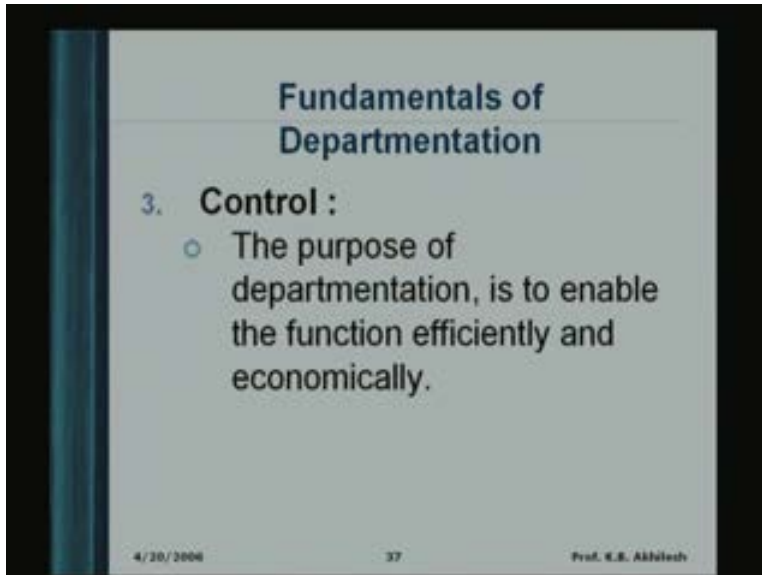
**Fundamentals of Departmentation**

- There must be a proper mechanism for coordinating the activities of different departments so as to enable the enterprise to achieve its objectives successfully.

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The slide features a title 'Fundamentals of Departmentation' in bold blue text. Below it is a single bullet point with a blue circle icon, stating: 'There must be a proper mechanism for coordinating the activities of different departments so as to enable the enterprise to achieve its objectives successfully.' In the bottom right corner, there is a small video inset showing a man in a light blue shirt speaking. At the bottom of the slide, there is a footer with the date '4/20/2006', the number '36', and the name 'Prof. K.S. Akhlesh'.

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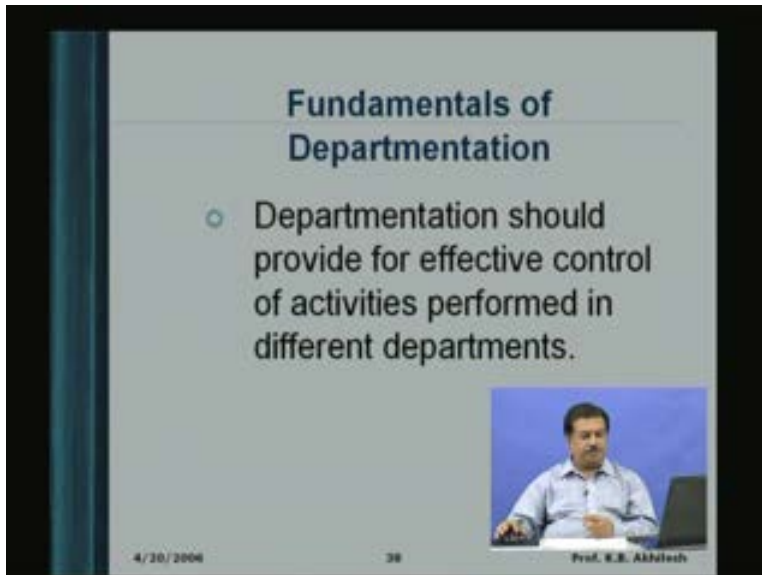
**Fundamentals of Departmentation**

3. **Control :**

- The purpose of departmentation, is to enable the function efficiently and economically.


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**Fundamentals of Departmentation**

- Departmentation should provide for effective control of activities performed in different departments.

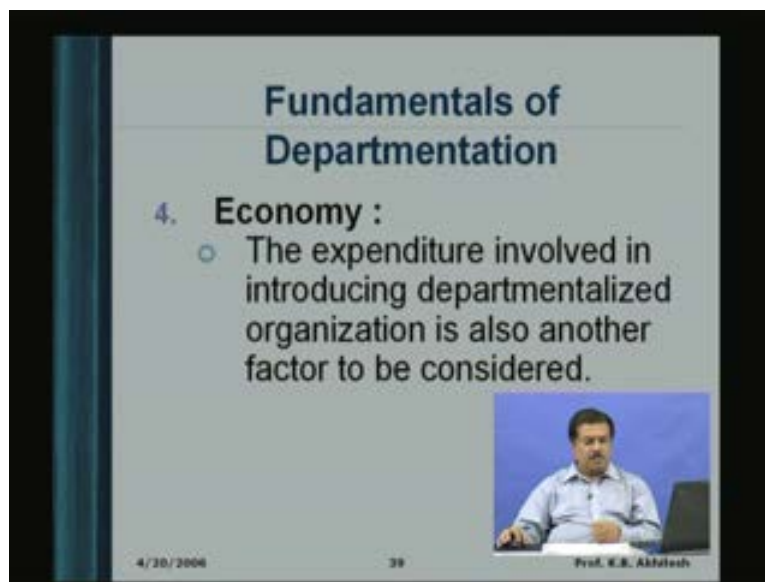


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So the departments gave that name and the symbol to represent that particular set of functions, set of task, set of jobs. So the regrouping and grouping of various activities lead to a final definition of departments and the specializations within each of these departments. So the departmentation also provided not only a scope for coordination but

also the control. So now very clearly you know which department is responsible for, so we do not have to see a left or right in the organization but very clearly we are able to see who is the person which department is to focus on? So it helped the control function very efficiently you are able to see who the which group is responsible for departmentation fundamentally also should provide for this an effective control, effective control of various activities and effective coordination.

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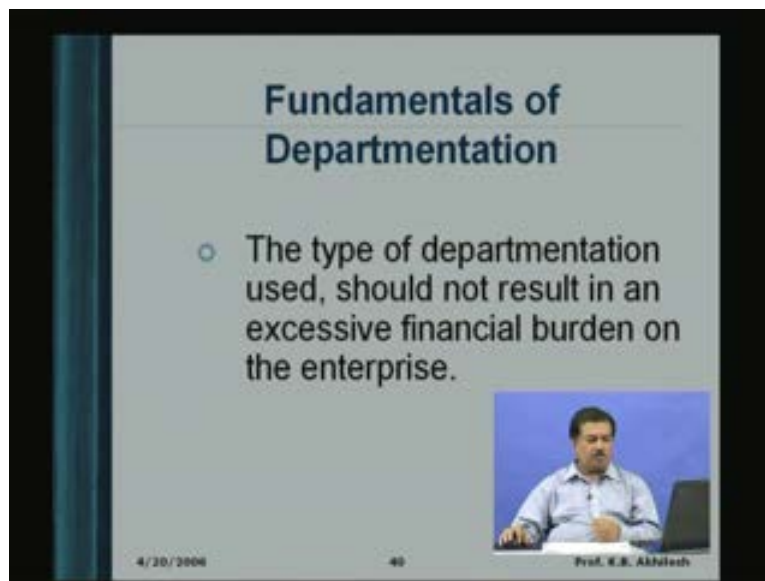


So not only coordination and control but also the economy. So you cannot create a superfluous unnecessary unwanted departments. So then there is not much of a scope for action when there is no scope for action in a positive way, they may also become very redundant or they may become negative players in the organizational functioning. So another important fundamental principle is to make sure that the necessity of such specialization.

Then, it is, it should not create an excessive burden for the organization if it creates a financial burden by having too many specialized or specialist roles too many departments then, organizations will have to pay much much more because at senior level or at a

middle level, we may have many departments but they do not have that role to perform and that is the time where the organization will spend unnecessary money to keep positions and also to route many of the files and papers through various departments which really not concerned about what is required or what is to done?

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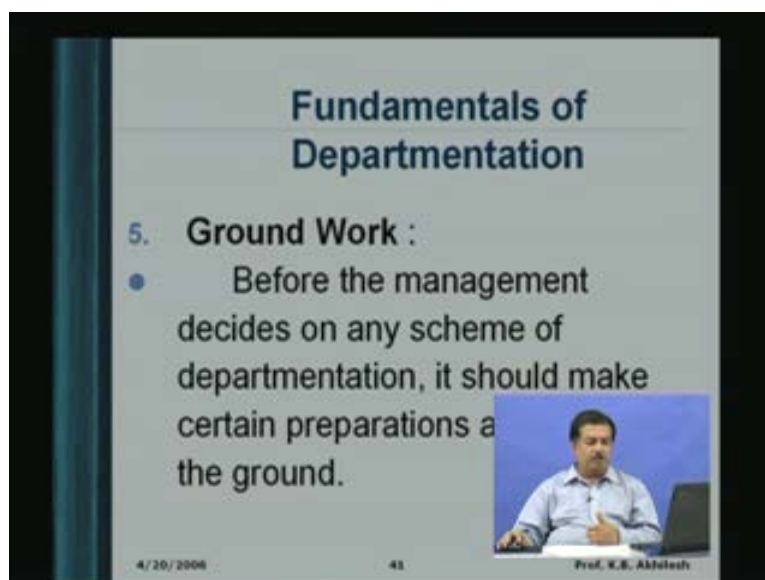
**Fundamentals of Departmentation**

- The type of departmentation used, should not result in an excessive financial burden on the enterprise.

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This slide features a title 'Fundamentals of Departmentation' at the top. Below it is a single bullet point with a circle icon, stating that the type of departmentation used should not result in an excessive financial burden on the enterprise. In the bottom right corner, there is a small video inset showing a man in a light blue shirt sitting at a desk with a laptop. The slide footer contains the date '4/20/2006', the slide number '40', and the name 'Prof. K.B. Abhilesh'.

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**Fundamentals of Departmentation**

5. **Ground Work :**

- Before the management decides on any scheme of departmentation, it should make certain preparations at the ground.

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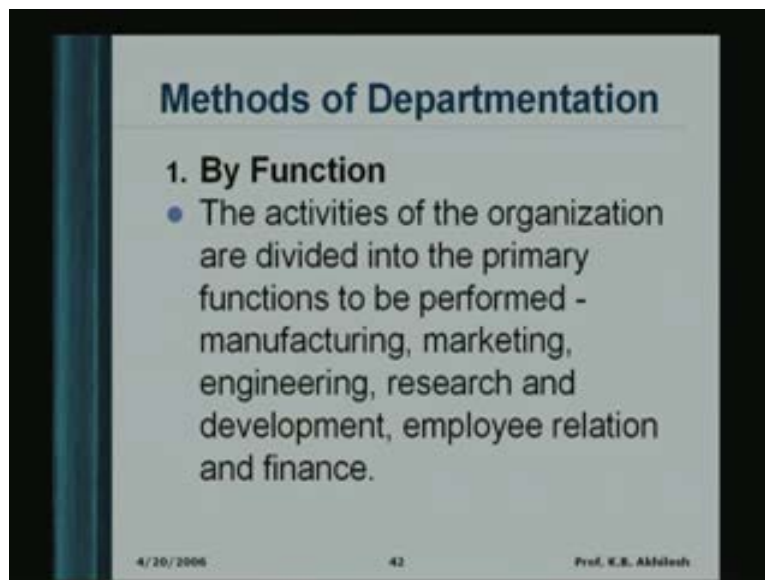
This slide features a title 'Fundamentals of Departmentation' at the top. Below it is a section header '5. Ground Work :' followed by a bullet point with a solid circle icon, stating that before management decides on any scheme of departmentation, it should make certain preparations at the ground. In the bottom right corner, there is a small video inset showing a man in a light blue shirt sitting at a desk with a laptop. The slide footer contains the date '4/20/2006', the slide number '41', and the name 'Prof. K.B. Abhilesh'.



So such situations need to be avoided, so one need to make a judgment whether such positions are required or not and what is the value add which brings to the table. So the departmentation when you look at it you need to really do some kind of a ground work, ground work in the sense you can also call it as homework or that basic analysis.

So the before the management decides on any scheme of departmentation, it should make certain preparations and prepare the ground it should not be done on wimps and fancies, it should not be done to meet the individual objectives because somebody is there. So you do not have a position then to create a department just to create a route for a particular person I think that is a wrong way of creating departments but in many many organizations we do see such things are happening. So you may create a position at a vice president level but with the designation called vice president gardening and gardening is required or not. So if you create such positions then really it is waste of effort, waste of time, waste of resources.

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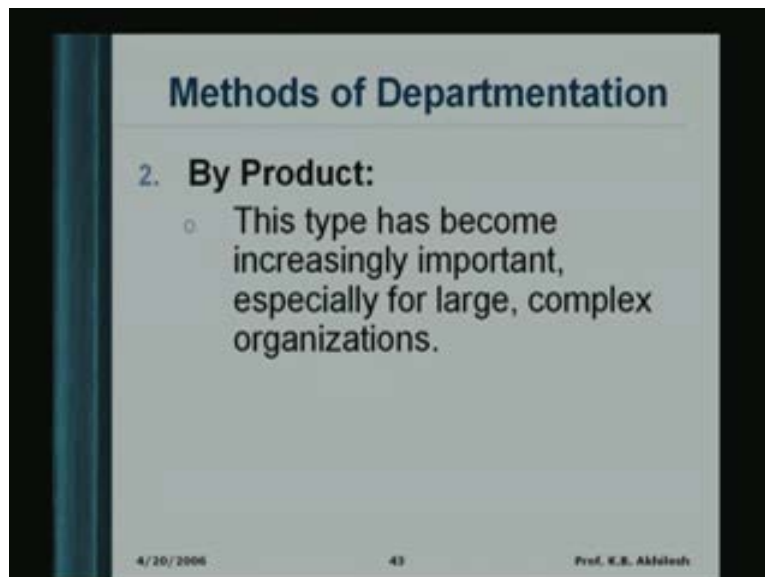
**Methods of Departmentation**

- 1. By Function**
  - The activities of the organization are divided into the primary functions to be performed - manufacturing, marketing, engineering, research and development, employee relation and finance.

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So it is important to keep tab of the creation of the specialization, creation of the departments but the departments can be created as we talked about earlier based on the functions of the organization. So the activities of the organizations are divided into the primary functions and the primary functions are manufacturing or operations, marketing, engineering, the research and development, employee relations, human resource management, finance. So the various departments this becomes very primary functional departments and within that functional departments, you can have several of the sub functions.

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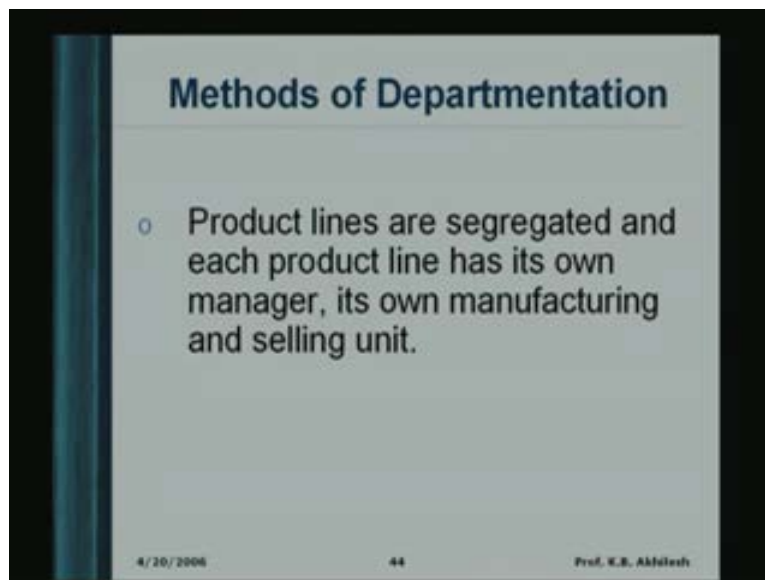


So one way of creating departments is to first defined various functions and then identify various sub functions within that. The next way of seeing the organizational structure is also by product, so this type has become increasingly important and as you see the larger complex organizations have several products. It is products in the sense if you a consumer product company like LG or Samsung or BPL, any of these companies. So they would have a ac then they would have a fridge, they would have a TV then, they have washing machines so there are different products.

So some products range could be homogeneous that is within which you will see several varieties but in many it could be very highly differentiated kind of a product. So you will have in this organization a person in charge for TV, somebody is in charge of AC, air conditioning, somebody is in charge of TV, somebody is in charge of audio, video cameras and so each of these things will become a kind of a separate product line and the within that you see the specialist functions coming in.

So the product based organizations are very clearly whether it is related to for where it can group some of the things are you cannot. So in each of the product could represent a particular sub organization itself within that you can also have different functions. So that means you know you each unit, each manufacturing unit of that particular product is headed by a product specialist or person who is in in charge of that product but within that you can also see the sub units. Some other time, we can also see the primary departmentation may be coming because of the territory. So the easiest classification is urban and rural.

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**Methods of Departmentation**

- Product lines are segregated and each product line has its own manager, its own manufacturing and selling unit.

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**Methods of Departmentation**

3. **By Territory:**

- Market area is broken up into sales territories and a responsible executive is put in charge of each territory.

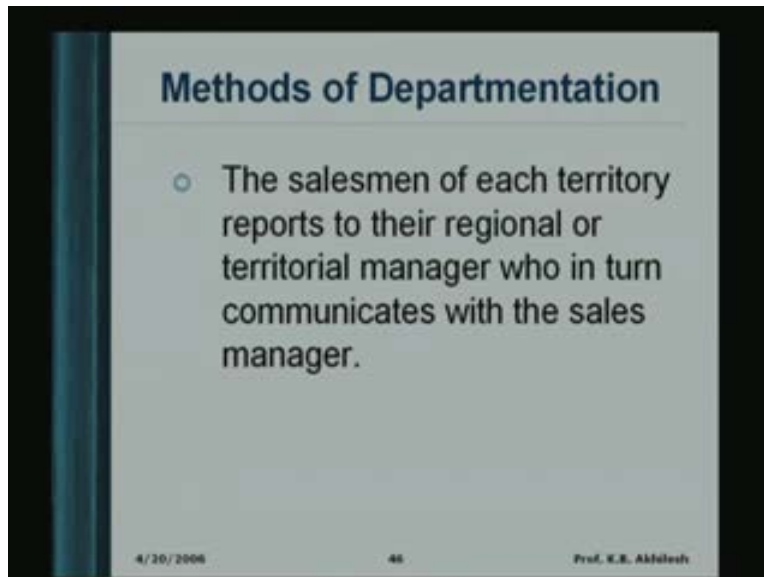
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So the somebody is addressing the urban markets somebody is addressing the rural markets but it can also be seen what you have seen in the banking sector. So there is a rural banking is seen as much much different from the urban banking. So similarly, you will see the with the south, north, east and west kind of a regional distribution and then people are addressing the specific markets and the requirements of that each of the territory. It is also possible to within the segments that within a particular region, the certain areas where people with high income group live and certain areas you middle income group live similarly, some areas lower income people are involved.

So when you are addressing these territory it may represent different economic strata, different demographic preferences. So you are trying to create organization departments to meet some of those specific representation of each of these territories. So the sale person of each territory reports to their regional or territorial manager who in turn communicates with the other sales manager. So the organization is created based on that also you can create organizational departments based on the process, what they follow the manufacturing of activities could be divided into various processes. So you will find always in manufacturing, it could be the assembly but before that assembly then the

somebody is prepare on the prepare in different components. So some minor components the major components mechanical components electronic components or you can also see a mechanical then electrical.

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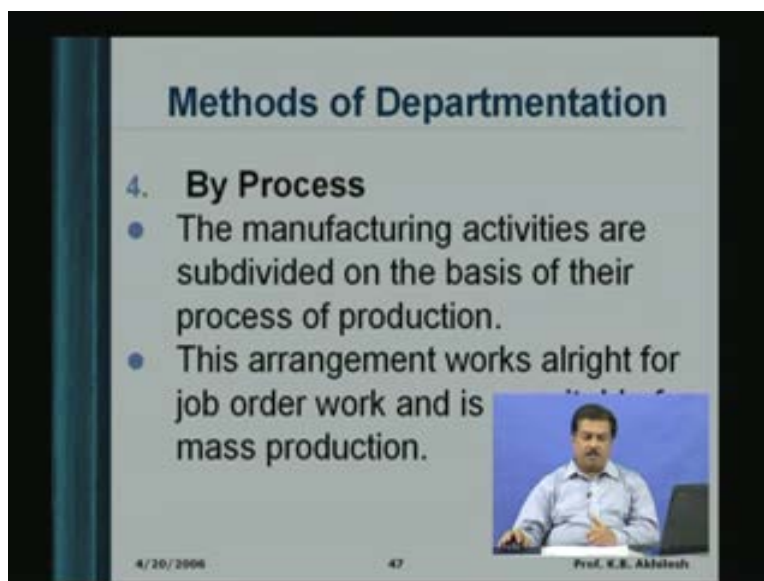


**Methods of Departmentation**

- The salesmen of each territory reports to their regional or territorial manager who in turn communicates with the sales manager.

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**Methods of Departmentation**

4. **By Process**

- The manufacturing activities are subdivided on the basis of their process of production.
- This arrangement works alright for job order work and is mass production.



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So it could see that by process could be the various but also there is could be a painting shop there could be punching and the processing of this in terms of the milling various operations which are conducted at the shop floor level. So that is the time where the organization gets defined by the process where do, where do we start this operation, where is that initial the particular in machine building company, where the sheet metal work, where is this the surface gets finished, where is that you treat this surface with different chemicals, where is fine finishing established.

So the process defines and finally to the assembly, so the process of production which you can see defines various departments. So particularly, it is okay when you are taking a kind of a mass production or the do you know volumes are given more importance. The organization whatever may be the focus of the departmentation right the departmentation become by per say, is very important you cannot make or create an organization where everybody does everything at all levels, it is a very desirable thing but you cannot achieve that kind of a situation where you cannot make everybody to be perfect in every function.

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**Need and Importance of Departmentation**

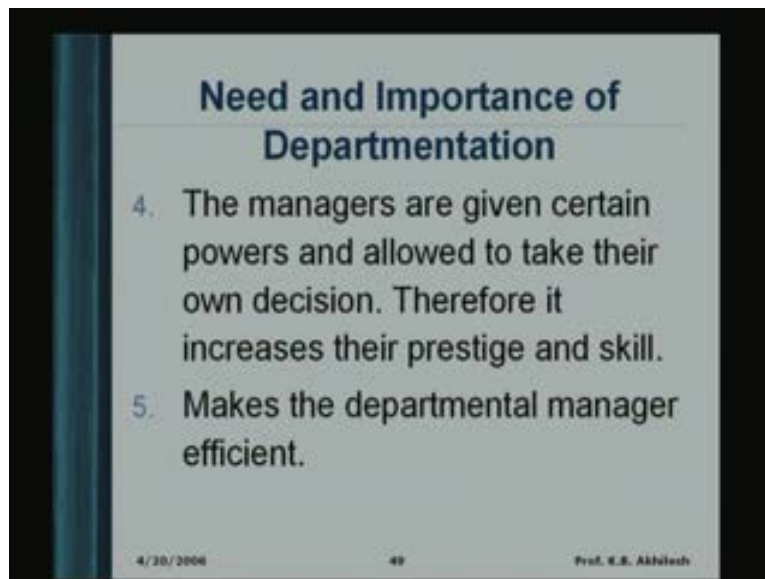
1. Increases the operating skills and efficiency of the organization.
2. Involves division of function and fixation responsibilities
3. It makes the executives alert and efficient.

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So the departmentation is a need also it has its importance and one need to make a choice in terms of which method of departmentation they would go rather than they cannot say that we will avoid the departmentation altogether. So it increases the operating skills and efficiency of the organization no doubt about it. It is very obvious, it involves division of function and the fixation of responsibilities. So as you see it should be organic it should be whole then it is based on a detailed assessment of activities and the relationship of one activity to the other and then you are able to arrange it in a manner which is very functional or requirement of the organization.

So if the core is product if the core is territory if the core is the completion of various processes then accordingly you need to create the required departments. So then the, it is not only fixes the responsibilities but it also helps the executives to be seeing what is that they need to acquire? What is that they are addressing and they want to address it in more efficient in an effective manner.

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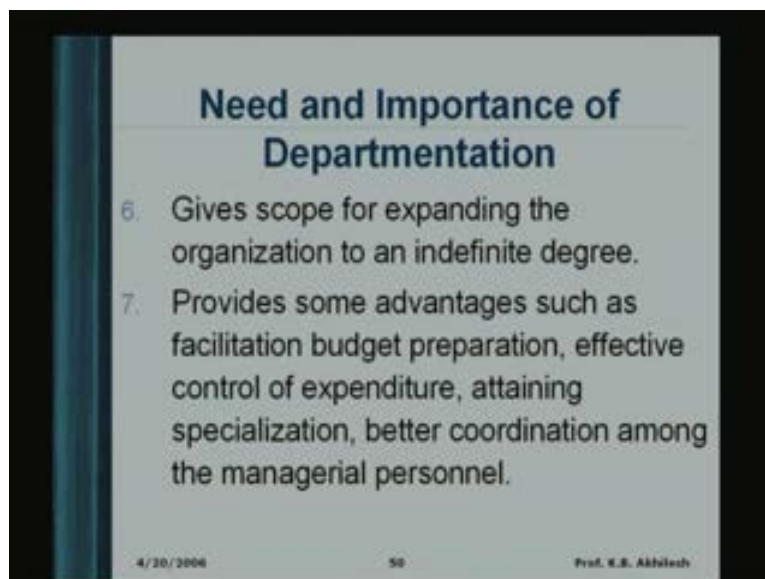


So then within that we will see, the powers are allocated, authorities delegated. So it makes it much more efficient, so it is increases their prestige and also it is the increases

the skills of the managers. So they are able to identify that I am like this and these are activities I am done and I can do these things in am superior fashion, I think all these tings will also provide opportunities for what they call it as a career planning and career growth. So the individuals can identify steps for themselves, how they are growing within the organization and where do they belong. So that also gives that required identity as a part of the career management and so the departmental managers they become more efficient as they identify as they develop themselves to meet the requirements of the organization.

Similarly it gives scope of expanding the organization to an indefinite degree because now you can see keep on looking at what departments to and how do see the what we call it as the horizontal differentiation, the departmentation is nothing but it is the horizontal expansion of the organization into various specific activities and regrouping of the activities.

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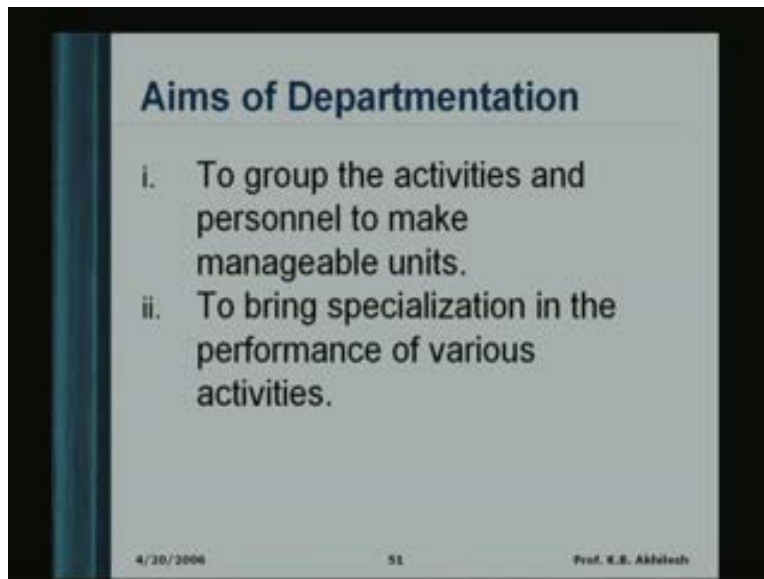


So it facilitation particularly, it facilitates budget preparation effective control of expenditure attaining specialization and better coordination among the managerial person



because the coordination comes because you know through the person is responsible for what they are supposed to do and whom they are accountable for both in terms of the superior bosses and also to the next departments to which they are influencing and they are contributing.

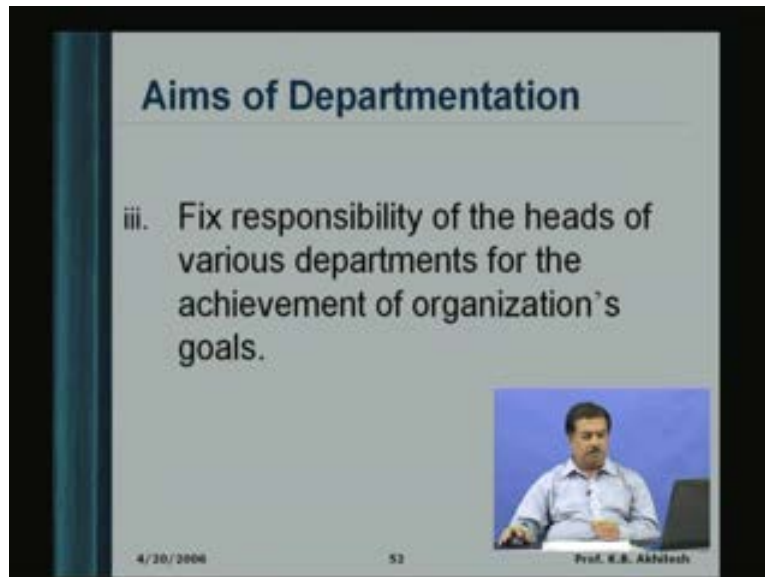
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So the departmentation if you see very clearly to create manageable units. So you keep on grouping and regrouping set of activities. So that it gives that meaningful whole to control to coordinate and to fix the responsibilities and to delegate authority and as we are creating these departments it also brings that specialization as people performing as people are contributing in one particular area it is also going to contribute for maturity.

As they matured they would see several of the situations, they could also see various contingencies, they can form better rules, they can respond to things in a better manner and certainly, you fixing the responsibilities of the heads of various departments because now you can link the departmental goals to the overall requirements, goals of the organization and each departmental heads could see, what is that they need to do to meet the objectives of the organization.

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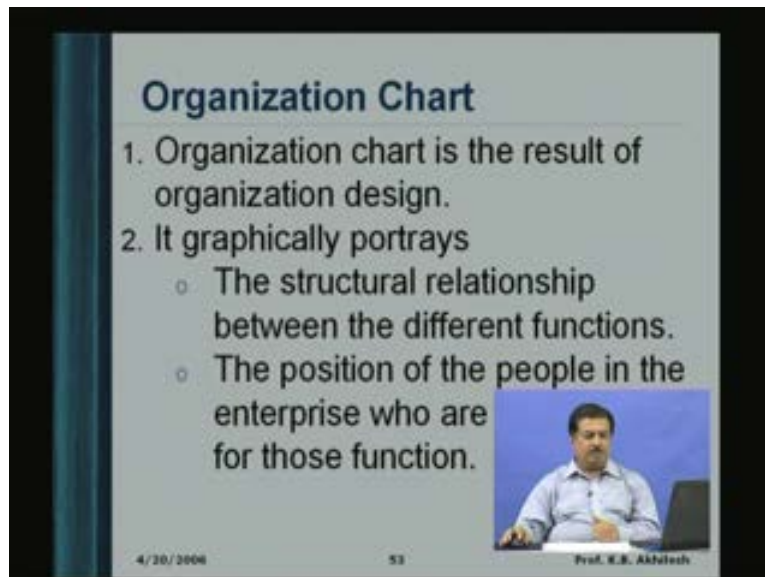


**Aims of Departmentation**

- iii. Fix responsibility of the heads of various departments for the achievement of organization's goals.

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**Organization Chart**

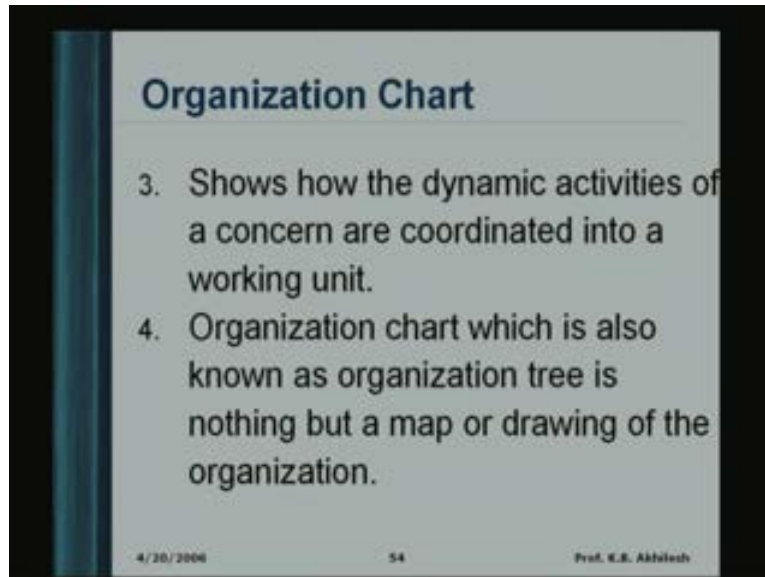
1. Organization chart is the result of organization design.
2. It graphically portrays
  - o The structural relationship between the different functions.
  - o The position of the people in the enterprise who are for those function.

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So the in other words the departmentation is a major block in the essence the major unit of definition and design of any organization charts and that is how the organization chart is the result of organization design and departmentation is the key of this organization

design so it defines it portrays, the structural relationship between different functions, the position of the people in the enterprise who are responsible for these function.

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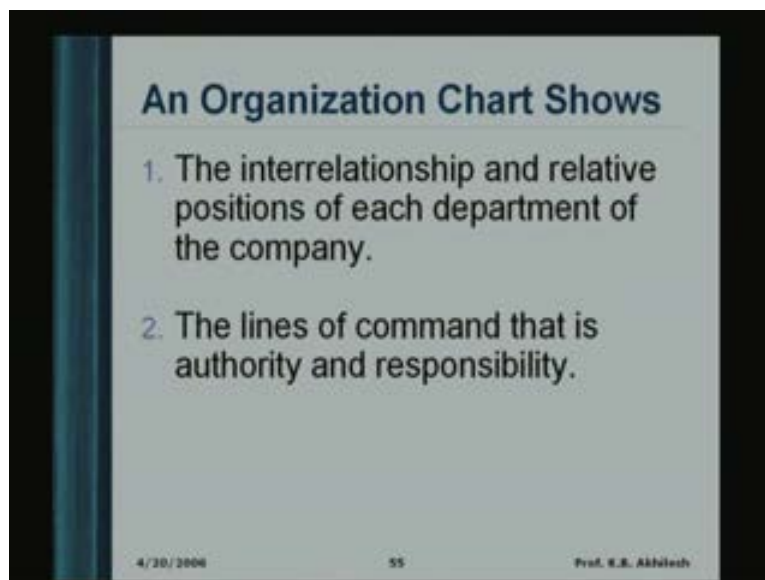


**Organization Chart**

3. Shows how the dynamic activities of a concern are coordinated into a working unit.
4. Organization chart which is also known as organization tree is nothing but a map or drawing of the organization.

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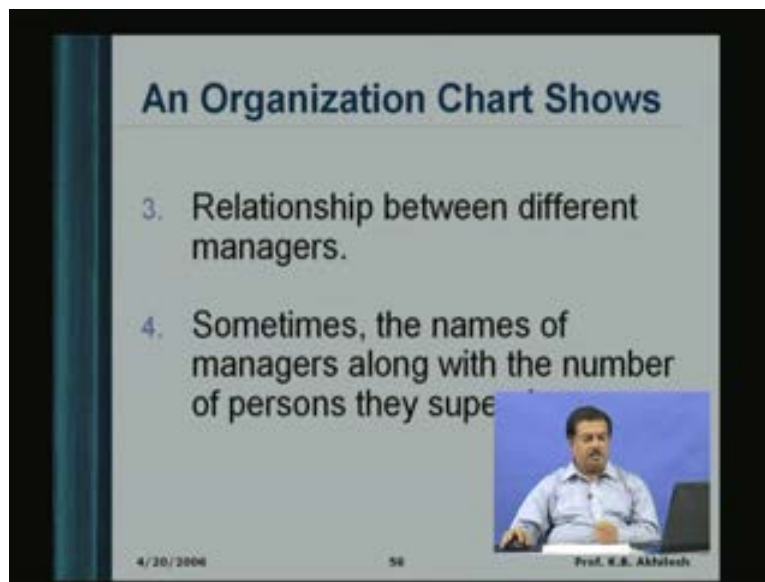
**An Organization Chart Shows**

1. The interrelationship and relative positions of each department of the company.
2. The lines of command that is authority and responsibility.

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So organization chart is nothing but a graphical representation of the departments and their reporting relationship between various departments and indicating who is accountable for whom. So it shows how the activities of the concern are coordinated into a working unit organization chart which is also known as organization tree is nothing but a map or drawing of the organization. So it represents the departments, it represents the relationship, it represents the reporting things what we seen earlier. So it indicates the interrelationship and relative positions of each department in the organizational hierarchy. So the lines of command that also indicates the authority and the responsibilities.

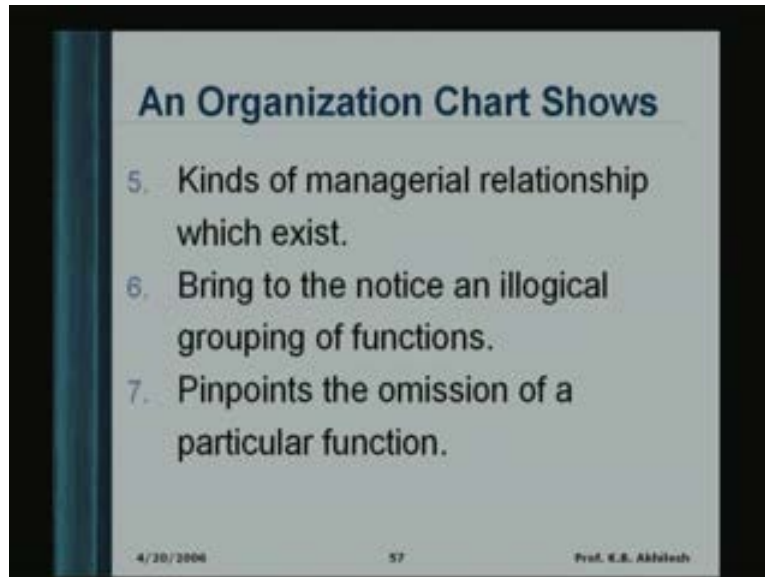
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So the relationship between different managers at whether they are at the same or at the different level. Similarly, departments at the same level or at different levels can also be viewed by seeing this organizational chart. So you can also indicate sometimes how many of these managers are supervising, how many people that that is the name to the managers and the number of persons whom they are supervising or responsible for can also be represented in the organizational chart and the managerial relationships, sometimes they are directly influencing some other goals, sometimes they are also

reporting to you but they can also be accountable for some other functions. So you can represent through dotted or direct or indirect kind of a kind of a relationship.

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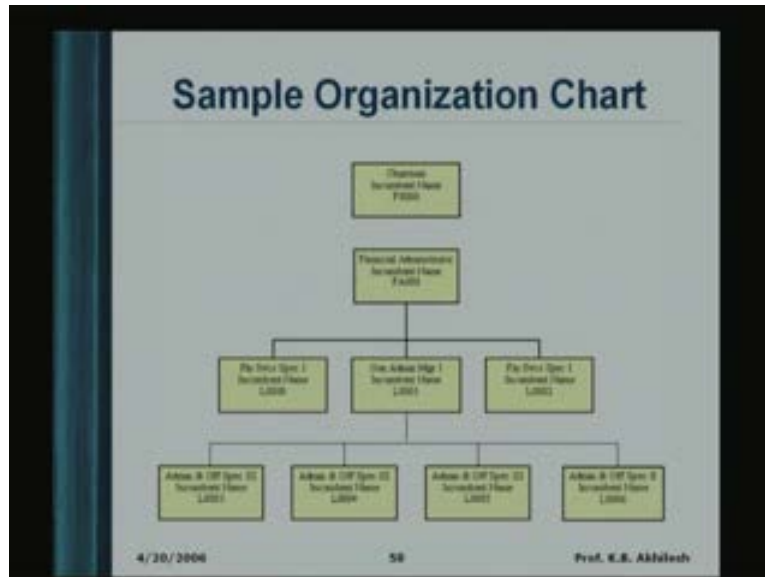


So the sometimes you can also see the illogical grouping of functions, sometimes the statistics department where it should be, it should be in operations or it should be in finance or it should be somewhere else. So one can see where to put some these department which are the there are whom they should be reporting to so one can omit, one can pinpoint his omissions of a particular function you may see I think we do not have such a department within the company.

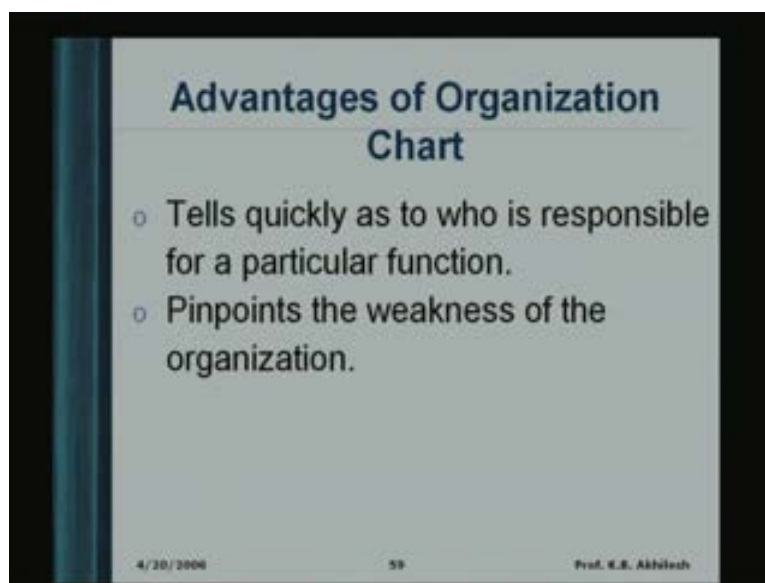
So the reason the somebody was identifying we do not have somebody who can respond to the public. So then you have to have an authority within the organization who will address or respond to the questions of the public. So the new departments could get created so when you see the sample organizational chart is typically represents. So as you can see very clearly the in this there are 1, 2, 3, 4, 5, 6, 7, 8. So there are 8 major a heads or major group so without even going to the details you can visualize and then one can

also see who the person are? What is the responsible for? what do they do is one or many all these things can be viewed graphically.

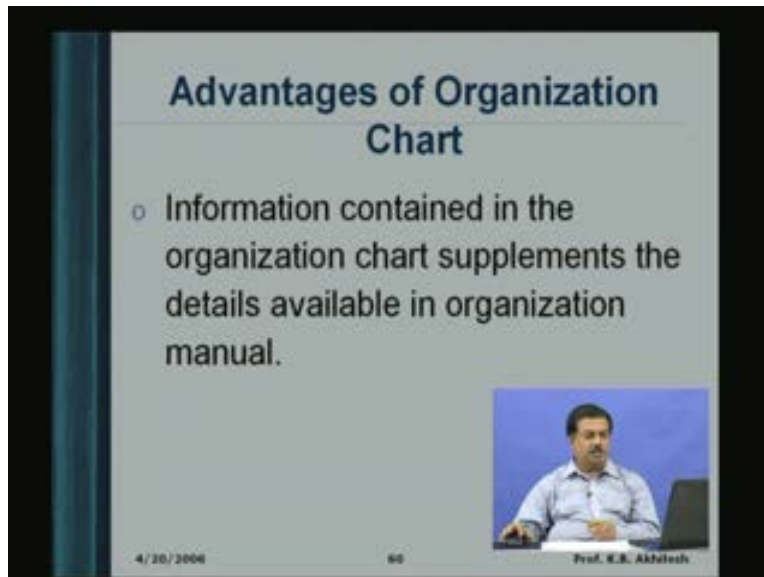
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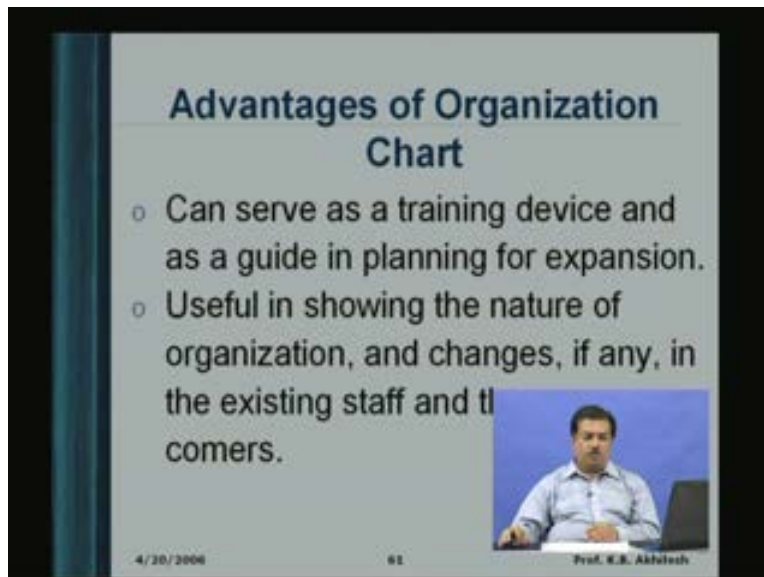
**Advantages of Organization Chart**

- Information contained in the organization chart supplements the details available in organization manual.

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This slide features a title 'Advantages of Organization Chart' at the top. Below the title is a single bullet point: 'Information contained in the organization chart supplements the details available in organization manual.' In the bottom right corner, there is a small inset video of a man with a mustache, wearing a light blue shirt, sitting at a desk with a laptop. The slide footer contains the date '4/20/2006', the slide number '60', and the name 'Prof. K.S. Akhlesh'.

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**Advantages of Organization Chart**

- Can serve as a training device and as a guide in planning for expansion.
- Useful in showing the nature of organization, and changes, if any, in the existing staff and newcomers.

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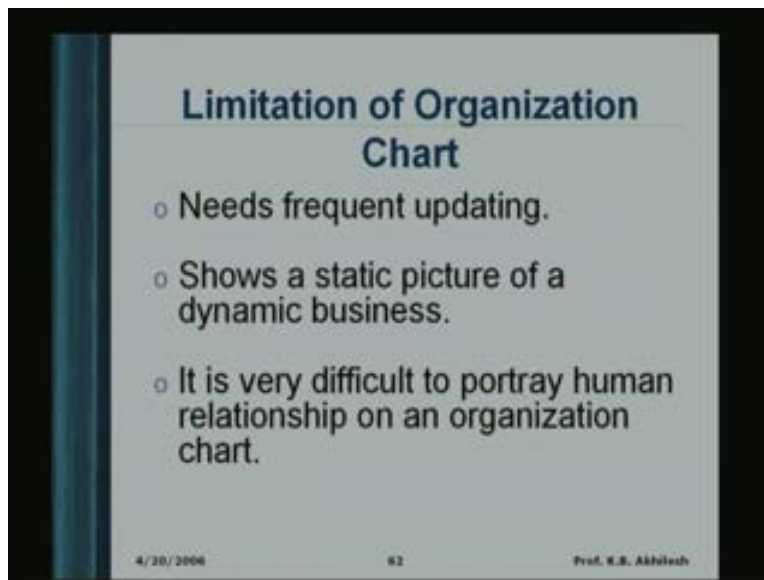
This slide features a title 'Advantages of Organization Chart' at the top. Below the title are two bullet points: 'Can serve as a training device and as a guide in planning for expansion.' and 'Useful in showing the nature of organization, and changes, if any, in the existing staff and newcomers.' In the bottom right corner, there is a small inset video of the same man from the previous slide. The slide footer contains the date '4/20/2006', the slide number '61', and the name 'Prof. K.S. Akhlesh'.

So advantages of organizational chart tells quickly who is responsible for a particular function and also pinpoints the weaknesses of the organization and information contained in the organization chart supplements the details available in organization manual. So you can also see if you want to see part of the duties and responsibilities, what that individual

should do or should not do can be explore further by seeing, what is the kind of authorities they have? What the scope of work and things like that and many a times it is a good device for people who are joining the organization to give the complete picture of the organization and show where do they belong and also what level they have been inducted into the organization, help them to guide from the day one and you can also see how the previous arrangements was and what the current arrangements are, you can also projected to the future to map the changes of the organization and also help people to see where future is going to come.

But the limitations of organizational chart clearly is the problem of updating in many situations the charts are something but in reality something else could happening because of the changes and lack of the updation of the organizational chart but it also gives a kind of a static picture of a dynamic business that is what people say.

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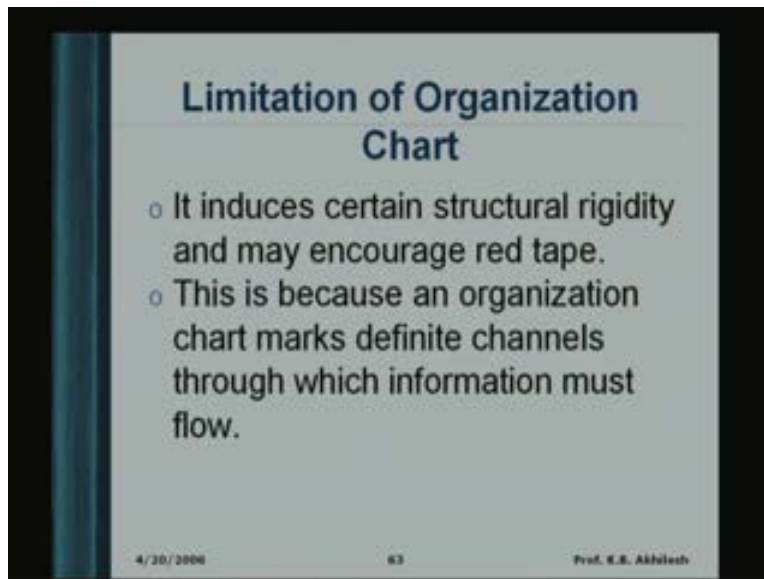


So the undercurrents could be many the what is not represented in the organizational chart is the kind fo informal relationship what people have within the organization and you cannot put all of these human relationships to an organizational chart and that too



units all details and difficulties so you see sometimes the structural rigidity also in what know induces of what the people call it as a red tape because they would insist that you must follow this rule you must follow all these steps of the hierarchy to reach particular decision making.

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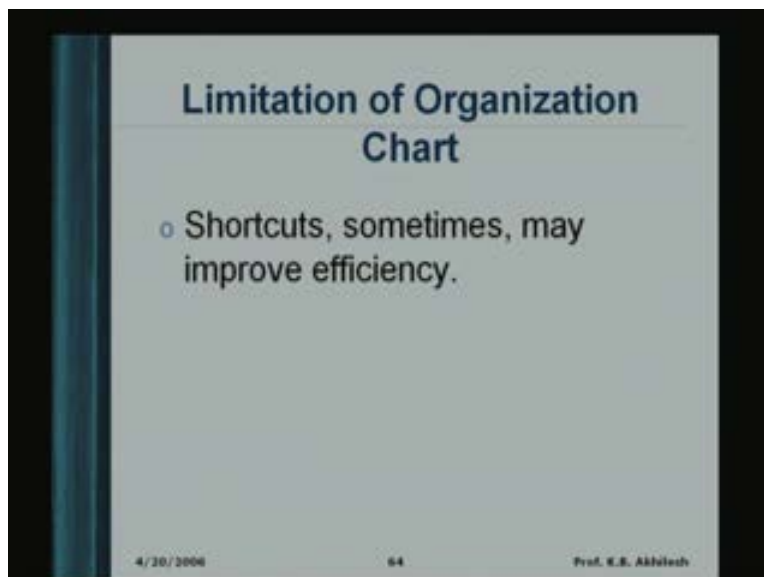


**Limitation of Organization Chart**

- It induces certain structural rigidity and may encourage red tape.
- This is because an organization chart marks definite channels through which information must flow.

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**Limitation of Organization Chart**

- Shortcuts, sometimes, may improve efficiency.

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So in other words decision making gets affected when you have too many complex reporting relationships too many dotted lines and too many departments with different degrees of specializations are combined and that is where the organizational charts, the shows definitely the information and communication channels but can also represent several of the complexities and the advantages of the organizational chart as you have seen the limitations also very clearly that it can, it can come in the way of efficient ways of handling things as you seen very clearly that the historically, the organizations have evolved over a period of time.

I have mentioned to you very quickly we started the military or a simple line kind of an organization which also let to that is kind of a functional kind of an organization then in the 70's we very clearly were identifying the line and staff kind of an organization which had different combinations but all of these things emerged around the principle of departmentation.

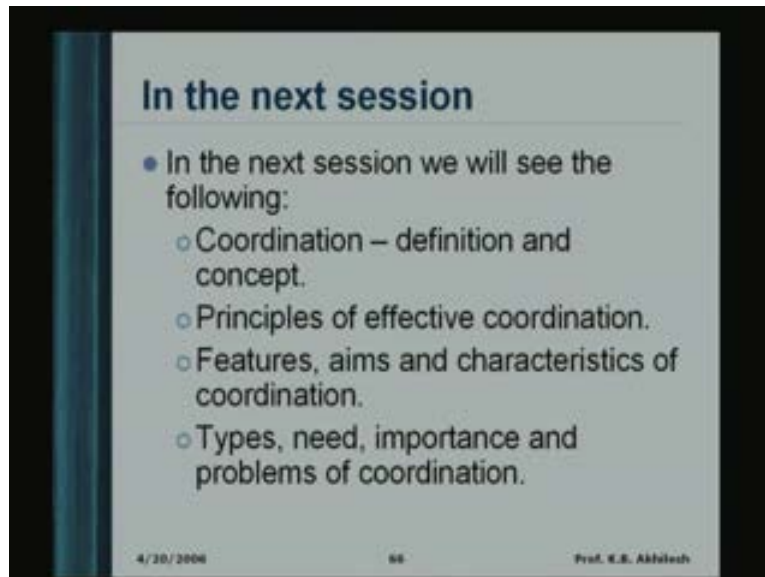
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**Summary**

- So far we have seen:
  - The types of organizations.
  - Organization charts.
  - Departmentation.

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So definitely following the methods of departmentation would help identifying and evolving the organizational chart. So once you have the organizational chart then, you can understand what departments are required, what departments are not required because it gives you an overall graphical representation of the organizational realities but organizational charts not the beginning or by ending itself.

So this is essentially enabling one to look at what is to be done then as we go along in the next session very clearly, we will try and understand what is coordination, how to do this what is the concept and also the various principles of effective coordination and features aims and characteristics and what kind of problems, what kind of issues will come as a part of the effective coordination.