

Unit-1

PRINCIPLES OF ORGANISATION



PRINCIPLES
OF
ORGANISATION

Principles of organisation ,for sake of clarity of discussion and a better computer of those have been classified in the following manner.

(I) Overall Principles

- (i) Principle of unity of objective
- (ii) Principle of simplicity
- (iii) Principle of flexibility

(II) Structural principles

- (iv) Principle of division of work
- (v) Principle of function definition
- (vi) Principle of optimum departmentation
- (vii) Principle of unity of direction
- (viii) Span of management principle

(III) Operational Principles

- (i) Principle of adequate delegation
- (ii) Scalar chain principle
- (iii) Authority –level principle

Following is a brief comment on each of the above –stated principles of organisation under appropriate categories :

(I) Overall principles

Under this classification ,some of the very fundamental principles of organisation included i.e principles which are absolutely essential for an effective and logical functioning of the organisation .A brief explanation of the principle ,under this category is as follows:

(i) Principle of unity of objective

Very simply stated , this principle requires that individual and departmental objectives though out the enterprise must be perfectly harmonized : and that all objectives must be mutually supportive and collectively contributing to overall common objectives.

(ii) Principle of simplicity

The observance of this principle requires that the management must, as possible ,design a simple organisational structure .A simple structure facilitates a better understanding of superior- subordinate relationship : and provide background for better co-operation among people.

(ii) Principle of flexibility

While designing the organisational structure, the management must provide for in-built devices within the structure itself ,which would facilitate changes in the organisational structure to be effected as and when environmental factors-internal and/ or external –so demand.

(II) Structure Principles



Structural principles of organisation relate to those aspects of the organisation ; which have a bearing on the structuring (or the development) of the organisation : its fundamental design and shape .Some of the important principles, in this context, might be the following ones :

(iv) Principle of division of work

Since the work of the enterprise cannot be performed by only one person ; it is imperative that such work must be suitably divided among a number of person .In fact the total managerial work ought to be divided among a number of managers; and the total operational work being division among a number of operation personnel.

(v) Principle of functional definition

The above state principle implies that the role(or job) of each individual and of each department of the enterprise must be suitably defined ,in terms of the –work content, the authority and facilities required for job performance and the relationship of the job with those of others, in the enterprise.

(vi) Principle of optimum departmentation

There are many ways and bases for creating departments within an organisation.

According to the principle of optimum departmentation, departments in an organisation must be so created and maintained –as to facilitate the best attainment of the common objectives of the enterprise.

(vii) Principle of unity of direction

This principle implies that each group of activities having the same objective must have only one overall head and only one overall or master plan. As a principle of organisational, this concept of unity of direction must be so embedded in designing the organisational structure that for each group of similar activities ,there is a provision for only one overall head-having authority over all personal performing the same function ,anywhere, in the organisation.

(viii) Span of management principle

The span of management principle is variously called as – the span of control or the span of supervision. However, the phrase "span of management ' is the widest ; including also the notions of span of control and span of supervision.

The span of management principle implies that is a limit to the number of subordinates; whose work could be effectively managed (controlled or supervised) by a superior.

Points of comment

Certain useful observations in the context of span of management principle ,could be made as under :-

(a) There is a limit only to effective management ; for ineffective or inefficient management, well there is no limit .**Hence, span of management principle is valid only in the context of effective management** .An example would illustrate the significance of this idea. For example, in a school or college class-room .the number of students must be limited ; as no teacher ,howsoever competent, could effectively impart learning to an indefinite number of pupils .As against this situation, take the case of a public speaker who could well address giant gathering of audience; for there in, it does not matter whether and how far the audience is receptive to the speech of the speaker or how effective is the process of communication between the speaker and the audience .In this latter case, span of management principle is neither valid nor applicable.

(b) What exactly is or must be the number of subordinates under once superior ,cannot be asserted with precision or certainty; as the span of management principle is

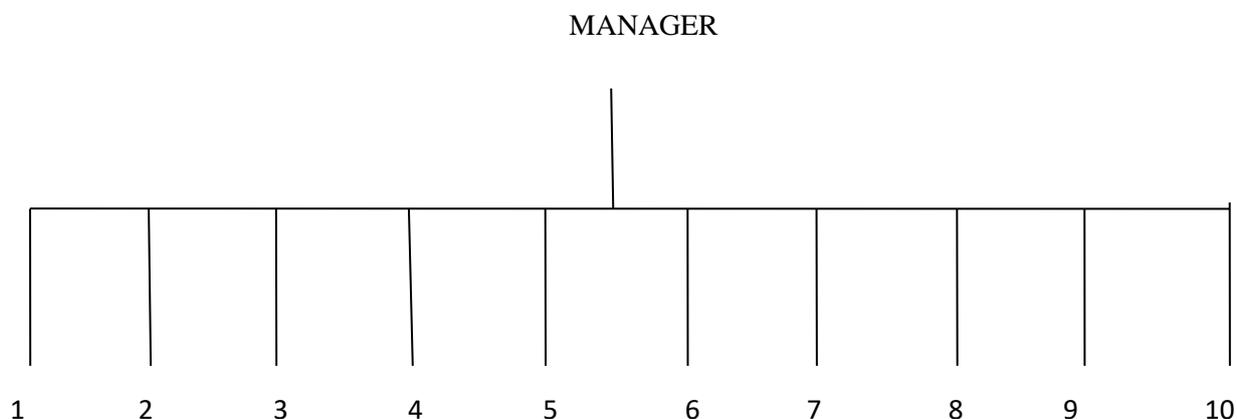


situational .There is no hard and fast number of subordinates which would determine an optimum span of management under all managerial situations .**Among other factors, the competence of the superior and the abilities ,skills and requirements of subordinate, are the most dominating factors- likely to determine span of management, in a particular managerial situation.**

(c) Span of management principle explains the reason for the structure of the organisation ; in case otherwise ,a single manager might be in a position to handle and manage the work of all the subordinates; and there would not be any need for a structured organisational structure.

(d) Span of management principle has much to do with the shape of the organisational structure ; i. e whether it would be a tall or a flat –organisational structure .This is the notion implied behind the concepts of narrow vs. wide spans of management .A narrow span of management is one where a superior can handle rather a smaller number of subordinates; while in a wide span of management ,the number of subordinates is "large 'than manageable under a narrow span of management. **Accordingly ,a narrow span of management would result in a somewhat taller shape of the organisation; and a wide span of management would lead to a comparatively 'flat'' organisational structure.**

Let us take a hypothetical example to illustrate how a 'tall 'or a "flat' organisational structure would shape out- depending on whether it is a narrow or a wide span of management. Suppose in an enterprise there are 10 subordinates to be managed by the management .Further suppose the span of management is also 10. In this situation ,only one manager would be required to handle and manage the work of all the subordinates .The organisational structure would appear as follows:



(Subordinates)

Now, suppose the span of management is only 5. In this case, the manager would be aided by two assistant managers; and controlling 10 subordinates via two assistants—each assistant manager managing the work of 5 subordinates .The organisational structure ,in this case would look like somewhat taller than its counterpart under wide span; and will have more layers of the organisation .The following chart illustrates this concept.



(xii) The authority –level principle

The authority –level principle implies that manager at particular levels in the management hierarchy must decide only those matters which fall within the purview of the authority vested in their managerial positions.

A natural extension of this principle is that if a manager at any level of the management hierarchy comes across a matter not covered by his authority; the matter must either be referred upwards in the hierarchy or pushed down the hierarchy at the appropriate level for decision.

(D) IMPORTANCE (OR ADVANTAGES) OF ORGANISATION

The importance of organisation could be highlighted by references to the role it plays in the enterprise life; considered in the following analytical manner;

- (i) Basic role of the organisation
- (ii) Other aspects of role

Let us consider the role of the organisation as planned above :-

(I) Basic role of the organisation

The basic role of the organisation could be expressed by comparing it to a vehicle; which is devised and designed for the attainment of the enterprise objectives. **Just as with the help of a vehicle a person is enabled to reach up to his/her destination; in a similar manner, a group of persons (comprised in the enterprise) is made in a position to reach their destination i.e. the attainment of common objectives via vehicle of the organisation.**

In fact, for the attainment of enterprise objectives ,action on the of individuals ,comprised in a group activity ,is necessary ; and undertaking such action is facilitated in a planned and systematic manner by the organisation structure i.e. the organisation.



(II) Other aspects of the role

Some important aspects of the role of the organisation could be stated as follows.

(i) Facilities specialisation

An organisation exists basically to take care of and implement –the division of work f various types-among managers, subordinates and operators .Such division of work,

leading to specialisation in various spheres, is instrumental in bringing about increased human efficiency in the organisational functioning.

Point of comment

Division of work ,not only enable an enterprise to take advantages of specialisation ,in managerial and operational work; it also makes for an order and system ,in the functioning of the organisation.

(ii) Avoids omissions ,overlapping and duplication of efforts

While dividing work among departments and individuals ,during the process of organising, care is exercised by management to see that-

- (a) No part of work, necessary for attainment of objectives, is lost sight of
- (b) There is no overlapping or duplication of activities and effort, while assigning work to individuals and departments.

That way, the organisation leads to an economical ,effective and efficient functioning of the enterprise.

(iii) Defines (or clarifies) authority –responsibility relationship

An organisational structure defines and clarifies, authority responsibility relationship among managers and subordinates in the enterprise-all through-horizontally and vertically.

Such clarification of authority responsibility relationship not only means a smooth functioning of the organisational life, but also promotes good human relations, in the organisation-through facilitating mutual understanding of one another.

(iv) Facilitates staffing

The organisational structure is a great aid to efficient .It ,by clearly defining various organisation positions-managerial –managerial and operational ,not only point out to the need for appropriate personnel who must man these positions; but also specifies the requirements to be sought after in various personnel-in terms of the abilities and skill needed to perform those jobs.

Point of comment

A well-defined organisational structure facilitates personnel development, specially of managers, by a allowing job-rotation system. Top management can restart to job-rotational technique, as the requirements of jobs defined in the structure indicate the possibility or otherwise for taking an appropriate decision on matters of shifting among different positions.

(v) Provides for co-ordination

An organisation facilitates co-ordination : as the latter is provided for in the structure of organisation –as an in- built device.

Needless to say, that a well-designed and defined organisational structure provides for thorough co-ordination-horizontally and vertically ; and enables



management to relish the essence of manager ship and take the enterprise to the heights of success.

(vi) Establishes channels of communication

Communication among the personnel in the enterprise ,is not only the basis of the operational life of the organisation ; but also is instrument in fostering good human relationship-through creating a base for mutual understanding.

An organisational structure helps to establish various channels of communications; relating people to one another through the scalar chain and other organisational links. But for the organisation, communication could only be casual, erratic and least authentic or there could be a situation of an absolute communication gap.

(vii) Facilitates 'Management by Exception'

Management by exception is a philosophy in which the top management would concentrate only on exceptional or critical matters(like strategy formulation ,policy – making ,controlling significant deviations in performance by personnel etc.); leaving the rest of routine and operational matters to subordinates throughout the enterprise.

Such a system of management i.e. management by exception could not be initiated and installed in the enterprise ,just casually or a sudden; rather a sound organisational structure paves the way and creates an environment for the introduction of this philosophy in a gradual and systematic matter .as a matter of fact, matter. As a matter of fact ,management by exception is nothing, but the highest state of decentralisation of authority ; and the latter could be provided for while designing and structuring the organisation.

(viii) Copes with environmental changes

Environmental changes being reflected in conditions like –super fast changing technology ,accentuating competition, emerging latest social and cultural values, extending state regulation of trade and industry etc.- are well taken care of by a sound organisation. The organisation could, of course ,face such challenges ; by resorting to changes in the systems of management styles, reorganisation of departments, providing facilities for research and development and effecting improvements in the operational life and undertaking other like measures.

(ix) Leads to growth and expansion

A sound organisation leads an enterprise along growth lines. Growth and expansion of the enterprise, which is imperative even for survival in a highly dynamic economy ; is much facilitated by the organisation through-creating more departments ,enlarging existing departments, widening span of management, providing for better and more effective co-ordination and communication devices-and all this tasking place within the existing system ,structure and functioning of the enterprise.



(x) Produces synergism

A sound organisation through ensuring effective integration of departmental functioning ,helps the enterprise to take advantage of the synergy feature of the business system. The more compact and responsible is the organisational structure ; the more would be the advantages of the synergy effect.



1. Organisation as a vehicle for attainment of common objectives
2. Facilitates specialisation
3. Avoids omissions, overlapping and duplication of efforts
4. Defines authority responsibility relationships
5. Facilitate staffing
6. Provides for co-ordination
7. Establishes channels of communication
8. Facilities management by exception
9. Copes with environmental change
10. Leads to growth and expansion
11. Produces synergism

(E) EFFECTIVE ORGANISING

Since an organisation is a vehicle devised for attainment of the enterprise objectives ;it is imperative that this vehicle be properly designed and operated. Some of the guidelines for ensuring effective organising are suggested below;

(A) Primary guideline

(B) Specific guidelines

(A) Primary guideline –planning the structure :

The primary or basic guideline for ensuring effective organisation is to plan the organisational structure keeping in view the fundamental principle of organisation. However, while planning or designing the organisation structure, the management must followed blindly ; rather moulded or modified according to the special objectives, needs and requirements of the enterprise.

(B) Specific guidelines

Some of the specific guidelines towards ensuring effective organisation are described below :

(I) Improving members' understanding through charts and manuals :

For ensuring effective organising ,it is desirable that members of the organisation understand their job assignments properly and appreciate how their jobs are related to the work of others. They must also be clear about their authority responsibility relation with others in the organisation.

Organisation charts and manuals go a long way in achieving the aforesaid objectives.

An organisation chart indicates how departments are tied together along the principal lines of authority. A well-written organisation manual contains a statement of organisation philosophy, programmes, charts and an outline of position descriptions.

Organisational charts and manuals make organising understandable.



(ii) Balance centralisation and decentralisation:

There must be a rightful compromise between centralisation and decentralisation, for optimising organisational efficiency. Some managements fail to decentralise authority; while some decentralise to an extent that the organisation develops a system of independent organisational satellites.

(iii) Avoid granting of authority without responsibility or granting of responsibility without authority :

To ensure effective organising, avoid granting of authority without exacting responsibility; otherwise the delegate will misuse the same. Further, superiors should not hold subordinates responsible for results without giving them the authority to accomplish them. **Both the above situation will lead to organisation anarchy conflicts and confusion.**

(iv) Avoid line –staff conflicts at all cost :

Line-staff conflicts take life and pleasure out of organisational life. The roles, duties, authority and mutual-relational of line and staff must be defined and clarified. In any case, line-staff conflicts must be avoided at all costs, to ensure effective organising.

(v) Avoid break down of unity of command :

A breakdown of the unity of command may result from too great proliferation (the sudden increase in the number or amount of something) of functional authority delegation to staff specialists; when e.g. the controller, the purchasing director, the personnel manager etc. exercise some degree of line authority over people throughout the company. **To ensure effective organising, the grace of the principle of unity of command departments:**

(vi) Avoid misuse of service departments :

(Service departments are essentially a grouping of activities which might be carried out in other departments, but are brought together in specialised department i.e. service department for purposes of efficiency and control e.g. accounting, purchasing, plant maintenance, typing, statistical reports etc.)

Sometimes, people in line departments regard service departments as relatively unnecessary and unimportant and ignore them; whereas they are, in fact, as significant as any operating department. On the other hand, many service departments mistakenly look upon their function as an end in itself; rather as a service to the whole organisation. Both the above situations are undesirable and reduce organisational efficiency. **Effective**

organising organising requires proper appreciation of the status and role of service departments, and proper establishing of relationship of these departments to the so-called line departments.

(vii) Avoid organisation inflexibility:

Many older companies exhibit ample evidence of organisational inflexibility i.e. their organisational structures become too rigid to meet the demands of changing environment. This situation must be avoided at all costs. To ensure effective organising ,a scheme of organisational change and development must be intelligently designed and properly implemented.

(viii) Lines of information to be separated from lines of authority :

A common cause of ineffective or less effective organising is confusion of the lines of authority and lines of information. Unless information is confidential; there is no reason why lines of information should follow lines of authority. **In fact, lines of information should be separated from lines of authority i.e. the chain of command ; because only decision making requires managerial authority –not information gathering and dissemination.**

(ix) Avoid over-organisation and under-organisation.

A popular cause of ineffective or less effective organising is the phenomenon of over organisation or under organisation.

Over-organisation may take place where there are too many levels of organisation, which unduly complicate the organisational structure or there are too many staff and service departments.

Under-organisation may be caused by forming excessive committees with decision –making power; sapping (destroying something gradually) the time energies of managers and their staffs.

(x) Recognise the importance of informal organisations :

Informal organisations are part and parcel of the formal organisation .Informal organisation 'line and system of communication is called the grapevine. Which is inevitable and valuable – with a possibility of spreading rumours and being associated with it .Management must recognise informal organisations and handle these carefully to ensure effective organising.



Guidelines for effective organising –at a glance

1. Plan the structure (of organisation)
2. Improve members understanding through charts and manuals.
3. Balance centralisation and decentralisation.
4. Avoid granting of authority without responsibility and vice-versa.
5. Avoid line-staff conflicts, at all costs.
6. Avoid breakdown of unity of command.
7. Avoid misuse of service departments.
8. Avoid organisation inflexibility.
9. Lines of information to be separated from lines of authority.
10. Avoid over-organisation and under-organisation.
11. Recognise the importance of informal organisations.



**PRINCIPLES
OF
ORGANISATION**

Unit-2

Delegation of Authority and Responsibility



Delegation of
Authority and
Responsibility

Learning Objectives

After completion of the unit, you should be able to:

- Explain the meaning, concept and definition of management.
- Describe scope and importance of management.
- Know the nature and characteristics of management.
- Also understand whether management is a science or an art or a profession.

Structure

- 1.1 Introduction
- 1.2 Definitions
- 1.3 Parity of Authority and Responsibility
- 1.4 Importance of Delegation
- 1.5 Principles of Delegation
- 1.6 Let's Sum-up
- 1.7 Key Terms
- 1.8 Self-Assessment Questions
- 1.9 Further Readings
- 1.10 Model Questions

1.1 Introduction

All activities are not performed by one person. Every individual is only one manpower. Single handed he can accomplish so little in a day. Only way to accomplish more is through sound and effective delegation. Authority should be provided to the subordinates too. Process of transferring authority and creation of responsibility between superior and subordinates to accomplish a certain task is called delegation of authority. It can take place without decentralization. It can be withdrawn by delegator at any time. It minimizes the burden of managers of unit, departments or plant. Relationship is between superior and immediate subordinates are indicated. It is technique of management used to get the things done through others. It is confined to manager and subordinates. Authority is only delegated, not responsibilities. Very important to management process Control remains in hand of superior who supervise the activities of subordinates. It is an art of management science. When authority is not given to subordinates there is no performance. Delegation is the process of sharing authority; power and work (deliver the power from one person to another or one level to another level).



1.2 Definitions

It is necessary to have brief understanding of three terms intimately connected with the concept and process of delegation.

Responsibility

Responsibility indicates the duty assigned to a position. The person holding the position has to perform the duty assigned. It is his responsibility. The term responsibility is often referred to as an obligation to perform a particular task assigned to a subordinate. In an organisation, responsibility is the duty as per the guidelines issued.

Definitions of Responsibility

According to **Davis**, "Responsibility is an obligation of individual to perform assigned duties to the best of his ability under the direction of his executive leader." In the words of Theo Haimann, "Responsibility is the obligation of a subordinate to perform the duty as required by his superior".

McFarland defines responsibility as "the duties and activities assigned to a position or an executive".

Authority

Authority is the right or power assigned to an executive or a manager in order to achieve certain organizational objectives.

A manager will not be able to function efficiently without proper authority. Authority is the genesis of organizational framework. It is an essential accompaniment of the job of management. Without authority, a manager ceases to be a manager, because he cannot get his policies carried out through others. Authority is one of the founding stones of formal and informal organisations. An Organisation cannot survive without authority. It indicates the right and power of making decisions, giving orders and instructions to subordinates. Authority is delegated from above but must be accepted from below i.e. by the subordinates. In other words, authority flows downwards.

Definitions of Authority

According to **Henri Fayol**, "Authority is the right to give orders and the power to exact obedience."

According to **Mooney and Reily**, "Authority is the principle at the root of Organisation and so important that it is impossible to conceive of an Organisation at all unless some person or persons are in a position to require action of others."

Accountability

Every employee/manager is accountable for the job assigned to him. He is supposed to complete the job as per the expectations and inform his superior accordingly. Accountability is the liability created for the use of authority. It is the answerability for performance of the assigned duties.

Definition of Accountability

According, to **McFarland**, "accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility."

When authority is delegated to a subordinate, the person is accountable to the superior for performance in relation to assigned duties. If the subordinate does a poor job, the superior cannot evade the responsibility by stating that poor performance is the fault of the subordinate. A superior is normally responsible for all actions of groups under his supervision even if there are several layers down in the hierarchy. Simply stated, accountability means that the subordinate should explain the factors responsible for non-performance or lack of performance.

1.3 Features/Characteristics of Delegation

Delegation has the following features:

1. Delegation is a process:

Managers delegate tasks in a sequential order of steps.

2. On-going process:

Delegation is a continuous process. Managers continue to delegate tasks to subordinates and get them delegated by their superiors to achieve the organisational goals.

3. An art, not science:

Delegation does not necessarily mean that subordinates will perform those tasks well. There is no cause and effect relationship between the task assigned and their actual performance. Delegation is, thus, not a science. It is the art of how well and what the manager delegates to subordinates.

4. Delegation of authority and not accountability:

Managers can only delegate work and authority to perform that work. Delegation does not absolve managers of accountability to their superiors for the part of task assigned to subordinates. They remain accountable for the tasks assigned to subordinates and are answerable to their superiors for its performance. Thus, responsibility (tasks) and authority can be delegated but not accountability.



**Delegation of
Authority and
Responsibility**



5. Necessary activity:

Managers cannot avoid delegation. They cannot perform all the tasks themselves. They have to learn the art of delegation, that is, how to delegate and what to delegate. Corporate performance is judged by how well managers get the work done by the process of delegation. Delegation is not an option. It is a necessity.

6. Different forms:

Delegation can take different forms. It can be downward, upward or lateral.

1.4 Parity of Authority and Responsibility

Managers exercise great care during the process of delegation. If routine jobs are retained by them and important matters are delegated, the entire process of delegation becomes ineffective. Manager determines the authority and responsibility that should be retained by him and that which should be delegated.

The authority and responsibility which he retains for his own performance is called reserved responsibility. According to Louis A Allen “a manager cannot effectively delegate responsibility and authority for initiating and making final decisions for planning, organising, coordinating, motivating and controlling the activities and positions that report to him.”

Making plans; single use or multiple use, strategic plans, policies, procedures rules etc. cannot be delegated. These activities are of supreme importance for the organization and managers cannot delegate them to subordinates. These are the foundation which provide meaning and substance to the organisation. Though not delegated, managers can take help of other line and staff managers in framing the plans.

While organising determines the framework of the organisation structure with well-defined authority-responsibility relationships amongst various individuals at various levels, the base for providing structure to organisation, whether functional or divisional or matrix, is the sole responsibility of managers and cannot be delegated to subordinates.

The kind of people to be recruited, selected, trained, placed on different jobs, the kind of leadership style to be adopted, the measures of reward or coercion used as motivational factors are the important business decisions that cannot be delegated. These are, thus, the important areas of management where delegation will not be effective. What then are the areas where delegation will be effective?

With reference to plans and objectives of the organisation, the important managerial functions of planning, organising, staffing, directing and controlling are managed by managers themselves and routine activities with respect to each functional area of production, finance, personnel and marketing are delegated to subordinates, i.e., responsibility entrusted to lower- level managers should be with



respect to routine jobs in the specific functional area. In the finance department, for example, the sources of raising funds, designing the capital structure, determining the optimum debt-equity ratio, apportioning funds between fixed and current assets are determined by the top managers. Once decided, accepting applications, returning excess funds and issuing share certificates can be delegated to lower-level managers (if funds are raised through issue of shares). Launching a new product, planning a market survey, feasibility and project report are done by top managers but actually conducting the feasibility studies and market surveys is delegated to lower-level managers. Once responsibilities to be delegated are determined, authority to carry out those responsibilities is also delegated. The authority must be commensurate with responsibilities so that subordinates can effectively discharge their obligations. The matters which are of routine nature for top managers are important for subordinates and they need authority to carry out those responsibilities.

Delegation has the following important elements:

Responsibility

Responsibility is the activity or task entrusted by the manager to subordinates. Though delegated, the ultimate responsibility (accountability) for completion of the task rests with the manager.

Authority

To carry out the responsibility assigned, there is need for authority to allocate resources, command people, issue directions and make decisions. The authority is therefore, delegated to subordinates to enable them to carry out the responsibility assigned.

Accountability

When managers delegate part of their work-load to subordinates, they remain accountable for accomplishment of that task. The responsibility and authority, thus, can be delegated but accountability cannot.

Subordinates need authority to carry out the responsibility. Authority enables delegates to give instructions to members of their unit. Authority without responsibility and responsibility without authority has no meaning. Authority, Responsibility and Accountability are Inter-related. They need proper consideration while introducing delegation of authority within an Organisation. In the process of delegation, the superior transfers his duties/responsibilities to his subordinate and also give necessary authority for performing the responsibilities assigned. At the same time, the superior is accountable for the performance of his

subordinate. As authority and responsibility are not mathematically related to each other, authority cannot be exactly equal to responsibility. It must be commensurate with the responsibility; neither more nor less.



1.5 Importance of Delegation

Delegation is unavoidable. Managers have to be skilled in the art of delegation. Delegation of authority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager gets beyond his capacity, there should be some system of sharing the work. This is how delegation of authority becomes an important tool in organization function. Through delegation, a manager, in fact, is multiplying himself by dividing/multiplying his work with the subordinates. The importance of delegation can be justified by –

1. Relief to managers:

Delegation relieves managers of the burden to carry out every activity on their own. By delegating routine activities to lower levels, top managers concentrate on important policy matters. This increase efficiency of the organisation.

2. Develops managers:

By delegating authority and responsibility to subordinates, managers can accept more and responsibilities from their superiors. By delegating routine jobs down the hierarchy, they can take more challenging projects and enhance their skills as competent managers

3. Develops subordinates:

When routine and innovative tasks are delegated to subordinates, their skill in performing the delegated tasks increases. Training programmes can be organised to develop them as potential managers.

4. Better decisions:

Through delegation, decisions related to routine matters are taken by those who are closest to the decision-making situation. This increases the quality of decisions.

5. Faster decisions:

Not only are the decisions effective, they are also fast as subordinates have the authority to do the jobs assigned without going to the superiors every time they face a problem. They have authority to solve the problems on their own.



6. Specialisation:

Division of work into sub-units and delegation of responsibilities according to skill, knowledge and competence of subordinates promotes specialisation on the job and results in greater output. “Delegation provides a way to break down the responsibilities of a manager and assign them across several subordinate managers based on their specialised capability.”

7. Job satisfaction:

When subordinates achieve the delegated standards of performance, it provides them job satisfaction and motivates them to perform better.

8. Promotes inter-personal relationships:

Delegation increases interaction of managers with the subordinates and promotes healthy relationships amongst them.

Therefore, from the above points, we can justify that delegation is not just a process but it is a way by which manager multiplies himself and is able to bring stability, ability and soundness to a concern.

1.6 Principles of Delegation

The following principles make the process of delegation effective:

1. Authority, responsibility and accountability:

These are the elements of delegation that make it an effective process.

2. Parity of authority and responsibility:

Subordinates need authority to carry out the responsibility. Authority enables delegates to give instructions to members of their unit. Authority without responsibility and responsibility without authority have no meaning. As authority and responsibility are not mathematically related to each other, authority cannot be exactly equal to responsibility. It must be commensurate with the responsibility; neither more nor less.

3. Scalar chain:

Every member should know his position in the scalar chain to know his superiors who have the power to delegate and his subordinates to whom he can delegate. The responsibility can be assigned if every person knows his position in the hierarchy. Scalar-chain determines direct authority relationship between the superior and subordinates. Clarity in scalar chain relationships promotes faster and effective decisions.



4. Completeness of delegation:

Every part of the total work (except the one which is reserved by managers) should be delegated down the scalar chain. If some part of the work is not delegated, gaps would arise in respect of the work not so assigned and the work will not be completed properly.

5. Unity of command:

Every individual should have one boss to whom he should report. If subordinates have more than one boss, they may not be able to carry out the assigned task. For example, if a person cannot accomplish the task assigned to him by boss A, he may say that he was busy carrying out instructions of boss B and vice versa while it may not actually be so.

He, thus, avoids responsibility of carrying out the assigned tasks. Unity of command creates personal responsibility for results and avoids conflicts in instructions in the organisations. There is complete clarity about who has to carry out whose orders and when.

6. Absoluteness of responsibility:

Though the task and authority to carry out the task is delegated, the delegator continues to remain accountable to his superiors for the acts assigned to his subordinates. If district manager cannot achieve the sales target, branch manager (delegator) remains responsible to the General Manager of sales department.

Delegation does not mean that superiors get free from the responsibility of tasks assigned to subordinates. If subordinates do not perform well, delegator has to ensure that they know the task and perform it will. Ultimate responsibility means accountability. While responsibility can be delegated, accountability cannot be delegated.

7. Delegation by results:

Managers should determine the objective of delegation, that is, what they want their subordinates to do and then delegate the tasks along with authority to them.

If production manager wants to increase production of Northern Branch, he should delegate this task to his branch manager, Northern Region.

The branch manager will carry out the tasks when things are clear to him. Vague orders like, 'increase the sales' are not effective even if subordinates have authority to carry out such orders. What is expected out of delegation by whom, when etc. must be clearly planned and communicated to subordinates for effective delegation. Subordinates should know the outcomes expected from their actions.

8. Delegate within defined limits:

Managers cannot delegate what they are themselves not authorised to do. For example, if manager does not have authority to raise funds from financial market without sanction of top managers, he cannot delegate this task to subordinates. Only those tasks which manager is himself authorised to do can be further delegated.

Sometimes, decisions are made by two or more managers together. This is called splintered authority. It means authority to take decisions through inter-departmental interaction. A single manager is not authorised to make decisions.

1.7 Let's Sum-up

Delegation means to grant or confer. It helps to coordinate activities at various levels to increase efficiency of the organisation. It helps managers to concentrate on important organisational matters and pass the routine matters to subordinates. Management is the art of getting things done through others and managers can get others to do things if they delegate them the responsibility along with authority. Delegation is an important skill that helps manager to effectively manage his organisation. "How well a manager delegates determines how well he can manage." Delegation relieves the burden of managers and creates healthy atmosphere in the organisation. Companies identify the capabilities of managers by judging their skills in how effectively they engage in the process of delegation

1.8 Key Terms

Delegation: Delegation is the assignment of any responsibility or authority to another person to carry out specific activity/activities.

Authority: Authority is the right or power assigned to a person in order to achieve certain organizational objectives.

Responsibility: Responsibility is the obligation of a subordinate to perform the duty as required by his superior.

Accountability: Accountability is the liability created for the use of authority for performance of the assigned duties.

1.9 Self-Assessment Questions

1. Explain the concept of delegation. Distinguish between authority and responsibility.
2. What do you mean by parity of authority and responsibility?

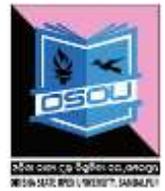
1.10 Further Readings

1.10.1 Kootnz & O'Donnell, Principles of Management.

1.10.2 L. M. Prasad, Principles and Practice of Management.

1.10.3 J.S. Chandan, Management Concepts and Strategies.

1.10.4 Arun Kumar and R. Sharma, Principles of Business Management.



Delegation of
Authority and
Responsibility



1.11 Model Questions

- I. Justify the importance of sound delegation in achieving organisational objectives.
- II. Explain how delegation of authority and responsibility can create accountability on the part of the subordinate.
- III. What are the characteristics features of delegation.

**Delegation of
Authority and
Responsibility**



Unit-3

Centralisation and Decentralisation

Learning Objectives

After completion of the unit, you should be able to:

- Explain the meaning, concept and definition of management.
- Describe scope and importance of management.
- Know the nature and characteristics of management.
- Also understand whether management is a science or an art or a profession.

Structure

- 1.1 Introduction
- 1.2 Definitions
- 1.3 Decentralisation vs. Delegation
- 1.4 Factors affecting Centralisation and Decentralisation
- 1.5 Principle of Centralisation and Decentralisation
- 1.6 Advantages and Disadvantages
- 1.7 Let's Sum-up
- 1.8 Key Terms
- 1.9 Self-Assessment Questions
- 1.10 Further Readings
- 1.11 Model Questions

1.1 Introduction

Centralization and decentralization are the opposite ends of an organization continuum. On the one hand, centralization brings uniformity of policy and action, utilizes the skills of centralized and specialized staff, and enables closer control over operating units. And on the other hand, decentralization tends to effect faster decision-making and action on the spot without consulting higher levels. Decentralization has the effect of motivating the subordinates since they have a greater share in management decision-making. The question of centralization or decentralization is a matter of degree. It is not possible to conceive of an organization which is exclusively centralized as some decentralization of authority is bound to exist. Likewise, there can be no absolute decentralized structure as the top executive cannot delegate all his authority. The issue of centralization and decentralization has to be decided objectively taking into consideration the size and nature of enterprise, diversity of the company's product, economies of division of labour, location of markets, nature of services to be performed, availability of trained and efficient managers, philosophy of management, etc. Centralization is not a system of management good or bad by

itself, capable of being adopted or discarded at the whim of managers or of circumstances; it is always present to a greater or less extent

1.2 Definitions

When the power to take decision rests with the top management it is called as '**Centralisation**'.

When the power to take decision is given to the person performing the job it is called as '**Decentralisation**'.

According to **Fayol**—"everything which goes to increase the importance of the subordinate's role is decentralisation and everything which goes to reduce it is centralisation." The importance of the subordinate is reduced and the importance of the superior executive is increased in centralisation.

According to **Allen**, "Centralization" is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be:-

1. Reservation of decision making power at top level.
2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

1.3 De-centralisation vs. Delegation

Though both delegation and decentralization are related concepts, but the distinction between the two terms must be clearly understood. Decentralization could be differentiated from delegation in the following way:

(i) Delegation creates authority-responsibility relationship between a superior and his subordinates, whereas decentralization refers to the creation of semi-autonomous decision-making units or even profit centres functionally related to the top management. In other words, decentralization is diffusion of decision making authority throughout the multiple layers of the organization.

(ii) Decentralization is simply not an extension of delegation. The purpose of delegation may be confined to relieve the excessive burden of key managerial personnel, but decentralization has a deeper meaning bordering on a new philosophy of organization and management.

(iii) Delegation is a process whereby the superior assigns certain tasks and responsibilities within his control to his subordinates, immediately vests part of his decision-making authority in them and precisely it is an obligation from them



**Centralisation
and
Decentralisation**



for proper discharge of authority conferred upon them and for effective performance in the area of delegated activity. But, on the other hand, decentralization refers to structural dispersal of authority for decision making in various facts of organizational operations throughout the organization in the form of semi autonomous units, subject to overall control by the top management.

(iv) Delegation takes place between a superior and a subordinate and is a complete process. It may consist of certain tasks alone. But decentralization involves spreading out the total decision-making power throughout the organization.

(v) Sheer pressure of managerial workload forces managers to delegate a part of their burden to their subordinates, as a matter of necessity with few alternatives. Decentralization, on the other hand, could be only one of the options open to an enterprise out of several alternative ways of organizing expanding operations. This means that delegation of authority could take place without decentralization, whereas there can be no decentralization without delegation of authority.

(vi) In case of delegation of authority, the manager has directive responsibility in relation to his subordinates. But in a decentralized setting, direction is to a large extent substituted by control by the top management. The control mechanism is also elaborate so as to ensure that the dispersal of authority strengthens the entire organization and that the semi autonomous units have a central focus on viability and vitality of the organization; and

(vii) Delegation could be a routine administrative activity involving only managers and their subordinates while decentralization is a conscious and deliberate organizational action with strategy overtones, to manage growth and expansion under conditions of environmental pressures, challenges and opportunities.

1.4 Factors affecting Centralisation and Decentralisation

Some degree of centralisation and decentralisation should be decided in order to maintain a balance. There are some factors which may require centralisation while there are others which may need decentralisation. These factors influence a decision about the degree of centralisation and decentralisation.

1. Size and Complexity of Organisation:

In case of bigger concerns there is a need to decentralise authority to lower levels in the organisation. It will facilitate decision making and control. When the

concern is small then centralisation will be useful. If the operations of a concern are simple then centralisation is preferred while in complex operations decentralisation will be useful.

2. Communication System:

When communication system is good then top management can control the operations at last and centralisation should be preferred. In the present technological age, managers setting in even other countries can control decision making and operation of a business. If the communication system is slow and ineffective then decentralisation should be used.

3. Competence of Personnel:

When competent personnel are available in the organisation then powers should be delegated to various levels of management to make use of their expertise. In case competent persons are not available to share the responsibility of the top management then decision making should be retained at higher level.

4. Degree of Standardisation:

The greater the degree of standardisation in operations, the more will be the centralisation because it will be easy to control the operations from the top. The centralised structure will bring uniformity of action in such an organisation.

5. Spread of Activities:

If a business has different plants or units situated at different places then decentralisation will be essential to carry on the activities effectively. The finance function in such a business should be centralised to ensure effective control over assets and capital expenditure.

1.5 Principle of Centralisation and Decentralisation

Fayol is of the opinion that there should be a proper balance between centralisation and decentralisation. An organization must not be completely centralized or decentralized, there should be a match between the two depending upon the size, nature and location of business.

The top management must keep the authority to take important decisions of the organization but adequate authority must be delegated to the lower level employees to take the department level decisions. This will facilitate the proper and timely functioning in the organization. And the top management will be free from extra burden of taking and handling each and every affair of the organization. All the lower level problems will be handled at that level only; this also gives a feeling of superiority to the lower level employees which motivate them to perform better.



**Centralisation
And
Decentralisation**



Positive impacts of this principle:

- Facilitates proper functioning of the organization;
- Timely completion of work;
- No extra burden on the top management;
- Motivates the lower level employees; and
- Decisions will be taken at the level of action.

Consequences of violation of this principle:

- Over burden on the top management;
- Difficulty in the achievement of organizational objective;
- Delay in action, because the decisions of top management are to be waited.
- Sometimes it creates conflict between the management and the employees; and
- Ego clashes in case of different decision by lower level and top level management.

1.6 Centralisation and Decentralisation

Centralization and decentralization are the opposite ends of an organization continuum. On the one hand, centralization brings uniformity of policy and action, utilizes the skills of centralized and specialized staff, and enables closer control over operating units. And on the other hand, decentralization tends to effect faster decision-making and action on the spot without consulting higher levels. Decentralization has the effect of motivating the subordinates since they have a greater share in management decision-making. The question of centralization or decentralization is a matter of degree. It is not possible to conceive of an organization which is exclusively centralized as some decentralization of authority is bound to exist. Likewise, there can be no absolute decentralized structure as the top executive cannot delegate all his authority. The issue of centralization and decentralization has to be decided objectively taking into consideration the size and nature of enterprise, diversity of the company's product, economies of division of labour, location of markets, nature of services to be performed, availability of trained and efficient managers, philosophy of management, etc. Centralization is not a system of management good or bad by itself, capable of being adopted or discarded at the whim of managers or of circumstances; it is always present to a greater or less extent. Nowadays, two types of organizational structure can be seen, which are centralized and decentralized. **Centralization** of authority means the power of planning and decision making are exclusively in the hands of top management while in the case of **Decentralization**, the powers for the same has been disseminated by the top management to the middle or low-level management. There is a never ending debate between these two terms to prove which one is better. In this significant differences between Centralization and Decentralization are explained:

BASIS FOR COMPARISON

CENTRALIZATION

DECENTRALIZATION

Meaning

The retention of powers and authority with respect to planning and decisions, with the top management, is known as Centralization.

The dissemination of authority, responsibility and accountability to the various management levels, is known as Decentralization



Centralisation and Decentralisation

Three empty rectangular boxes stacked vertically, likely for student input or additional notes.

1.7 Let's Sum-up

Centralisation and decentralisation are the two opposite ends in an organisation. In practice there cannot be neither complete centralisation nor decentralisation. In a highly centralised organisation decision making is costly and delayed. The operations of the organisation suffer for want of authority at different levels of management. In a decentralised system, authority is spread throughout the organisation and controls are assigned to functional managers. In order to keep it abreast with the working, top management will keep some powers and controls to itself.

On the one hand, centralization brings uniformity of policy and action, utilizes the skills of centralized and specialized staff, and enables closer control over operating units. And on the other hand, decentralization tends to effect faster decision-making and action on the spot without consulting higher levels. Decentralization has the effect of motivating the subordinates since they have a greater share in management decision-making.



1.8 Key Terms

Centralisation: Consistent reservation of decision-making power at the top of the organizational hierarchy.

Decentralisation: Dispersion of decision-making power in an organization-wide context across all levels in an organisation.

Delegation: Distribution of authority and responsibility to subordinates, and creation of accountability for performance.

Decision-making: Selection of a particular course of action from various alternatives available.

1.9 Self-Assessment Questions

1. "Delegation and decentralization are interchangeable terms in management and organization theory". Comment.
2. "Centralization is not necessarily bad, nor is decentralization necessarily good". Elucidate the statement.
3. "Delegation is the key to administrative effectiveness". Elucidate.

1.10 Further Readings

1. Kootnz & O'Donnell, Principles of Management.
2. L. M. Prasad, Principles and Practice of Management.
3. J.S. Chandan, Management Concepts and Strategies.
4. Arun Kumar and R. Sharma, Principles of Business Management.
5. Sherlerkar and Sherlerkar, Principles of Management.

1.11 Model Questions

1. Explain the term 'Decentralization' and give its principal advantages. What are the factors that govern the degree of decentralization in an organization?
2. "Delegation is the key to administrative effectiveness". Elucidate.



**Centralisation
and
Decentralisation**