

## ORGANISATION STRUCTURE AND DESIGN

The managerial function organizing may be understood as “defining and grouping the activities of the enterprise and establishing authority, responsibility and relationships among them”. It results in the creation of a structure most appropriate for the organization’s objectives and other internal and external factors. The best structure is the one that enables the organization to interact effectively with its environment, to efficiently channelize the efforts of its people, to make efficient use of its resources. Thus, while planning specifies the objectives, organizing facilitates the accomplishment of objectives.

## AUTHORITY

Authority is a legal power which is possessed by a person from his superior officers and with the help of which he succeeds in getting the things done by his sub-ordinates. Authority is the key to managerial functions. If the managers do not possess required authority, they will not be able to perform their duties properly. A manager is in a position to influence his subordinates only by the use of his authority. It is the authority which enables him to discharge the important functions of planning, coordination, motivation and controlling etc. in an enterprise. If proper authority is not vested in him, he cannot perform these functions in the required manner and he cannot be held responsible for all these functions in the absence of proper authorities. It is only the authority by virtue of which he dominates his sub-ordinates and gets work done by them.

### Definitions

- ✓ "Authority is the right to give order and the power to exact obedience". – Henri Fayol
- ✓ "Authority is the power to command, to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental performance". – Koontz and O'Donnell

## DELEGATION OF AUTHORITY

Delegation is the process by which authority is granted to a subordinate by his superior. But for delegation of authority, organizations would remain forever small. Delegation is the only solution to cope with the increasing work load of managers as the organization grows. Because of the constraints of time and ability, a manager cannot perform all the tasks himself. Therefore, he delegates certain of the tasks to the subordinate and gets them done. Before proceeding further to understand the process of delegation, it is appropriate to examine, in brief, the concepts of authority and responsibility.

Authority is the right to command. It is the discretion power vested with a manager to use the organizational resources. Managers acquire authority by virtue of the rank or title associated with their position. Authority is granted to the individuals in a formal way in the organization. It flows from the top to down in the organization structure.

Responsibility, on the other hand is the obligation to perform the tasks and accounts for their satisfactory completion. It is implied that an individual is expected to fulfill certain job requirements when he or she accepts a position in the organization. In other words, the individual is answerable for the results of the task to be performed. In contrast to authority,

responsibility of an individual in the organization is always upwards, that is, the subordinate is responsible to his or her superior.

## **FORMAL AND INFORMAL ORGANIZATION**

Formal organization, which refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability, is not capable of accomplishing organizational objectives all alone. It needs the help of informal organization for this purpose. In other words, informal organization, which does not appear on the organization chart, supplements the formal organization in achieving organizational goals effectively and efficiently.

### **FORMAL ORGANIZATION**

Chester I Barnard defined formal organization as “a system of consciously coordinated activities or forces of two or more persons”. A formal organization is deliberately designed to achieve specific objectives. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability. The structure is consciously designed to enable the people of the organization to work together for accomplishing common objectives. Thus, formal organization is more or less an arbitrary structure to which the individual must adjust. It tells him to do certain things in a specified manner, to obey orders from designated individuals and to cooperate with others. Coordination also proceeds to a prescribed pattern in the formal organization structure. The formal organization is built around four key pillars; namely,

- ✓ Division of Labour,
- ✓ Scalar and Functional Processes,
- ✓ Structure
- ✓ Span of Control.

These may also be called principles of formal organization. Division of labour and specialization is the basic principle of formal organization. The whole work is divided into a number of small operations and each operation is performed by a different person so that there is maximum specialization. The scalar and functional processes imply the growth of the organization both vertically and horizontally. The structure of the organization refers to the overall arrangement in the organization which ensures proper balance between different parts of the organization and secures the execution of all operations and the achievement of organizational objectives. The span of control refers to the number of subordinates directly reporting and accountable to one superior.

Formal organization is the official hierarchy as it appears on paper. It is the basis and official version of the organization. Formal organization possesses the following characteristics:

- ✓ It is deliberately impersonal;
- ✓ It is based on ideal relationships;
- ✓ It is based on the rabble hypothesis of the nature of man.

These characteristics have also been criticized by many authors. Firstly, as formal organization is deliberately impersonal, emotions and sentiments of individuals are ignored in determining the interactions, communication and accountability. But human beings cannot

live without social relations and, that is why, they develop informal relations. Secondly, it is based on ideal relationships, human being is thought to be rational and economic beings. Further, it is assumed that there would be no unofficial channel of communication. But it is very difficult to find such ideal relationships in actual life. Lastly, it is based on the rabble hypothesis of the nature of man. It is assumed that there will always be the same kind of reaction if human beings are punished or rewarded. But the individuals are not always motivated by the same rewards or punishments in the same manner. Formal organization is deliberately construed to achieve some goals. It sticks to the goals (as laid down by the originators). Goals are not easily changeable with the passage of time. This is another point of criticism put forward by its critics. The rules and regulations of the organization may be too rigid that it becomes difficult to achieve the goals. Moreover, formal organization does not



consider the goals of the individuals. Because of these reasons formal organization usually gives birth to informal groups which cannot be separated from it. As a matter of fact, there is a close relationship between the formal and informal organizations. Management should not ignore informal organization (informal group, informal leader, informal communications, etc.,) but it should use it to achieve the organizational goals.

### **INFORMAL ORGANIZATION**

Informal organization refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, likes, dislikes, etc. These relations are not developed according to procedures and regulations laid down in the formal organization structure. Generally, large formal groups give rise to small informal or social groups. These groups may be based on some similarities that people of a large group see among the members of the group with respect to tastes and preferences, socio-cultural background, temperaments, attitudes, etc, these groups are not preplanned, but they develop automatically within the organization according to its environment.

Informal organizations are small groups and these groups can overlap because a person may be a member of several different informal groups. A manager cannot abolish the informal groups since he does not create them. Informal relations will always support and supplement the formal one. There are certain disadvantages also of informal organizations. They put resistance to change and conform to old practices. The communication in informal organization is very fast. Sometimes, it creates rumours which may prove dangerous to the enterprise. Modern authors on organization behaviour view organizations as consisting of both types of relationships, i.e., formal and informal. It is true that while laying out an organization plan, management can only develop formal structure of relationships, but organization is not only a form chart or structure of relationships. Formal organization, no doubt, is an important part of the organization. But informal organization is also not less important. If handled properly, it will help in performing the activities of the organization very efficiently and effectively. In short, informal relations are complementary to formal relations and procedures laid down in the organization structure. Both formal and informal organizations are necessary for any group action just as two blades are essential to make a pair of scissors workable.

### **DIFFERENCES BETWEEN FORMAL AND INFORMAL ORGANIZATION**

The formal and informal organizations differ from each other in the following respects:

**Origin:** The reason and circumstances of origin of both formal and informal organizations are totally different. Formal organizations are created by conscious managerial decisions. But informal organizations arise naturally within the formal organization because of the tendency of the individual to associate and interact. Management has no hand either in emergence or in abolition of informal groups.

**Purpose:** Formal organizations are created for realizing certain well-defined objectives. But informal groups are created by organizational members for their social and psychological satisfaction. There may be a conflict between the goals of the formal organizations and those of the informal groups.

**Activities:** Activities in case of formal organization are differentiated and integrated around the objectives of the enterprise and are formalized into work units or departments on a horizontal basis. Individuals are fitted into jobs and positions and work groups as a result of managerial decisions. In case of informal organization, there are no specific activities. They arise from time to time as result of interactions and sentiments of the individuals. Informal

groups may be based on common taste, language, culture or any other factor

**Structure:** Formal organization is hierarchical, pyramid shaped and bureaucratic in structure with well-defined positions, rigid delineation of roles and superior – subordinate relationships on impersonal basis, enforcement of organizational order through a set of policies, procedures, and rules, conscious emphasis on status, differential based on authority, narrow and downward oriented communication system, etc. On the other hand, informal organization is looks like a complicated and common social network of interpersonal relationships. Informal organization is loosely structure, with only unwritten norms of



behavior enforced by consent. Communication is informal and multi directional. There are no rigid status differentials.

**Membership.** In a formal organization, every individual belongs to one work group only and works under one superior. But in case of informal organization, one person can be a member of more than one group, according to his choice. He may be a leader in one group and a follower in another. There is no rigidity about group membership.

**Orientation:** In case of formal organization, values, goals and tasks are dominantly economic and technical and they are concerned with productivity, profitability, efficiency, survival and growth. But in the case of informal organization, values goals and tasks are dominantly psycho-social, setting around individual and group satisfaction, affiliation, cohesiveness and friendship.

**Norms of Behavior:** In a formal organization, individuals are required to behave in the prescribed manner in their work situations. They are expected to behave in a rational manner. Deviations from the standard norms are dealt with according to the processes of organizational law and order. There is also a system of rewards and punishments. But in case of informal organization, individual behavior and group behavior influence each other. Behavior is more natural and social.

Interactions cut across formally established positions and relationships and there is free exchange of feelings and ideas. An informal organization develops its own norms of behaviour and a system of rewards and punishments to ensure adherence of group norms.

