



Lecture: 7

Organization



Objectives of this session

- Define Organization
- Identify the main features of the Organization
- Discuss the significance of organization
- Deliberate the process of organization
- Discuss the principles of the organization
- Understand the types of organization
- Identify the differences between formal and informal organization



**Can you remember the
definition of Organization?**

Definition of the Organization

In general sense, Organization is a group of people working together to attain common goals. The management experts have given vivid definitions of organization as a managerial function.

Chester I Bernard - "Organization is a system of **cooperative activities** of two or more persons."

Mooney and Railey - "Organization is the form of every **human association** for the **attainment of a common purpose.**"

Finally, it finds some conditions-

- I) Willingness to cooperate
- II) More than one people gathered
- III) Have a common purpose
- IV) Understand the communication

Nine perspectives of Organization given by Ralph Stogdill:

- ❖ Organization as a cultural product.
- ❖ Organization as an exchange which is environment.
- ❖ Organization as an independent agency.
- ❖ Organization as a system of structure & function.
- ❖ Organization as structure in action over time.
- ❖ Organization as a system of dynamic system.
- ❖ Organization as a processing system.
- ❖ Organization as input-output system.
- ❖ Organization as a structure of sub-group.



**What is your understanding
about the Organization?**

Main Features of Organization:

- ❑ Objectives/goals
- ❑ Specialization or Division of work
- ❑ Coordination
- ❑ Hierarchy
- ❑ Authority
- ❑ Control



**Why the study of
Organization is important?**



Importance of Organization:

- ❑ Organization facilitates management
- ❑ It helps in growth and diversification
- ❑ It facilitates optimum use of technological development
- ❑ It facilitates maximum use of persons
- ❑ It fosters co-ordination
- ❑ It facilitates specialization and creativity
- ❑ Avoiding duplication of work



Organization as a process:

- ❑ Determining objectives
- ❑ Division of work
- ❑ Placement of personnel into jobs
- ❑ Establishing relationships

Principles of Organization

Objective: Every enterprise has to accomplish some objective or goal. Organization is a tool in attaining the objectives. Objectives determine the structure of organization.

Span of control: It refers to the number of subordinates a manager can control and supervise. This should be limited. At the most six may be prescribed for the purpose.

Scalar principle: Subordinate must know his superior. The line of authority from top management to lower ranks represents the scalar chain.

Unity of command: Each subordinate should receive orders from one superior or boss. This is necessary to avoid confusion.

Unity of direction: The activities of each member of the organization are directed towards the attainment of same objective.

Division of Work: Proper division of work is necessary. Every person should be assigned the work according to his efficiency.

Authority and responsibility: Proper and adequate authority be delegated to the subordinate for performing the assigned task and he should realize the responsibility of the work. Superior should hold the subordinate responsible for non-performance of the assigned task.

Effective communication: Effective and simple communication system helps in removing confusion and doubts. Two ways communication is must for efficient organization.

Continuity: Every change should be reflected in the organization. Change is the law of nature changes takes place outside the organization. Organization structure should be flexible to accommodate any change in the system. This is a continuous process.

Balance: There should be a proper balance between centralization and decentralization of authority and power.

Flexibility: The organization structure should be adaptable to the changes in the nature of business and technology and procedures.

Exception principle: The organization structure should be such that the higher level managers are required to look after exceptionally complex problems. All the routine matters should be dealt with by lower level managers and other subordinates.

Efficiency: The organization should be cost effective. This increases the efficiency of the organization.

Leadership: The organization structure should be designed in a manner which will provide effective leadership.

Definition of jobs: The duties and responsibilities assigned to each position should be clearly defined to avoid overlapping and confusion.



**Can you remember the
Principles of Organization?**



Types of Organization

- i) Formal Organization**
- ii) Informal Organization**

Formal Organization

The organization structure designed and established by management is called **formal** organization. Formal organization is **based on formal relationship** where they work together for **attaining the common objectives and goals** of an organization and communicate with each other. It has a well defined structure of jobs bearing a definite authority, responsibility and accountability. Formal organization can be divided the organization is into three forms-

Formal Organization

Formal organization can be divided the organization is into three forms-

1) **Line organization** (based on scalar or hierarchical principle of organization & develops a direct vertical relationship).

2) **Line and staff organization** (line authority moves downward from top to bottom while staff are the experts having no line authority and their function is advisory).

3) **Functional organization** (organization structure the different specialists or experts guide the subordinates in the organization regarding different aspects of operations).



Informal organization

It means when a small groups of people based on personal attitudes, emotions, prejudices and other such considerations.

It is a part of the formal organization, it cannot be separated. A person may belong to more than one group. They developed automatically in the organization. These groups may support formal organization. Sometimes informal organization creates problems by spreading rumors. This organization is not recognized by the management.



**Can you mention the main difference
between formal and informal
organization?**

Distinction between Formal and Informal Organization:

The distinction between formal and informal organization may be explained as follows:

- Formation
- Purpose
- Rigidity
- Structure
- Behavior
- Leadership
- Communication



Chapter related questions:

- ❑ What is organization?
- ❑ Discuss the main conditions of Organization.
- ❑ Discuss the importance of Organization.
- ❑ Do you think 'Organization as a process'?
- ❑ Discuss various principles of Organization.
- ❑ Define formal and informal organization.
- ❑ 'DIU is a formal organization'-explain with suitable example.
- ❑ Explain the distinction between Formal and Informal Organization.

