



PRINCIPLES OF ORGANIZATION

“ORGANIZATION IS THE BASIC TOOL BY WHICH THE ADMINISTRATIVE PROCESS IS KEPT OPERATING”- **DIMOCK AN DIMOCK**

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PRINCIPLES OF ORGANIZATION

- Formal and informal organization
- Hierarchy
- Unity of command
- Span of control
- Coordination
- Centralization- decentralization

FORMAL AND INFORMAL ORGANIZATION



ORGANIZATION

- Administration= cooperative effort+ common purpose
- Organization is the essential element of administration
- Organization derived from the word organicism which means an organized body of independent parts sharing common activity



ORGANIZATION...



CHARACTERSTICS

L.D white

- Persons
- Combined efforts
- Common purpose

C.I Barnard

- Common purpose
- Communication
- Willingness to serve

Luther Gulick

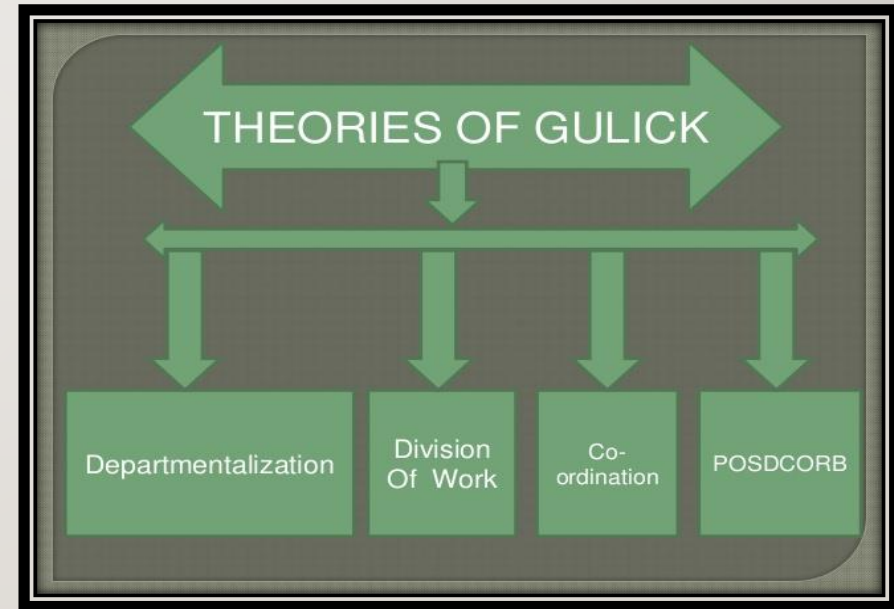
- Purpose
- Process
- Persons
- Place

Chester I. Barnard

- The elements of the organization are Therefore:
 - Communication.
 - Willingness to Serve.
 - A Common Purpose.

BASES OF ORGANIZATION

- Luther Gulick(4P)
- Purpose: function(defense, Health, Education)
- Process : technique (space, law, accounts)
- Persons: people (Tribal rehab, Old age people)
- Place: Damodar valley corporation



FORMAL ORGANIZATION

Principles of Formal Organization

1. Official nature of the organization



2. Authority and Responsibility



3. Focus on position



4. Power delegated by Management



5. Specific Rules and Policies



6. Rewards & Penalties

Formal Organization

- The Formal Organization is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability.

Louis Allen

- Formal Organization is a system of consciously coordinated activities of two or more persons toward a common objective.

Chester Barnard

FUNCTIONS OF FORMAL ORGANIZATION

Functions of Formal Organization

- 1. Set specific Goals for organization**
- 2. Establishing working relationship**
- 3. Create group cohesiveness**
- 4. Organizational Development**
- 5. Discipline**
- 6. Human Resource Development**
- 7. Establishing organizational credentials**

INFORMAL ORGANISATION

Nature of Informal Organization

1. Informal Organization arises from Social Interaction
2. Informal Leaders
3. Role of Informal Leader
4. Informal Structure

1. Definition

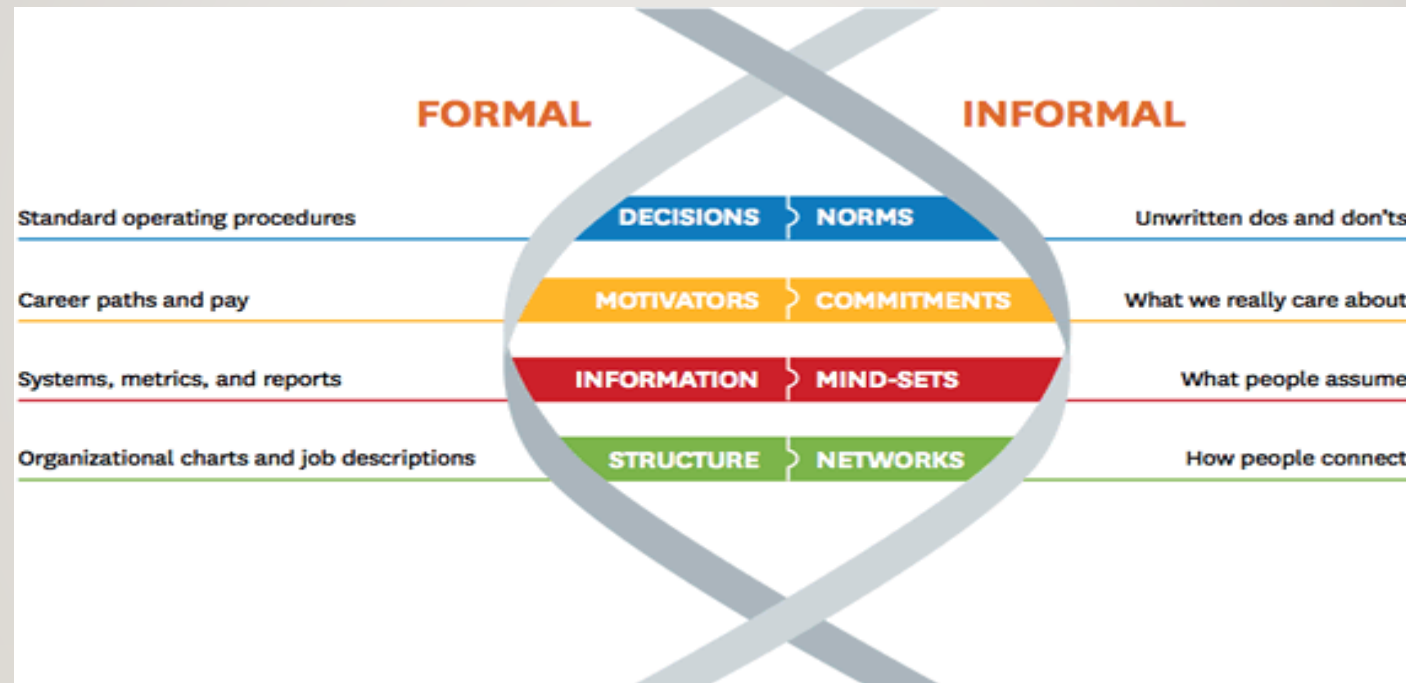
An informal organization is loosely structured, flexible and spontaneous. It exists alongside the formal one. Its mechanism consist of social relationships, informal communication networks , behavioral norms and power/influence structures, all of which may "by-pass" formal organizational management.



ORGANIZATION: FORMAL VS INFORMAL

| Formal Organization | Informal Organization |
|--|---|
| 1. Formal organization is established with the explicit aim of achieving well-defined goals. | 1. Informal organization springs on its own. Its goals are ill defined and intangible. |
| 2. Formal organization is bound together by authority relationships among members. A hierarchical structure is created, constituting top management, middle management and supervisory management. | 2. Informal organization is characterized by a generalized sort of power relationships. Power in informal organization has bases other than rational legal right. |
| 3. Formal organization recognizes certain tasks which are to be carried out to achieve its goals. | 3. Informal organization does not have any well-defined tasks. |
| 4. The roles and relationships of people in formal organization are impersonally defined | 4. In informal organization the relationships among people are interpersonal. |
| 5. In formal organization, much emphasis is placed on efficiency, discipline, conformity, consistency and control. | 5. Informal organization is characterized by relative freedom, spontaneity, by relative freedom, spontaneity, homeliness and warmth. |
| 6. In formal organization, the social and psychological needs and interests of members of the organization get little attention. | 6. In informal organization the sociopsychological needs, interests and aspirations of members get priority. |
| 7. The communication system in formal organization follows certain pre-determined patterns and paths. | 7. In informal organization, the communication pattern is haphazard, intricate and natural. |
| 8. Formal organization is relatively slow to respond and adapt to changing situations and realities. | 8. Informal organization is dynamic and very vigilant. It is sensitive to its surroundings. |

FORMAL VS INFORMAL

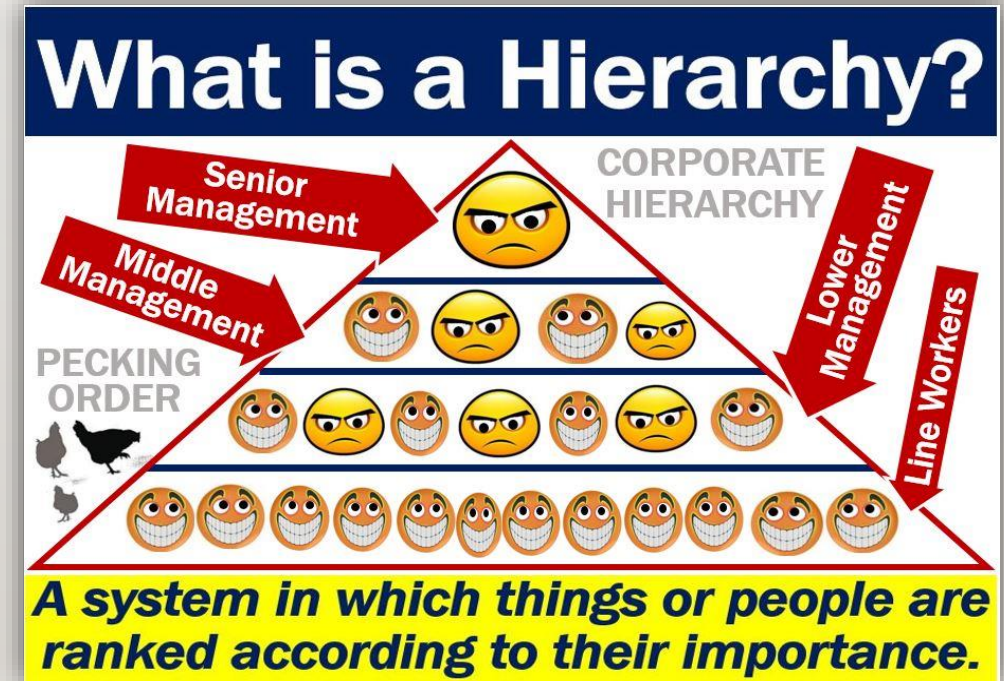


HIERARCHY



INTRO....

- Greek term meaning ruling body of priests organized into ranks
- Control of higher over lower.
- Also known as scaler process
- Scaler derived from scale means ladder



DEFINITIONS...

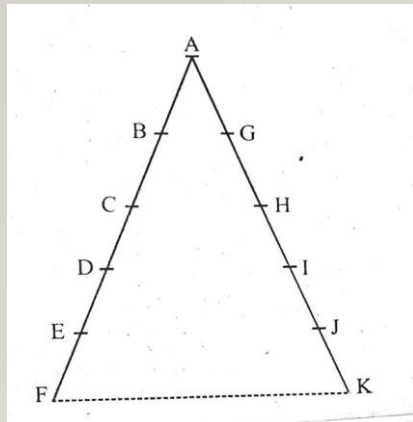
- Various thinkers such as Weber, Fayol, Gulick, Urwick, Mooney and Reiley
- Fayol (**scaler chain**)
- Mooney and Reiley (**scaler Process**)
- Mooney (**universal phenomenon**)
- Robert Presthus (**System of Ranking positions**)

Definitions-

- **Max Weber's** bureaucratic model emphasized the principle of "hierarchy" in which there is supervision of the lower offices by the higher ones.
- **Henri Fayol** referred to hierarchy as the "scalar chain".
- **L. D. White** the superior subordinate relationship through a number of levels of responsibility reaching from the top to the bottom of the structure.
- **Mooney and Reiley** called hierarchy as "scalar process".

PRINCIPLE.....

- Through proper channel
- Principle of correspondence
- Principle of unity of command



ADVANTAGES AND DISADVANTAGES...



Advantages

- Instrument of integration
- Simplifies procedures
- Responsibility at each level
- Decentralization of decision - making

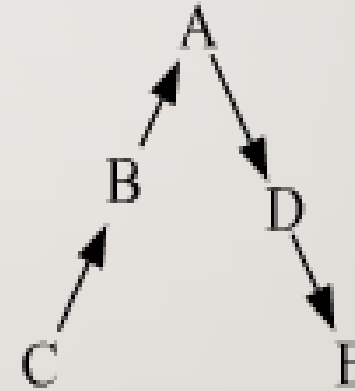
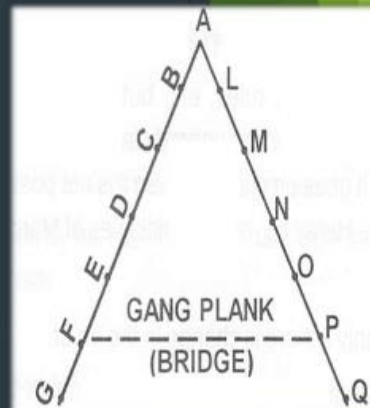
Disadvantages

- Causes delay
- Makes organization tall
- Creates communication gaps due to superior-inferior relationships
- Not good for dynamic organizations

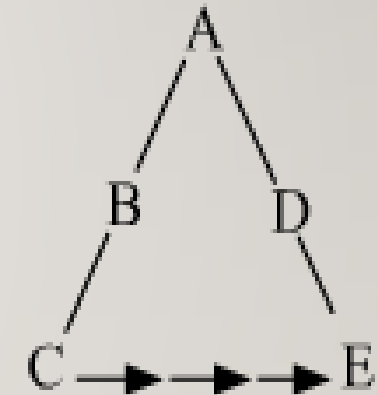
FAYOL'S GANG PLANK: LEVEL JUMPING OR ALTERNATIVE ROUTE

9. Principle of scalar chain:

- Scalar chain means line of authority or chain of superiors from highest to lowest rank. Fayol permitted a short cut in the chain which is called "gang plank".



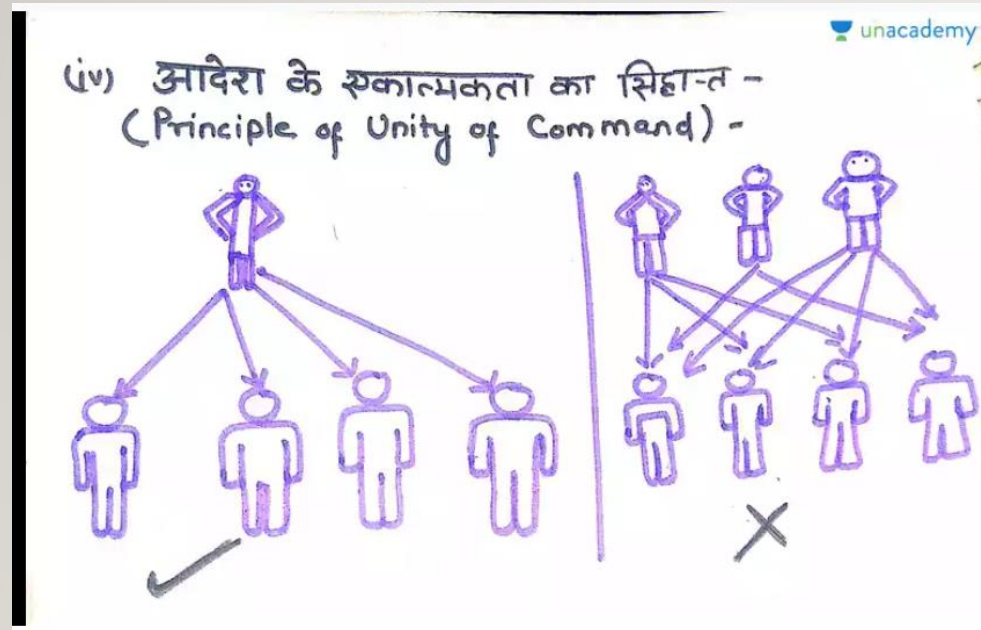
Formal Path



Gang Plank

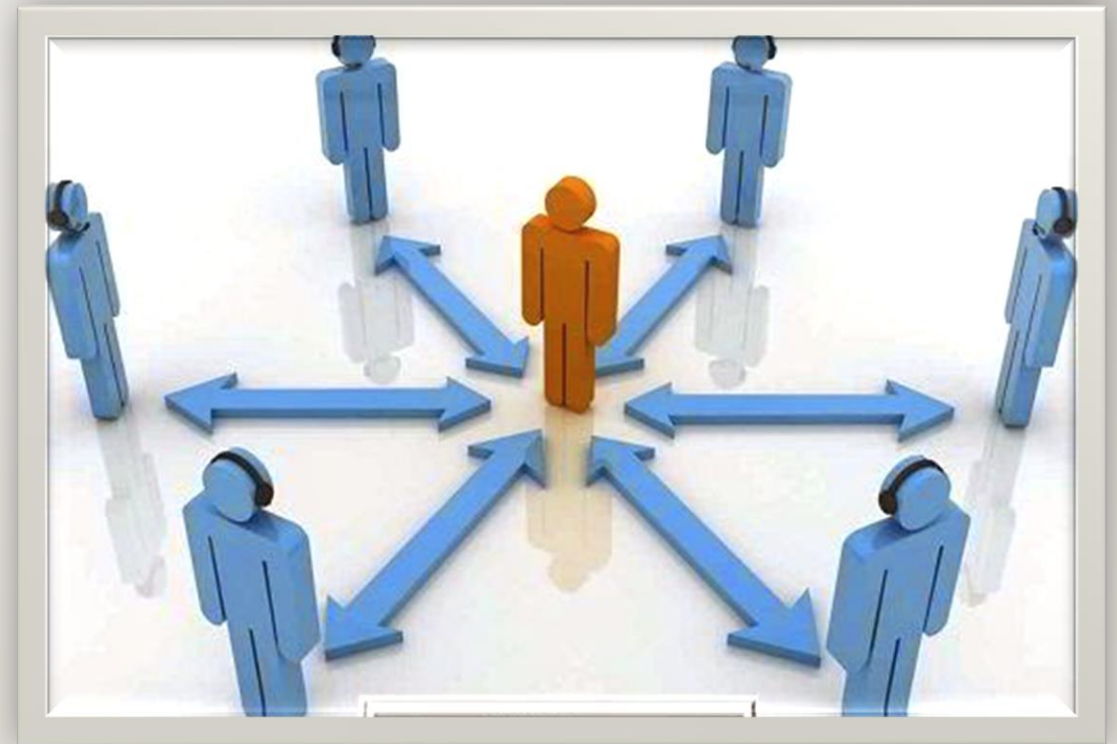
UNITY OF COMMAND

MEANING... ORDERS FROM ONE SUPERIOR ONLY



DEFINITION....

- Single Boss for each person.
- **Henry Fayol** “ For any action whatsoever, an employee should receive orders from one superior only”
- **Dimock and Dimock**“ A corollary of chain of command is unity of command, the principle that each employee should have only one boss ”



FACTORS AFFECTING.....

- **Size :**
- Formation of bodies like – board and commissions (plural head): delimitation commission
- **Complexity:**
- Specialist agencies like - environment pollution control authority
- Formation of auxiliary agencies: central public works department, purchasing agencies.
- To support
- Housekeeping services
- Operational activities
- Limited authorities.
- To tackle **complexity and size**

IN FAVOUR OF.....

- Henry Fayol
- Gulick and Urwick :“A man can not serve two masters”
- Gulick : may have absurdism but better than confusion, inefficiency and irresponsibility

Advantages of Unity of Command

1. Better Relationship among Superior and Subordinates.
2. Clear Authority, Responsibility and Accountability.
3. Reduces and/or Avoids Duplication of Work.
4. Prompt or Quick Decisions.
5. Good, Effective and Efficient Discipline.
6. Better Co-ordination and Team work.
7. Boosts Morale and Positive Attitude of workers.
8. Leads to Higher Productivity of Goods and Services.

NOT IN FAVOUR OF....

- **Seckler –Hudson** :“ complex government situations”
- **Herbert Simon**: “ Conflict with principle of specialisation”
- **Taylor**:“ Functional foremanship” command from eight supervisor
- **J.D.Millet**: “Dual supervision”- technical and administrative

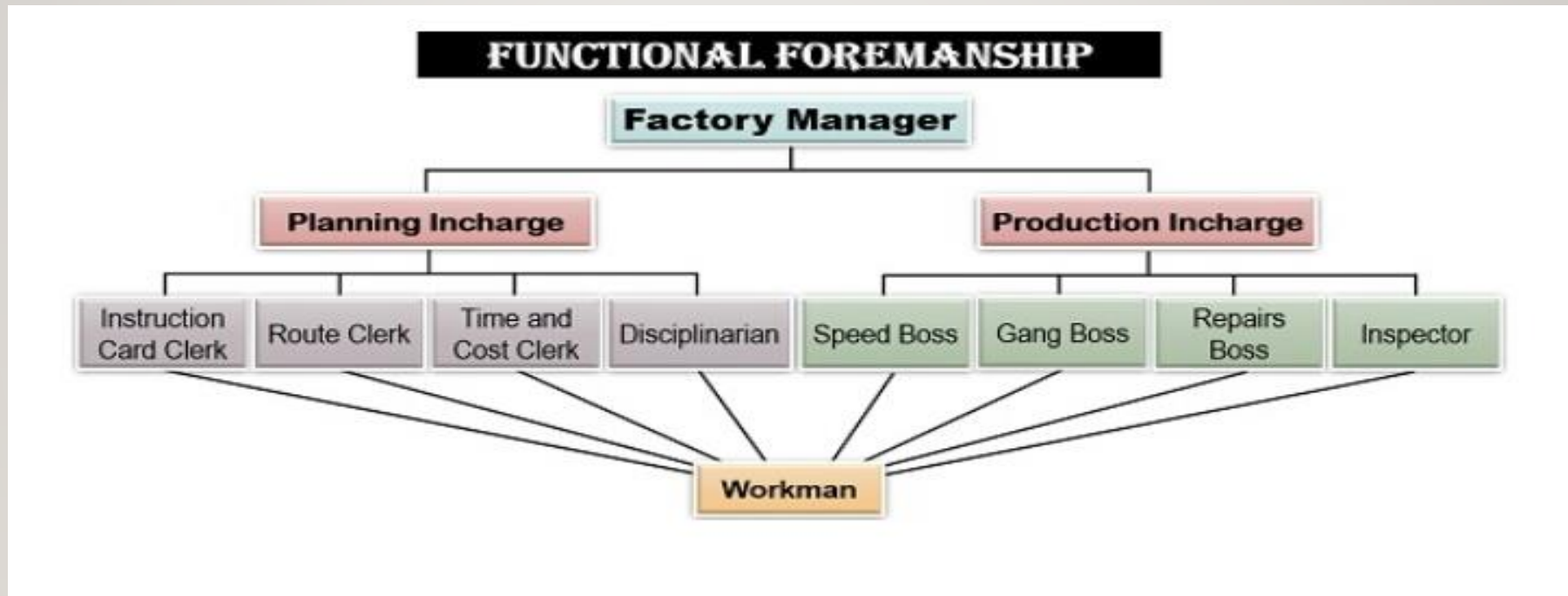
Not good
for complex
organization

Against the principle
of specialisation

Lack of efficiency due to
limited efficiency of one boss

Complex nature of interrelation and
intrarelation among organisation

FUNCTIONAL FOREMANSHIP(TAYLOR)



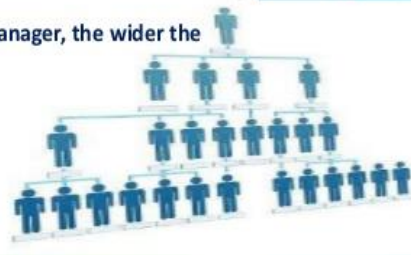
SPAN OF CONTROL



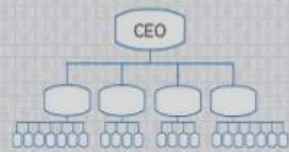
UNDERSTANDING.....

Span of Control

- ▶ Span of control refers to the number of subordinates a manager can effectively manage.
- ▶ The higher the ratio of subordinates to a manager, the wider the span of control.
- ▶ Other terms used in lieu:-
 - ▶ Span of management
 - ▶ Span of supervision
 - ▶ Span of responsibility



Wide Span of Control



Narrow Span of Control



- ◉ What is the Span of Control?
 - The number of people who report to one manager in a hierarchy
 - The more people under the control of one manager - the wider the span of control
 - Less means a narrower span of control
- ◉ Example below shows a span of control of 4 for the Marketing Manager



THEORETICAL BASE.....

- related to “span of attention” by V.A. Graicunus : limit on the number of things can be attended.
- **Hamilton** : 3 or 4 subordinates
- **V.A.Graicunus**: 6 subordinates
- **Urwick** : 5 or 6 subordinates at higher level and 8 to 12 at lower level

NARROW VS WIDE

Narrow Span of Control

Demerits

More management levels are un-economical & time consuming

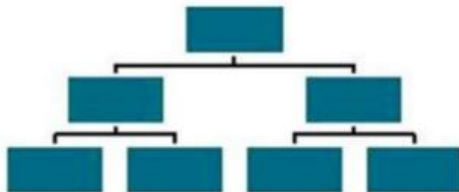
Decision making is slow

Excessive distance between lowest and top level

Creates complexity in communication

Less benefit and rewards for lower employees

Employees are less motivated

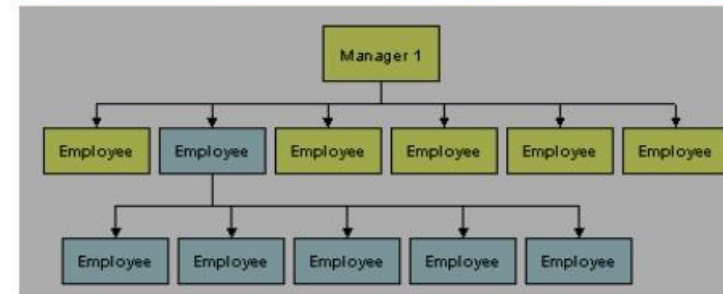


Wide Span of Control

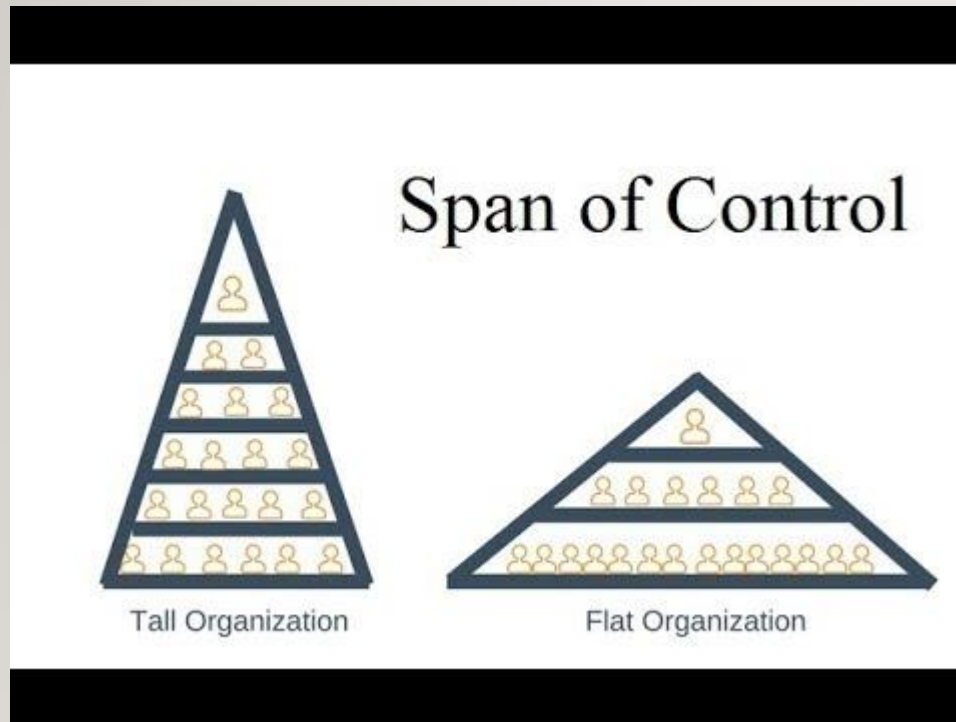
Characteristics

Large number of employees or subordinates are managed by one manager

Results in Flat Organizational Structure



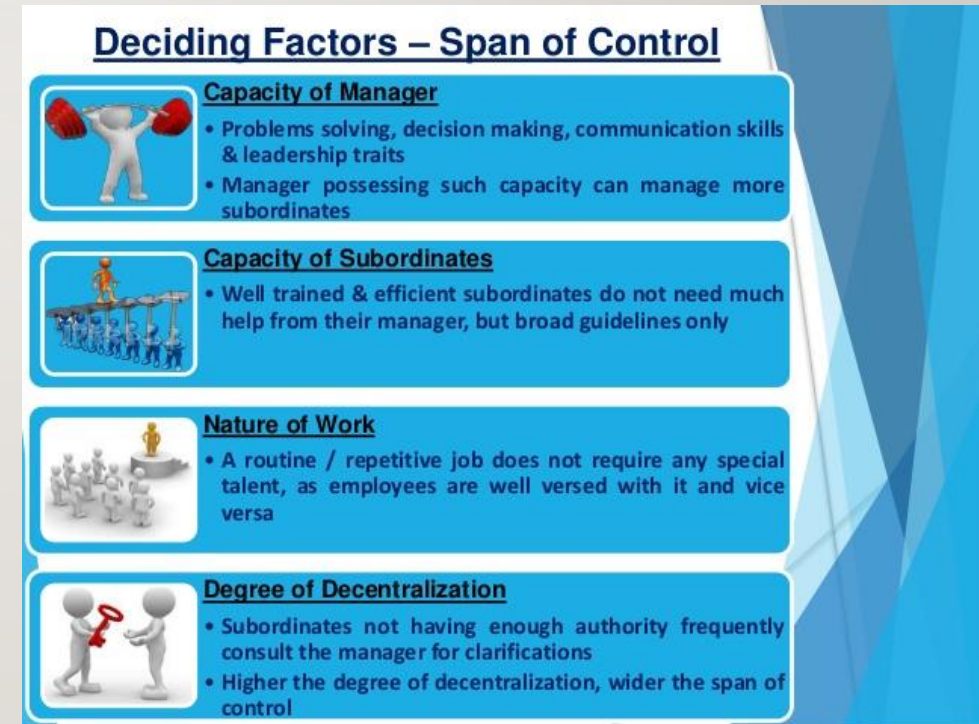
NARROW VS WIDE



- Narrow vs wide
- Narrow:-- less number of subordinates – tall organization(less span of control higher hierarchy)
- Wide :-- large number of subordinates – flat organization (high span of control and less hierarchy)

FACTORS DETERMINING.....

- Time : more in old organization due to stability
- Space: different locations and far situated places will lower the span of control
- Use of technology: will increase the span of control



COORDINATION



MEANING.....

INTRODUCTION TO COORDINATION

➤ Meaning:

- 1. The act of state of coordinating or of being coordinate.
- 2. Proper order or relationship.
- 3. Harmonious combination or interaction, as function or part.



COORDINATION

- According to Henry Fayol " to co-ordinate is to harmonize all the activities of a concern so as to facilitate its working and its success"



ESSENTIAL PART OF ADMINISTRATION.....

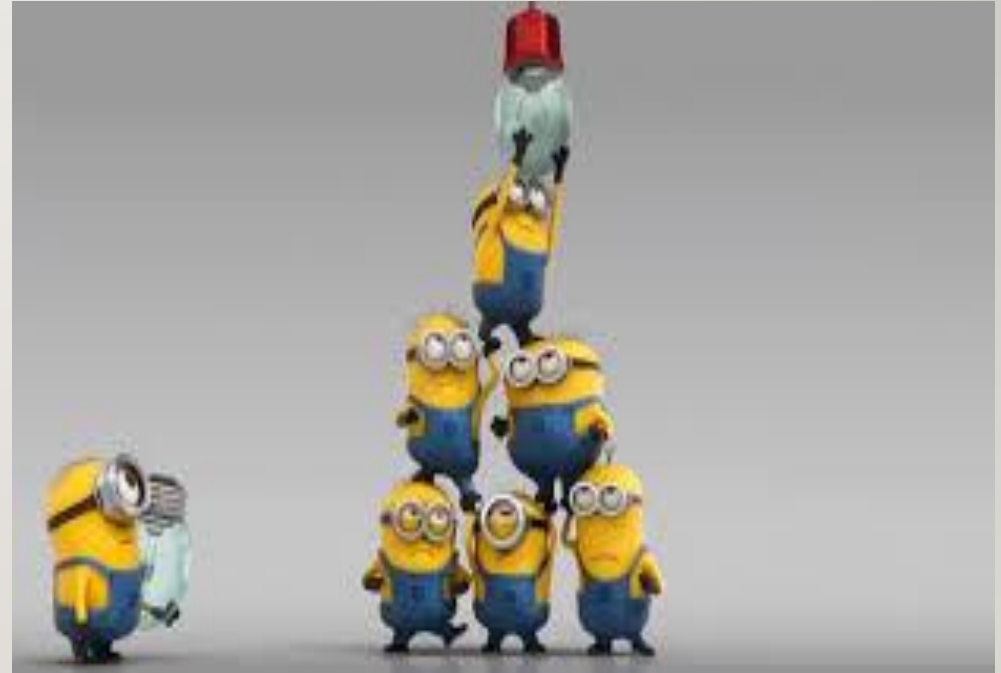
- Coordination is the **first principle** of organization and includes itself all other principles.....----- **Mooney**
- It is not a separate activity but a condition that should permeate all phases of administration----- **Newman**
- **Core of management** -----**M. P Follet**

Coordination — The Essence of Management

- A manager has to perform five interrelated functions in the process of managing an organisation which is a system made up of different interlinked and interdependent subsystems.

DEFINITIONS

- Orderly synchronization of efforts – **Newman**
- Orderly arrangement of group effort – **Mooney**
- Important duty of inter- relating the various parts of work– **Seckler-Hudson**



THEORETICAL BASE.....

- **Gulick** : two ways: - Organization , Dominance
- **Follet** : harmonious ordering of parts
- Four facets of coordination
 - 1) as reciprocal relating of all factors in a situation
 - 2) by direct contact
 - 3) in early stages
 - 4) continuing process planning to activity
- **Thompson** :
 - Three kinds of interdependence
 - 1) pooled interdependence
 - 2) Sequential interdependence
 - 3) Reciprocal interdependence
 - Three kinds of coordinating techniques
 - 1) Standardization
 - 2) coordination by plan
 - 3) Coordination by mutual adjustment

THEORETICAL BASE....

- **Harlan Cleveland:**

- Tension theory: deliberate planning to create conflict

Conflict creation



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graph TD; A[Conflict creation] --> B[Conflict resolution through public interest]; B --> C[Better coordination];
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Conflict resolution through public interest

Better coordination

- **Mac Farland:**

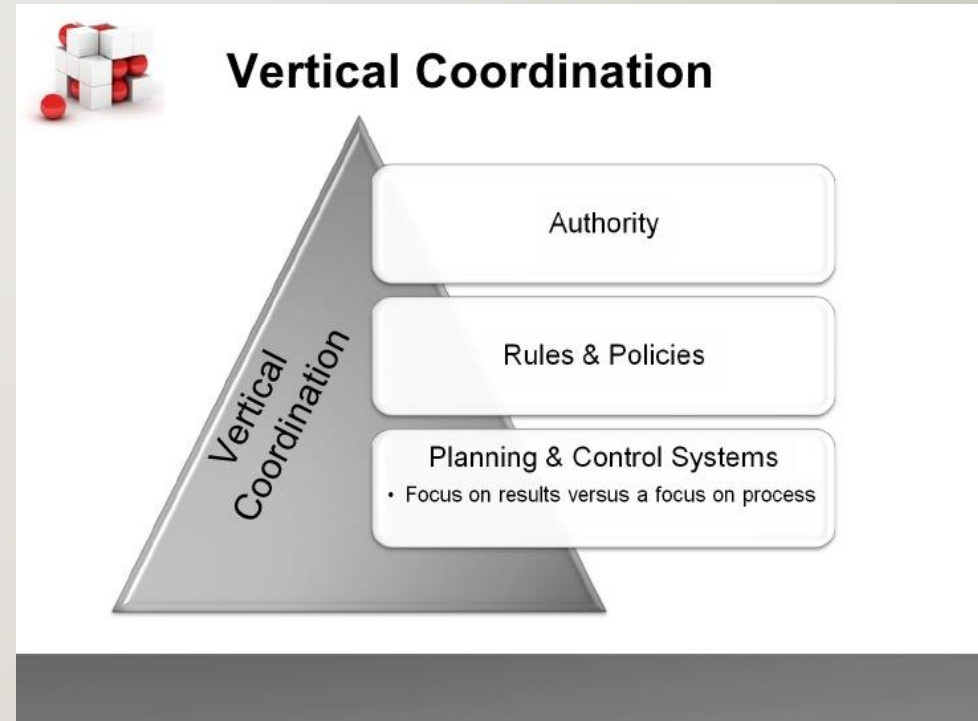
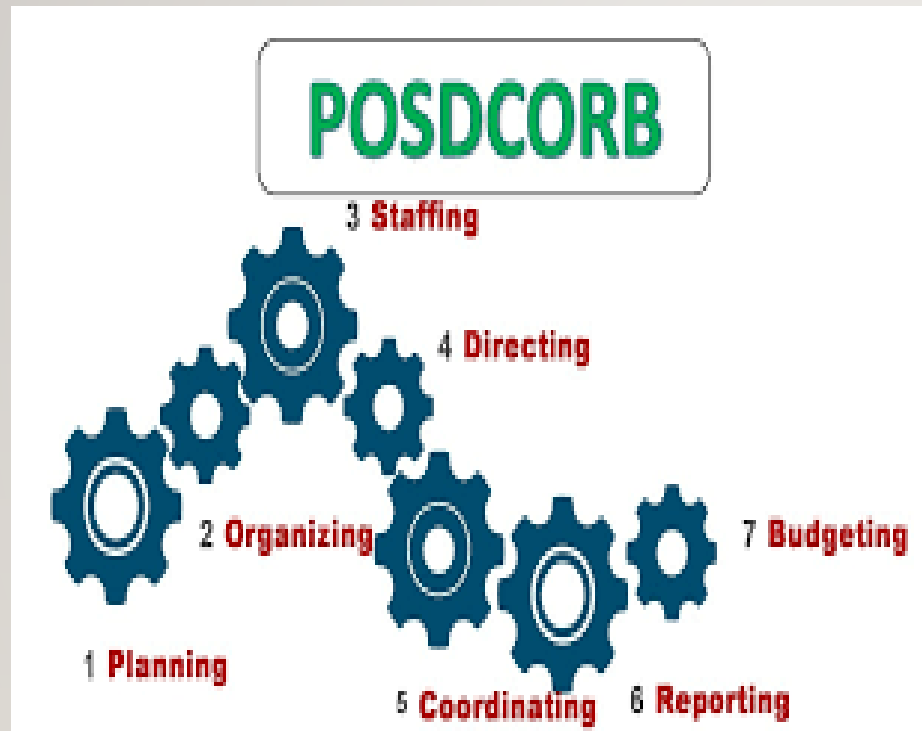
- Four ways
- 1) clarifying authority and responsibility
- 2) checking and observation
- 3) effective communication
- 4) through leadership

TYPES.....

- Functional coordination vs structural coordination
- Horizontal vs perpendicular coordination
- Procedural(process) vs substantive (content)

Types of Coordination

- Internal Coordination
 - Vertical and Horizontal Coordination
 - Substantive and Procedural Coordination
- External Coordination



TECHNIQUES.....

- Planning
- Standardization of procedures and methods
- Communications
- Interdepartmental meetings, conferences
- Independent and specialist agencies like coordination agencies

Techniques of co-ordination

1. Communication
2. Orderly plans
3. Supervision
4. Leadership
5. Departmentation
6. Direct contact

IMPORTANCE.....

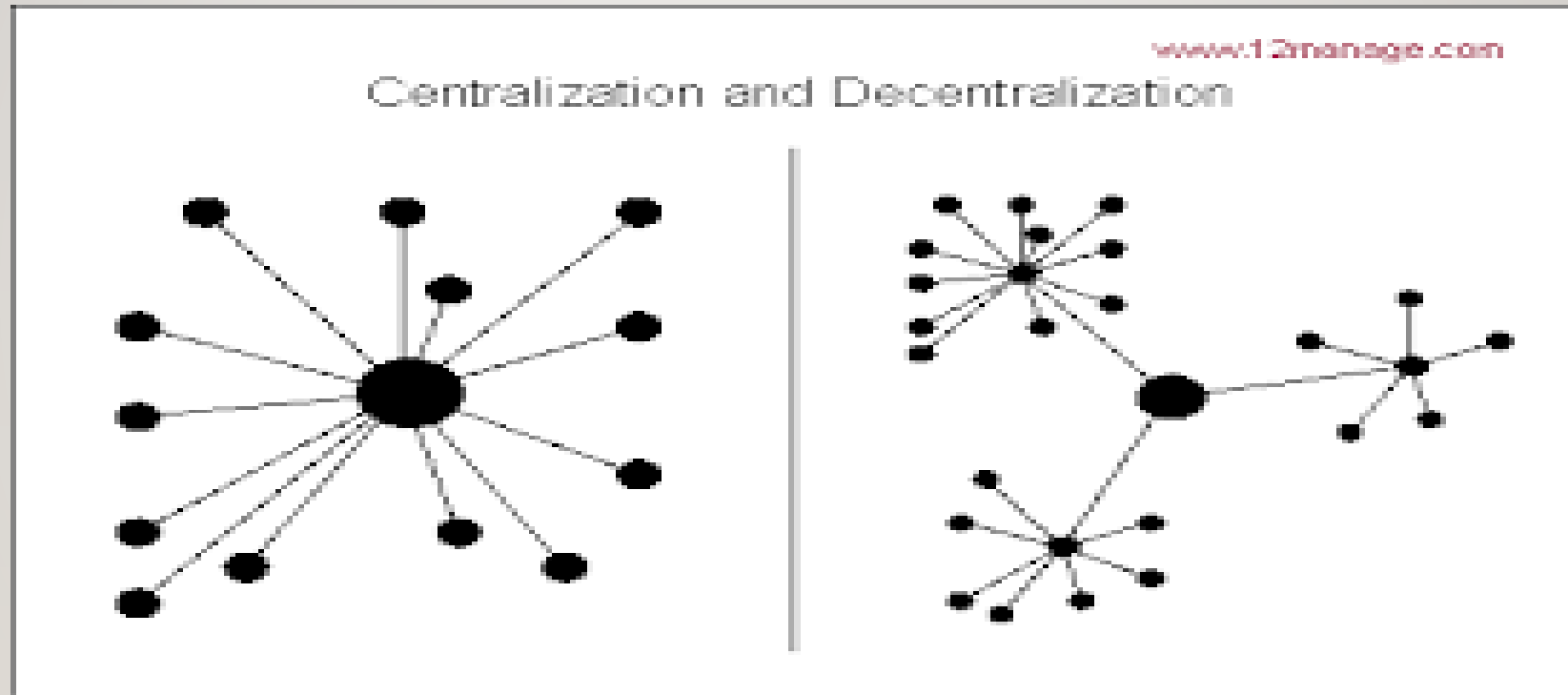
- Strong and efficient organization
- Avoid conflicts and encourage common effort in the right direction
- High morale
- Helps to create a healthy work culture
- Leading to broader way of performing activities due to coordinated activities.



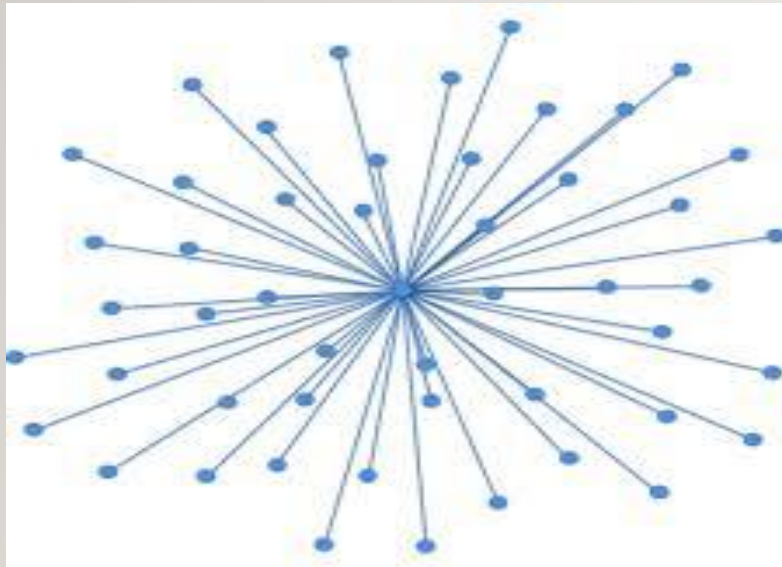
CENTRALIZATION- DECENTRALIZATION



CENTRALISATION VS DECENTRALISATION

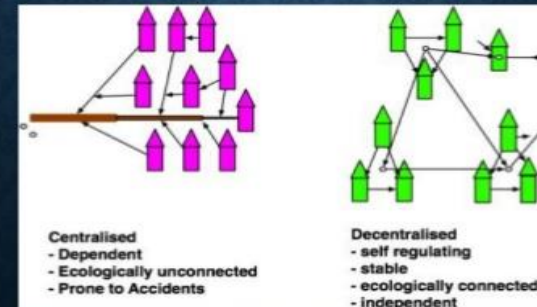


CENTRALISATION



8. CENTRALIZATION (OR DECENTRALIZATION)

This is a matter of degree depending on the condition of the business and the quality of its personnel.



CENTRALISATION.....

- Where is lies the decision making power.
- Authority at top level
- Most of the problem solved at higher level(headquarter)
- Lower level of organization act as implementing agencies.



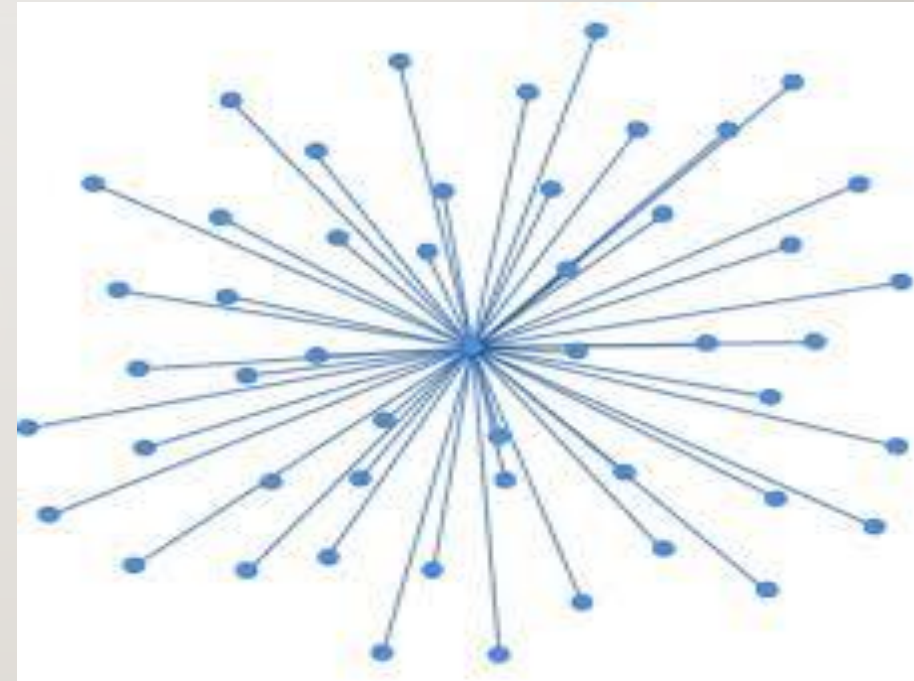
Definition of centralization

- The act or process of centralizing, or the state of being centralized; the act or process of combining or reducing several parts into a whole.

CENTRALIZATION.....

Meaning of Centralization

- the process of transfer of administrative authority from a lower to a higher level of government is called centralization (L.D.White).
- it signifies the concentration of authority and decision – making power at the top of the administrative pyramid. The top level may be the chief executive or the headquarters.
- the field agencies are merely executing and implementing agencies without any power to act on their own initiative.
- centralization inclines toward power and domination of the headquarters over field stations.



CENTRALISATION.....

Meaning of Centralisation

- When the Authority to make all decisions is vested in a single person in the organisation it is centralisation.
- Koontz & O'donnell : "To the extent that authority is not delegated, it is centralisation."

Centralised example

Fast-food businesses like Burger King, Pizza Hut and McDonalds use a predominantly centralised structure to ensure that control is maintained over their thousands of outlets.

The need to ensure consistency of customer experience and quality at every location, together with a desire to exploit economies of scale, are the main reasons for this choice.



CENTRALISATION.... HENRY FAYOL.

CENTRALIZATION



- ▶ Fayol defined centralization as lowering the importance of the subordinate role.
- ▶ Decentralization is increasing the importance.
- ▶ The degree to which centralization or decentralization should be adopted depends on the specific organization in which the manager is working.

□ CENTRALIZATION

- Fayol thought centralization of authority to be desirable, at least for overall control. Certainly, both formulation of policy and the generation of basic rules and procedures ought to be centralized



ADVANTAGES....

- Maximum control
- Uniformity
- Avoiding duplication of work
- Maximum utilization of resources
- Dynamism and maximum efficiency due to strong leadership
- Less abuse of power due to strong control

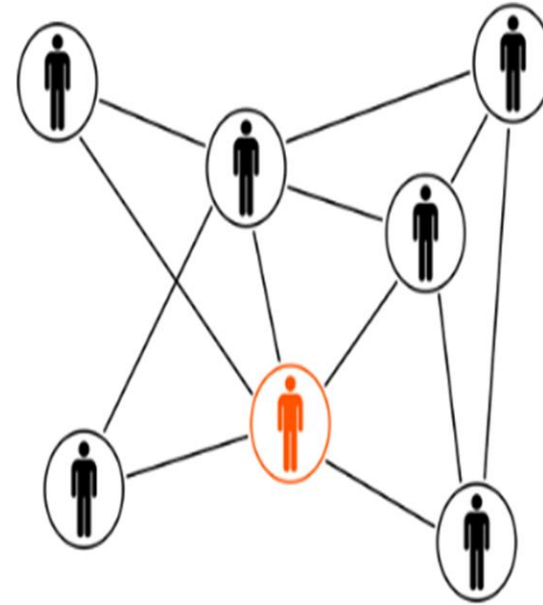
DISADVANTAGES

- Delay
- Overburdened
- High rigidity
- Lack of local participation
- No scope of local leaders to grow.
- May lead to Negligence of local needs....

DECENTRALISATION....

DECENTRALISATION

- The process of transferring and assigning decision making authority to lower levels of an organisational hierarchy.
- Knowledge, ideas and information are flowing from the bottom to the top of the organisation.
- The span of control of top managers is relatively small.



TYPES.....

- **Political decentralisation:** states in India, provinces in Canada
Local governments (city government in USA, county government in Britain, prefectural government in Japan)
- **Territorial decentralisation:** creation of districts, division
- **Functional decentralisation:** university grant commission, central social welfare board



DECENTRALISATION....

ADVANTAGES

- REDUCES DELAY
- INCREASING ADMINISTRATIVE EFFICIENCY
- MORE RESPONSIVE ADMINISTRATION
- IMPORTANCE TO REGIONAL REQUIREMENTS
- MORE PEOPLE- PARTICIPATION
- ENCOURAGE COMPETITION
- ENCOURAGING INNOVATIVE LEADERSHIP

DISADVANTAGES

- CAN LEAD TO LACK OF COORDINATION
- DIFFICULTY IN SMOOTH COMMUNICATION
- EXPENSIVE ADMINISTRATION
- THREATENS INTEGRATION LEADING TO LOCALISM AND REGIONALISM
- INCREASES MALADMINISTRATION, CORRUPTION, NEPOTISM



FACTORS.....

- JAMES W. FESLER
- RESPONSIBILITY: control
- ADMINISTRATIVE FACTORS: stability, age
- FUNCTIONAL FACTORS: multi-functional, technical
- EXTERNAL FACTORS: participation, bottom- up planning

Factors Affecting Decentralisation

- 1 • Size of the organisation
- 2 • Cost and Importance of decisions
- 3 • Uniformity
- 4 • History of organisation
- 5 • Management Philosophy
- 6 • Availability of efficient managers
- 7 • Control Systems
- 8 • Types of Business
- 9 • Branches of organisation
- 10 • Type of organisation

Centralized vs Decentralized Criteria

| Criteria | Centralized | Decentralized |
|---|--|---|
| 1. Geography | International & Global brands | Local brands |
| 2. Brands | Multi-brand initiatives | Individual brand or customized products <small>(could still be centralized if global brand)</small> |
| 3. Sentiment | Products benefitting from standardization & scale (consumer tech) | Products with strong national or regional pride |
| 4. Properties, partnerships & sponsorships | Global sponsorships (Olympics, World Cup, F1, ...), Product placements | Local sponsorships |
| 5. Cost synergies | Procurement, packaging, production, media (upfronts) | When high import duties, Point of sale materials <small>(lower transport cost)</small> |
| 6. Standardization of approaches | Research, agency management, skill sets | Promotions, pricing |
| 7. Control of functional reporting | Reporting to global head of specific function | Reporting to local general manager |

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THANK YOU

