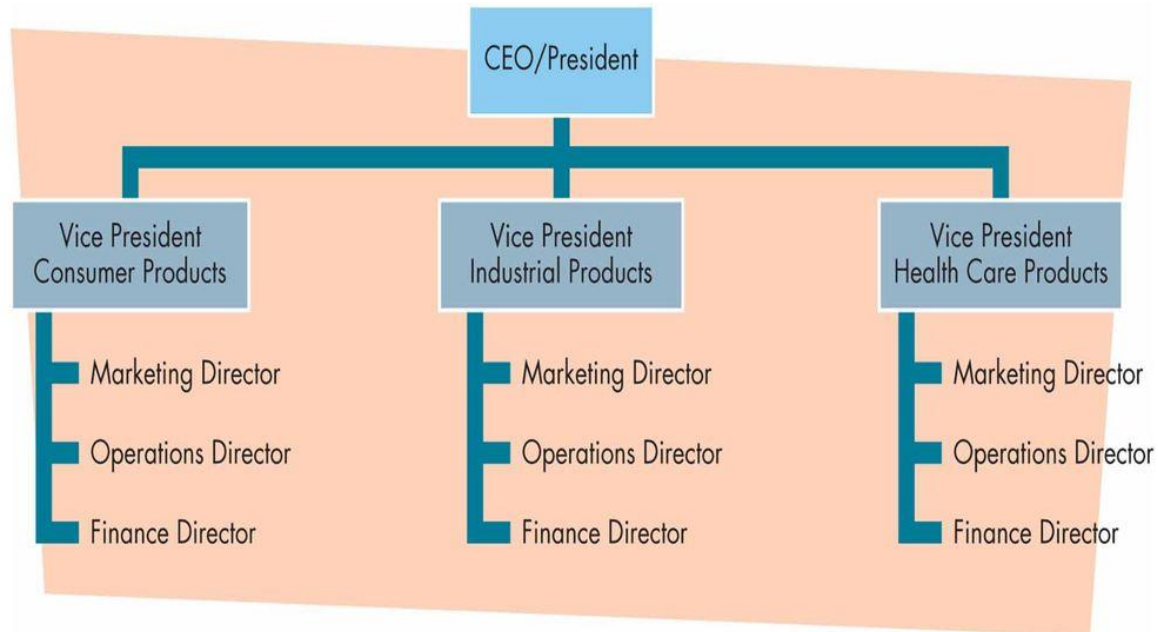


## DIVISIONAL STRUCTURE

# Divisional Structure



- In a divisional structure, the organization structure comprises separate business units or divisions.
- **Each unit has a divisional manager responsible for the performance and who has authority over the unit.**
- Generally, manpower is grouped based on different products manufactured. **Each division is multifunctional because within each division functions like production, marketing, finance, purchase, etc., are performed together to achieve a common goal.**

For example, a large company may have divisions like cosmetics, clothing, etc.

### ***Advantages:***

1. **Product specialization helps in the development of varied skills in a divisional head and this prepares him for higher positions.** This is because he gains experience in all functions related to a particular product.
2. **Divisional heads are accountable for profits, as revenues and costs related to different departments can be easily identified and assigned to them.**
  - This provides a proper basis for performance measurement.
  - **It also helps in the fixation of responsibility in cases of poor performance** of the division and appropriate remedial action can be taken.
3. **It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision-making.**
4. **It facilitates expansion and growth as new divisions can be added without interrupting the existing operations by merely adding another divisional head and staff for the new product line.**

### ***Disadvantages:***

1. **Conflict may arise among different divisions concerning the allocation of funds and further,** a particular division may seek to maximize its profits at the cost of other divisions.
2. **It may lead to an increase in costs since there may be a duplication of activities across products. Providing each division with a separate set of similar functions increases expenditure.**
3. **It provides managers with the authority to supervise all activities related to a particular division.** In course of time, such a manager may gain power and, in a bid, to assert his independence may ignore organizational interests.



### ***Comparative view: Functional and Divisional Structure***

<b>Basis</b>	<b>Functional Structure</b>	<b>Divisional Structure</b>
Formation	The formation is based on functions	The formation is based on product lines and is supported by functions.
Specialization	Functional specialization.	Product specialization.
Responsibility	Difficult to fix in a department.	Easy to fix responsibility for performance.
Managerial Development	Difficult, as each functional manager has to report to the top management.	Easier, autonomy as well as the chance to perform multiple functions helps in managerial development.
Cost	Functions are not duplicated hence economical	Duplication of resources in various departments, hence costly.
Coordination	Difficult for a multiproduct company.	Easy, because all functions related to a particular product are integrated into one department.

**Suitability:** Divisional structure is suitable for those business enterprises where a large variety of products are manufactured using different productive resources. When an organization grows and needs to add more employees, create more departments and introduce new levels of management, it will decide to adopt a divisional structure.

## FORMAL AND INFORMAL ORGANISATION

**Formal organization** refers to the organization structure which is designed by the management to accomplish a particular task.

It specifies the boundaries of authority and responsibility and there is systematic coordination among the various activities to achieve organizational goals.

The structure of a formal organization can be functional or divisional.

### Features:

1. It specifies the relationships among various job positions and the nature of their interrelationship. This clarifies who has to report to whom.
2. **It is a means to achieve the objectives specified in the plans, as it lays down rules and procedures essential for their achievement.**
3. Efforts of various departments are coordinated, interlinked, and integrated through the formal organization.
4. It is deliberately designed by the top management to facilitate the **smooth functioning of the organization.**
5. It places more emphasis on the work to be performed than on interpersonal relationships among the employees.

### Advantages:

1. It is easier to **fix responsibility** since mutual relationships are clearly defined.
2. There is no ambiguity in the role that each member has to play as **duties are specified.** This also helps in avoiding duplication of effort.
3. **Unity of command** is maintained through an established chain of command.



4. It leads to the effective accomplishment of goals by providing a framework for the operations to be performed and ensuring that each employee knows the role he has to play.
5. It provides stability to the organization. **This is because the behavior of employees can be fairly predicted since there are specific rules to guide them.**

### ***Limitations:***

1. formal communication may lead to **procedural delays as the established chain of command** has to be followed which increases the time taken for decision-making.
2. Poor organization practices may not provide adequate recognition to creative talent, since it does not allow any deviations from rigidly laid down policies.
3. It is difficult to understand all human relationships in an enterprise as it places **more emphasis on structure and work**. Hence, the **formal organization does not provide a complete picture of how an organization works.**

### ***INFORMAL ORGANISATION***

- Informal organization emerges from within the formal organization **when people interact beyond their officially defined roles.**
- Based on their interaction and friendship they tend to form groups that show conformity in terms of interest. Examples of such groups formed with common interest may be those who take part in cricket matches on Sundays, meet in the cafeteria for coffee, are interested in dramatics, etc.
- The informal organization has **no written rules, is fluid in form and scope, and does not have fixed lines of communication.**

### ***Features:***

1. An informal organization originates from within the formal organization as a **result of personal interaction among employees.**
2. The standards of behavior evolve from group norms rather than officially laid down rules and regulations.
3. **Independent channels of communication** without a specified direction of flow of information are developed by group members.
4. It emerges spontaneously and **is not deliberately created by the management.**
5. It has **no definite structure or form** because it is a complex network of social relationships among members.

### ***Advantages:***

1. Prescribed lines of communication are not followed. Thus, the **informal organization leads to a faster spread of information as well as quick feedback.**
2. It helps to fulfill the social needs of the members and allows them to find like-minded people. This enhances their **job satisfaction** since it gives them a **sense of belongingness** in the organization.
3. It contributes towards **the fulfillment of organizational objectives by compensating for inadequacies in the formal organization.** For example, employees' reactions toward plans and policies can be tested through the informal network.

### ***Disadvantages:***

1. When an **informal organization spreads rumors**, it becomes a destructive force and goes against the interest of the formal organization.



2. The management **may not be successful in implementing changes if the informal organization opposes them.** Such resistance to change may delay or restrict growth.
3. It pressurizes members to conform to group expectations. This can be harmful to the organization if the norms set by the group are against organizational interests.

### *Formal and informal organization: A Comparative view*

Basis	Formal organization	Informal organization
Meaning	Structure of authority relationships created by the management	Network of social relationships arising out of interaction among employees
Origin	Arises as a result of company rules and policies	Arises as a result of social interaction
Authority	Arises by position in management	Arises out of personal qualities
Behavior	It is directed by rules	There is no set behavior pattern
Flow of Communication	Communication takes place through the scalar chain	The flow of communication is not through a planned route. It can take place in any direction
Nature	Rigid	Flexible
Leadership	Managers are leaders.	Leaders may or may not be managers. They are chosen by the group.

## DELEGATION

- **Delegation refers to the downward transfer of authority** from a superior to a subordinate.
- It is a prerequisite to the efficient functioning of an organization because it enables a manager to use his time on high-priority activities. It also satisfies the subordinate's need for recognition and provides them with opportunities to develop and exercise initiative.
- Delegation helps a manager to extend his area of operations as, without it, his activities would be restricted to only what he can do. The manager shall still be accountable for the performance of the assigned tasks.
- the authority granted to a subordinate can be taken back and redelegated to another person.

Elements of Delegation According to **Louis Allen**, delegation is the entrustment of **responsibility** and **authority** to another and the creation of **accountability** for performance.

- (i) **Authority:** Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.
- The concept of authority arises from the established scalar chain which links the various job positions and levels of an organization.
  - Authority also refers to the right to take decisions inherent in a managerial position to tell people what to do and expect them to do it.
  - It must be noted that authority is restricted by laws and the rules and regulations of the organization, which limit its scope. However, as we go higher up in the management hierarchy, the scope of authority increases.





- (ii) Responsibility:** Responsibility is the obligation of a subordinate to properly perform the assigned duty.
- It arises from a superior–subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior. Thus, responsibility flows upwards, i.e., a subordinate will always be responsible to his superior.
  - An important consideration to be kept in view concerning both authority and responsibility is that when an employee is given responsibility for a job, he must also be given the degree of authority necessary to carry it out.
- (iii) Accountability:** Delegation of authority, undoubtedly empowers an employee to act for his superior but the superior would still be accountable for the outcome: Accountability implies being answerable for the outcome.

### *Overview of the elements of delegation*

Basis	Authority	Responsibility	Accountability
Meaning	Command right.	Obligation to perform an assigned task.	Answerability for the outcome of the assigned task.
Delegation	Can be delegated.	Cannot be entirely delegated.	Cannot be delegated at all.
Origin	Arises from the formal position.	Arises from delegated authority.	Arises from responsibility.
Flow	Flows downward from superior to subordinate.	Flows upward from subordinate to superior.	Flows upward from subordinate to superior

- In conclusion, it can be stated that while authority is delegated, responsibility is assumed, and accountability is imposed.
- Responsibility is derived from authority and accountability is derived from responsibility.

## **IMPORTANCE OF DELEGATION**

**(i) Effective management:** By empowering the employees, the managers can function more efficiently as they get more time to concentrate on important matters.

**(ii) Employee development:** As a result of delegation, employees get more opportunities to utilize their talent and this may give rise to talent abilities in them.

**(iii) Motivation of employees:** Delegation helps in developing the talents of the employees. It also has psychological benefits. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate.

**(iv) Facilitation of growth:** Delegation helps in the expansion of an organization by providing a ready workforce to take up leading positions in new ventures.

**(v) Basis of management hierarchy:** Delegation of authority establishes superior-subordinate relationships, which are the basis of the hierarchy of management. It is the degree and flow of authority which determines who has to report to whom.

**(vi) Better coordination:** This helps to avoid overlapping duties and duplication of effort as it gives a clear picture of the work being done at



various levels. Such clarity in reporting relationships help in developing and maintaining effective coordination amongst the departments, levels, and functions of management.

## DECENTRALISATION

### *Centralisation and Decentralisation*

- An organization is centralized when decision-making authority is retained by higher management levels whereas it is decentralized when such authority is delegated.
- An organization can never be completely centralized or decentralized.
- As it grows in size and complexity, there is a tendency to move towards decentralized decision-making.
- There is a need for a balance between these co-existing forces. Thus, it can be said that every organization will be characterized by both centralization and decentralization.

### **IMPORTANCE**

Decentralization is a fundamental step and its importance can be understood from the following points:

**(i) Develops initiative among subordinates:** Decentralisation helps to promote self-reliance and confidence amongst the subordinates. This is because when lower managerial levels are given the freedom to take their own decisions they learn to depend on their judgment.

**(ii) Develops managerial talent for the future:** Formal training plays an important part in equipping subordinates with skills that help them rise



in the organization but equally important is the experience gained by handling assignments independently.

**(iii) Quick decision-making:** The management hierarchy can be looked upon as a chain of communication. In a centralized organization because every decision is taken by the top management the flow of information is slow as it has to traverse many levels. The response also takes time. This reduces the speed of decision-making and makes it difficult for an enterprise to adapt to dynamic operating conditions.

**(iv) Relief to top management:** Decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act and decide albeit within the limits set by the superior.

**(v) Facilitates growth:** Decentralisation awards greater autonomy to the lower levels of management as well as divisional or departmental heads. This allows them to function in a manner best suited to their department and fosters a sense of competition among the departments.

**(vi) Better control:** Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results. The extent of achievement of organizational objectives as well as the contribution of each department in meeting the overall objectives can be ascertained.

### ***Delegation and Decentralisation: A Comparative view***

Basis	Delegation	Decentralization
Nature	A delegation is a compulsory act because	Decentralization is an optional policy decision. It is done at the





	no individual can perform all tasks on his own.	discretion of the top management.
Freedom of action	More control by superiors hence less freedom to take own decisions.	Less control over executives hence greater freedom of action.
Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.
Scope	It has a narrow scope as it is limited to the superior and his immediate subordinate.	It has wide scope as it implies an extension of delegation to the lowest level of management.
Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organization by giving them more autonomy.