Organizational Management

14 MARKS

Definition of organization

- An organization is a group of people united to achieve any constructive task.

- Or

- Organization is a group of activities and resources to facilitate efforts to achieve the common aims and objectives

Aims of organization

- Combined efforts
- Ordered way of working
- Responsibility on all
- Teamwork
- Optimum use of resources
- Effective work completion

Characteristics of organization

- It is the group of working people
- It has well defined structure
- It has set of authorities and responsibilities
- It is function of management
- It has aims and objective
- It mentions rules and regulations
- It is a system
- It has boundaries of work

Organization structure

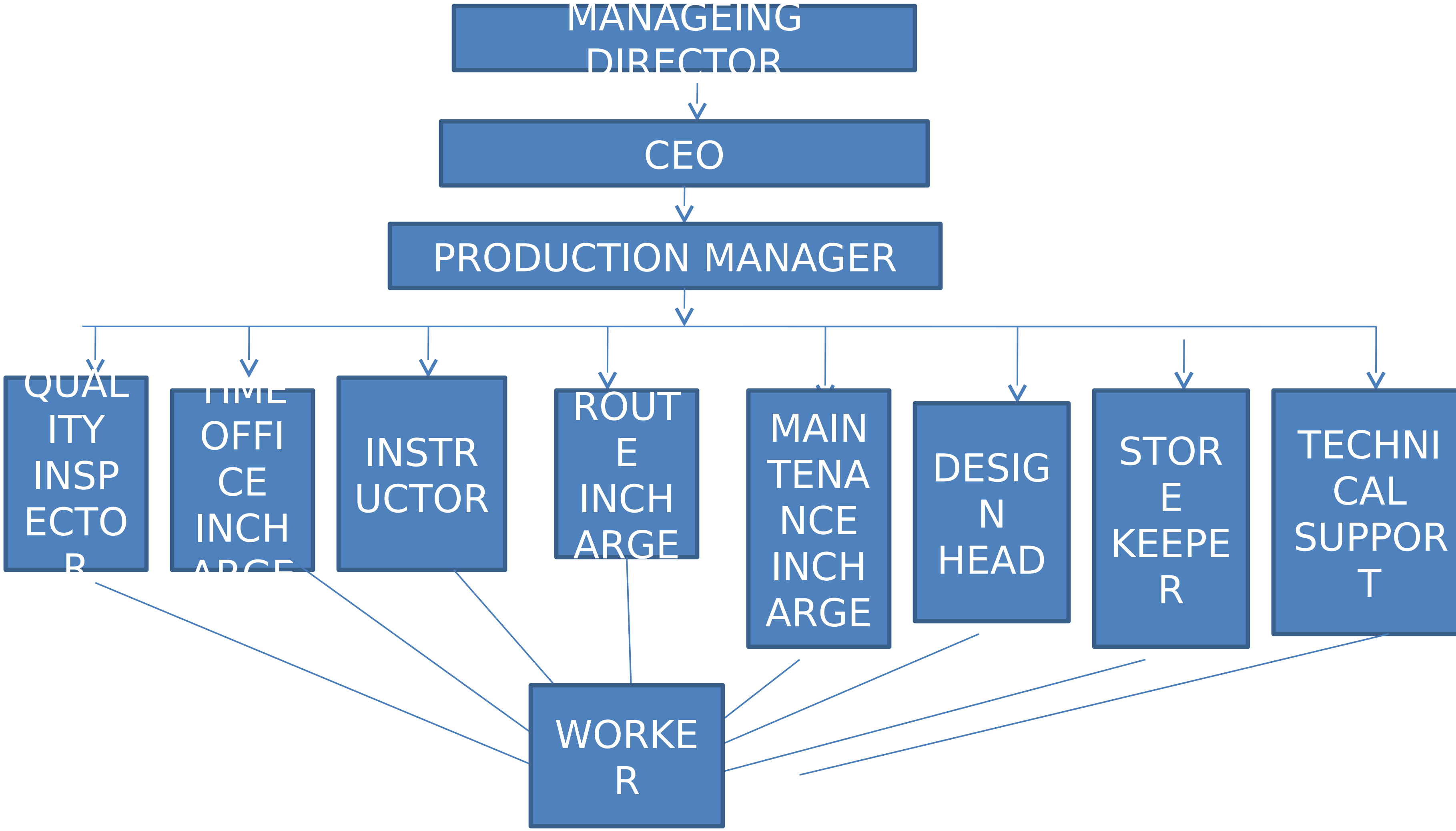
- The structure of organization depends on
- Goals and objectives
- Resources available
- Scope of functions
- Relationship among activities
- Type of product
- Span of control
- Communication expected
- Number of employee

Line organization

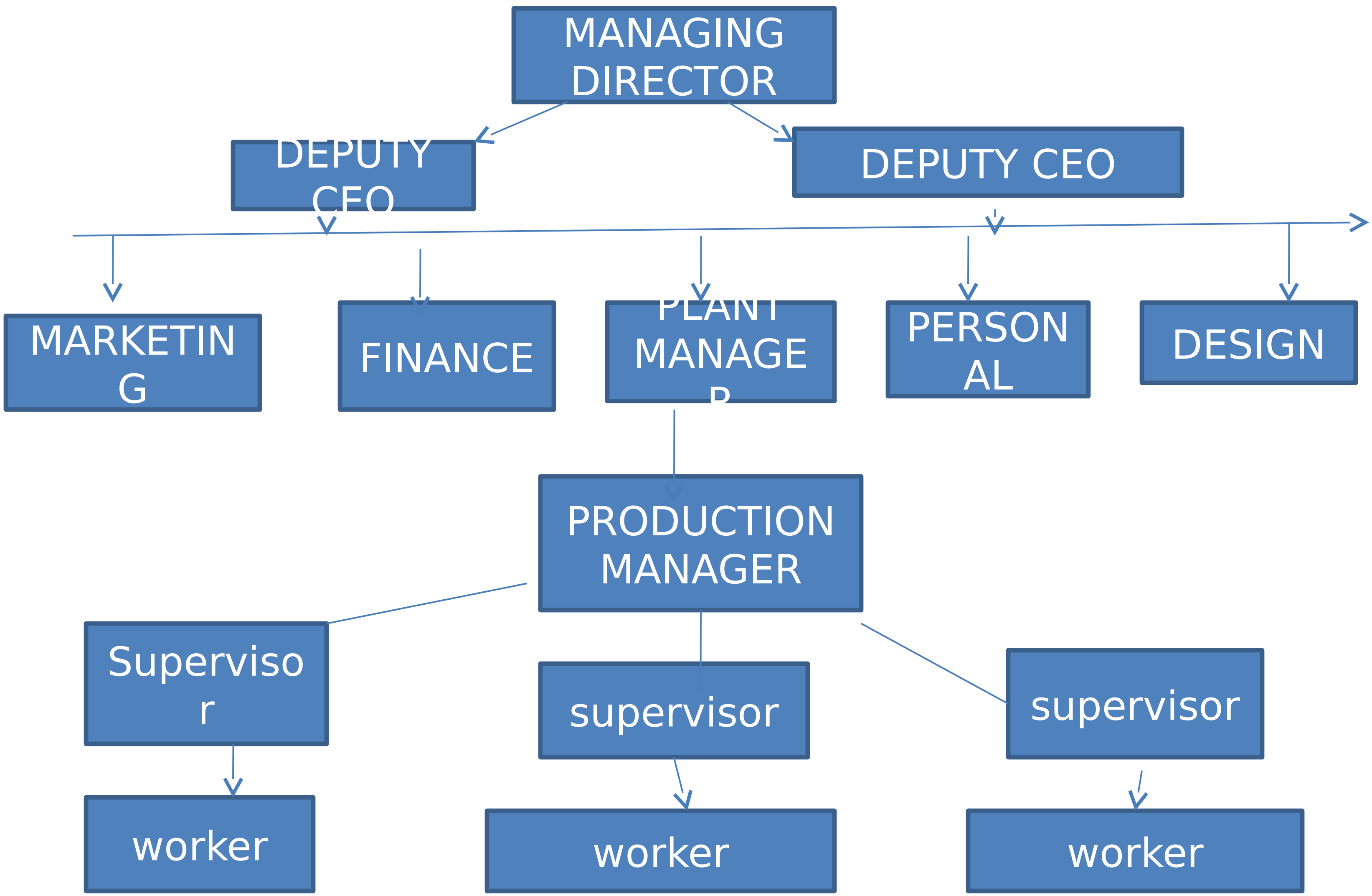
MARKET MANAGER

HR MANAGER

STAFF ORGANATION



LINE AND STAFF ORGANISATION



DEPARTMENTATION

- THE PROCESS OF CLASSIFYING AN ORGANIZATION ON THE BASIS OF SIMILAR ACTIVITIES, TO FACILITATE PLANNING AND CONTROLL IS CALLED DEPARTMENTATION.

BASIS FOR DEPARTMENTATION

- Functions: such as production, marketing, purchasing
- Products: such as motor cycle, scooter
- Territory: Such as north zone, east zone, west zone, south zone
- Customers: Such as wholesale, retail, public
- Process: Such as casting welding, forging
- Numbers: Building contractors work force
- Time of duty: Staff is divided as per the time or shift basis
- Services: Such as legal, house keeping

Advantages of Departmentation

- efficiency of an organization increases
- conflicts between managers are reduced
- better control can be achieved
- simplifies training of workers
- specialization in the performance of various activities improve quality and productivity and reduces wastage.
- better costumer service
- top management can co ordinate the activities of different departments more effectively..

CENTRALIZATION AND DECENTRALIZATION

- Centralization is the systematic reservation of authority at central position of the organization.

ADVANTAGES OF CENTRALIZATION

- centralization is must for uniformity of action.
- centralization is helpful in emergency decision.
- centralization facilitates integration.
- decision making is quick.
- it is sitable for small compenies for typical period of growth
- centralization is suitable for standardization.

DECENTRALIZATION

- decentralization is systematic delegation of authority throughout the whole organization.

ADVANTAGES OF DECENTRALIZATION

- reduces burden on chief executives
- it helps in the development of managers
- it facilitates diversification of products or market
- promotes initiative and responsibility in person in charge of getting the work done.
- leads to better efficiency.
- motivates managers to achieve higher efficiency.
- improves moral of the employees because of their participation in decision making and better communication.

PRINCIPLES OF ORGANISATION

- DEPARTMENTATION
- CENTRALISED AND DECENTRALISED
- AUTHORITY AND RESPONSIBILITY
- SPAN OF CONTROL

FORMS OF OWENERSHIP

- SOLE PROPRIETORSHIP
- PARTNERSHIP
- JOINT STOCK COMPANY
- CO-OPERATIVE SOCIETY
- GOVERNMENT SECTOR

Selection of particular form depends on following factors

- The size and nature of business
- Your needs for capital
- The level of control you wish to have
- The number of people your project will employ
- Tax implications
- Expected profit from business
- The risk of your personal asset from business liabilities
- Any legal restrictions

PROPRIETORSHIP

- Is the form of business owned and managed by a single person.

Advantages of proprietorship

- Easiest and least expensive form of ownership to establish, as no legal formalities are required to be observed.
- Owner is free to make all decisions., hence decisions are quick.
- There is nobody to interfere his authority
- If required it is easy to dissolve the business
- Proprietor can maintain the business secrets
- It is easy to operate and extremely flexible.

Disadvantages of proprietorship

- Unlimited liability for debts and losses.
- Limited life. If proprietor dies the business may come to an end.
- Limited capital.
- Limited managerial ability.
- Limited opportunity for employees for promotions and rewards.

applications

- Medical shop
- Small engineering firm
- Traders
- Bicycle/ automobile showroom
- TV/ computer repair shop

Partnership

- Partnership is an association of two or more persons who have agreed to share the profits of business carried on by all or any of them acting for all.

Types of partnership

- **General partnership**: In this type each partner act as individual proprietor. Because responsibility for management , liability and sharing of profit or loss is divided.

- **Limited partnership**: This is formed between general and limited partners. Limited partners means the liability of these partners is limited to investment only. They share the profit but do not participate in the management of firm.

TYPES OF PARTNERS

- Active partners: He is one who takes part in day to day management of the firm.

- Sleeping partners: He is one who invest capital but dose not take part in day to day management.

Advantages of partnership

- Partnership can be easily formed without legal formalities.
- As compared to proprietorship ability to raise the fund is more.
- Different partners may have different capabilities which can be used effectively for the firm.
- Prompt decisions taken by partners help the firm taking advantage of changing business conditions.
- If partners desire the line of business can be changed at any time.
- The losses are shared by all partners

Disadvantages of partnership

- Partners are liable for the actions of other partners.
- Partners have unlimited liability which makes them to take huge risk.
- Misunderstanding among partners may lead to dissolutions.
- It has limited life , may end upon withdrawal or death of partner.
- Amount of capital generated is limited as number of partners are limited.
- Partnership can not enjoy public confidence.

applications

- CA firms
- Coaching classes
- Small factories
- Law firms

JOINT STOCK COMPANY

- A joint stock company is an association of individuals who contribute the required capital to start a business. The investors are liable for the company’s debts only to the value of the money they invested in the company.

Salient features

- It has separate legal status.
- It has to be registered after completing all legal formalities
- It is managed by board of directors elected by share holders
- A joint stock company continue to exist even after death of its investors
- The liability of shareholder is limited to his investment.
- The shares are easily transferable.

TYPES OF JOINT STOCK COMPANY

- ***Private limited company***:
- It is an association of 2 to 50 members.
- It has minimum paid up capital of 100 rs.
- The liability is limited to their investment.
- The company is not allowed to invite general public to subscribe to its shares.
- Company must get its account

Advantages of private limited company

- It associates limited liability with it.
- Companies life is not affected by the death of shareholders.
- Easier to raise finance through sale of shares
- Provides more privacy of information than public limited company.
- Risk of loss is divided among shareholders.

Disadvantages of private limited company

- Company is managed by big shareholders only.
- People can commit frauds with the company.
- Divided responsibility
- Shares are not freely transferable.
- Greater administration cost.

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TYPES OF PARTNERS

- ACTIVE PARTNERS
- GENERAL PARTNERS
- SLEEPING PARTNERS
- NOMINAL PARTNERS
- SECRET PARTNERS
- MINOR PARTNERS