CHAPTER VI
Planning and organization

The purposes of this chapter are to explain the functions viz., Planning and Organizing of management with special reference to Sangam Dairy. It covers the areas such as social responsibility of business, management by objectives, forecasting, and decision-making. It also discusses organization structure, authority and responsibility, line and staff, informal organization, committee management, organizational change and organizational development.

Social Responsibilities of Business:

Social responsibility is a nebulous idea and hence is defined in various. Adolph Derle has defined, social responsibility as the manager’s responsiveness to public consensus. This means that there cannot be the same set of social responsibilities applicable to all countries in all times. These would be determined in each case by the customs, religions, traditions, level of industrialization and a host of other norms and standards about which there is a public consensus at any given time in a given society.

According to Keith Davis, the term social responsibility refers to two types of business obligations viz., a) the socio-economic obligation, and b) the socio-human obligation.

The socio-economic obligation of every business is to see that the economic consequences of its actions do not adversely affect public welfare. This includes obligations to promote employment opportunities, to maintain competition, to curb inflation etc. The socio-human obligation of every business is to nurture and develop human values like morale, cooperation, motivation, self-realization in work etc.
Every business firm is a part of total economic and political system and not an island without foreign relations. It is at the center of a network of relationships to persons, groups, and things. The businessman should, therefore, consider the impact of his actions on all to which he is related. He should operate his business as a trusty for the benefit of his employees, investors, consumers, the government and the general public. His task is to mediate among these interests, to ensure that each gets a square deal and that no body's interests are unduly sacrificed to those of others.

Thus, the social responsibilities of any business towards the following groups are as under:

1. **Shareholders or owners:** Shareholders exert a powerful influence on the management in regulating its policies for earning adequate return on investment. Though there is a separation of ownership and management functions in case of joint stock companies, shareholders are entitled to appoint directors and seek regular, accurate and full financial information about the company. Shareholders are a source of funds for the company. They expect a high rate of dividend on the money invested by them and also the maximization of the value of their investment in the company. It is the duty of the management to see that the company is stable and enterprising so that it may provide those who commit their capital to it with such a fair and adequate reward for the risk taken as will permit the company to attract the necessary supply of capital from the market. The management has also to keep the owners of the business well informed about its progress and financial position.

2. **Workers:** Workers constitute the source of labour for performing the different operations of a business in order to achieve its objectives. It is the responsibility of the
S.T. : 1.82

DENSITY : 361 Per Sq. Km

LITERATES : 16.20 lakhs

WORKERS POPULATION: 19.65

AGRICULTURE LABOUR : 9.67

CULTIVATORS : 3.84

OTHERS : 18.79 Lakhs

EDUCATIONAL INSTITUTIONS

PRIMARY SCHOOLS: 2679

UPPER PRIMARY SCHOOLS: 270

HIGH SCHOOLS: 369

JUNIOR COLLEGES: 51

DEGREE COLLEGES: 39

I. T. Is: 32

POLYTECHNICS: 3

ENGINEERING COLLEGES: 9

COMMUNICATIONS:

National Highway: 72 Km

State Highway: 511 Km

Z.P. Roads: 2,147 Km

Other District Roads: 2070 km

Length of Railway line: 409 Km

Almost all the villages in the District were connected with roads.
etc., are providing irrigation.

\textbf{Soils:}

The soils in general are very fertile and they are broadly classified as Black cotton, Red loamy and sandy loamy. Black cotton area is in 70\%, Red loamy in 24\% and sandy loamy in about 6\% of the area in the district.

\textbf{Crops:}

The predominant crops grown in the district are paddy, jowar and bajra among cereals, blackgram, greengram and redgram among pulses, cotton, chillies, turmeric and tobacco among non-food and commercial crops.

\textbf{District at a Glance}

\textbf{Geographical Area:} 11391 Sq. Km

(11,32,823 Acres)

729 villages

57 Mandalas

706 Inhabited

27 Un-inhabited

\textbf{Population}

(In Lakhs)

MALE : 22.20

FEMALE : 21.85

Total : 44.05

S.C. : 5.73
management to win the cooperation of the workers by creating the conditions in which the workers are enabled to put forward their best efforts towards the achievement of common goals. This means the recognition of the workers right to a reasonable wage, to participate in decisions affecting their working life, to membership of a trade union, to collective bargaining and to go on strike. Management should also provide all the avenues for the training and development of the workers.

3. **Customers:** Patronage of customers is a must for long run success of any enterprise. Customers want the quality products and services of their choice at the lowest possible price. Customers’ satisfaction should be the primary and ultimate aim of all business activity. Customers’ faith in an enterprise is shaken when there is adulteration of goods, poor quality, lack of after sale service and courtesy or misleading advertising by the enterprise. This will put the survival of the enterprise into danger. If the management fails to fulfill its obligations towards the customers or consumers the government will have to intervene to protect the interests of the consumers.

4. **Society or community:** Management also owes a responsibility to the community at large. It must be guided by the socio-economic objectives of the society. It should not indulge into any practice, which is not fair from social point of view. Society expects that the management use the factors of production efficiently. If the management fulfills these expectations, its goodwill and reputation will increase.

5. **Government:** Business uses various factors of production, which belong to the society. State intervention in business is necessary because, it is the duty of the government of a country to manage its resources effectively.
The government exercises the control over the management of big business undertakings by using the powers given to it by various statutes including Companies Act 1956, Industries (Development and Regulation) Act, 1951 and MRTP Act, 1956.

It is important to point out that existing laws in the country may not be sufficient to enforce the business units to perform their social responsibilities. The management of any business unit should not try to forget its social obligations even if law does not exist in a particular area or there is a loophole in the statute concern. The management should undertake to perform its social obligations towards various groups voluntarily. This is what the business ethics demand from the management of any business enterprise.

Management:

Management is a critical element in the economic growth of a country. By bringing together the four factors of production Viz., men, money, materials, and machines, management enables a country to experience a substantial level of economic development. A country with enough capital, manpower and other natural resources can still be poor if it does not have competent managers to combine and coordinate these resources. Peter Drucker rightly observes that without management, a country’s resources of production remain resources and never become production.

Management is the dynamic, life-giving element in every organization. It is this element that coordinates current organizational activities and plans future ones. It attributes disputes and provides leadership. It adapts the organization to its environment and often shapes the environment to make it more suitable to the organization. In a competitive economy, the quality and performance of the management determine the success of an organization; indeed, they determine its very survival. Nowadays, no
organization can long hold its monopoly on capital or technology. But good management can definitely become its monopoly and give it a competitive edge over its rivals.

Definitions of Management:

According to Koontz and Heinz Weihrich, Management is the process of designing and maintaining an environment in which individuals working together, in groups efficiently accomplish selected aims.

The above definition can be understood more clearly with the following points:

1. As managers, people carry out managerial functions. Many scholars and managers have found that the analysis of management is facilitated by a useful and clear organization of knowledge.

2. Management applies to any kind of organization. It applies to both small and large organizations, to profit and not for profit enterprises, to manufacturing as well as service industries.

3. Management applies to managers at all organizational levels. All managers carry out managerial functions in the organizational hierarchy with variation in time spending.

According to Mary Parker and Follett, Management is the art of getting things through people.

This definition calls attention to the fundamental difference between a manager and other personnel of an organization. A manager is one who contributes to the organization’s goals indirectly by directing the efforts of others – not by performing the task himself. On the otherhand, a person who is not a manager makes his contribution to the organization’s goals directly by performing the task himself.
Sometimes, however, a person in an organization may play both these roles simultaneously. For example, a sales manager is performing a managerial role when he is directing a sales force to meet the organization’s goals, but when he himself is contacting a larger customer and negotiating a deal, he is performing a non-managerial role. In the former role, he is directing the efforts of others and is contributing to the organization’s goals indirectly. In the later role, he is directly utilizing his skills as a salesman to meet the organization’s objectives.

**Planning:**

Planning is the beginning of process of management. A manager must plan before he can possibly organize, staff, direct or control. Because planning sets all other functions into actions, it can be seen as the most basic function of management. Without planning other functions become mere activity, producing nothing but chaos.

Planning is an intellectual process, which requires a manager to think before acting. It is thinking in advance. It is by planning that managers of organizations decide what is to be done, when it is to be done, how it is to be done, and who is to do it.

Planning is a continuous process. Koontz and O'Donnell rightly observe that like a navigator constantly checking where his ship is going in the vast ocean, a manager should constantly watch the progress of his plans. He must constantly monitor the conditions, both within and outside the organization to determine if changes are required in his plans. It is wiser for him to be right than merely being consistent. They call it the principle of navigational change.

As a corollary to the above principle, it can be said that a plan must be flexible. By flexibility of a plan is meant its ability to change direction to adapt to changing
situations without undue cost. Because circumstance change, it is simple common sense that a plan must provide for as many contingencies as possible. It needs to possess a built in flexibility in at least five major areas viz., technology, market, finance, personnel and organization. Flexibility in technology means the mechanical ability of a company to change and vary its product mix according to the changing needs of its customers. Flexibility in market means the company’s ability to shift its marketing geographically. The company should be able to penetrate into unserved areas as and when there is a sudden spurt of demand in those areas. Flexibility in finance means the company’s ability to obtain additional funds on favourable terms whenever there is need for them. Flexibility in personnel means the company’s ability to shift individuals from one job to another. Flexibility in organization means the company’s ability to change its organization structure.

Planning is all pervasive function. In other words, planning is important to all managers regardless of their level in the organization. Planning does not guarantee success, but studies have shown that, often things being equal, companies which plan not only outperform the non planners but also outperform their own past results. Planning helps the manager to focus attention on the organization’s goals and activities. This makes it easier to apply and coordinate the resources of the organization more efficiently.

Management by Objectives:

Management by objectives (MBO) is the hottest phrase in the corporate sector. It is an overall philosophy of management that concentrates on measurable goals and end results. It provides a systematic and rational approach to management and helps prevent management by crisis.
In the words of Odiome, **MBO is a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual’s major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.**

MBO emphasizes participative set goals that are tangible, verifiable and measurable. It focuses attention on what must be accomplished rather than how it is to be accomplished. It translates the abstract philosophy of management into concrete phraseology by concentrating on key result areas. It is a systematic and rational technique that allows management to attain maximum results from available resources by focusing on achievable goals.

The process of MBO revolves around the setting up of organizational goals and the goals of various divisions and subdivisions. It is a never-ending process. The continuous nature of the process of MBO not only ensures sustained concentration of efforts towards organizational objectives, but also helps in modifying objectives to suit the changed situations.

**Benefits of MBO:** If MBO is applied consciously and systematically, it gives the following benefits:

1. MBO produces *clear* and measurable performance *goals*. Goals are set in an atmosphere of participation, mutual trust and confidence.

2. MBO helps in developing *effective controls*. A clear set of verifiable goals provides an outstanding guarantee for exercising better control.
Post Offices: 823

INFRASTRUCTURE

Industrial Estates: 10
Autonagar: 2
Industrial Development Area: 1

BANKS

Commercial Bank Branches: 266
Coop. Central Bank Branches: 34
A.P. S.F.C. Branch Office: 1
Grameena Bank Branches (Chaitanya): 46

INDUSTRIES

Large and Medium Industries: 50 with an Investment of 60,688 lakhs These Industries provide an employment to the tune of over 13,386 persons.

RESOURCES AVAILABLE IN THE DISTRICT

A. AGRICULTURE

Agriculture is the backbone of the district’s economy and about 35% of the working population depend on Agriculture. The major crops grown are Paddy, Tobacco, Chillies, Turmeric, Cotton, Groundnut, Pulses etc.

B. FORESTS:

The area covered by Forests is 1.56 lakh hectares forming 13% of the total geographical area of the district. Special Emphasis is being laid on the development of this rich natural resource for increasing the revenue and also to provide gainful employment to the rural poor by raising commercial plantation viz., Eucalyptus, Teak etc.,

C. LIVE STOCK:

Population
3. MBO improves communication and organization structure, which helps in locating weak and problem areas.

4. MBO provides a basis for evaluating a person’s performance since superior and subordinates jointly set goals.

5. MBO acts as a motivational force. It gives an individual or groups some freedom to use imagination or creativity to accomplish the assigned work. It permits a feeling of true participation in the task from its inception.

6. MBO encourages commitment rather than role compliance.

7. MBO is a result-oriented and rational management philosophy. Managers are forced to develop specific individual and group goals, develop appropriate action plans, marshal the resources properly and establish needed control standards.

**Limitations of MBO:** Following are the limitations, which make the implementation of MBO difficult.

1. One of the major limitations often seen in MBO is poor planning of the programme prior to implementation. Implementers must be well-trained persons who know how to involve all levels of management and obtain their support.

2. There is generally lack of training and knowledge on the part of the supervisor in implementing the programme. This stab at MBO will destroy morale, initiative and good results faster than anything else in an enterprise.

3. Lack of follow-up by the supervisor at the appropriate time is another hurdle in the successful implementation of MBO. This may affect employee’s performance in a negative way.
4. MBO may tend to introduce inflexibility in the organization. Since goals are set after every six months or one year, the superior may not like to modify them in between because of fear or resistance from the subordinate.

Despite various difficulties and shortcomings in MBO, it is an efficient way of managing as it emphasizes in practice the setting of objectives as the logic of planning and control. In order to achieve all the advantages from MBO, it is essential that it should start at the top of the organization. The active participation of management to this programme is essential for its implementation. If the top manager uses the objectives as an instrument for managing his subordinates, this practice will be followed down in the organization.

It is also essential that goals should be set by participation with the subordinate. There should be face-to-face communication between the superior and the subordinate for setting the foals, discussing the subordinate’s problems and for reviewing his performance. Thus, there must be effective two-way communication in the organization. A greater degree of decentralization of authority is required for the success of MBO. The subordinates, who have accepted the challenging assignments through discussion with the superior, must be given adequate authority to accomplish their goals. MBO will not work if a manager is not willing to delegate his authority to the subordinates as the subordinates will not be willing to accept new assignments and they will resist the setting of clearly defined goals.

Forecasting:

Forecasting is a technique of anticipating future problems and events. It involves making a detailed analysis of the past and present to get an idea about probable events in
the future. According to Fayol, forecasting includes both assessing the future and making provision for it. Forecasting helps a businessman in a number of ways.

Forecasting is the very basis of planning and without it, planning is impossibility. Short and long-range planning within the enterprise requires estimation of prospective changes in economic conditions and in the general environment in which the business operates. Forecasting awakens the management against business cycles, minimizes risks and reveals management’s weaknesses if any, to face the future.

As forecasting involves a joint effort of all departments in the concern, it creates team spirit, unity and coordination in the efforts of subordinates. By focusing attention on the future, it assists in bringing a singleness of purpose of planning. In the words of Henry Fayol, the act of forecasting is a great benefit to all who take part in the process and is the best means of ensuring adaptability to changing circumstances. The collaboration of all concerned leads to a unified front, an understanding of the reasons and a broadened outlook.

Forecasting helps in exercising control. The key executives, by mutually developing the forecast, automatically assume co-responsibility and individual accountability for such later deviation of the actual from the estimated result as may occur. Not only this, a good forecast becomes the basis for good budget – a widely used device for managerial control. Thus, for example, forecasts about the receipt and disbursement of cash are translated into a cash budget; forecast about manpower are translated into a manpower budget; forecasts about sales are translated into a sales budget; and so on.
Planning vs. Forecasting:

1. Planning commits individuals to certain goals. It also calls for some activity to achieve the planned goals. Forecasting does not commit individuals to any goals nor does it stimulate any activity among them, except when the forecast is pessimistic.

2. Planning is done with the help of forecasting which provides assumptions about the future environment of a plan. Forecasts made about the kind of markets, quantity of sales, prices, products, technical developments, costs, wage rates, tax rates, political or social environment and similar other matters, become premises for the future. Forecasting is thus only a tool of planning.

3. Every manager does planning. It is all pervading. Forecasting is not by every manager. Staff people mostly undertake it.

Planning in Sangam Dairy:

Under the chairmanship of shri Kilari Rajan Babu the dairy is running with good vision. He has a wider thinking about the future of the dairy. In other words his mission is making ‘scare free milk supply’ in the district. With the support of the middle level managers and top-level senior managers, he tries to plan the future of the dairy on perfect lines. The researcher observed that the plans at all levels in the dairy are well coordinated and based on the top-level decisions; other level plans are prepared and executed. In a recent statement given by the chairman, he is exploring the possibility of exporting milk products to other countries. This denotes that he is looking far ahead of the future of the dairy.
Decision Making:

A decision is the selection of a course of action. It is a choice from among a set of alternatives. Decision-making is an indispensable component of the management process. It permits all management and covers every part of an enterprise. In fact whatever a manager does, he does through decision-making only.

According to Koontz and Weighrich, decision-making is selection of course of action from among alternatives.

According to N.Paul Loomba, decision-making may be viewed as the process by which individuals select a course of action from among alternatives to produce a desired result. It is a process made up of four continuous interrelated phases explorative (searching), speculative (analyzing), evaluative (weighing) and selective (commitment).

A decision is something that takes place prior to the actual performance of a course of action that has been chosen. To state this in terms of managerial decision-making, it is an act of choice wherein a manager selects a particular course of action from the available alternatives in the given situation.

Decision-making Process: The decision-making process describes the elements of an organization that accepts the processed information inputs and transforms them into useful conclusions. These conclusions help in selecting a desirable course of action which, when implemented, will provide a solution to a management problem. Making a good decision is a difficult exercise. It is the product of deliberation, evaluation and thought. To make
good decisions, managers should invariably follow a sequential set of steps. Decision-making process has the following steps.

1. **Defining the problem:** Every problem has two aspects. First there is a situation and second there is dissatisfaction with that situation. When one becomes dissatisfied with a situation and decides that he ought to do something about it, he recognizes that he has a problem. This is the start of decision-making process.

   After recognizing that one has a problem, one may try to define and clarify it and to pinpoint it. It is not always easy to define the problem, to see the fundamental thing that is causing the trouble and that needs correction. Yet the manager has to try to find it out and to decide what the core problem is, otherwise he will ask and answer the wrong questions, make wrong decisions and may not solve the real problem.

2. **Analyzing the problem and gathering information:** The second step in decision-making is to analyze the problem, classifying it and finding facts. It is necessary to classify the problem in order to know who should take the decision, which should be consulted in making it and who are the persons to be informed. Without proper classification, the efficiency of the decision may be jeopardized. By classification we can know how to convert the decision into practice.

   In order to analyze the decision problem, a lot of information of right type is needed by the decision maker. Unless this information is available, any analysis of the problem and the decision based thereon will be defective. A decision is as good as information on which it is based. The decision maker has to determine what type of information he requires and how he can get it. Trying to analyze without right kind of information is like guessing directions at a crossing without reading the high ways
signboard. Therefore, collection of sufficient information of the right type assumes great importance in the decision making process.

3. Developing alternative solutions: The next step in the decision-making process is the development of alternative solutions for every problem. Without this, one is likely to be caught in a wrong solution. Without resorting to the process of finding alternative solutions, the manager is likely to be guided by his limited imagination. It is rare for alternatives to be lacking for any problem. But at times the manager assumes that there is only one way of doing a thing. What the manager has probably not done is force himself to consider other ways, open his eyes and develop alternatives. Unless he does so, he cannot know whether his decision is the best possible. From the above it appears a key planning principle, which might be referred to as the principle of alternatives. In every course of action alternatives exist and effective planning involves a search for the alternative representing the best path to a desired goal. Once the manager has decided upon a particular course of action, he thinks that this is the only and the right way of acting. On the other hand, once the manager starts developing alternatives, various assumptions come to his mind, which may compel him to bring those assumptions to the conscious level.

4. Finding the best solution: Once alternative solutions have been thought of, the next step is to analyze each solution and weight one against each other. Decision-making implies freedom to choose from among alternative course of action. If the steps proceeding to finding out the best solution have been dealt with adequately, the manager will have several alternatives from which he can make the choice. It is a rare situation
where there are no alternatives. In fact, if one is faced with such situation, it will only imply that the preceding steps have not been taken systematically.

5. Implementing the decision: The decision will have no meaning unless it can be implemented. The managers are not concerned with the decision in remoteness, but with their performance. The manager’s decision is always related to what other people should do. For this purpose, it is imperative that people should feel attached to the decision. Any idea of the decisions being sold will be a futile exercise. What is right has to be decided by be nature of the problem rather than by wishes, desires and receptivity of the people in the organization.

Rationality in Decision-Making: A business manager can make decision by intuition i.e. without considering carefully all the alternatives. Practically, every one takes decisions in this way because of the feeling that the particular course of action is the best one. This kind of feeling has no logic behind it. Moreover, it is difficult to explain why one is feeling in a particular way. On the other hand if a decision is taken after thorough analysis and reasoning and weighing the consequences of various alternatives. Such a decision will be called an objective or a rational decision.

Rationality requires complete knowledge and information on the consequences that will follow each choice. But it is not always possible. Rationality further requires a choice among all possible alternatives. But every individual has his limitations. He may not be able to perceive all possible alternatives. As argued by Simon, a man has only bounded rationality (a combination of intuition and rational thinking) because there are certain limitations to complete rationality. Thus Simon’s point of view is highly realistic as it helps in understanding the actual behaviour of the decision maker. It also modifies
substantially the traditional theory of decision-making based on complete rational man. Subjective factors are bound to affect a person’s decisions even though he is otherwise rational.

**Decision-making in Sangam Dairy:**

The policy decisions of the dairy are generally taken in the meeting of the board of directors. In case of differences of opinion, the decision opted by majority of the members will be adopted. The board under the chairmanship of the chairman takes the decisions. Managing director adopts the policy decisions and tries to execute them with the support of general manager. The general manager delegating his authority to the departmental heads and see the decisions are implemented.

**Organization:**

The term organization is used in two different senses. In the first sense it is used to denote the process of organizing. In the second sense it is used to denote the result of that process, namely, the organization structure.

Using it in the first sense, organization is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organizing function, the manager differentiates and integrates the activities of his organization. By differentiation is meant the process of departmentalization or segmentation of activities on the basis of some homogeneity. Integration is the process of achieving unity of effort among the various departments.

Organizing refers to the function of arrangement of human personnel, materials, finance and equipments, working space etc., in a specific and systematic manner so that the derived objectives are attained smoothly and effectively.
Organizing involves identification of activities, grouping of activities, assignment of jobs to employees, delegation of authority and establishment of a network of coordinating relationships amongst the members.

Organizing is the process grouping activities on the principle of specialization, allocation of duties among the personnel employed and coordinating the work so that it is done according to the formulated plan.

**Organization Structure:**

In the second sense, organization is the structural framework for carrying out the functions of planning, decision-making, control, communication, motivation, etc.

The formal structure of an organization is two dimensional – horizontal and vertical. The horizontal dimension depicts differentiation of the total organizational job into different departments. The vertical dimension refers to the hierarchy of authority relationship with a number of levels from top to bottom. Authority flows downward along these levels. Higher the level and greater the authority and vice versa.

The usual way of depicting a formal organization is by means of an organization chart. It is snap shot of an organization at a particular point in time, which shows the flow of authority, responsibility and communication among various departments, which are located at different levels of the hierarchy. The connecting lines on this chart show who is accountable to whom and who is in charge of what department. This chart has, however, certain limitations. It can show certain important aspects about the organization’s structure.
Decision-making Centre \(\rightarrow\) (Authority base)

Organization

Levels

Tall Organization implies:
- a. Distance from top to bottom
- b. Extended Communication lines
- c. Impersonality
- d. Narrow span of control
- e. Centralization

*Tall Organization*

Figure 1

The merit of this type of structure is that it provides a clear and well-defined work setting to its employees. An organic or behavioural structure has generally wider spans of control which give rise to a flat form, more general supervision and more decentralization. There is little specialization and hierarchy of command.

Flat organization implies:
- a. High levels of decentralization
- b. Extremely wide spans of control
- c. Less extended communication lines

*Flat Organization*

Figure 2
Determinants of organization structure:

Researches concerning organization structure are not conclusive enough to support any specific organization structure. The type of structure useful for a particular organization depends on a number of factors as described below:

1. **Environment:** Researches have shown that different types of environments require different types of organizational structures for effectiveness. Burns and Stalker have found that in stable environments when people do fixed and specialized jobs and feel little need to change their skills, classical structures with strong controls and tightly specified duties are appropriate. But in fast changing environments when jobs need to be constantly redefined to cope with the ever changing needs of the environment and when the creative problem solving and decision-making processes requires free and open communication among members, behavioural structures are appropriate.

2. **Culture:** Another factor shaping the underlying structure of an organization is culture. Culture sets the bounds on what may or may not be done, on what is desirable and what is not.

3. **Task:** The task of an organization is another major determinant of its structure. The organisation’s original charter and the role, which the organization decides to play in the society at large, determine it.

4. **Technology:** The structure of an organization is influenced greatly by its technology. Three broad types of technology are: *unit, mass and process*. Of these, unit is the simplest technology and process is the most complex. Joan Woodward’s study has shown that:
a) The more complex the technology, the more the need for supervision and coordination and greater the number of managers and management levels. In other words, complex technologies lead to tall organizational structures.

b) The more complex the technology, the more the need for better personnel administration and plant maintenance to keep the equipment in operation for higher proportion of the time and the greater the number of clerical and supporting staff.

c) In mass technology, workers usually perform similar types of unskilled jobs. Hence, one first line manager can supervise large numbers of workers. But in unit or process technology, this is not possible. Here workers perform highly skilled jobs for which small work groups are inevitable.

5. **Strategy:** By strategy it means the basic long-term goals of an enterprise and allocation of resources necessary for carrying out these goals. It is found through some researches that with the change in strategy, change in structure becomes essential. The strategy of diversification into new products are new geographical areas inevitably makes a highly centralized structure inefficient and impractical. The different units are required to have a greater measure of independence in order to be able to respond quickly to the changing demands of their special markets. This makes essential for a company to shift to a decentralized structure with near-autonomous divisions, in order to remain successful.

6. **Size:** By size it means the number of employees working for the organization in a single location. Pugh – Hick son’s study has found that as the number of employees increases, the amount of formality also increases to cope with the complexity of employee inter-relationships and communication problems. Ten to fifteen people can relate to each
other rather informally, five hundred cannot. Moreover, as size increases, specialization becomes further pronounced and with it the formality of structure.

7. **Span of Control:** There is very close relationship between the span of control and the shape of organization structure. Small spans give rise to tall structures and big spans to flat structures.

8. **Form:** By form it means whether the enterprise is the cooperative, a private company or a government agency. A cooperative is founded on democratic principles, and therefore, unlike a private company cannot be organized and run like dictatorship at the discretion of its management. A government agency in a democratic country is generally vulnerable to attacks in the legislature and often must adopt many rules and regulations to be able to defend the propriety of its actions, a necessity that forces it to be bureaucratic.

9. **Managerial Characteristics:** The structure of an organization is also influenced by the personality and the value system of its top managers. If top managers believe that people are, by nature lazy and uncooperative, they would prefer to create an organization, which emphasizes direction and control. On the other hand, if they believe that people are good and committed to organizational goals, they would create an organization that emphasizes freedom of action.

10. **Employee characteristics:** Characteristics include the abilities, skills and experience as well as the needs and personality characteristics. If an organization is generally composed of employees who are highly skilled and motivated, have strong needs for independent and self-realization, a behavioural structure would be more appropriate than a classical one. On the other hand, if the organization is generally composed of unskilled
and poorly motivated employees, a classical structure may be more appropriate than a behavioural one.

**Organization Structure in Sangam Dairy:**

The Sangam Dairy is organized in a formal way starting from board of directors. As said earlier, next to board, there is managing director who looks after the overall management of the dairy. Under his control, the general manager maintains the dairy with the coordination of deputy general manager and various departmental heads. There are nine departments in the organization structure of the dairy. A senior manager assisted by a manager, assistant manager, senior assistant and junior assistant heads each department. A detailed organization structure of Sangam Dairy is shown in the next page.
ORGANIZATION CHART OF SANGAM DAIRY

BOARD OF DIRECTORS
MANAGING DIRECTOR
GENERAL MANAGER
ASST. GENERAL MANAGER

SR. MANAGER (F&A)
SR. MANAGER (PRODUCTION)
SR. MANAGER (F&A)
MANAGER (SALES & MKTG.)
MANAGER (QUALITY CONTROL)
MANAGER (PERSONNEL & Mgmt)
DAIRY ENGINEER
MANAGER (ASEPTIC PACKAGING STATION)
MANAGER (GEN. ADM. OFFICER)

MANAGER (PROCUREMENT) (ANIMAL HUSBANDRY)
MANAGER (AI)
MANAGER (CATTLE FEED)
ASST. MANAGER
SR. ASST.
SR. ASST.
SR. ASST.
SR. ASST.
SR. ASST.
SR. ASST.
ASST. MANAGER (G.O.C.)
L. M. SUPervisor
LAB. STAFF
SR. ASST.
WORKERS
SECURITY OFFICER
SR. ASST. TIME KEEPER
TELEPH. OPERATOR
MEDICAL OFFICER
SR. ASSISTANTS
ASST. MANAGER (SUPERINTENDENT)

DAIRY MANAGER (PROCESSING)
DAIRY MANAGER (POWDER & BY PRODUCTS)
DAIRY MANAGER (BUTTER & GHEE)
DAIRY MANAGER (RAW MILK RECEIVING DOWNS)
SR. DAIRY OPERATOR
SR. DAIRY OPERATOR
SR. DAIRY OPERATOR
WORKERS
WORKERS
WORKERS
SUPERINTENDENT OFFICER
SUPERINTENDENT (GOODOWN)
SR. ASST.
PLANT WORKERS
SR. ASST.
ATTENDANTS
SR. ASST.
ASST. MANAGER (ACCOUNTS)
ASST. MANAGER (ACCOUNTS)
SUPERINTENDENT MANAGER
CASHIER
SR. ASST.
JR. ASST.
ATTENDANTS

ASST. MANAGER (Dairy)
LAB. SUPERVISOR
LAB. STAFF
SR. ASST.
WORKERS
SECURITY OFFICER
SR. ASST. TIME KEEPER
TELEPH. OPERATOR
MEDICAL OFFICER
SR. ASSISTANTS
ASST. MANAGER (SUPERINTENDENT)

SALES SUPERVISORS (AT SALES CENTERS)
MLK DISTRIBUTION SUPERVISOR
SR. ASST.
JR. ASST.
ASST. ENGINEER/FOREMAN
OFFICE SUPERINTENDENT
SR. ASST.
JR. ASST.

PANT WORKERS
ATTENDANTS
Q. C. MANAGER
SR. ASST.
JR. ASST.
JR. ASST.
Authority and Responsibility:

Authority is essential to be able to discharge various managerial functions. It is the formal right of the superior to command and compel his subordinates to perform a certain act. Henry Fayol defines authority, \textbf{the right to give orders and power to exact obedience}.

Sources of formal authority: There are two major views on the origin or source of formal authority in organizations. These are, the classical, and the human-relations views.

1. Classical View: According to this view authority originates at the top in the formal structure of an organization and then flows downward to subordinates. It means that managers at each level of the organization derive their authority from the managers at the higher level. For example, an assistant foreman receives authority from the foreman; a foreman receives it from the assistant production manager, an assistant production manager from the production manager, the production manager from the general manager, and the general manager from the board of directors.

2. Human relations View: According to this view, the authority of a supervisor depends on the willingness of his subordinates to accept it. The authority somewhat meaning less unless those affected accepts it and responds to it. If the subordinates do not accept authority, it is not real and does not exit. For example, if a supervisor storms along an assembly-line shouting at everyone to work hard, the subordinates may not question the superior’s right to do so. But they may choose not to comply with the order. The order will then be robbed of its authority.
A subordinate accepts his superior’s authority because he considers it to be legitimate. According to Max Weber, the three major bases of legitimacy are tradition, Rationality and Charisma. Tradition as the basis of authority implies that the subordinate accepts his superior’s authority because it has traditional support. Rationality as the basis of authority implies that the superior has demonstrated his ability to fulfill the requirements of the position. Charisma as the basis of authority occurs in those instances where the superior possesses magnetic personality and simply extraordinary qualities, which enable him to capture a following.

Just as the authority is the right of a superior to issue commands, responsibility is the obligation of a subordinate to obey those commands. Thus, when a superior assigns from work to a subordinate, it becomes his responsibility to perform it.

Responsibility has two dimensions. One dimension may be expressed as responsibility for, the other as responsibility to. Responsibility for is the obligation of a person to perform certain duties written in his job description or otherwise accepted by him. Responsibility to is his accountability to his superiors. It is inevitably associated with checkup, supervision, control and punishment.

Responsibility cannot be delegated or transferred. The superior can delegate to a subordinate the authority to perform and accomplish a specific job. But he cannot delegate responsibility in the sense that once the duties are assigned, he is relieved of the responsibility for them. This delegation of tasks does not avoid the superior from his own responsibility for effective performance of a subordinate. Responsibility may be specific or continuing. It is specific when on being discharged by a subordinate it does not arise
again. Thus, a consultant’s responsibility is specific. It ceases when the assignment is completed. The responsibility of a foreman is, however, of a continuing nature.

**Line and Staff Authority:**

There are two types of authority in most organizations: line and staff.

In *line authority* a superior exercises *direct command* over a subordinate. Line authority is represented by the standard chain of command that starts with the board of directors and extends down through the various levels in the hierarchy to the point where the basic activities of the organization are carried out.

The nature of staff authority is merely advisory. Literally the word ‘staff’ means the stick carried in the hand for support. A staff officer has the ‘authority of ideas’ only. The information, which a staff officer furnishes, or the plans he recommends flow upward to his line superior who decides whether they are to be transformed into action. A market researcher who gathers and analyses data on marketing problems and advises the marketing manager on demand for new products; an industrial engineer who prepares layout plans of plant equipment, production methods and operating standards based on time studies and forwards them for the acceptance of the production manager; an internal auditor who checks the accuracy of accounting records and suggests to the head of the accounting department measures to prevent fraud; a personnel officer who advises the personnel manager on all dealings with unions, are many examples of staff authority.

**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 same taste, language, culture or any other factor.
These groups are not pre-planned, 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 organizations since he does not create them. Informal relations will always
support and supplement the formal ones. There are certain disadvantages also in informal
organizations. They put resistance to change and confirm to old practices. The
communication in informal organization is very fast. Sometimes, it creates rumours,
which may prove dangerous to the enterprise.

**Informal organization in the Dairy:**

All the employees both men and women belong to the local area and they speak
Telugu, their mother tongue. They are all belonging to the same culture. Therefore, it is
natural in formation of informal relations among them. The women, who work, as
sweepers also know the organizational activities that are taking place in the dairy as most
of the higher level managers naturally talk in local language. This causes formation of
informal relations in the organization. Further, many of the employees working in the
organization at various levels are relatives and friends causing informal relations
inevitable.

**Committee Management:**

A committee is a group of people who have been formally assigned some task or
some problem for their decision and/or implementation. In modern business enterprises
there is a widespread use of committees in all areas of management and administration. It is interesting to note that the proponents of participative management as represented by Tensis Likert, like to see committees even more ubiquitous than they are now. A major proposal in Likert's New Patterns of Management is to replace the one-to-one relationship characteristic of conventional hierarchical arrangements with a system of 'inter-locking groups'. Under this proposal, each unit head and his subordinates would work as a decision-making committee. And since each unit head would serve as a 'chief' vis-à-vis the level below him and as a subordinate vis-à-vis the level above, he would be performing a linking-pin function in a system of interlocking groups comprising the whole hierarchy of the company. A company thus organized, Likert believes, could avoid the major risks but reap the full advantages of 'authoritative' group decision-making.

Committees can be broadly classified into advisory committees and executive committees. Whenever committees are vested with staff authority they are known as advisory committees. Advisory committees have only a recommendatory role and cannot enforce implementation of their advice or recommendation. Some of the usual advisory committees formed in business enterprises are: works committees, sales committees, finance committees, etc. Whenever committees are vested with line authority, they are called executive committees. Unlike advisory committees, executive committees not only take decisions but also enforce decisions and thus perform a double role of taking a decision and ordering its execution. The Board of Directors of a company is an example of an executive committee.
Committees in the Dairy:

There are various committees appointed by the chairman to carry on the various activities of the organization. The following are the various committees that are working in the dairy.

1. Procurement and input activities committee.
2. Purchase committee.
3. Repairs and maintenance committee.
4. Personnel and administrative committee.
5. Marketing Committee.

The two boards of directors, heads of the concerned departments and the managing director will head the above committees. The committees will discuss the needs and requirements of the organization put forth before them and study the estimates, financial requirements etc., and recommend to the board for giving the necessary sanctions.

Organizational Change:

Change is a necessary way of life in most organizations. In fact, change all around us – in the season, in social environment, and in biological processes. In the dynamic society surrounding today’s organizations, the question of whether change will occur is no longer relevant. Instead, the issue is how do managers cope with the inevitable barrage of changes that confront them daily in attempting to keep their organizations viable and current. Organizations that do not adapt to change find it difficult or impossible to survive. Since organizations must cope with change to survive, so to, must managers.
**Reasons for organizational change:** There are a number of factors both external and internal which affect organizational functioning. Any change in these factors necessitates changes in an organization. The more important factors are as follows:

1. **Change in environment:** Every organization exists in some context – “*no organization is an island unto itself*”. Each must continually interact with other organizations and individuals – the consumers, suppliers, unions, shareholders, government – and many more. Each organization has goals and responsibility related to others in its environment. Thus not only must an organization deal with its environment in conducting its affairs, but it must also give consideration to the goals of others as it establishes its goals and conducts its operations. The present-day environment is dynamic and will continue to be dynamic. Changes in social, political, economic, technological, and legal environment force organizations to change themselves. Such changes may result in organizational changes like major functions, production process, labour-management relations, nature of competition, economic constraints, organization methods, etc. In order to survive changing environment, organization must change.

2. **Change in managerial personnel:** Besides environmental changes there is a change in managerial personnel. New managers replace old managers, which is necessitated because of retirement, promotion, transfer or dismissal. Each manager brings his own ideas and way of working in the organization. The relationships, more particularly informal ones change because of changes in managerial personnel. Moreover, attitudes of the personnel change even though
there is no change in them. The result is that an organization has to change accordingly.

3. **Deficiency in existing organizations:** Sometimes changes are necessary because of deficiency in the present organizational arrangement and process. These deficiencies may be in the form of unmanageable span of management, large number of managerial levels, lacking coordination between various departments, obstacles in communication, multiplicity of committees, lack of uniformity in policy decisions, lack of cooperation between line and staff, and so on.

4. **To avoid developing inertia:** In many cases, organizational changes take place just to avoid developing inertia of inflexibility. Conscious managers take into account this view that organization should be dynamic because any single method is not the best tool of management at every time. Thus, changes are incorporated so that the personnel develop liking for change and there is no unnecessary resistance when major change in the organization is brought up.

In order to cope with the various factors necessitating change, organizations adopt the strategy for planned change. Planned change in organization relates to change attempt making suitable adjustment in all the related factors simultaneously.

**Organisation Development:**

Although a liberal interpretation of the words organization development (OD) could refer to a wide range of strategies for organizational improvement, the terms have come to take on some fairly specific meaning in management literature and in practice. It can be said only fairly specific because the boundaries are entirely clear, perceptions of different authors and practitioners vary somewhat and the field is evolving.
In organization change, a basic problem involved is the changing of attitudes of people in such a way that under changed conditions, they are effective. As such an organizational change requires the alteration in each person’s entire formal and informal role set to support the change if there is an attempt to change an individual alone, he is merely placed into role conflict because his peers, staff specialists and others retain the same role of expectations of him. A job change is fully supported only when the job-integrated method known as OD originated to bring change in the entire organizational aspect.

OD can be defined as a technique for bringing change in the entire aspect of organization, rather than focusing attention on individuals so that change is easily absorbed. According to Bennis, OD has the following characteristics:

1. It is an educational strategy for bringing planned change.
2. It is related to real problems of the organization.
3. Laboratory training methods based on experienced behaviour a primarily used to bring change.
4. Change agent applying OD technique for change is external to the forms of consultants.
5. There is a close working relationship between change agents and the people who are being changed. Relationship involves mutual trust, just goals and means and mutual influence.
6. The change agents share a social philosophy about human value. They humanists seeking to get a humanistic philosophy in organization.
Thus, the OD strategy goes beyond the personal development strategy because it has organization change as its explicit central focus and sees the change of individuals through training as a means of organizational change. This strategy addresses the question what organization needs to learn to achieve a particular change, and assesses the training need required for the change. The people are trained accordingly with more emphasis on human relations. This is used for more general and lasting aim of developing the organizations own training function rather than accomplishing an immediate discrete change. The aim is to achieve in the organization a pervasive sense of continuous development and heightened receptivity and readiness for change.

Organization Development in Sangam Dairy:

Sangam Dairy started with a noble objective of catering the needs of the milk and milk products to the people of Guntur district. It started in the year 1977 as a small cooperative dairy with just some 300 employees and without much network. Later, the dairy acquired latest machinery and adopted latest technology in milk production. Further, it has taken all possible steps to supply the milk throughout the district and to the metropolitan cities of Chennai and Kolkata on time. This development strategy of the dairy kept it as the leading and one of the biggest dairies in the country.