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COMMERCE

NATIONAL TESTING AGENCY (NTA)

PAPER – 2 || VOLUME – 3

**Business Management and Human
Resources Management, Banking
& Financial Institutions**



UGC NET PAPER – 2

COMMERCE

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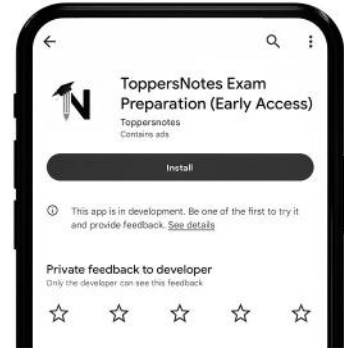
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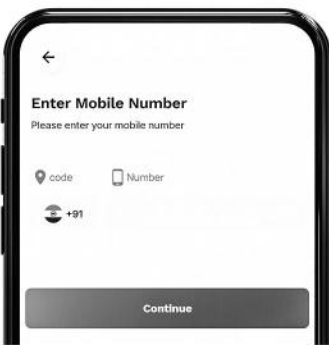
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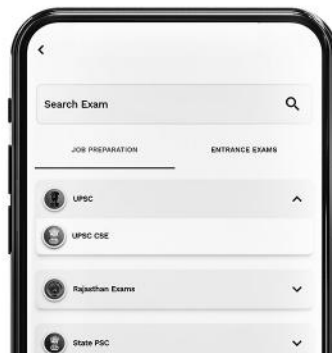
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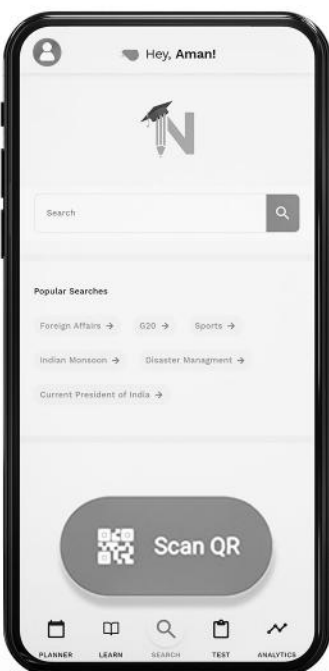
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6 UNIT

Business Management and Human Resource Management

Chapter - 1

Principles and Functions of Management

Management - Concept, Process, Theories and Approaches, Management Roles and Skills

Management - Concept

An organization is a group of people working together in a structured and coordinated fashion to achieve a set of goals. Managers are responsible for using the organization's resources to help achieve its goals. Management can be defined as a set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization's resources (human, financial, physical, and information) with the aim of achieving organizational goals in an efficient and effective manner.

Levels of Management

1. **Top-level Management** - Relatively small group of executives who manage the overall organization.

Title: President, Vice President and Chief Executive Officer

Functions: Create the organization's goals, overall strategy, operating policies.

Make decisions about activities such as acquiring other companies, investing in research and development, entering or abandoning various markets and building new plants and office facilities.

2. **Middle Management** - Largest group of managers in most organizations

Title: Plant manager, Operations manager and Division head and so on.

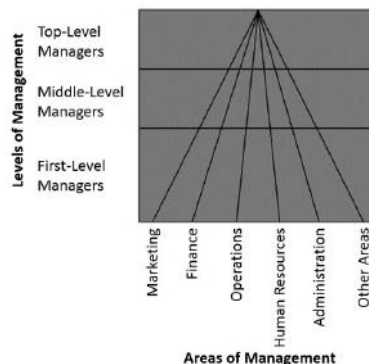
Functions: Responsible for implementing the policies and plans developed by top managers
Supervising and coordinating the activities of lower level managers

3. **First-line Managers** - Managers who supervise and coordinate the activities of operating employees

Title: Supervisor, Coordinator and Office manager

Functions: Supervision and Coordination of activities of operating employees

Functional Managers: Regardless of their level, managers may work in various areas within an organisation known as functional managers - Marketing managers, Operations Managers, Financial managers, Human Resource Managers and Administrative managers.



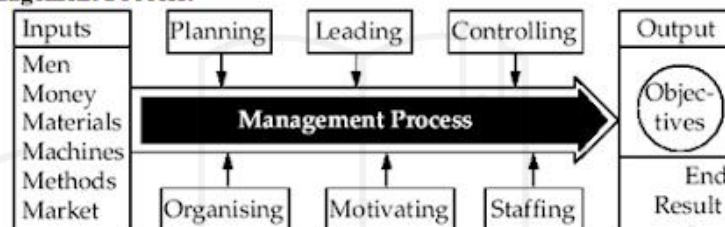
Importance of Management

1. Management is a critical element in the economic growth of a country
2. It is essential in all organized efforts, be it a business activity or any other activity
3. It is the dynamic, life-giving element in every organisation.

Process of Management - Different Aspects

- **Newman and Summer** - Organizing, Planning, Leading and Controlling
- **Henri Fayol** - Planning, Organising, Commanding, Coordinating and Controlling
- **Luther Gulick** - POSDCORB - Planning, Organising, Staffing, Directing, Coordinating, Reporting and Budgeting
- **Haynes and Massie** - Decision making, Organisation, Staffing, Planning, Controlling, Communicating and directing
- **Koontz** - Planning, Organising, Staffing, Directing and Controlling
- **Innovating** - a modern aspect of management process

(A) Management Process:



(B) Elements of Management Process (Functions of Management):



Management - Theories and Approaches

Early Classical Approach

1. **Scientific Management theory:** focus on the ways to improve the performance of individual workers.

Contributed by:

- Fredrick W. Taylor (1856-1915) - Scientific Management
- Frank Gilbreth (1868- 1924) and Lillian Gilbreth (1878-1972) - Time and Motion Study

Fredrick W. Taylor (1856-1915) - Father of Scientific Management

- **Experiments done at:** Midvale Steel, Simonds Rolling Machine and *Bethlehem Steel*
- **Study about:** Worker Productivity and Optimization

- **Steps in Scientific Management:**

- (i) Replace rule of thumb and work methods based on scientific study of the tasks
- (ii) Scientifically select the employees and train them to do the job rather than passively leaving them to train themselves
- (iii) Supervise employees to make sure they follow the prescribed methods for performing their jobs
- (iv) Continue to plan the work, but use the workers to get the work done

- **Contributions to Scientific Management:**

- (i) Differential Payment - Linking incentives with production
- (ii) Gantt Chart - Charting system for productivity control - the idea of rating an employees' work publicly
- (iii) Motion and Fatigue study - 17 basic types - Therbligs - shorthand symbol for each movement of work

- **Limitations of Scientific Management:**

- (i) It applies to only muscular tasks at the floor level and neglects problem solving and decision making.
- (ii) Economic incentive, which is the only motivation for increased production in this concept, does not serve the every other purpose of man.
- (iii) No individuals contribute to the work in the same motions taught and expected.

2. **Administrative Management theory:** focuses on managing the total organization

Contributed by:

- Henri Fayol (1841-1925) - Father of Administrative Management
- Lyndall Urwick (1891-1983)

Henri Fayol (1841-1925) - Father of Administrative Management

His perspective extended beyond the shop level and the physical production processes and was of macro nature, covering the general administrative and managerial functions and processes at the organisation. He was the first person to identify the specific managerial functions of planning, organizing, leading and controlling. He also classified the functions into six groups as technical, commercial, financial, accounting, security and administration.

Limitations of Administrative Management:

- (i) These principles are not tested empirically ; based on few case studies only
- (ii) The principles resulted into the formation of mechanistic organisation structures which are insensitive to the employees' social and psychological needs.
- (iii) These are based on the assumption that organisations are closed systems.

3. **Bureaucratic Management theory:** focus on the legitimate and formal system of authority.

Contributed by: Max Weber (1864-1920) - Father of Bureaucratic Management

Contributions to Bureaucratic Management:

Three types of Administration:

- **Leader Oriented-** There is no delegation of management functions. All employees serve as loyal subjects of leader.
 - **Tradition Oriented-** Managerial positions are handed down from generation to generation.
 - **Bureaucratic Oriented-** Delegation of management responsibilities is based on the person's demonstrated ability to hold the position.
-

Features of Bureaucratic Administration

1. Insistence on following standard rules
2. Systematic division of work
3. Principle of Hierarchy
4. Knowledge and Training in the application of rules
5. Rational Personnel Administration

Limitations of Bureaucratic Administration

1. Over conformity to rules
2. Buck Passing
3. Trained incapacity
4. Displacement of Goals
5. No real right of appeal
6. Neglect of informal groups
7. Rigid structure
8. Inability to satisfy the needs of mature individuals

Neo- Classical Approach

These approaches do not reject the classical concepts but only try to refine and improve them.

1. **Behavioural management:** Places more emphasis on individual attitudes, behaviours, and group processes and recognized the importance of behavioral processes in the workplace.

Contributions:

- (i) Hugo Munsterberg (1863-1916) - Father of Industrial Psychology - the practice of applying psychological concepts to industrial settings
- (ii) Mary Parker Fillet (1868-1933) - Constructive conflict and coordination
- (iii) Chester Barnard (1886-1961) - Cooperation and Acceptance of Authority
- (iv) Elton Mayo - Hawthorne Studies (1927-1932) - sponsored by General Electric- demonstrated that social satisfaction to the workers leads to productivity.

- The role of informal groups is highly influential in an organization
- There is no correlation between the improved working conditions and high production
- Non-financial rewards also significantly affect his behavior and largely limit the effect of economic incentive plan
- Employee-centered, democratic and participative style of supervisory leadership is more effective than task-centered leadership

2. **The Human Relations Movement:** Proposed that workers primarily respond to the social context of the workplace, including social conditioning, group norms and interpersonal dynamics.

Contributions:

- (i) Abraham Maslow (1908-1970) - Hierarchy of Needs theory
- (ii) Douglas McGregor (1906-1964) - Theory X and Theory Y

Modern Approaches

1. **The Quantitative Management Perspective:** focuses on decision making , cost effectiveness, mathematical models and the use of computers
-

- **Management Science:** focuses specifically on the development of mathematical models
- **Operations management:** focuses in helping the organization produce the products or services more efficiently and can be applied to a wide range of problems.

2. Contemporary Management Perspectives:

- **The Systems Perspective :** Views organizations as systems so that managers can better understand the importance of their environment and the level of interdependence among their organization's subsystems.

Inputs from the environment material inputs, human inputs, financial inputs, and information inputs.	Transformation Process: technology operating system, administrative systems, and control system.	Outputs into the environment : Products/services, Profits/losses employee behaviors, and information outputs.
Feedback		

- **Open Systems:** Interact with their environment
- **Closed Systems:** Do not interact with the environment
- **Subsystem:** A system within another system
- **Synergy:** Two or more systems working together to produce more than the total of what they might produce working alone
- **Entropy:** A normal process leading to system decline
- **The Contingency Perspective:** Suggests that universal theories cannot be applied to organizations because each organization is unique. Appropriate managerial behavior in a given situation depends on, or is contingent on, unique elements in that situation.

Management Roles

Henry Mintzberg has identified ten roles common to the work of all managers. The ten roles are divided into three groups:

- Interpersonal
- Informational
- Decisional

	Role	Activity
Informational	Monitor	Seek and receive information; scan periodicals and reports; maintain personal contact with stakeholders
	Disseminator	Forward information to organization members via memos, reports, and phone calls
	Spokesperson	Transmit information to outsiders via reports, memos, and speeches
Interpersonal	Figurehead	Perform ceremonial and symbolic duties, such as greeting visitors and signing legal documents
	Leader	Direct and motivate subordinates; counsel and communicate with subordinates
	Liaison	Maintain information links both inside and outside organization via mail, phone calls, and meetings

Decisional	Entrepreneur	Initiate improvement projects; Identify new ideas and delegate responsibility to others
	Disturbance handler	Take corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environments
	Resource allocator	Decide who gets resources; prepare budgets; set schedules and determine priorities
	Negotiator	Represent department during negotiations of union contracts, sales, purchases, and budgets

Managerial Skills

A skill is an individual's ability to perform physical or mental tasks with a specified outcome. Robert Katz identifies three types of skills that are essential for a successful management process:

- **Technical skills** - Person's knowledge and proficiency in any type of process or technique -(Lower level of management)
- **Conceptual skills**- Ability to conceptualize the environment, the organisation and his own job, so that he can set appropriate goals for his organisation, for himself and his team - (Higher Level of management)
- **Human or interpersonal management skills** - Ability to interact effectively with people at level.

Other Skills are as follows

- **Diagnostic Skills:** Skills that enable them to visualize the most appropriate response to the situation
- **Communication Skills:** Ability to both effectively convey ideas and information to others and effectively receive ideas and information from others
- **Decision-Making Skills:** Ability to correctly recognize and define problems and opportunities and to select an appropriate course of action to solve problems and capitalize on opportunities
- **Time Management Skills:** Ability to prioritize work, to work efficiently and to delegate work appropriately.

4 Functions of Management Process: Planning, Organizing, Leading, Controlling

Functions of management is a systematic way of doing things. Management is a process to emphasize that all managers, irrespective of their aptitude or skill, engage in some inter-related functions to achieve their desired goals.

4 Functions of management are planning, organizing, leading and controlling that managers perform to accomplish business goals efficiently.

First; managers must set a plan, then organize resources according to the plan, lead employees to work towards the plan, and finally, control everything by monitoring and measuring the effectiveness of the plan.

Management process/functions involve 4 basic activities

1. **Planning and Decision Making** – Determining Courses of Action,
2. **Organizing** – Coordinating Activities and Resources,
3. **Leading** – Managing, Motivating and Directing People,
4. **Controlling** – Monitoring and Evaluating activities.



1. **Planning and Decision Making– Determining Courses of Action:** Looking ahead into the future and predict possible trends or occurrences which are likely to influence the working situation is the most vital quality as well as the job of a manager.

Planning means setting an organization’s goal and deciding how best to achieve them. Planning is decision making, regarding the goals and setting the future course of action from a set of alternatives to reach them.

The plan helps to maintain managerial effectiveness as it works as a guide for the personnel for future activities. Selecting goals as well as the paths to achieve them is what planning involves.

Planning involves selecting missions and objectives and the actions to achieve them, it requires decision-making or choosing future courses of action from among alternatives.

In short, planning means determining what the organization’s position and the situation should be in the future, and decide how best to bring about that situation.

Planning helps maintain managerial effectiveness by guiding future activities.

For a manager, planning and decision-making require an ability to foresee, to visualize, and to look ahead purposefully.

Planning process

- Determination of goals and objectives of an organisation
- Forecasting
- search for alternative course of action
- Evaluation of alternatives
- formulation of policies and procedures
- preparation of programmes schedules and budgets

Stages of staffing

- Manpower planning
- Recruitment
- Selection
- Placement
- Training

- Development
- Promotion
- Transfer
- Appraisal
- Determination of remuneration

Steps for formulating Career strategy

1. Development of strategic career alternative
 2. Analysis of personal strengths and weaknesses
 3. Consistency testing and strategic choices
 4. Implementation of the career plan
 5. Monitoring progress
2. **Organizing–Coordinating Activities and Resources:** Organizing can be defined as the process by which the established plans are moved closer to realization.
- Once a manager set goals and develops plans, his next managerial function is organizing human resource and other resources that are identified as necessary by the plan to reach the goal.
- Organizing involves determining how activities and resources are to be assembled and coordinated. The organization can also be defined as an intentionally formalized structure of positions or roles for people to fill in an organization.
- Organizing produces a structure of relationships in an organization and it is through these structured relationships that plans are pursued.
- Organizing, then, is that part of managing which involves: establishing an intentional structure of roles for people to fill in the organization.
- It is intentional in the sense of making sure that all the tasks necessary to accomplish goals are assigned to people who can do the best.
- The purpose of an organization structure is to create an environment for the best human performance.
- The structure must define the task to be done. The rules so established must also be designed in light of the abilities and motivations of the people available.
- Staffing is related to organizing and it involves filling and keeping filled, the positions in the organization structure.
- This can be done by determining the positions to be filled, identifying the requirement of manpower, filling the vacancies and training employees so that the assigned tasks are accomplished effectively and efficiently.
- The managerial functions of promotion, demotion, discharge, dismissal, transfer, etc. Are also included with the broad task “staffing.” staffing ensures the placement of the right person in the right position.
- Organizing is deciding where decisions will be made, who will do what jobs and tasks, who will work for whom, and how resources will assemble.
3. **Leading–Managing, Motivating and Directing People:** The third basic managerial function is leading it is the skills of influencing people for a particular purpose or reason. Leading is considered to be the most important and challenging of all managerial activities.
- Leading is influencing or prompting the member of the organization to work together with the interest of the organization.
-

Creating a positive attitude towards the work and goals among the members of the organization is called leading. It is required as it helps to serve the objective of effectiveness and efficiency by changing the behavior of the employees.

Leading involves several deferment processes and activates.

The functions of direction, motivation, communication, and coordination are considered a part of the leading processor system.

Coordinating is also essential in leading.

Most authors do not consider it a separate function of management.

Rather they regard coordinating as the essence of managership for achieving harmony among individual efforts towards accomplishing group targets.

Motivating is an essential quality for leading. Motivating is the function of the management process of influencing people's behavior based on the knowledge of what cause and channel sustain human behavior in a particular committed direction.

Efficient managers need to be effective leaders.

Since leadership implies fellowship and people tend to follow those who offer a means of satisfying their own needs, hopes and aspirations, understandably, leading involves motivation leadership styles and approaches and communication.

4. Controlling–Monitoring and Evaluating Activities: Monitoring the organizational progress toward goal fulfilment is called controlling. Monitoring progress is essential to ensure the achievement of organizational goals.

Controlling is measuring, comparing, finding deviation and correcting the organizational activities which are performed for achieving the goals or objectives. Controlling consists of activities, like; measuring the performance, comparing with the existing standard and finding the deviations, and correcting the deviations.

Control activities generally relate to the measurement of achievement or results of actions that were taken to attain the goal.

Some means of controlling, like the budget for expenses, inspection records, and the record of labor hours lost, are generally familiar. Each measure also shows whether plans are working out.

If deviations persist, correction is indicated. Whenever results are found to differ from the planned action, persons responsible are to be identified and necessary actions are to be taken to improve performance.

Thus outcomes are controlled by controlling what people do. Controlling is the last but not the least important management function process.

It is rightly said, "Planning without controlling is useless". In short, we can say the controlling enables the accomplishment of the plan.

All the management functions of its process are inter-related and cannot be skipped.

The management process designs and maintains an environment in which personnel's, working together in groups, accomplish efficiently selected aims.

All managers carry out the main functions of management; planning, organizing, staffing, leading and controlling. But depending on the skills and position on an organizational level, the time and labor spent in each function will differ.

Planning, organizing, leading, and controlling are the 4 functions of management; which work as a continuous process.

Chapter - 2

Organization Structure: Formal and Informal Organization

Organizing

It is the second step of the management process. The organization encompasses various decisions regarding the structure of an organization and its design in order to promote coordination in the organization. It also aims at providing the right things (tools, human resource, financial resource and physical resources) at right time.

Organizational Structure

The term organizational structure reveals the established pattern of relationships among the constituent parts of the organization. It prescribes the relationships among various activities and various positions in an organization. It is nothing but a chart of relationships. Organization Structure refers to a system where the work is divided formally. These smaller tasks are gathered and synchronized in order to promote coordination in the organization. It refers to an outline of groups, individuals, operations systems and job putting efforts to attain stipulated goals. It is the arrangement of jobs which is formally defined. According to Mintzberg (1972).

“Organizational structure is the framework of the relations on jobs, systems, operating process, people and groups making efforts to achieve the goals. Organizational structure is a set of methods dividing the task to determined duties and coordinates them.

”According to Hold and Antony (1991), “Structure is not a coordination mechanism and it affects all organizational process. Organizational structure refers to the models of internal relations of organization, power and relations and reporting, formal communication channels, responsibility and decision-making delegation is clarified.” According to Monavarian, Asgari, “Organizational structure is a set of methods dividing the task to determined duties and coordinates them.”

Importance of Organizational Structure

Organizational structure is a mechanism through which management directs, coordinates and controls the business, a sound organizational structure:

- Facilitates management process and overall operations of the organization and provides better coordination,
- Encourages growth by increasing the efficiency and gives clarity about roles and responsibilities.
- Builds relationship across various managerial levels and encourages human beings to attain Psychological Satisfaction from his position and his working environment
- Defines organizational relationship and stimulates creativity in the organization by initiating new and improved ways of work processes.

Features of Good Organizational Structure

Continuity and Flexibility: Organizational structure should not be rigid and be able to accommodate future requirements also,

Ultimate Authority: The superior is responsible for the performance of his work along with the work of his subordinates

Tesser Managerial Levels: The more number of management level is, the longer is the delay in communication,

Link between: The Board of Directors, shareholders and the management team should be there. This is because BoD seldom meets 'management, hence the organizational structure helps in defining how top level management and BoD will interact.

Unity of Direction: The organizational structure must focus that each subordinate and member focuses on one common goal.

Unity of Command: One person should receive orders from one boss only.

Common Goals: Organizational structure ensures the smooth achievement of goals.

Cooperative Efforts: The proper coordination and mutual cooperation among various subsystems in an organization.

Simplicity: Organizational relations should be kept simple and minimum possible with clearly defined roles, powers and responsibilities.

Division of Work: It ensures speedy execution of work

Communication: It mainly downward communication: place in the form of superiors issuing commands, orders, directives etc.

Clear Line of Authority: Running sometimes in horizontal directions.

Factors affecting Organizational Structure

According to Peter F Ducker, "Structure is a tool to achieve short and long – term goals of the organization Thus, any discussion should be regarding goals and strategy in structure

Interaction with the Customer: If the interaction of the lower level management is more with the Customer then is need independent decision-making, hence, a decentralized structure is appropriate. If the lower management seldom interacts with the customers then the highly centralized structure is best.

The Sensitivity of Data: If the company deals with sensitive and personal data, then the decentralized structure is best suited as the personal information can 'be accessed by only selective managers. Where the information is insensitive, then there can be a 'centralized structure where the information is centrally stored.

Innovation: If the company is based on innovations and creativity then the lower the levels of management, the better it is for the company. In this case, flat organizations are best suited as they remove the delay in approval from different layers.

Marketing Consideration: If the company sells different products then the divisional structure is beneficial as there will be separate divisions for each market the other hand, is the product, i.e. alike then functional structures are best suited.

Size of the Organization: If the organization is large in Size then there will be higher managerial levels Smaller Organization will be have 0-1.

Management.

Business Cycle of the Organization: There are namely four stage

- Birth there are no levels or delegation of authority no formal structure.
 - Youth the formal structure is introduced in this as the customers begin to increase.
 - Middle Life Here, the operations attain zenith hence the Organizational structure is large, complex and various layers are introduced.
-

Structure

- **Maturity** The firm attains maturity and turns into a lesser innovating and expanding the organization, Hence, with an increase in profits, the organizations spend fewer resources in experimenting with the organizational structure. There are no new inventions in the organizational structure. They remain stable and are continual in future.

Strategy: 'When the organization wants to attain first: mover advantage then the organization must use organic structures, Firms which aim at producing already existing products must follow mechanistic structure,

Environment: It comprises of legal, socio-political and economic environment. It includes

- **Stable Environment:** Mechanistic Structure is apt as it increase productivity
- **Unstable/Dynamic Environment:** Organic structure is beneficial as helps in tackling the changing environment aggressively.
- **Technology:** Organizational structure depends on the technology and the production of the organization.
- **Mass Production:** They indulge in bulky production hence there organizational structure is more rigid.
- **Routine Activities:** When the organization performs more routine activities then the structure is standardized, while non-routine activities need repeated up gradation hence decentralized and flexible structure is appropriate.

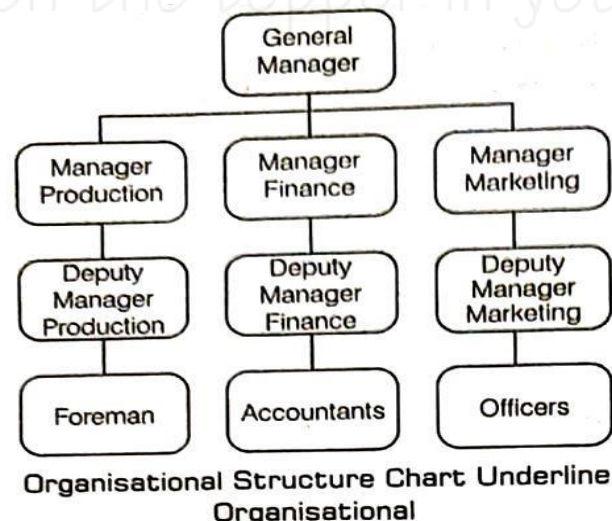
Organisational Chart and Structures

'An organizational chart (or organogram) is a figure depicting the arrangement of an institution and defines the associations of jobs/positions and various ranks.

Types of Organizational Structures

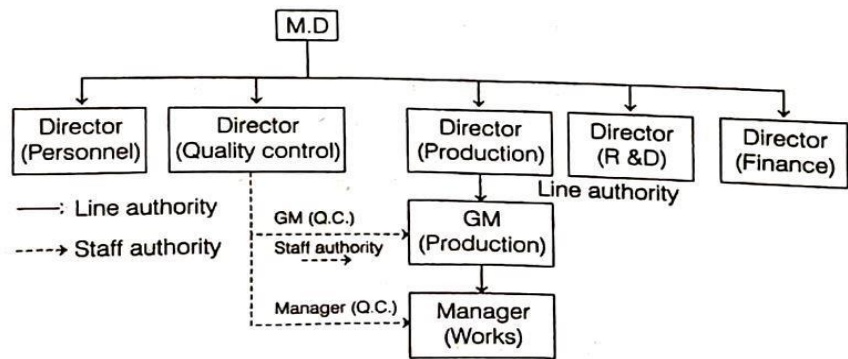
Line Organizational Structure

- It is simplest type of structure which is based on the vertical line of responsibility and authority. It is establishes clear the scalar subordinate superior relationships based on Principle.
- Chain of command is followed and it simplifies and explains the relationship between boss and worker.
- There is quick decision-making, because the management and workers share close relations as there are no complex levels of management.
- However, it lack specialization. A key limitation is it becomes ineffective when the scale of the company increases.
- It promotes dependence on only key manager who get overload with responsibilities



Functional or Staff Organisational Structure

It is the most widely used structure and the activities are grouped according to similar work and functions. It comprises two elements, i.e. line organisation and staff organisation serves the purpose of the shortest chain of command while staff organisation deals with providing expert



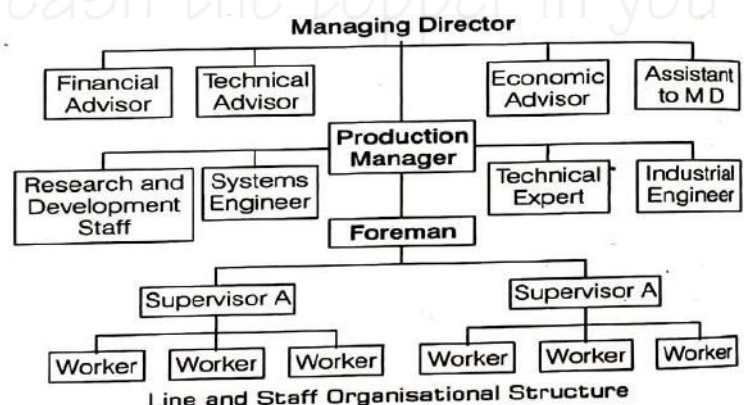
Functional Organisation Structure

opinions which assist the line organisation in making decisions. Marketing activities are clubbed together and financing activities are grouped in another department.

- It is suitable for medium to small institutions and is apt for the organisations having a lesser variety of product.
- There is specialisation of function also. This structure helps in coordinating and using the specialised knowledge of the functional managers.
- In line organisation, the manager at the top has general knowledge hence he cannot impart specialised knowledge, while in functional authority the management is competent in the said function. It is also known as staff organisation.
- However, it promotes sectional interest as one department sees its objectives from a narrower perspective. There is a violation of the unity of command under this structure as a single employee receives a command from the line authority and staff authority. It conflicts in the organisation.

It is followed by large organisations

- It Then followed by large organizations There institutions follow both line as well as staff organisational structures. Straight up the (vertical) association is comprehended by special knowledge of the staff organisation. Major functions are performed by line executives feature of line organisation), however the staff executives help the line executives with their expert knowledge.

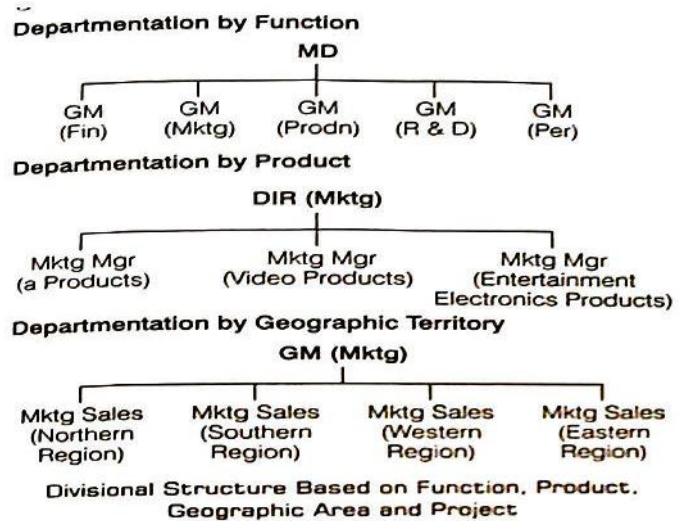


Line and Staff Organisational Structure

- The staff executives are mere supports and do not have any right or power of command. There are three types of staff executives, i.e. control, Service, | and advisory.
- Staff executives/functionaries are not held answerable, thus, they may become insincere in their work and advice. It is highly flexible and it increases span of control.

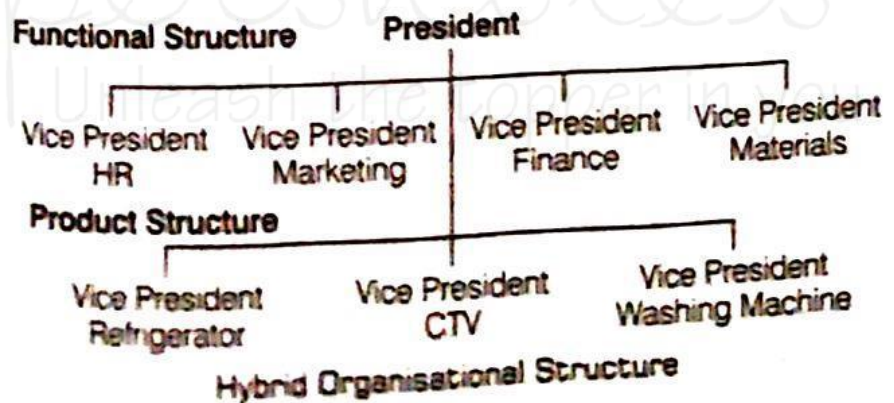
Divisional Organisational Structure

- It is also known as product organisational structure. It is apt for companies selling differentiated and range of product because bifurcation is based on each product i.e. produced by the company.
- It is characterized by the functioning of small companies within big companies as each product has its own separate department. There is the various basis on which the segregation is made product, geographical area, a combination approach, function, project etc.
- It is often referred to as departmentalisation. It encourages diversification for the company. The company is able to manage a variety of product 'As each product is independent of other, there is minimum risk.
- One major unit comprises of all the technical expert from various fields (finance, marketing t etc.). Hence, their specialised knowledge is grouped together for one particular unit.
- This micro bifurcation shift the from common organizational goals to departmental goals. Each unit strives to endrose its own product. However there can be internal unhealthy competition within the organisation w3hich may lead to conflicts.



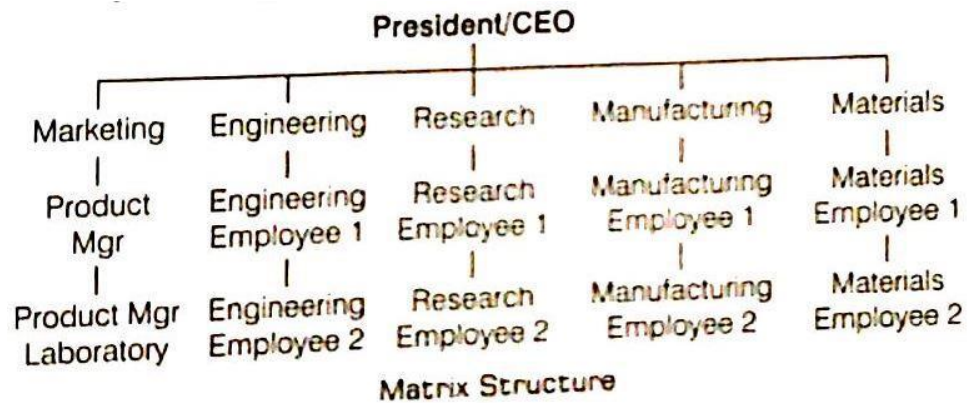
Hybrid Organisational Structure

- It is based on the characteristics of both divisional as well as functional organizational structures. The World Bank has defined it as the organisation where several organisational designs are used. There is less rigidity, hence it is suitable for very large organisations.
- Some functions which are not crucial are distributed among lower levels while key functions such as accounting and finance are kept central.
- The product department has its own separate function. Thus, all the units and level reap the benefits of divisional as well as functional organisational structures.
- There is better coordination and work is divided appropriately as the divisional goals and corporate goals are effectively aligned.
- However, duplication of work between divisional and functional areas. Also. Conflict may arise between divisional head office and main headquarters. There is an excessive cost of administration.



Matrix Organisational Structure

- It is the combination of functional and product departments.



Functional departments aim at pooling specialised knowledge while product department aims at focusing on single product and brings together the responsibilities and skills for producing a single product. Hence, the matrix department is an amalgamation of both.

- It is formed under the project manager who is also sometimes referred to the Product manager.
- This team has specialists from the marketing, finance and operation departments, along with the project manager. Hence, in this organisation structure, each individual is governed by two superiors, the project manager and the functional manager (Finance manager, HR manager etc.)
- It violates the management principle of unity of command. It is a permanent and fixed type of organisational structure. The decisions made are highly decentralised. There is solid coordination between the process, project and the product.
- It leads to costly administration, greater probability of conflicts and confusion and ambiguity about responsibility and authority relationships.

Formal Organisational Structure

- It clearly defines the jobs and the amount of authority and responsibility associated with it and gives the rules and procedure, instructions, guidelines and processes that help in managing the work and behavior of the worker.
- It is given in the office's formal documents which gives hierarchical arrangements of the organisation.

Informal Organisational Structure

- When the workers of a formal organisation interact with each other, they form social connections or groups. These clusters together are known as informal organisations. It occurs because of physical vicinity, their common work or interests. It is unstructured in comparison to formal organisation.
- It is not given by the organization as it has procedures, processes and rules of its own. These structures evolve during the process as they are not formally written in the organisation.
- There are no fixed patterns of communication and anybody can communicate with anyone. Thus, it helps in quick completion of work and effective communication.
- It gives emotional support, increases span of control and fosters better management. However, it reduces control and is less reliable.

Project Organisational Structure

- Most of the traditional organisational structure focus on vertical relations between the various levels of management. However, under certain complex projects, there is a need for other modes of communication also, such as horizontal and diagonal, downward or upward.