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Lecturer

Unit 2: Organizational Culture and Environment

BIT
3rd Semester
Patan Multiple Campus

The manager: Omnipotent or symbolic?

- Omnipotent view: The traditional view of managers is that they are responsible for all the organization's success and failure because they have virtually unlimited control over its purpose, functions, and operations. This view is called omnipotent view of management

- Symbolic view: According to the symbolic view, managers are limited in their ability to affect significant organizational outcomes.
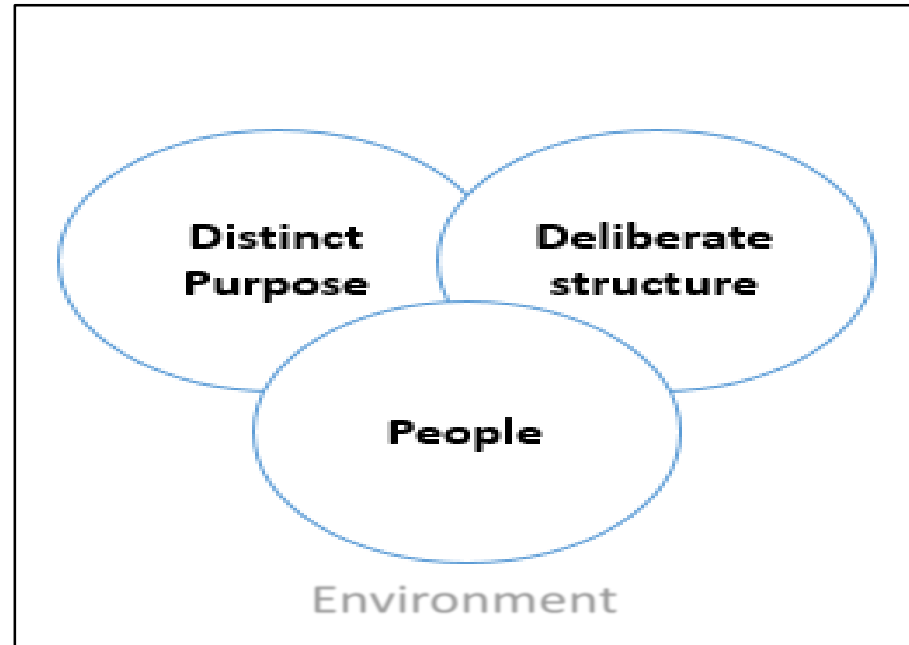
Organization

- **Definition**
  Organization is a system composed of people, structure and technology for achieving common objective in a dynamic environment.

  *According to **Ricky Griffin***
  *"**Organization** is a group of people working together in structured and coordinated way to achieve a set of goals."*

  <u>**Meaning of an Organization: –**</u> An **organization** is an entity such as a company or an association that consists of one or more people and has a specific purpose. The word is derived from the Greek word organ, meaning instrument or instrument, musical instrument and organ. An organization is a group of people who work together, like a neighborhood association, a charity, a union, or a corporation. Organization is also the act of **forming or establishing something** (like an organization).

- **Organization** is the structural framework of duties and responsibilities required of personnel in performing various functions with a view to achieve goals through performance.

Distinct Purpose

Deliberate structure

People

Environment

Characteristics of Organization

1. *Division of Work:*

Organization deals with the whole task of business. The total work of the organization is divided into activities and functions. Various activities are assigned to different persons for their efficient accomplishment. This brings in division of labor. It is not that one person cannot carry out many functions but specialization in different activities is necessary to improve one's efficiency. Organization helps in dividing the work into related activities so that they are assigned to different individuals.

2. *Co-Ordination:*

Co-ordination of various activities is as essential as their division. Coordination helps in integrating and performing various activities. Co-ordination also avoids delays. In fact, various functions in an organization depend upon one another and the performance of one influences the other. Unless all of them are properly coordinated, the performance of all segments is indirectly affected.

3. *Common Objectives:*

Organization is a means towards the achievement of organizational goals. The goals of various segments lead to the achievement of major business goals. The organizational should build around common and clear cut objectives. This will help in their proper accomplishment.

4. Co-operative Relationship:

An organization creates co-operative relationship among various members of the group. An organization cannot be constituted by one person. It requires at least two or more persons. Organization is a system which helps in creating meaningful relationship among persons. The relationship should be both vertical and horizontal among members of various departments. The structure should be designed that it motivates people to perform their part of work together.

5. Authority division:

An organization consists of various positions arranged in a hierarchy with well defined authority and responsibility. There is always a central authority from which a chain of authority relationship stretches throughout the organization. The hierarchy of positions defines the lines of communication and pattern of relationships.

6. Structural:

An organization comprises/consists of many departments and every single department consists of structures. Every activity and task performed in an organization is to be done systematically. Thus, an organization and its activities performed inside them are structural.

Types of Organization:

1. Line Structure

2. Functional Structure

3. Matrix Structure

They are explained below:

1. Line Structure Organization

Meaning of Line Structure Organization: – Line structure organization is the simplest and oldest form of organization structure. It is called as a scalar type of military or divisional or organization. Under this system, authority flows directly and vertically downward from the top of the managerial hierarchy to different levels of managers and subordinates, and down to the operative level of workers. It is also known as the chain of command or scalar principle.

Advantages of Line Structure Organization:

•Simple to understand and simple to operate;

•Communication is fast and easy;

•Feedback can be acted upon faster;

•Responsibility is fixed and unified at each level and authority and accountability are clear-cut, hence each individual knows to whom he is responsible and who is or in truth responsible to him;

•Since it is especially useful when the company is small in size, it provides for greater control and discipline in the organization.

•It is a stable form of organization.

- <u>Disadvantages of Line Structure Organization</u>: –

- It is a rigid and inflexible form of organization;

- Line authority has a tendency to become dictatorial;

- It overloads the executive with suppressive activities so that long-range planning and policy making are often neglected;

- A line organization can suffer from a lack of specialization. This is because each department manager is concerned only with the activities of his own department.

- Different departments may be more interested in their interests rather than overall organizational interests and welfare;

- Encourage nepotism;

- It might stop progress and prevent the unit to work effectively.

- It does not provide any means by which a good worker can be rewarded and a bad one can be punished.

- <u>2. Functional Structure Organization</u>

- <u>Meaning of Functional Structure Organization</u>: – Functional Structure Organization is one of the most common structures of organization. They are grouped based on their specific skills and knowledge. Under this structure, the employees are divided into groups by the organization according to a particular or group of tasks. Where functional structures operate well in stable environments, where business strategies have little inclination for change or mobility, the level of bureaucracy makes it difficult for organizations to react quickly to market changes.

- Advantages of Functional Structure Organization: –

- The executive or the team leader has the knowledge and experience of that particular field. For example, the person heading the IT department will have the education and skill necessary to shoulder this responsibility and successfully run his team.

- Because the employee has expertise in that particular field, the work is more efficient and precise. There are fewer mistakes. This also helps with the motivation of the employees of the company.

- Since all team members come from similar backgrounds it allows them to share ideas and come up with solutions. There is a sharing of knowledge, which is always beneficial.

- The employees also having a clear idea of the hierarchy of the firm. They need not report or answer to several managers.

- Also, the employees feel secure in their work. They see that their work and efforts is not going unnoticed. This sense of security helps them perform better.

- Disadvantages of Functional Structure Organization: –

- The work can be quite one dimensional. After a while, the employees may start feeling monotony or boredom. The lack of new challenges can make them unenthusiastic for the job at hand.

- In this structure, the manager must take care of the appraisal system. If the correct approach is not taken then conflicts may arise between the employees regarding promotions or appraisals.

- Also, this form of organization requires a high degree of specialization which is difficult to establish

- If there is a necessary change of personnel it can disrupt the whole system and its balance. Also, it is quite a rigid structure, not leaving a lot of scope for adaptation.

- In Functional Organizational Structure, the employees never gain any knowledge or skills outside their own department. This can cause difficulties in inter-departmental communication.

3. Matrix Structure Organization

<u>Meaning of Matrix Structure Organization</u>: – A matrix organizational structure is a structure of organization in which some individuals report to more than one supervisor or leader, which is described as solid line or dotted line reporting. More broadly, it can also describe the management of cross-functional, cross-business groups and other work models that do not maintain rigid business units or silos grouped by function and geography. For example, an employee may have a primary manager they report to as well as one or more project managers they work under.
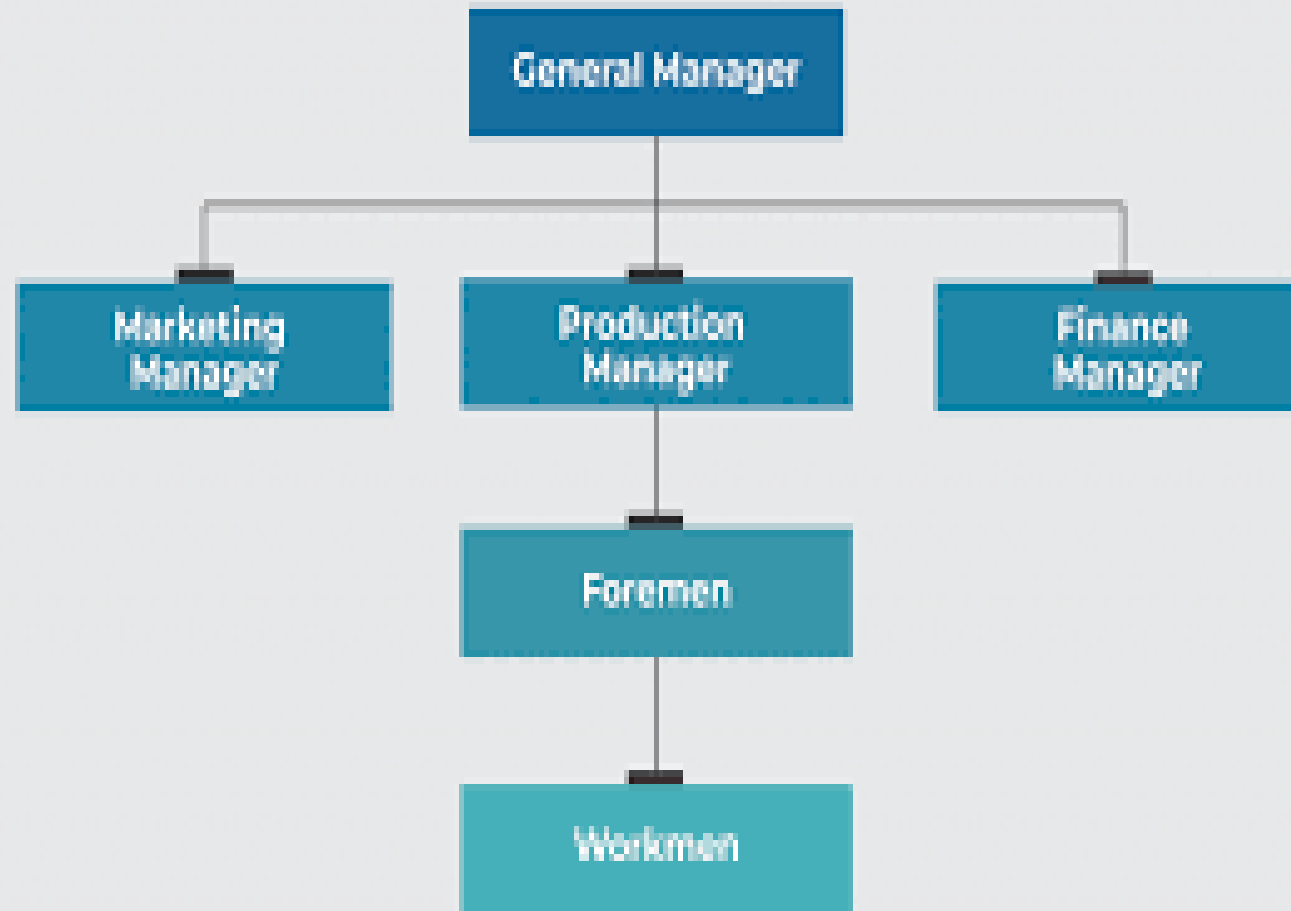
Advantages of Matrix Organization: –

•Since there is both vertical and horizontal communication, it increases coordination and this leads to greater and more effective control over operations.

•As the matrix organization is handling many projects, the available resources will be fully utilized.

•It focuses organizational resources on specified projects, thus enabling better planning and control.

•It is highly flexible in following rules, procedures etc. Experience here is the best guide for setting rules and procedures.

•As any department has to put its efforts towards the completion of any one project, employees are effectively motivated.
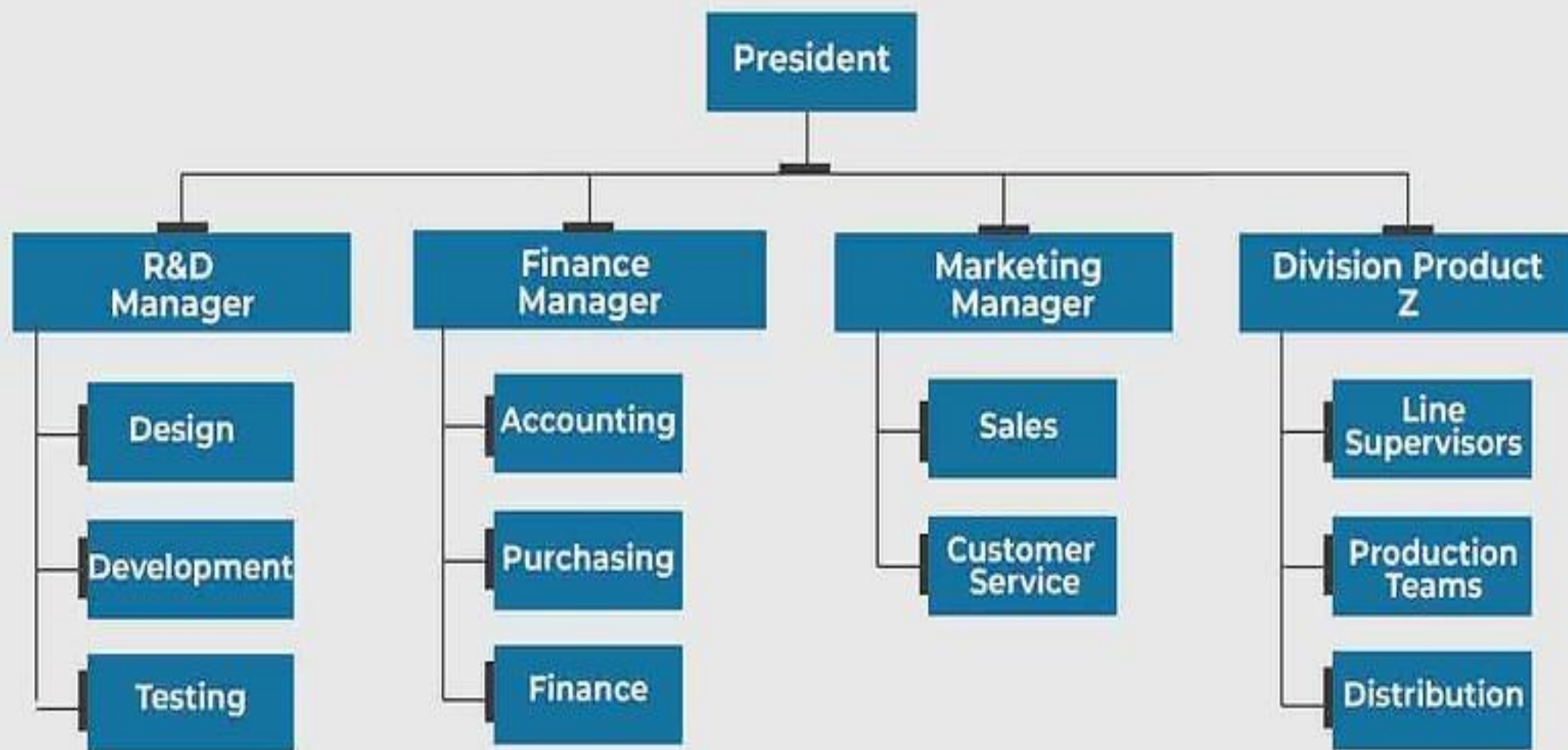
Disadvantages of Matrix Organization: –

•Since, there is more than one supervisor for each worker, this causes confusion and conflict and reduces effective control.

•There is continuous communication both vertically and horizontally, which increases paper work and costs.

•It is difficult to achieve downward balance on projects technical and administrative aspects.

Line Organization Structure

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                    ┌─────────────────┐
                    │ General Manager │
                    └─────────────────┘
          ┌──────────────────┼──────────────────┐
┌─────────────────┐ ┌─────────────────┐ ┌─────────────────┐
│    Marketing    │ │    Production   │ │     Finance     │
│    Manager      │ │    Manager      │ │     Manager     │
└─────────────────┘ └─────────────────┘ └─────────────────┘
                            │
                    ┌─────────────────┐
                    │     Foremen     │
                    └─────────────────┘
                            │
                    ┌─────────────────┐
                    │     Workmen     │
                    └─────────────────┘
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Functional Organization

- President
  - R&D Manager
    - Design
    - Development
    - Testing
  - Finance Manager
    - Accounting
    - Purchasing
    - Finance
  - Marketing Manager
    - Sales
    - Customer Service
  - Division Product Z
    - Line Supervisors
    - Production Teams
    - Distribution

Specific Environment

❖ Customers

❖ Supplier

❖ Competitors

❖ Government

❖ Pressure Groups

❖ Financial Institution

❖ Strategic allies

Business Environment

- Business environment consists of the internal and external forces prevalent in the environment, which have a bearing on the development, performance and outcomes of a business. The internal forces of business environment consists of infrastructure, physical assets, human resources, organizational structure where as external forces of business environment consists of social, economical, political, physical, global, legal, technological and environmental forces.

➢ *General Environment:*

The general environment is the factors that are broad and affect all the industries and the firms competing each other.

It involves:

I.   Political environment

II.   Economic environment

III.   Socio-cultural environment

IV.   Technological environment

V.   Legal Environment

VI.   Environment (Physical) Components

VII.   Global environment

They are explained below:

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- **Political environment:**
  Political Environment is the sum of all the political conditions and events that affect the growth and development of business directly or indirectly. It consists of political ideology, constitution, political parties and government and its branches. A stable and competent political environment creates a number of business opportunities.

   It consists of following components:
  a. Political Ideology: It consists of principles, ideas and philosophy.
  b.Constitution: It is the fundamental law of country. Any law inconsistent with it is void.
  *c. Political partie*s: A group of people who share the same ideas about the way the country should be governed.
  d.Legislative: It consists of federal legislature, state/provincial legislature and local legislature.
  e. Executive: It refers to the organ of the state that is responsible for the overall administration of the nation.
  f.Judiciary: It consists of the courts such as supreme court, high court, district court and other judicial bodies for the judgment procedures.

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- **Economic environment:**
Economic Environment refers to all economic surrounding that influence the business activities. Economic systems, economic policies, economic conditions and economic integration are the components of economic environment of business. The state of economic environment determines the general health and well being of the organization.

It consists of following components:
a.Economic systems: It consists of three types of economic systems such as command economy, market economy and mixed market economy.
b.Economic policies: It consists of three main policies such as monetary policy, fiscal policy and industrial policy.
c.Economic condition: It focuses on the components such as level of income, business cycle, inflation, stage of development of the customers and
the market as well.

- **Socio-cultural environment:**
  Socio-cultural environment of business refers to all the cultural surroundings that influence business activities and accepted behavior pattern of people.
  It consists of following components:
  a.Attitude: Positive or negative judgments about a person, object, idea or activity. Employees with positive attitude is asset to the organization.
  b. Belief: Belief is descriptive through about something. It is based on knowledge, opinion and education.
  c. Religion: It provides the philosophical foundation for beliefs and value.
  d. Language: It is the medium of communication.
  e.Education: Education level of the people affects the decision in media selection, type of people available for staffing, method of thinking, productivity, etc.
  f.Family: Family is a social institution where family members and their choices play a vital role in business decision making.
  g. Social class: This class is formed due to the level of income in the society. It consists of upper class, middle class and lower class.
  h. Reference groups: It is a group of people with similar values, norms and beliefs.

- **Technological Environment:**
  Technological environment refers to all the technical aspects of a business. Technical environment surrounding the business consists of infrastructures and their operations and the use of technology in order to operate the business.
  It consists of following components:
  a. *Level of technology:* It consists of levels of technologies such as manual, mechanized, automated, computerized and robotized technology.
  b. *Pace of technological change*
  c. *Technology transfer*
  d. *Research and Development Budget*

- **Legal Environment:**
  Legal environment of a business is composed of the constitution, business related laws, courts and law administration. It has both opportunities and threats to a business.

  It consists of following components:
  a. *Constitution:* It is the fundamental law of a country.
  b. *Business laws:* Business laws consists of an array of laws that regulate business activities.

c. Courts of law: These are the institutions to define and solve legal disputes.

d.Law administrators: These are the law enforcement agencies, which ensure implementation of laws as well as judgments made by the courts of law.

- **Environmental (physical) components:**

  The environmental factors that surrounds a business are considered. Environmental components consists of the natural resources and other resources those can be used to operate a business.

  It consists of following components:

  a. Level of energy

  b. Environmental policy

  c. Environmental law

  d. Natural resources

- **Global Environment:**
  Global environment comprises of globally recognized institutions which surround the business as a whole. The policies regarding industry, business, tariffs, etc are discussed and formulated throughout the business environment.

  It consists of following components:

a. *Global Economy*

b. *Global Issues*

c. *Global Integration (SAARC, BIMSTEC, EU, etc.)*

Influences on management

- Whether you are a manager or not, influence management is always front and center a basic competency everyone needs.
- Influence is simply the power to get your work done in an organization.
- Nobody has the formal authority to achieve what is necessary, not even with those who report to them.