



ESSENTIALS OF MANAGEMENT

CHAPTER 3

NATURE OF ORGANIZING



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NATURE OF ORGANIZING

Process

Urwick's Principles of Organizing

Span of Management

Factors Affecting the Span

Various Methods of Departmentation

Line and Staff Concepts

(Line, Staff and Functional Staff authority)

Delegation - Definition

Principles and Steps



What is an Organization?

Organization refers to a collection of people, who are involved in pursuing defined objectives.

The organization encompasses division of work among employees and alignment of tasks towards the ultimate goal of the company.

It can also be referred as the second most important managerial function, that coordinates the work of employees, procures resources and combines the two, in pursuance of company's goals.



Importance of Organizations

- Bring together resources to achieve desired goals
- Produce goods and services efficiently
- Facilitate innovation
- Use modern manufacturing & information technologies
- Adapt to and influence a changing environment
- Create value for owners, customers and employees
- Accommodate ongoing challenges of diversity, ethics etc
- motivation and coordination of employees



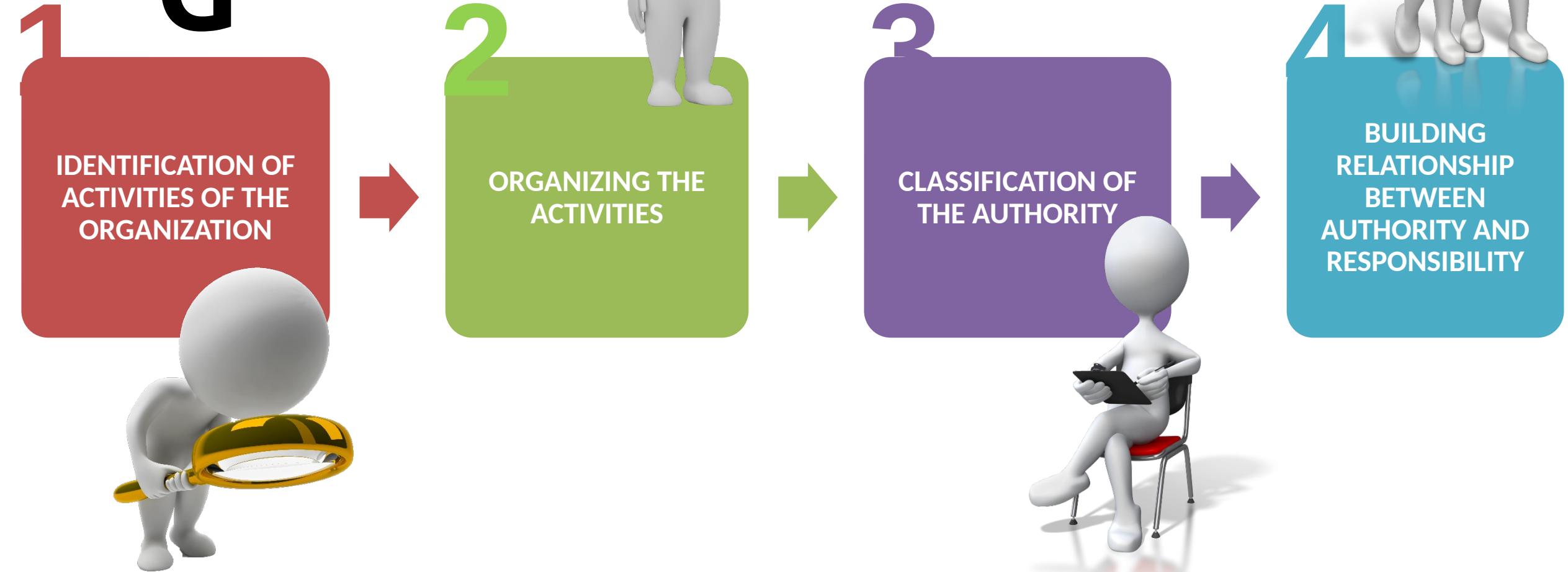
Nature and Purpose of Organizing

- Verifiable objectives.
- A clear idea of the major duties and activities involved.
- An understood area of discretion or authority so that the person filling the role knows what he can do to accomplish goals.



**ORGANIZATION IMPLIES
A FORMALIZED, INTENTIONAL INTERNAL STRUCTURE
OF ROLES AND POSITIONS**

4 STEPS IN ORGANIZATION PROCESS



FORMAL AND INFORMAL ORGANIZATION



Formal Organization means the intentional structure of roles in a formally organized enterprise.

Informal Organization is a network of personal and social relations not established/required by the formal organization but arising spontaneously as people associate with one another.

FORMAL AND INFORMAL ORGANIZATION



Formal Organization

This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility.

It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure.

This kind of organization is an arbitrary set up in which each person is responsible for his performance.

Formal organization has a formal set up to achieve pre-determined goals.

FORMAL AND INFORMAL ORGANIZATION



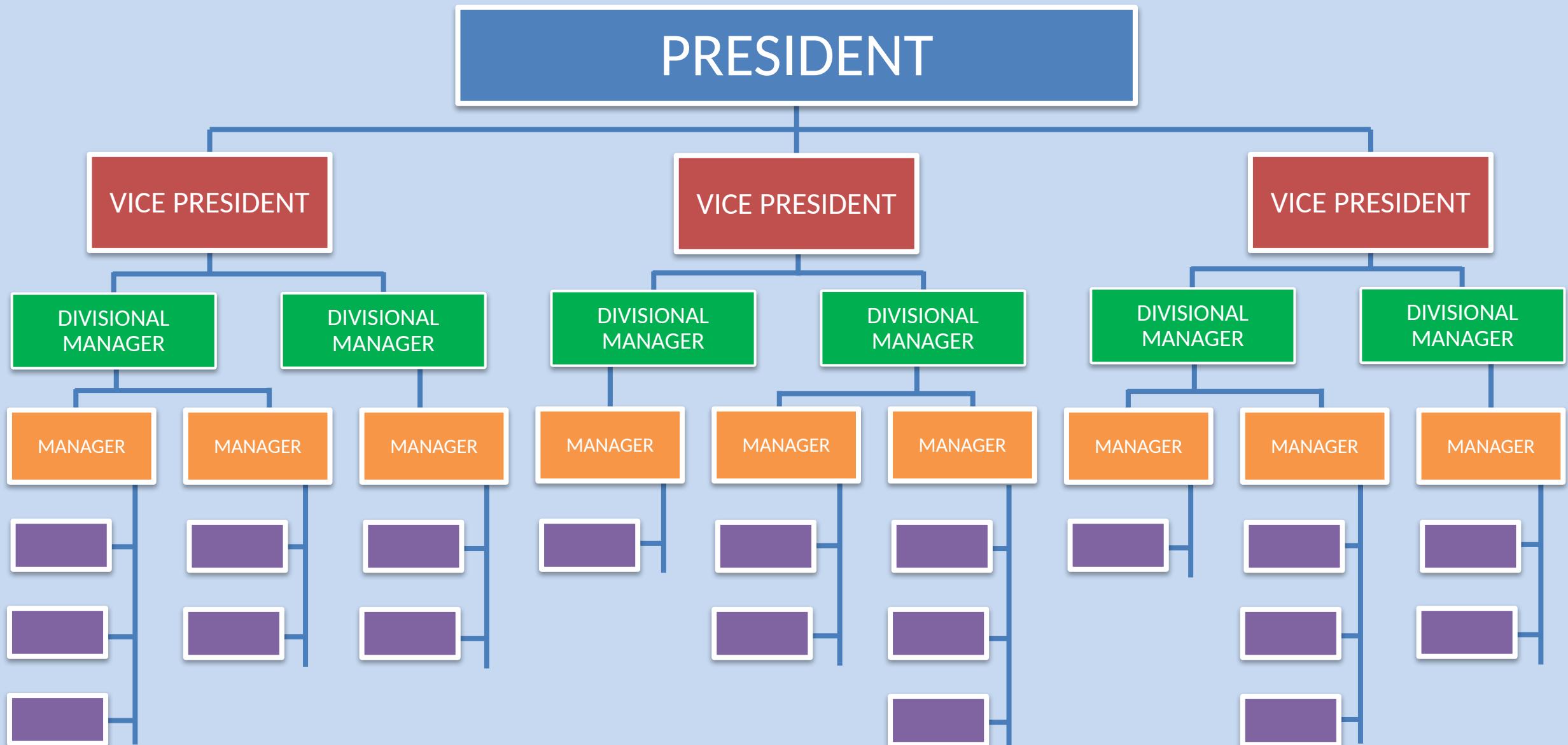
Informal Organization

It refers to a network of personal and social relationships which **spontaneously originates within the formal set up.**

Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations.

There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.

FORMAL ORGANIZATION



Formal
Organisation

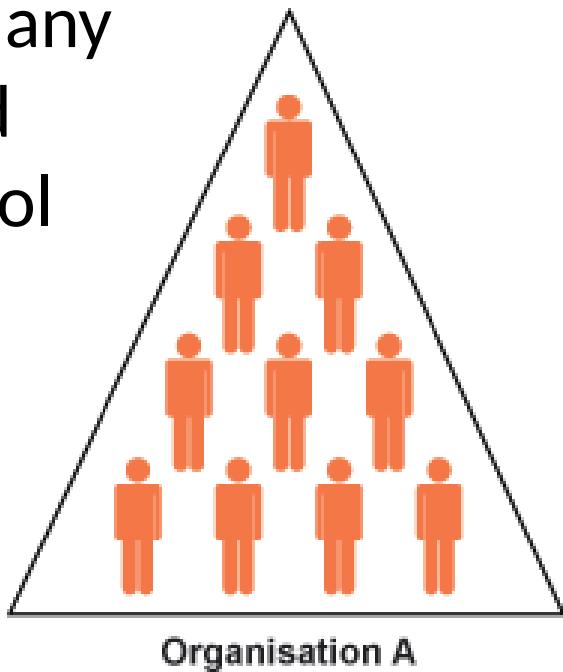
VS

Informal
Organisation

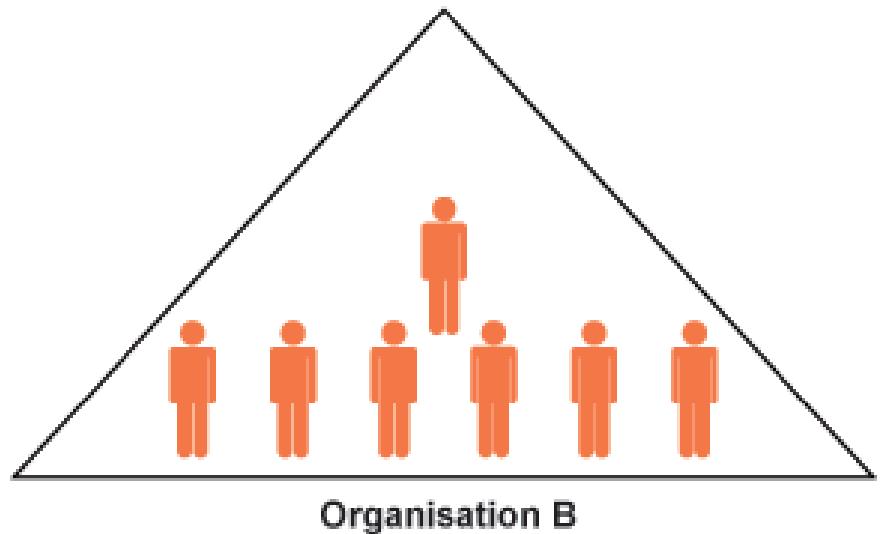
Formal organization	Informal organization
<ol style="list-style-type: none">1. Designed and created by the top management2. Planned one3. Authority and responsibility are fixed and defined4. Requires an office to function5. Is rigid, definite, and has a written constitution	<ol style="list-style-type: none">1. Comes up on its own2. Not a planned one, it is created spontaneously3. Authority is generally based on personal acceptance.4. Functions through people.5. Is flexible and has no such fixed Rigid, written constitution.

TALL AND FLAT ORGANIZATIONS

Tall structures have many levels of authority and narrow spans of control



Flat structures have fewer levels and wide spans of control



SPAN OF CONTROL

Refers to the number of subordinates who report directly to an executive or supervisor.

The differences in the span of control have direct implications on the shape of the organization.

TO BE EFFECTIVE...

Organizations must find the optimal span of control

- **Narrow enough** to permit managers to **MAINTAIN CONTROL OVER SUBORDINATES**
- **Wide enough** so that the possibility of **MICROMANAGING (INTERFERING) IS MINIMIZED**



FACTORS EFFECTING SPAN OF CONTROL

The **OPTIMAL SPAN OF CONTROL** is dependent on the following 8 factors

SUBORDINATES TRAINING

DELEGATION OF AUTHORITY

PLANNING

RATE OF CHANGE

COMMUNICATION TECHNIQUES

KIND OF ACTIVITY

KIND OF ORGANIZATION

ORGANIZATION LEVEL

COMPARISION OF WIDE AND NARROW SPAN OF CONTROL

WIDE SPAN OF CONTROL
No. of employees per manager
is high.

NARROW SPAN OF CONTROL
No. of employees per manager is
low.

PROS
<ul style="list-style-type: none">• Quick decision making• Bureaucracy is reduced• Development of lower level.• Coordination is easy• Reduced cost of competition• Employee do all tasks• Manager feel motivated

CONS
<ul style="list-style-type: none">• Manager under pressure• Technological Factors becomes hurdle• Chances of chaos in large team• More view point in larger team• Chances of overseeing some issue

PROS
<ul style="list-style-type: none">• Personal contact to employees• Petty organized team structure• Benefit of specialization

CONS
<ul style="list-style-type: none">• Salaries of manager are high• Communication becomes difficult• More bureaucracy

Proximity of Subordinates

Job Complexity, Employee Ability,
Similarity of Suborder job, Managerial
Ability, Technology.

TEN PRINCIPLES OF ORGANIZING

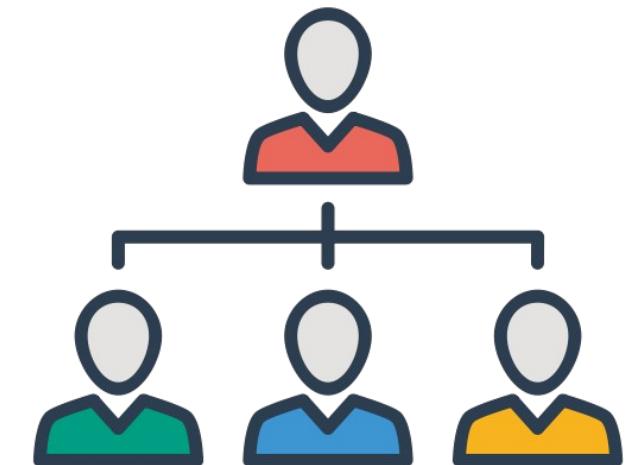
BY URWICK



Lyndall Urwick

Businessperson

Lyndall Fownes Urwick MC was a British management consultant and business thinker. He is recognized for integrating the ideas of earlier theorists like Henri Fayol into a comprehensive theory of management administration. He wrote an influential book called *The Elements of Business Administration*, published in 1943.



10 Principles of ORGANIZING (Urwick)

- 1. Principle of Unity of Objectives**
- 2. Principle of Organizational Efficiency**
- 3. Principle of Specialization**
- 4. Principle of Span of Management**
- 5. Principle of Scalar Chain**
- 6. Principle of Unity of Command**
- 7. Principle of Delegation**
- 8. Principle of Parity of Authority and Responsibility**
- 9. Principle of Flexibility**
- 10. Principle of Functional Definition**



10 Principles of ORGANIZING (Urwick)

1. PRINCIPLE OF UNITY OF OBJECTIVES

An organization structure is effective if it enables individuals to contribute to enterprise objectives.

A common goal so devised for the business as a whole and the organization is set up to achieve that goal.

In the absence of a common aim, various departments will set up their own goals and there is a possibility of conflicting objectives for different departments. So there must be an objective for the organization



10 Principles of ORGANIZING (Urwick)

2. PRINCIPLE OF ORGANIZATIONAL EFFICIENCY

An organization is efficient if it is structured to aid the accomplishment of enterprise objectives with a minimum of unsought consequences or costs.



10 Principles of ORGANIZING (Urwick)

3. PRINCIPLE OF SPECIALIZATION

The whole work should be divided amongst the subordinates on the basis of qualifications, abilities, and skills.



10 Principles of ORGANIZING (Urwick)

4. PRINCIPLE OF SPAN OF MANAGEMENT

The number of persons an individual can efficiently and effectively manage is referred to as the span of management.

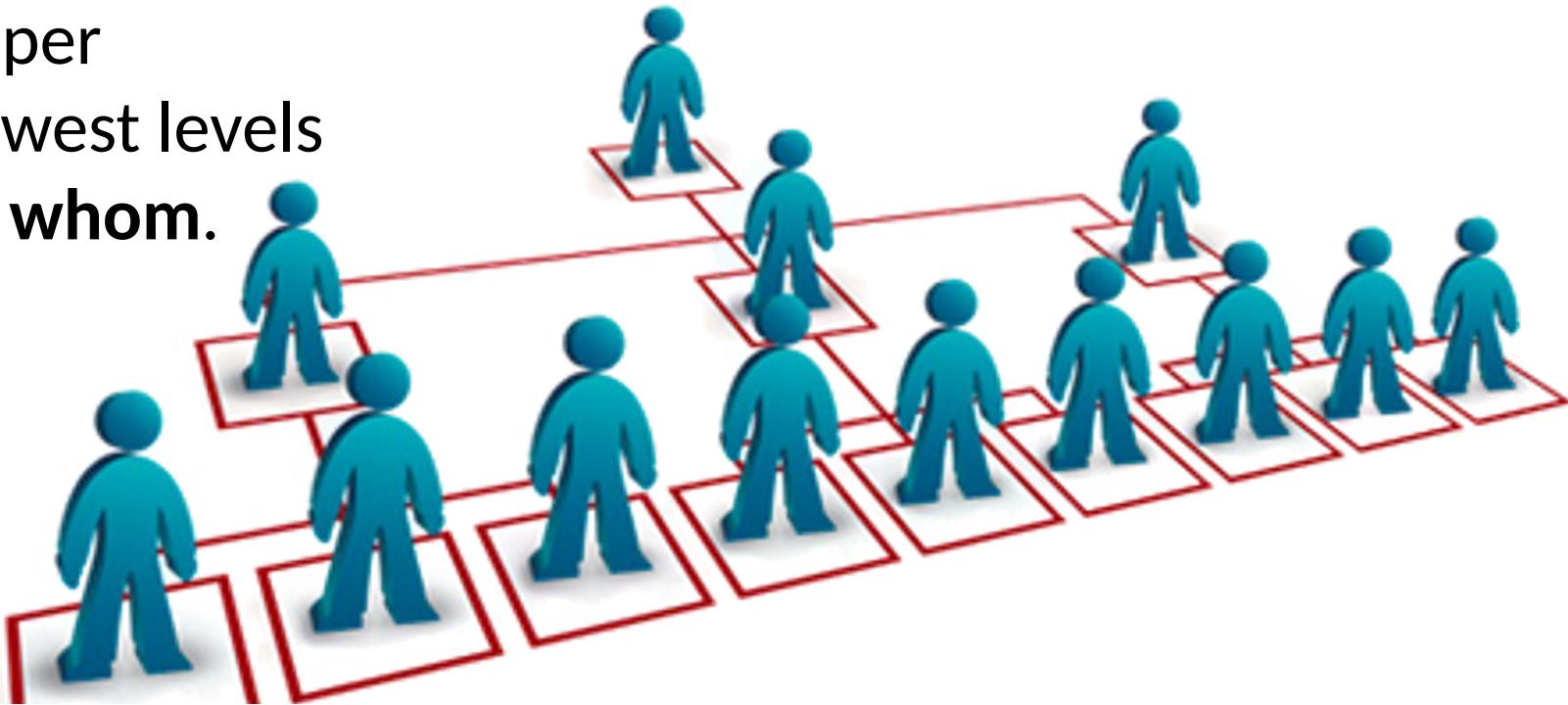
There is a limit to this number. The exact number will depend on the impact of underlying variables.



10 Principles of ORGANIZING (Urwick)

5. PRINCIPLE OF SCALAR CHAIN

A scalar chain is a chain of command or authority that flows from upper organizational level to the lowest levels and **clarifies who reports to whom**.



10 Principles of ORGANIZING (Urwick)

6. PRINCIPLE OF UNITY OF COMMAND

Every subordinate is answerable and accountable to one boss at one time.



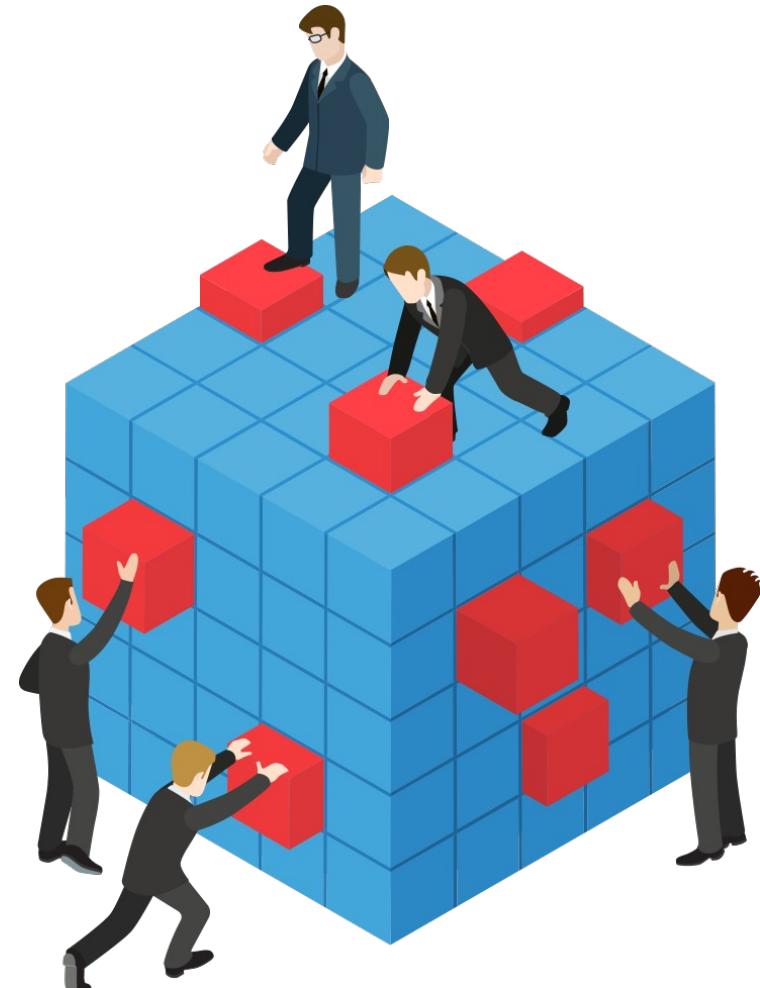
10 Principles of ORGANIZING (Urwick)

7. PRINCIPLE OF DELEGATION



The authority must be delegated as far down in the organization as possible.

Adequate authority should be delegated to all individuals so that they accomplish the results expected.



10 Principles of ORGANIZING (Urwick)

8. PRINCIPLE OF PARITY OF AUTHORITY AND RESPONSIBILITY

The responsibility for actions cannot be greater than that implied by the authority delegated, nor should it be less.

The responsibility of subordinates to their superiors for performance is absolute, and superiors can't escape responsibility for the organizational activities of their subordinates.

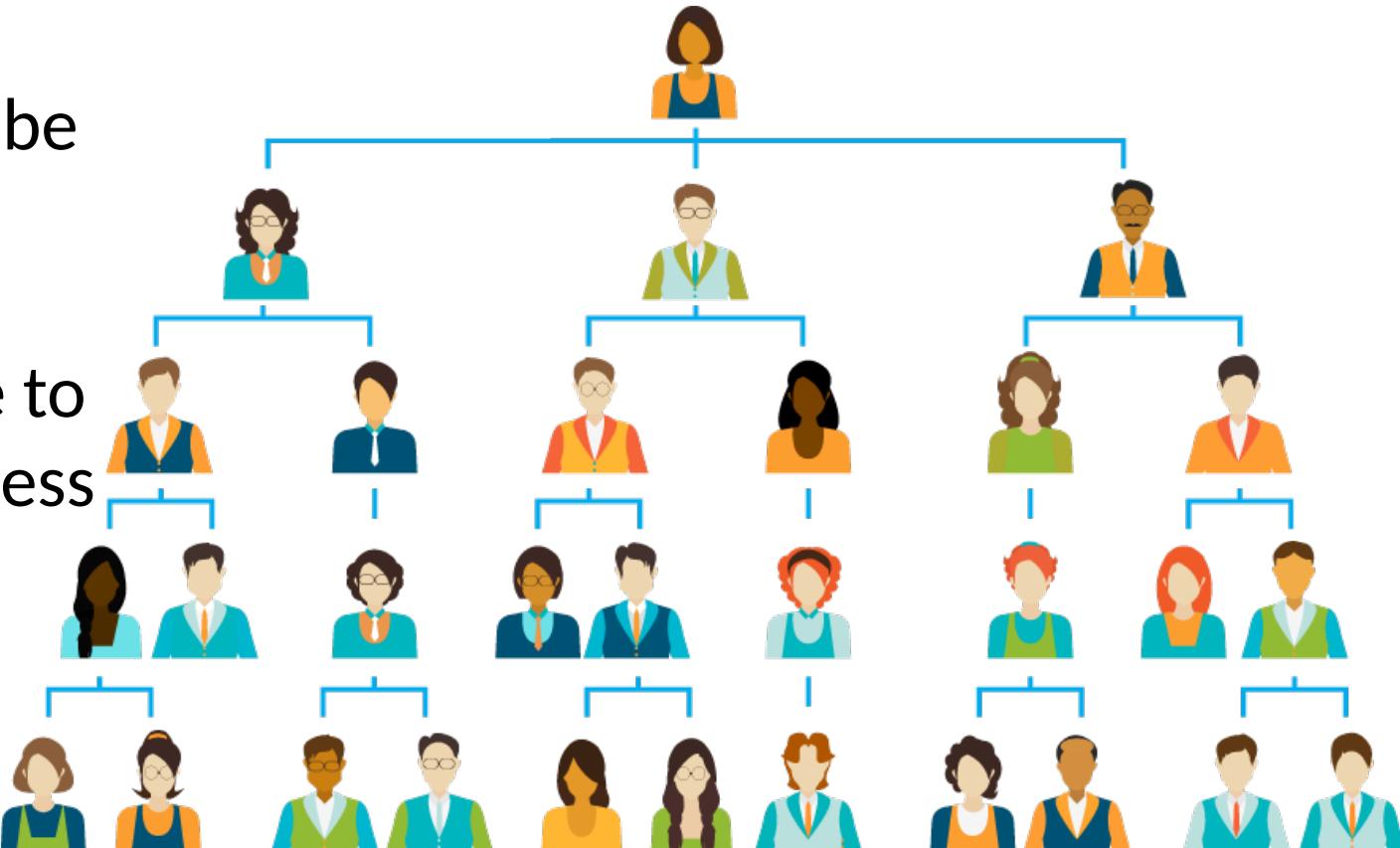


10 Principles of ORGANIZING (Urwick)

9. PRINCIPLE OF FLEXIBILITY

The organizational structure must be simple to understand and flexible.

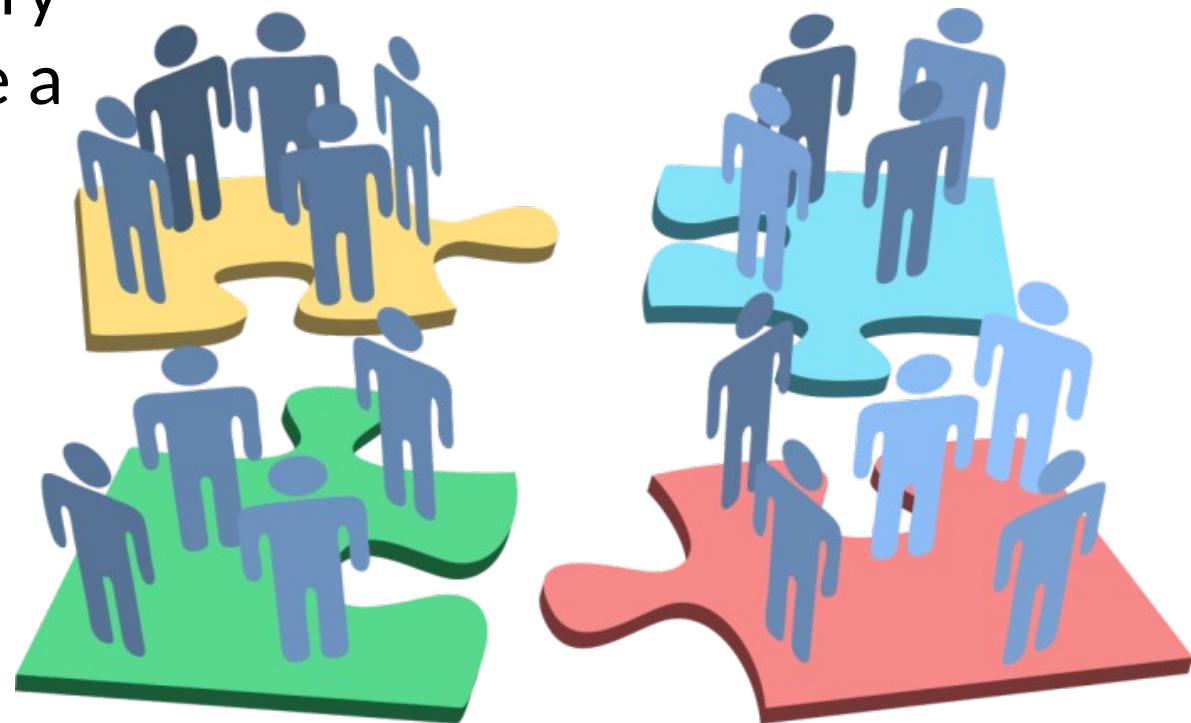
The structure should be adaptable to the changes in the nature of business and technology and procedures.



10 Principles of ORGANIZING (Urwick)

10. PRINCIPLE OF FUNCTIONAL DEFINITION

Every position in an organization and every department in an organization must have a clear definition of the results expected, activities to be undertaken and authority delegated.





DEPARTMENTATION

ORGANIZATION STRUCTURE

THE FIRST STEP IN DESIGNING AN ORGANIZATION STRUCTURE

is to divide whole work into
a number of jobs
to ensure that
no important activity
is left out

THE NEXT STEP IN DESIGNING AN ORGANIZATION STRUCTURE

is to bring together
homogeneous jobs
into groups and
to decide their relation
to each other

THIS PROCESS IS KNOWN AS
DEPARTMENTATION

it involves many decisions,
concerning a logical division of work to be done,
and leads to the establishment of
a number of manageable units.

PATTERNS OF DEPARTMENTATION

1. Departmentation by Simple numbers
2. Departmentation by Time
3. Departmentation by Enterprise functions
4. Departmentation by Territory/Geography
5. Departmentation by Product
6. Process/Equipment Departmentation
7. Customer Departmentation
8. Matrix Departmentation



BY NUMBERS

1

This is a structural departmentation which include - grouping all persons who are to perform the same duties and functions and putting them together under the supervision of a manager.

Age old method and rapidly falling into disuse.



BY NUMBERS

1

Reasons for the **DECLINE**:

1. The technology is advancing very fast, demanding more specialized and different skills.
2. Groups composed of specialized personnel are more efficient than merely based on numbers.



It is useful only at the lowest level of the organization structure.

Oldest form structuring organization

Suitable for lower level of the organization

Grouping of activities according to basis of time

The use of shifts is common in many enterprises
because normal workloads become insufficient and
ineffective

E.g.: Hospital, Production facilities



BY TIME

2

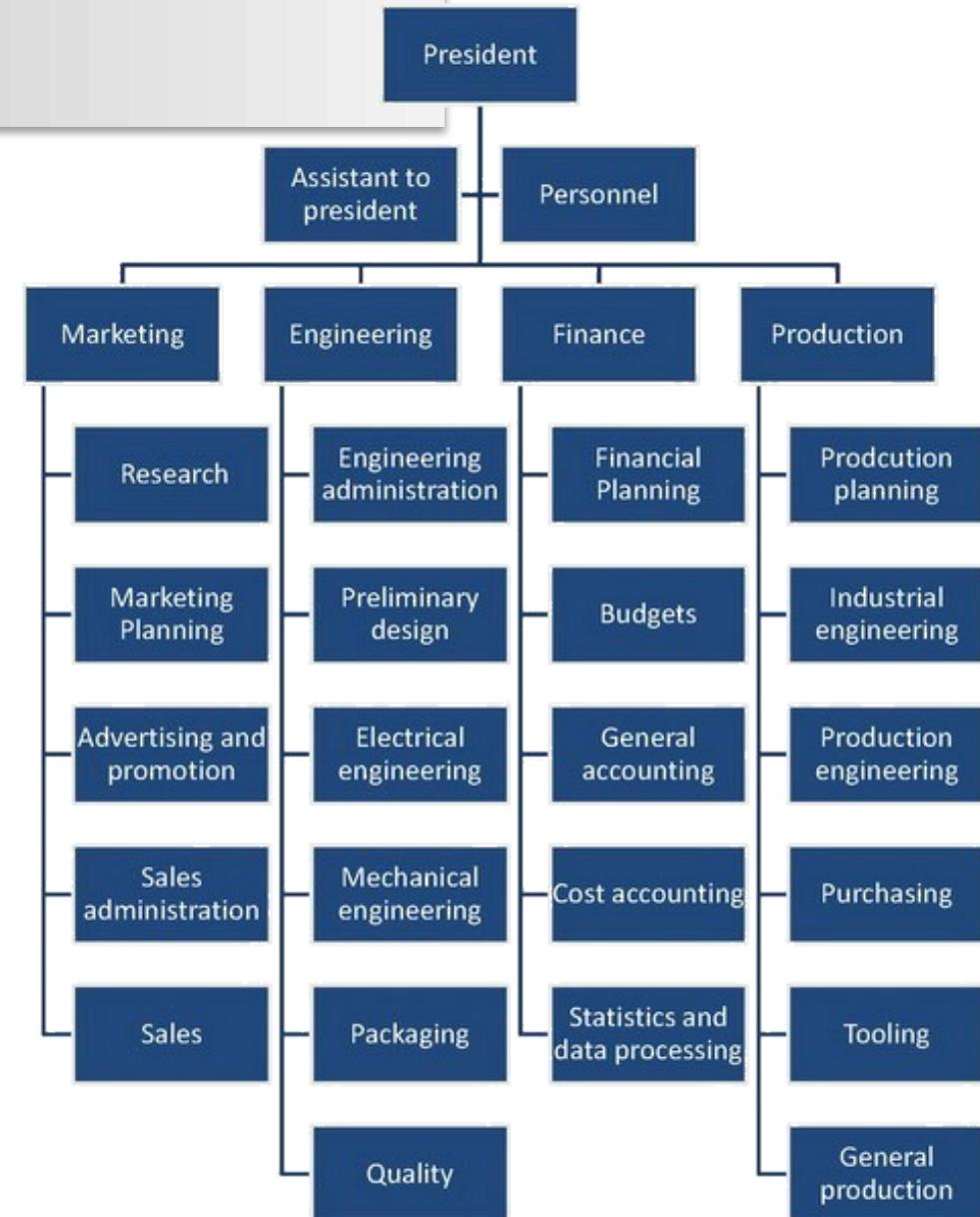
ADVANTAGES	LIMITATIONS
<ul style="list-style-type: none">• Services offered 24X7 instead of 8 hrs shift• Process need not be interrupted which needs a continuous cycle of operation• Expensive capital equipment can be used more than 8hrs/day• Students attending classes during the day's time can work in night shift to sustain their living.	<ul style="list-style-type: none">• Supervising during night shift becomes difficult• There is fatigue factor, since it is difficult for most employees to change their biological clock• Having several shifts may cause problems with coordination and communication• Payment of overtime can increase the cost of production or services rendered.

Functional departmentation

The most widely used form of departmentation

Groups activities by function—the jobs to be done.

Consistent with the idea of specialization and division of work, activities that are alike or similar are placed together in one department and under a single chain of command.

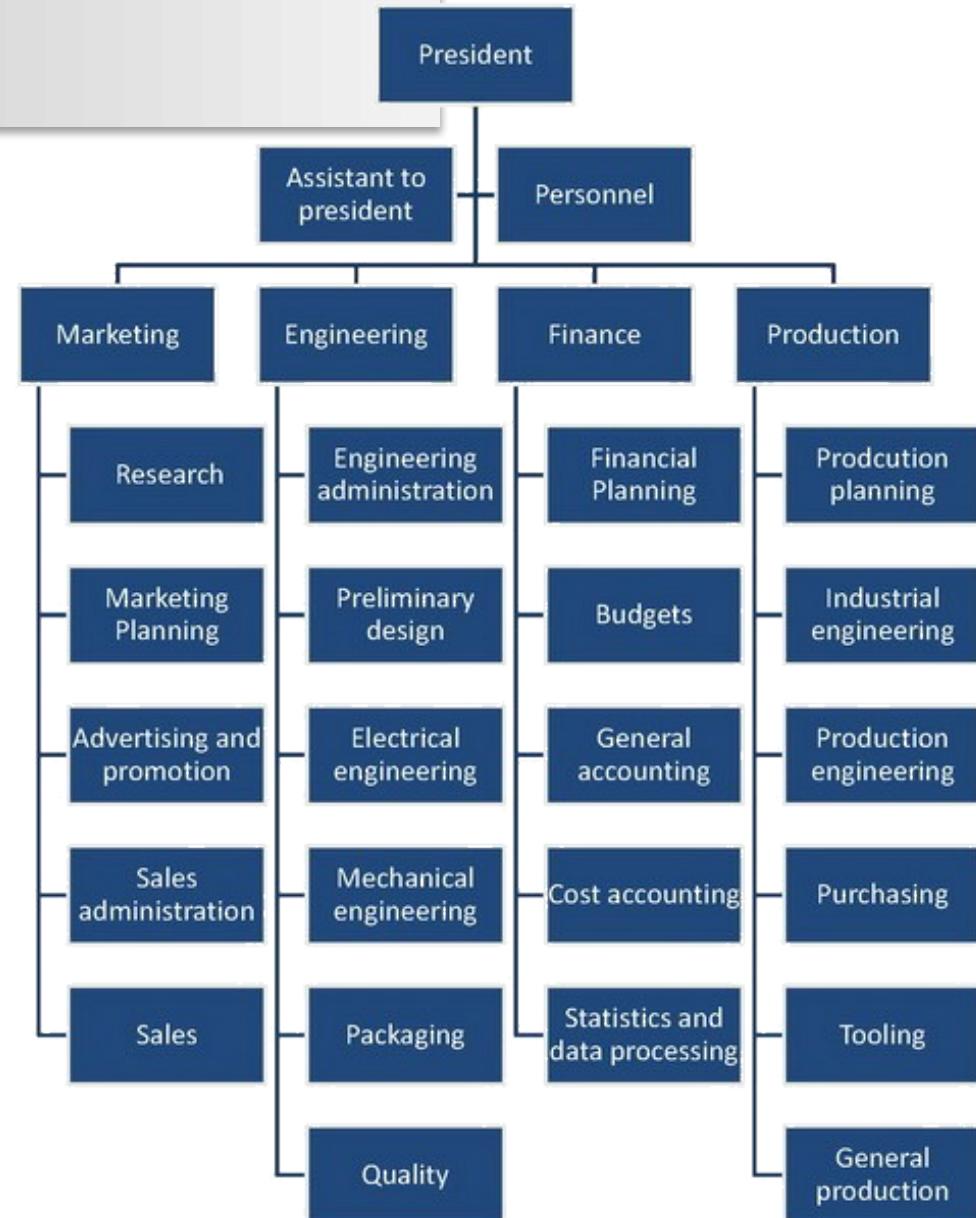


BY FUNCTION

3

Functional departmentation also **facilitates coordination** since a supervisor is in charge of one major area of activity.

It is easier to achieve coordination this way than to have the same functions performed in different departments under different supervisors.



BY FUNCTION

3

STRENGTHS	 	WEAKNESS
<ul style="list-style-type: none">• Allows economies of scale within functional departments• Enables in-depth knowledge and skill development• Enables organization to accomplish functional goals• Is best with only one or a few products		<ul style="list-style-type: none">• Slow response time to environmental changes• May cause decisions to pile on top, hierarchy overload• Leads to poor horizontal coordination among departments• Results in less innovation• Involves restricted view of organizational goals

Geographical departmentation

Grouping activities on the basis of territory.

If an organization's customers are geographically dispersed, it can group jobs based on geography.

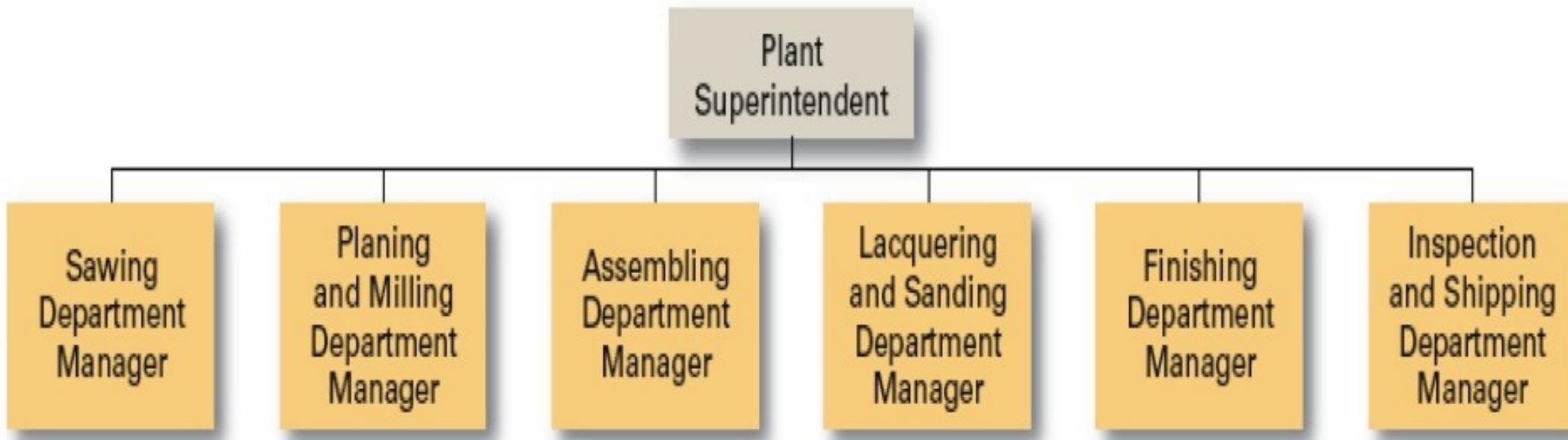
For example, Coca-Cola has reflected the company's operation in two broad geographic areas – the North American sector and the international sector, which includes the Pacific Rim, Europe, Africa and Latin America groups.



BY TERRITORY / GEOGRAPHY

4

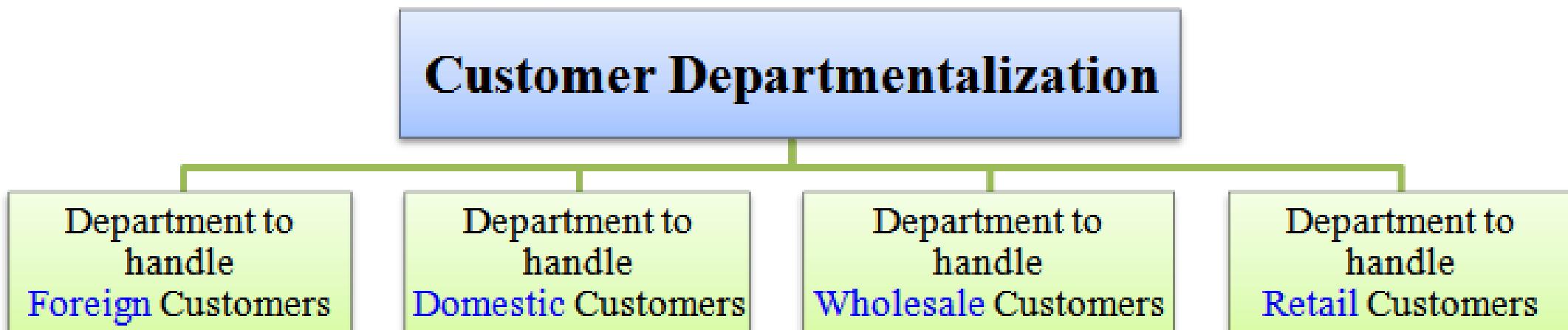
ADVANTAGES	 	LIMITATIONS
<ul style="list-style-type: none">• Places responsibility at the lower levels.• Places emphasis on local markets & local problems.• Improves co-ordination in a region.• Takes advantages of economies of local operation.• Better face to face communication with local interests.• Furnishes measurable training ground for general managers.		<ul style="list-style-type: none">• Requires more persons with G.M abilities.• Tends to make maintenance of economic central services difficult.• Increases problem of top management control.



- + More efficient flow of work activities
- Can only be used with certain types of products

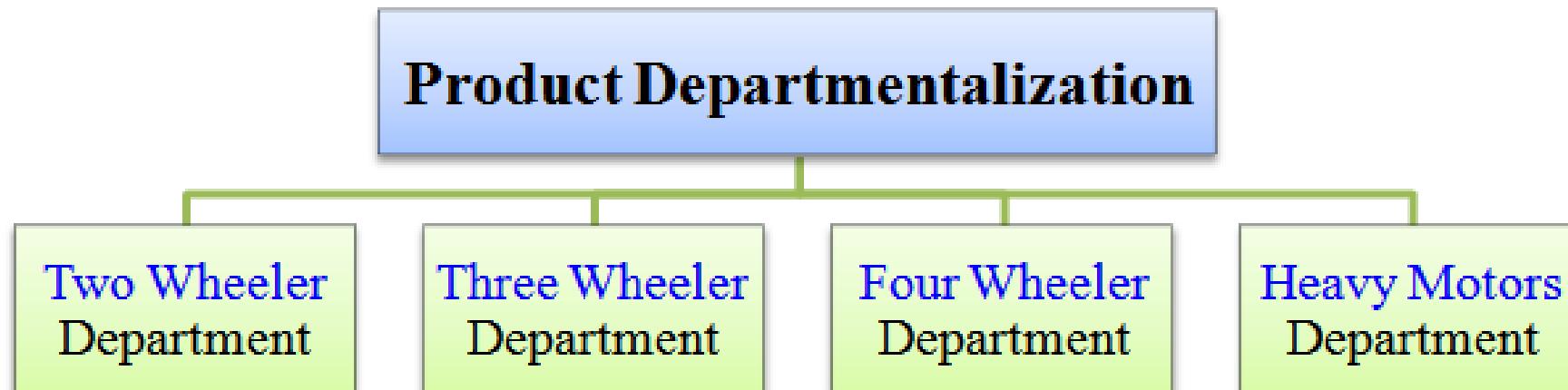
Customer departmentalization - Grouping activities on the basis of common customers or types of customers.

The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists.



Product departmentation can also be a useful guide for grouping activities in service businesses.

E.g.: A food product company may choose to divide its operations into a frozen food department, a dairy products department, a produce department, and the like.

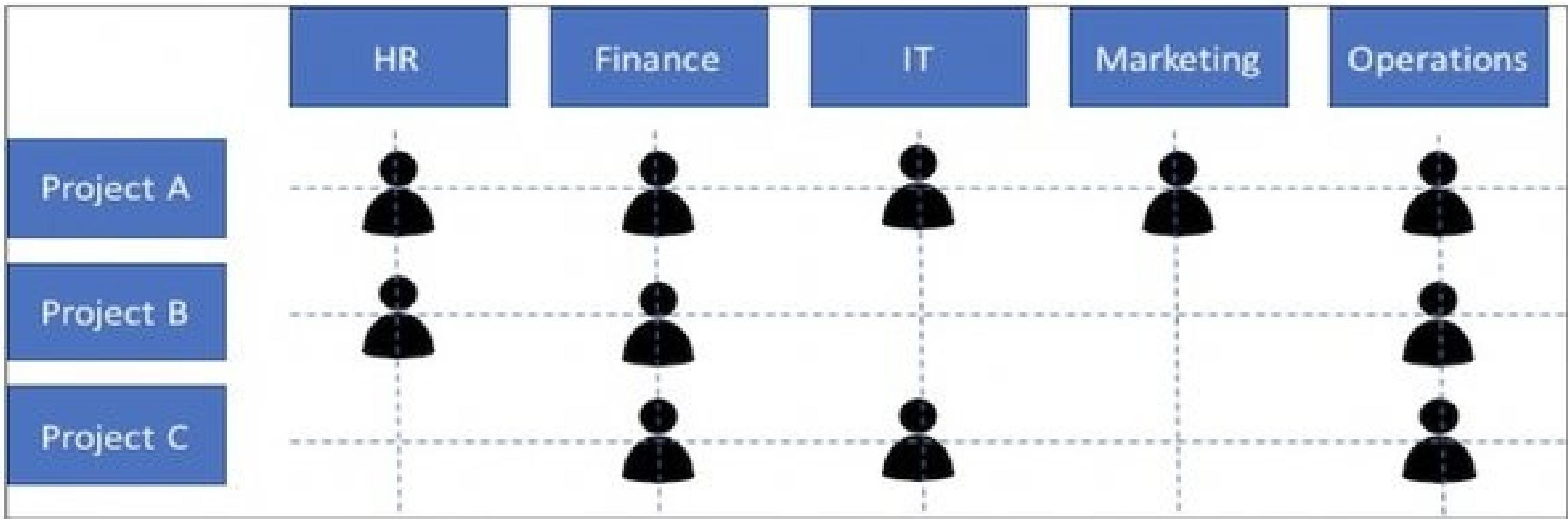


Matrix structure departmentation

A matrix structure is a type of departmentalization that superimposes a horizontal set of divisional reporting relationships onto a hierarchical functional structure.

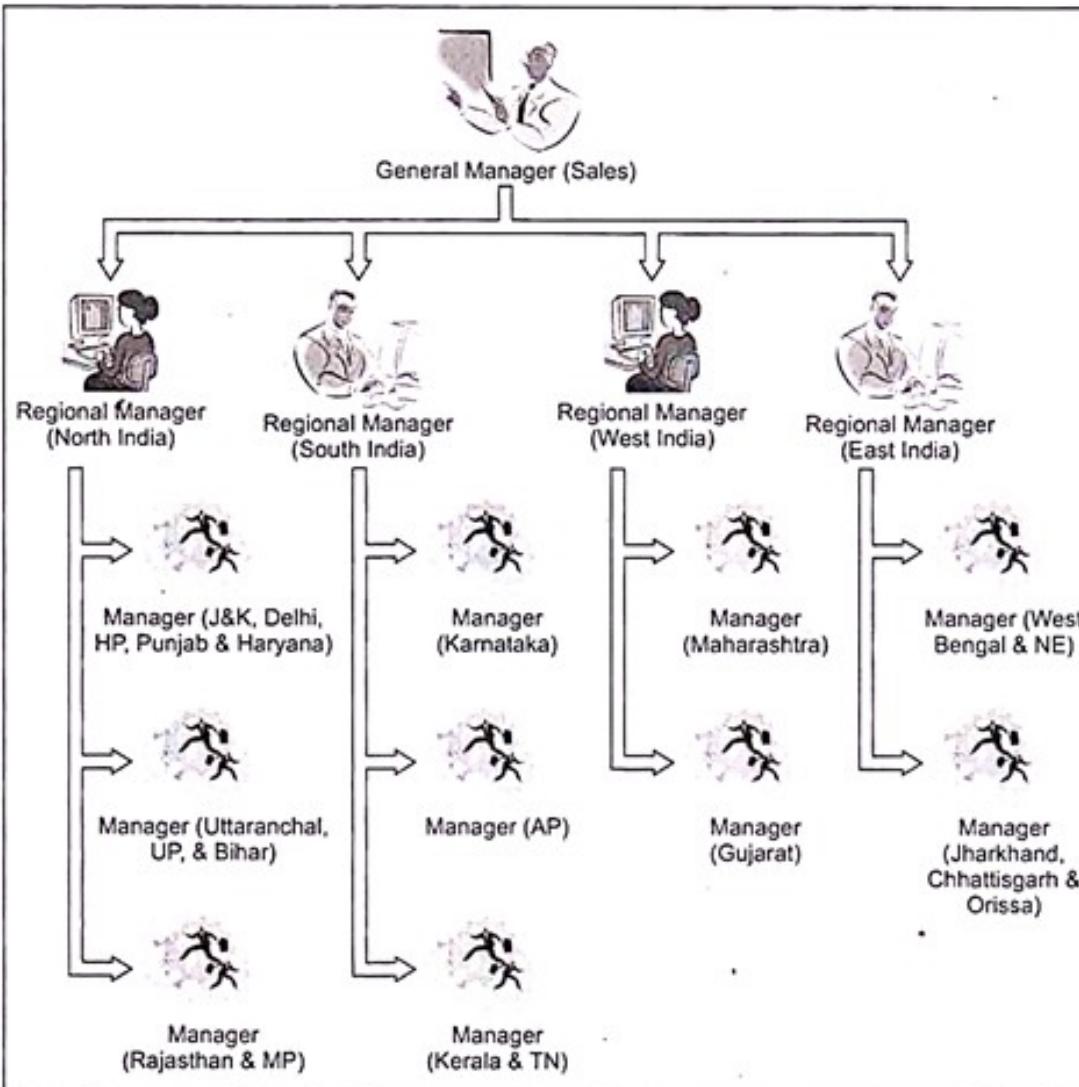
The essence of a matrix organization is the combination of functional and product or project patterns of Departmentation in the same organization structure.



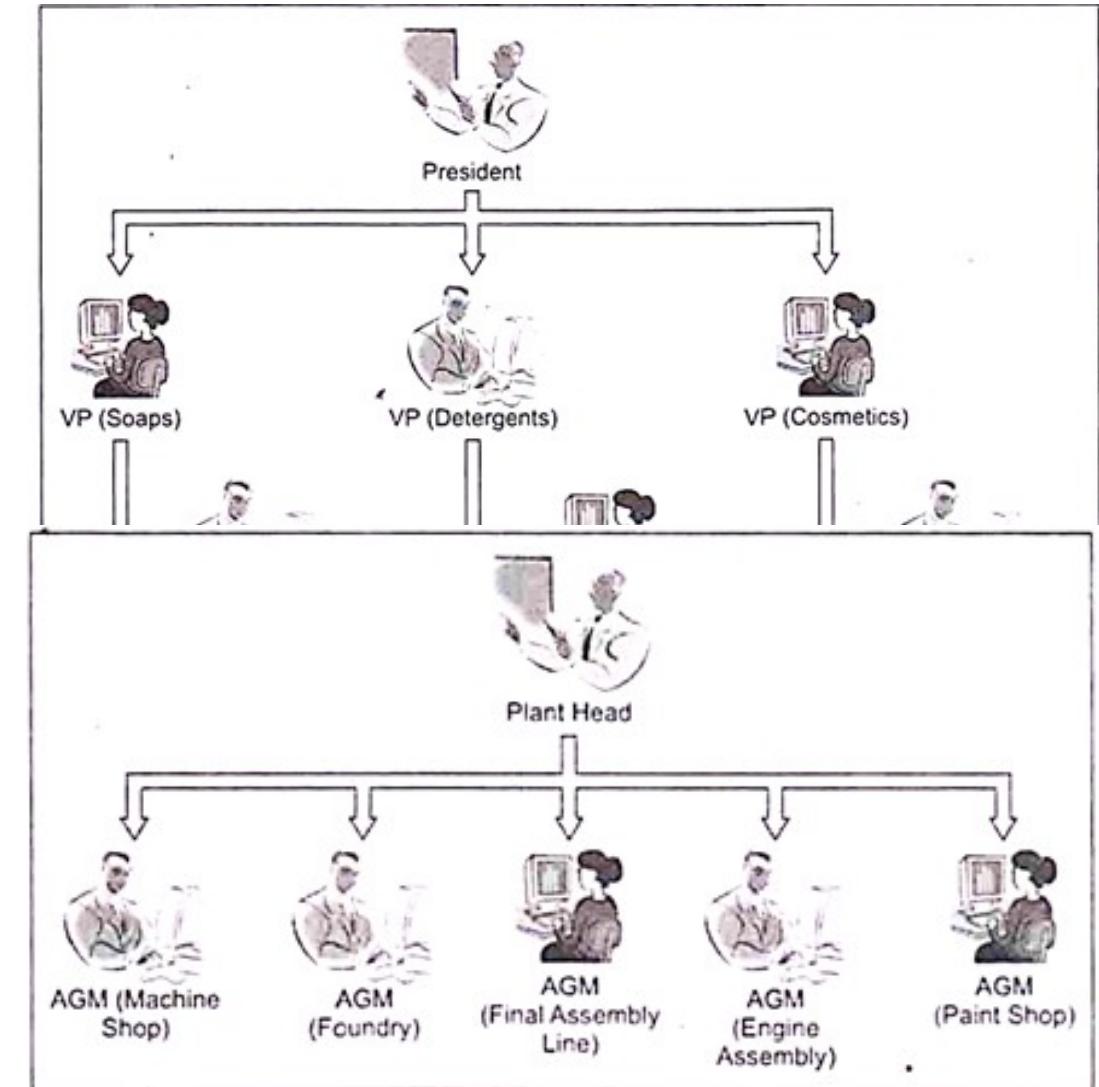


A **MATRIX ORGANIZATION** has a complicated structure in which the reporting relationships are set up as a **MATRIX** – a grid – instead of the traditional vertical hierarchy.

IDENTIFY THE DEPARTMENTATION



GEOGRAPHICAL DEPARTMENTATION



PROCESS DEPARTMENTATION

ORGANIZATION

1. LINE
ORGANIZATION

2. LINE & STAFF
ORGANIZATION



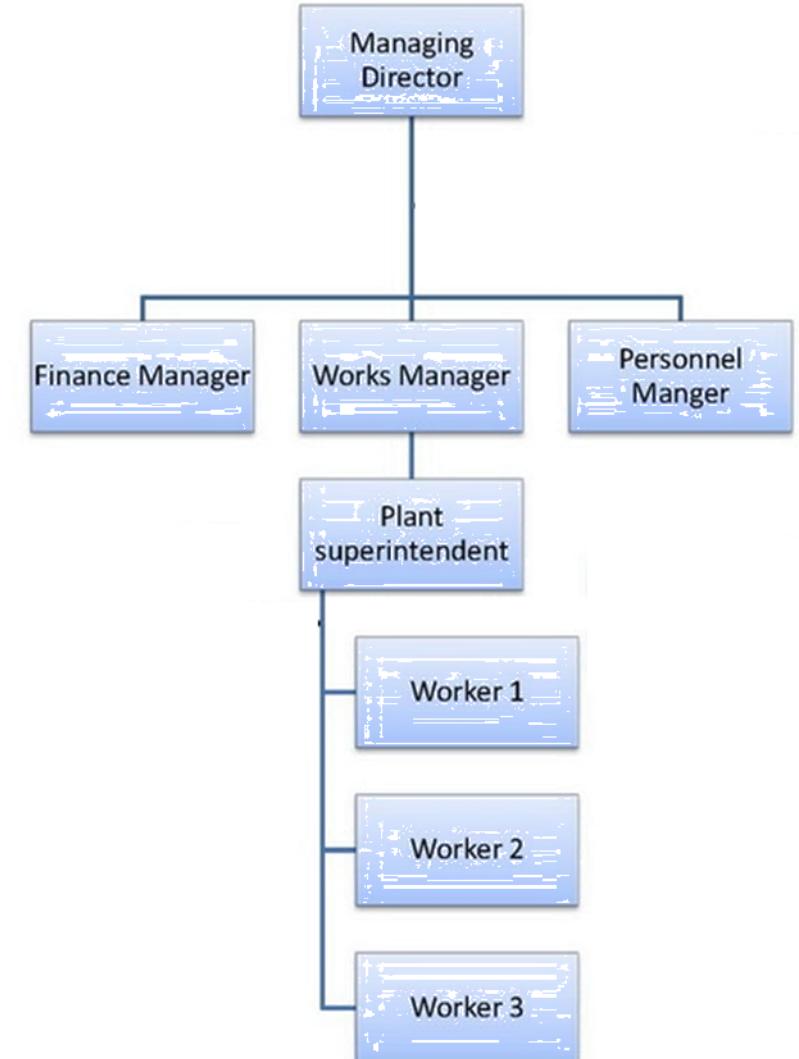
LINE ORGANIZATION

It is the oldest type of organization.

This is known by different names, i.e, military, vertical, scalar departmental organization.

The persons having greater decision-making authority are placed at the top and those having the least decision-making authority are at the bottom.

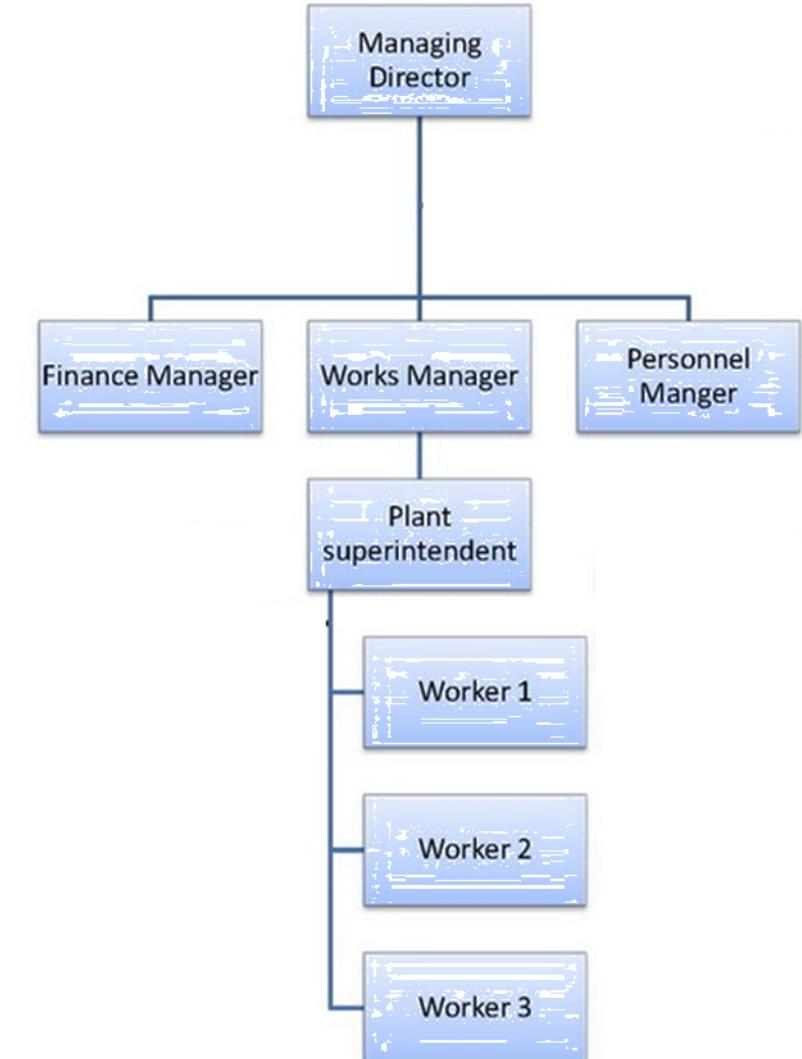
In between there are other levels of management such as intermediate or supervisory.



LINE ORGANIZATION

FEATURES OF LINE ORGANIZATION

- It is the most simplest form of organization.
- Line of authority flows from top to bottom.
- **Specialized and supportive services do not take place in these organization.**
- Unified control by the line officers can be maintained since they can **independently take decisions** in their areas and spheres.
- This kind of organization always **helps in bringing efficiency in communication** and **bringing stability** to a concern.

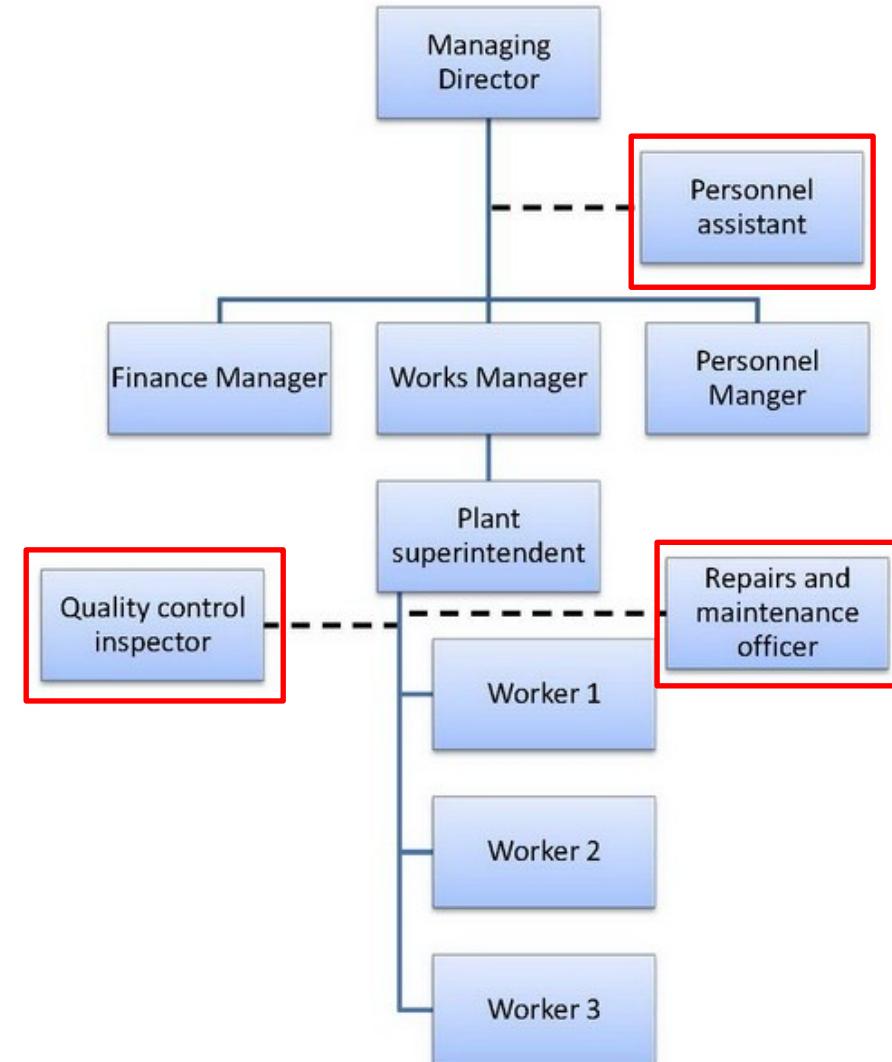


LINE & STAFF ORGANIZATION

A line and staff organization is one where specialist advisers in the form of functional managers, assist the line managers in the performance of their responsibilities.

The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives.

Line and staff functions frequently overlap. Most staff executives may also simultaneously be line and functional executives.



LINE & STAFF ORGANIZATION

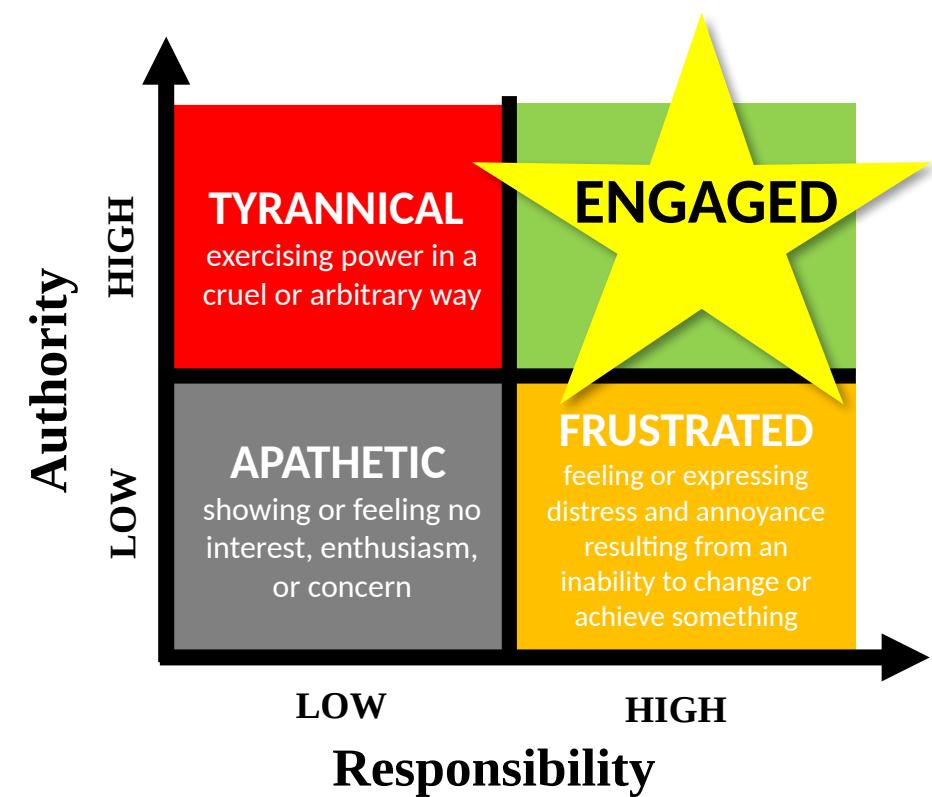
FEATURES OF LINE AND STAFF ORGANIZATION

- Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
- Division of work and specialization takes place in line and staff organization.
- The whole organization is divided into different functional areas to which staff specialists are attached.
- Efficiency can be achieved through the features of specialization.
- Power of command remains with the line executive and staff serves only as counselors.

AUTHORITY

AUTHORITY: RIGHT TO GIVE ORDERS

RIGHTFUL LEGAL POWER to request subordinates to do certain thing or to retain from doing so, and if he doesn't follow these instructions the manager is in a position, if need be, to take disciplinary action, even to discharge the subordinate.



RESPONSIBILITY

Duty or responsibility is used in many senses.

It means OBLIGATION, or LIABILITY, or ACTIVITY or ACCOUNTABILITY.

 **It may be defined as the OBLIGATION of a subordinate, to whom a supervisor has assigned a task, to perform the service required.**



DELEGATION OF AUTHORITY

Delegation:

**/// The entire process of delegation involves
the determination of results expected,
the assignment of tasks,
the delegation of authority
for accomplishment of these tasks.**



4 STEPS IN PROCESS OF DELEGATION

