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Study Note

BASIC ELEMENTS OF ORGANIZING

MGT213: Management Practices and Organizational Behavior

Basic Elements of Organizing
Topic 8 | Week 8

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CONTENTS

THE ELEMENTS OF ORGANIZING

Imagine asking a child to build a castle with a set of building blocks. She selects a few small blocks and other larger ones. She uses some square ones, some round ones, and some tri angular ones. When she finishes, she has her own castle, unlike any other. Another child, presented with the same task, constructs a different castle. He selects different blocks, for example, and combines them in different ways. The children's activities — choosing certain combinations of blocks and then putting them together in unique ways — are in many ways analogous to the manager's job of organizing.

Organizing is deciding how best to group organizational elements. Just as children select different kinds of building blocks, managers can choose a variety of structural possibilities. And just as the children can assemble the blocks in any number of ways, so, too, can managers put the organization together in many different ways. Understanding the nature of these building blocks and the different ways in which they can be configured can have a powerful impact on a firm's competitiveness.

There are **six basic building blocks** that managers can use in constructing an organization: **designing jobs**, **grouping jobs**, **establishing reporting relationships between jobs**, **distributing authority among jobs**, **coordinating activities among jobs**, and **differentiating among positions**. The logical starting point is the first building block—designing jobs for people within the organization.

DESIGNING JOBS

The first building block of organization structure is job design. **Job design** is the determination of an individual's work-related responsibilities.

Job Specialization

Job specialization is the degree to which the overall task of the organization is broken down and divided into smaller component parts. Job specialization evolved from the concept of ***division of labor***. Adam Smith, an eighteenth-century economist, first discussed division of labor in his case study about how a pin factory used it to improve productivity. He described how one man pulled the wire from a spool, another straightened it, a third cut it, a fourth ground the point, and so on. Smith claimed that ten men working in this fashion were able to produce 48,000 pins in a day, whereas each man working alone could produce only 20 pins per day.

Benefits and Limitations of Specialization

Job specialization provides four benefits to organizations.

- First, workers performing small, simple tasks will become very proficient at each task.
- Second, transfer time between tasks decreases. If employees perform several different tasks, some time is lost as they stop doing the first task and start doing the next.
- Third, the more narrowly defined a job is, the easier it is to develop specialized equipment to assist with that job.
- Fourth, when an employee who per forms a highly specialized job is absent or resigns, the manager is able to train someone new at relatively low cost. Although specialization is generally thought of in terms of operating jobs, many organizations have extended the basic elements of specialization to managerial and professional levels as well.

On the other hand, job specialization can have negative consequences. The foremost criticism is that workers who perform highly specialized jobs may become bored and dissatisfied. The job may be so specialized that it offers no challenge or stimulation. Boredom and monotony set in, absenteeism rises, and the quality of the work may suffer. Furthermore, the anticipated benefits of specialization do not always occur.

Thus, **although some degree of specialization is necessary, it should not be carried to extremes**, because of the possible negative consequences. Managers must be sensitive to situations in which extreme specialization should be avoided. And indeed, several alternative approaches to designing jobs have been developed in recent years.

1. Job Rotation
Job rotation means moving an employee from one task or department to another within the organization. The purpose is to reduce boredom, increase learning, and help the employee understand different parts of the company.

> **Example:** Imagine someone working at a bank. For the first two months, they work as a teller. Then, they are rotated to the customer service desk, and later to the loan processing department. This gives them a broader understanding of how the bank operates and helps them build new skills.

2. Job Enlargement
Job enlargement means adding more tasks to an employee's current job, usually at the same level of difficulty. This helps make the job less repetitive and a bit more engaging.

> **Example:** Suppose a worker in a factory is responsible only for packing boxes. To enlarge the job, the manager also gives them responsibility for labeling the boxes and arranging them on the shipping shelf. The work becomes a bit more varied, though not necessarily more difficult.

3. Job Enrichment
Job enrichment goes deeper. It means giving an employee more control, responsibility, and decision-making power in their work. This makes the job more meaningful and helps the employee feel more motivated and valued.

> **Example:** Let’s say a sales associate at a retail store is not only responsible for selling products but is also asked to suggest how to improve product displays, give feedback on customer preferences, and help train new employees. This enriched role makes them feel more important and involved in the business.

GROUPING JOBS: DEPARTMENTALIZATION

The second building block of organization structure is the grouping of jobs according to some logical arrangement. The process of grouping jobs is called **departmentalization**. After establishing the basic rationale for departmentalization, we identify some common bases along which departments are created.

Rationale for Departmentalization

When organizations are small, the owner–manager can personally oversee everyone who works there. **As an organization grows, however, personally supervising all the employees becomes more and more difficult for the owner–manager.** Consequently, new managerial positions are created to supervise the work of others. Employees are not assigned to particular managers randomly. Rather, jobs are grouped according to some plan. The logic embodied in such a plan is the basis for all departmentalization.

Common Bases for Departmentalization

Figure 11.2 presents a partial organizational chart for Apex Computers, a hypothetical firm that manufactures and sells computers and software. The chart shows that Apex uses each of the four most common bases for departmentalization: **function**, **product**, **customer**, and **location**.

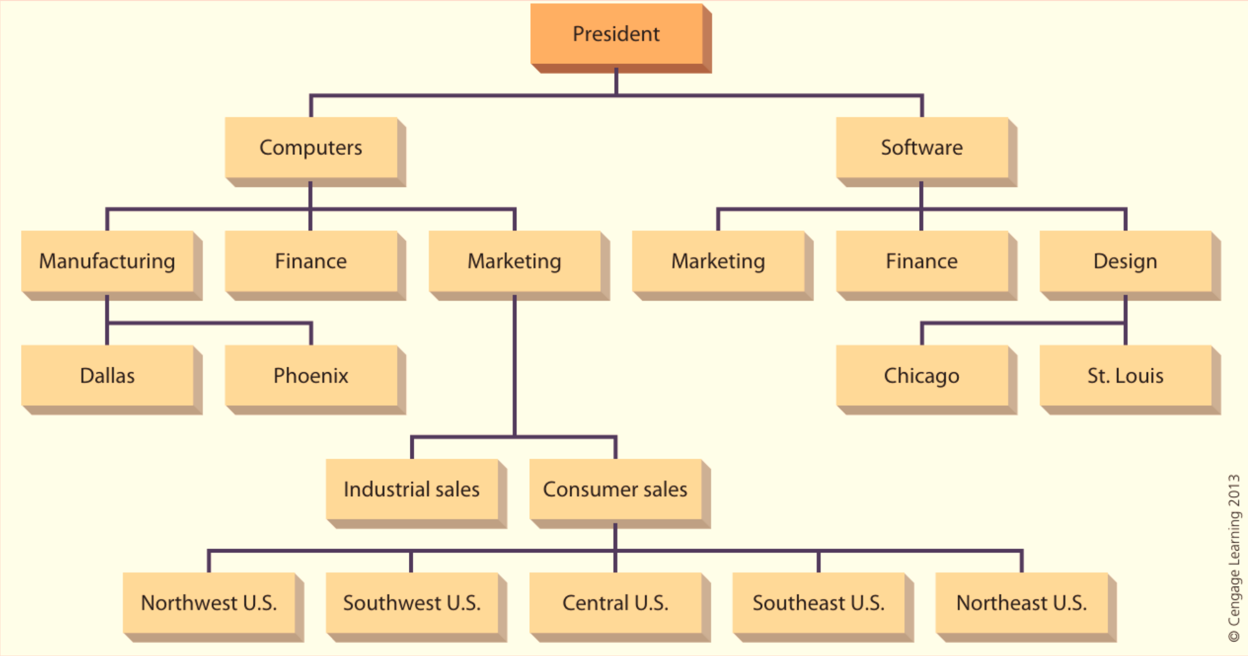


Figure 11.2 Bases for Departmentalization

A. Functional Departmentalization

Functional departmentalization is an organizational structure that groups jobs based on similar or related activities or functions. This means departments are created according to specific organizational functions such as finance, marketing, or production, rather than basic managerial tasks like planning or controlling. It is most commonly used in smaller organizations. For example, a company like Apex may have separate departments for manufacturing, finance, and marketing.

Advantages

- **Specialized Expertise:** Each department can be staffed by professionals who are experts in that specific function. For example, marketing specialists handle the marketing department.
- **Simplified Supervision:** Managers only need to oversee tasks within a narrow area of expertise, making supervision more effective and focused.
- **Efficient Coordination within Departments:** Coordinating tasks and workflows becomes easier within each functionally specialized department.

Disadvantages

- **Slow Decision-Making:** As the organization grows, decision-making processes can become slow and overly bureaucratic.
- **Departmental Silos:** Employees may focus too much on their own department and lose awareness of the organization's overall goals and interdepartmental needs.
- **Difficult Performance Evaluation:** It becomes harder to pinpoint the source of success or failure. For instance, if a product underperforms, it may be unclear whether the issue lies in marketing or production.

B. Product Departmentalization

Product departmentalization involves organizing activities based on specific products or product groups. Each department focuses on all functions related to a particular product line. For instance, at Apex Computers, there are two main product-based departments — one for personal computers and another for software. This approach is especially common in larger companies that operate multiple product lines.

Advantages

- **Integrated and Coordinated Activities:** All functions related to a specific product are grouped together, making coordination easier and more efficient.
- **Faster and Better Decision-Making:** With focused teams working on individual products, decisions can be made more quickly and effectively.
- **Improved Performance Evaluation:** It is easier to measure and assess the success or failure of individual products or product groups, which enhances accountability.

Disadvantages

- **Narrow Product Focus:** Managers may concentrate only on their own product line, potentially neglecting the goals and interests of the overall organization.
- **Higher Administrative Costs:** Each product department may require its own set of specialists (e.g., marketing, finance), which increases overall costs due to duplication of roles.

C. Customer Departmentalization

Customer departmentalization organizes company activities based on the needs of specific customer groups. Each department focuses on serving a particular type of customer. For example, in banks, there are separate departments for business loans, consumer loans, mortgage loans, and agricultural loans. At Apex Computers, the marketing division has two departments: one for industrial (business) sales and one for consumer sales, each catering to a different customer segment.

Advantages

- **Customer-Focused Expertise:** Specialists can tailor services to the unique needs of different customer groups. For instance, lending money to a company requires different skills than lending to an individual.
- **Improved Customer Satisfaction:** By understanding and responding to the specific needs of each group, the organization can build stronger customer relationships.

Disadvantages

- **Increased Administrative Overhead:** More staff and coordination are needed to manage separate customer-focused departments.
- **Coordination Challenges:** It can be difficult to ensure all departments work together smoothly, especially when managing shared resources or handling issues like collections across customer types.

D. Location Departmentalization

Location departmentalization involves grouping jobs based on geographic areas or physical locations. These areas can range from entire regions or countries to specific parts of a city. For example, Apex Computers has manufacturing plants in Dallas and Phoenix, software design labs in Chicago and St. Louis, and five sales territories across the United States. This approach is commonly used in transportation companies, police departments, and organizations like the Federal Reserve Bank.

Advantages

- ⊕ **Regional Responsiveness:** It allows the organization to better meet the specific needs of customers and adapt to environmental factors unique to each geographic region.
- ⊕ **Local Decision-Making:** Managers in each area can make decisions based on local market conditions, laws, and customer preferences.

Disadvantages

- ⊕ **Higher Administrative Costs:** Managing operations in multiple locations often requires a larger administrative staff to coordinate and oversee geographically dispersed units.
- ⊕ **Coordination Complexity:** Keeping communication and operations aligned across regions can be more challenging.

ESTABLISHING REPORTING RELATIONSHIPS

The third basic element of organizing is the establishment of reporting relationships among positions. Suppose, for example, that the owner–manager of a small business has just hired two new employees, one to handle marketing and one to handle production. Will the marketing manager report to the production manager, will the production manager report to the marketing manager, or will each report directly to the owner–manager? These questions reflect the basic issues involved in establishing reporting relationships: clarifying the chain of command and the span of management.

Chain Of Command

Chain of command is an old concept, first popularized in the early years of the twentieth century. For example, early writers on the **chain of command** argued that clear and distinct lines of authority need to be established among all positions in an organization. The chain of command actually has two components. The first, called ***unity of command***, suggests that each person within an organization must have a clear reporting relationship to one and only one boss. The second, called the ***scalar principle***, suggests that there must be a clear and unbroken line of authority that extends from the lowest to the highest position in the organization. The popular saying "The buck stops here" is derived from this idea — someone in the organization must ultimately be responsible for every decision.

Narrow Span of Control vs. Wide Span of Control

Span of control refers to the number of employees a manager can effectively supervise. It is a key concept in organizational structure and affects communication, coordination, and decision-making.

1. Narrow Span of Control: A **narrow span of control** means a manager supervises only a few employees directly.

Features

- ⊕ More levels of hierarchy
- ⊕ Close supervision and more guidance
- ⊕ Tighter control over employee work
- ⊕ Slower communication due to more layers

Example: A supervisor managing 3–5 employees in a high-risk manufacturing plant where close monitoring is necessary.

Advantages

- ⊕ Better control and personal attention
- ⊕ Easier to manage inexperienced or less-skilled employees

Disadvantages
- Can lead to micromanagement
- Slower decision-making
- Higher administrative costs due to more layers of management

2. Wide Span of Control: A wide span of control means a manager supervises many employees directly.

Features
- Fewer levels of management
- Greater employee independence
- Faster communication and decision-making
- More responsibility per manager

Example: A sales manager overseeing 15–20 experienced sales representatives who work independently in different regions.

Advantages
- Reduces overhead costs (fewer managers)
- Encourages employee autonomy
- Improves speed of communication

Disadvantages
- May overwhelm the manager
- Less direct supervision
- Risk of decreased performance if employees need frequent support

Aspect	Narrow Span	Wide Span
Number of Employees	Few per manager	Many per manager
Supervision	Close and direct	Limited and less frequent
Decision-Making Speed	Slower	Faster
Communication Flow	Through many layers	More direct
Best For	New/inexperienced employees	Skilled/independent employees

Tall Versus Flat Organizations

Organizational structure refers to how roles, responsibilities, and authority are distributed within a company. Two common types are **tall organizations** and **flat organizations**, based on the number of management levels between top executives and front-line employees.

1. Tall Organization: A **tall organization** has many levels of hierarchy and a narrow span of control — meaning each manager supervises only a few employees.

Features
- Many layers of management
- Clear chain of command
- Roles and responsibilities are well defined
- Slower decision-making due to multiple levels

Example: A government department or a large traditional corporation like a national bank.

Advantages
- Clear authority and supervision
- Easier to manage smaller teams

⊕ Opportunities for promotion due to more levels

Disadvantages
⊕ Slow communication and decision-making
⊕ Can feel bureaucratic and rigid
⊕ Employees may feel disconnected from top management

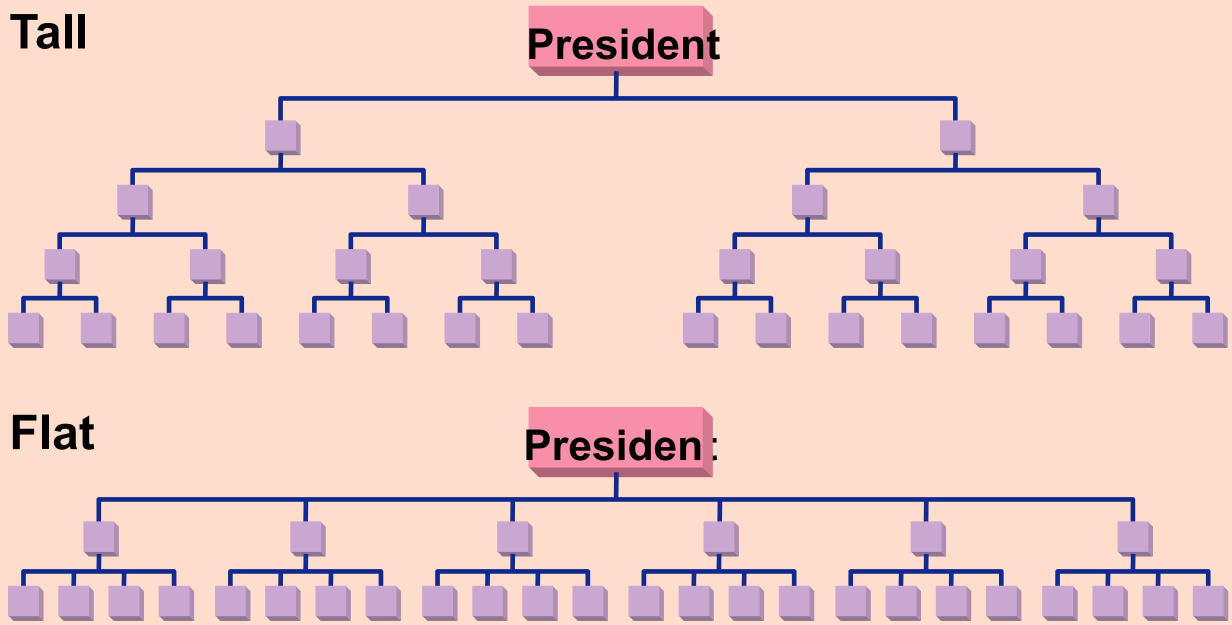


Figure 11.3 Tall Versus Flat Organizations

2. Flat Organization: A **flat organization** has fewer levels of management and a wide span of control — meaning managers supervise more employees directly.

Features
⊕ Few hierarchical levels
⊕ More direct communication
⊕ Greater employee involvement
⊕ Faster decision-making

Example: A tech startup or small business with open communication and flexible roles.

Advantages
⊕ Fast communication and decision-making
⊕ More flexibility and employee autonomy
⊕ Cost-effective (fewer managers)

Disadvantages
⊕ Managers may become overwhelmed
⊕ Harder to supervise large teams effectively
⊕ Limited promotion opportunities

DISTRIBUTING AUTHORITY

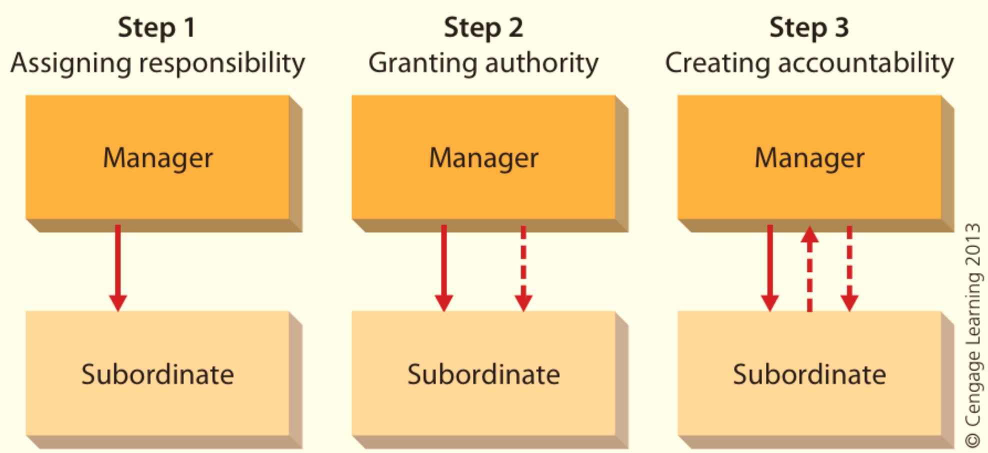
Another important building block in structuring organizations is the determination of how authority is to be distributed among positions. **Authority** is power that has been legitimized by the organization. Distributing authority is another normal outgrowth of increasing organizational size. For example, when an owner–manager hires a sales representative to market his products, he needs to give the new employee appropriate authority to make decisions about delivery dates, discounts, and so forth. If every decision requires the approval of the owner–manager, he is no better off than he was before he hired the sales representative. The power given to the sales representative to make certain kinds of decisions, then, represents the establishment of a pattern of authority — the sales representative can make some decisions alone and others in consultation with coworkers, and the sales representative must defer some decisions to the boss. Two specific issues that managers must address when dis tributing authority are **delegation** and **decentralization**.

The Delegation Process

Delegation is the establishment of a pattern of authority between a superior and one or more subordinates. Specifically, **delegation** is the process by which managers assign a portion of their total workload to others.

FIGURE 11.4 STEPS IN THE DELEGATION PROCESS

Good communication skills can help a manager successfully delegate responsibility to subordinates. A manager must not be reluctant to delegate, nor should he or she fear that the subordinate will do the job so well that the manager's advancement is threatened.



Reasons for Delegation: The primary reason for delegation is to enable the manager to get more work done. Subordinates help ease the manager's burden by doing major portions of the organization's work. In some instances, a subordinate may have more expertise in address ing a particular problem than the manager does. For example, the subordinate may have had special training in developing information systems or may be more familiar with a particular product line or geographic area. Delegation also helps develop subordinates. By participating in decision making and problem solving, subordinates learn about overall operations and improve their managerial skills.

Parts of the Delegation Process: In theory, as shown in Figure 11.4, the delegation process involves three steps. First, the manager assigns responsibility or gives the subordinate a job to do. The assignment of responsibility might range from telling a subordinate to prepare a report to placing the person in charge of a task force. Along with the assignment, the individual is also given the authority to do the job. The manager may give the subordinate the power to requisition needed information from confidential files or to direct a group of other workers. Finally, the manager establishes the subordinate's accountability — that is, the subordinate accepts an obligation to carry out the task assigned by the manager.

CENTRALIZATION AND DECENTRALIZATION

In organizations, authority doesn't just flow from one person to another — it also follows a pattern across different levels. Some organizations prefer **centralization**, where power and decision-making stay at the top with senior managers. Others follow **decentralization**, where authority is spread out and decisions are made by middle or lower-level managers.

These two are not absolute opposites but ends of a continuum — most organizations fall somewhere in between.

Several factors influence whether a company centralizes or decentralizes. Companies in uncertain or complex environments often decentralize to respond more quickly. In contrast, if decisions are risky or expensive, centralization is more likely. An organization's history and the capability of its lower-level managers also play a role. If junior managers are skilled, it makes sense to delegate more. Otherwise, central control may be necessary.

There's no one-size-fits-all answer. Big companies like General Electric and Johnson & Johnson are known for being decentralized, while others like McDonald's and Walmart stay more centralized — and both models can be successful depending on how they're managed.

COORDINATING ACTIVITIES

A fifth major element of organizing is coordination. As we discuss earlier, job specialization and departmentalization involve breaking jobs down into small units and then combining those jobs into departments. Once this has been accomplished, the activities of the departments must be linked — systems must be put into place to keep the activities of each department focused on the attainment of organizational goals. This is accomplished by **coordination** — the process of linking the activities of the various departments of the organization.

DIFFERENCES BETWEEN LINE AND STAFF

The last building block of organization structure is differentiating between line and staff positions in the organization. A **line position** is a position in the direct chain of command that is responsible for the achievement of an organization's goals. A **staff position** is intended to provide expertise, advice, and support for line positions.

Differences between line and staff are given on the next page.

Aspect	Line	Staff
Purpose	Line managers are directly involved in achieving the organization’s core goals and objectives.	Staff managers provide support, advice, and expertise to help line departments achieve their goals.
Authority Type	Line authority is formal and follows the official chain of command within the organization.	Staff authority is advisory in nature and may be based on expertise rather than direct control.
Decision-Making Power	Line managers have the power to make decisions and enforce actions related to their department.	Staff managers usually give input or recommendations but cannot enforce decisions directly.
Relationship to Goals	Line roles are essential for the core functioning of the business, such as production or sales.	Staff roles are supportive and exist to help line functions perform more effectively.
Types of Authority	Line managers exercise direct control over subordinates in their area of responsibility.	Staff managers may have advise authority, compulsory advice authority, or functional authority.
Example	A production manager overseeing assembly line workers is an example of a line position.	A human resources manager advising on hiring policies is an example of a staff position.
Impact on Chain of Command	Line positions are part of the formal command structure of the organization.	Staff positions operate outside the direct chain of command but influence decisions through support.
Accountability	Line managers are held accountable for achieving specific operational results.	Staff managers are accountable for the quality and relevance of their advice or services.

REVIEW AND DISCUSSION QUESTIONS

A. Theoretical/Conceptual Questions

1. What is organizing?
2. What are the basic building blocks that managers can use in constructing an organization?
3. What is job design?
4. What is job specialization?
5. What are the benefits and limitations of specialization?
6. What is job rotation? Give an example.
7. What is job enlargement? Give an example.
8. What is job enrichment? Give an example.
9. What is departmentalization?
10. What is the rationale for departmentalization?
11. What are the common bases for departmentalization?
12. What is functional departmentalization? Write its advantages and disadvantages.
13. What is product departmentalization? Write its advantages and disadvantages.
14. What is customer departmentalization? Write its advantages and disadvantages.
15. What is location departmentalization? Write its advantages and disadvantages.
16. What is chain of command?
17. What is unity of command?
18. What is scalar principle?
19. Write the differences between narrow and wide span of control.
20. Write differences between a tall organization and a flat organization.
21. What is authority?
22. What is delegation?
23. Describe the delegation process.
24. What are centralization and decentralization?
25. What are the differences between line and staff?

B. Situational/Contextual Questions

26. A company notices that employees are making more mistakes while assembling parts of a machine. On investigation, it turns out that each employee performs only one small task repeatedly throughout the day. How might job design and job specialization be contributing to this issue? What would you suggest to improve performance?
27. An HR manager at a retail chain wants to reduce boredom among employees and help them develop broader skills. Which technique would be most appropriate in this situation: job rotation, job enlargement, or job enrichment? Justify your answer with an example.
28. In a small tech company, all software developers work under one department, while the marketing and finance teams operate separately. What type of departmentalization is being used here? What are its advantages and what limitations might the company face as it grows?
29. A large electronics company has separate divisions for smartphones, laptops, and smart TVs. Each division has its own marketing, finance, and production units. Identify the type of departmentalization. How does this structure help in decision-making and accountability?
30. A bank has specialized teams to deal with corporate clients, individual customers, and agricultural loan applicants. What kind of departmentalization is this? What could be one benefit and one drawback of such a structure?
31. A manager is struggling to supervise 18 employees directly, leading to communication delays and reduced performance. Based on the concepts of span of control, what change would you recommend in this situation? Explain your reasoning.
32. A fast-growing startup is considering whether to introduce more management layers as teams expand. Should the company move toward a tall or flat structure? Discuss the advantages and disadvantages of your suggestion.
33. A senior manager in a hospital wants to empower team leads to make more decisions, but is worried about losing control. Describe the delegation process and suggest how it can be implemented effectively in this case without compromising authority.

34. A multinational company is debating whether to give regional offices the power to make product pricing decisions. Should the company centralize or decentralize this function? What factors should be considered before making this decision?
35. The production manager at a manufacturing firm ignores advice from the HR department about safety training, arguing that it's not urgent. Based on the difference between line and staff authority, was the manager's decision appropriate? How could staff authority be strengthened in this case?