


# Chapter 5

## ORGANIZING



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### OBJECTIVES

After study this chapter, students should:

- Explain the definition of organizing function and its roles
- Distinguish types of organization structures and the characteristics of each organization structure
- Identify centralization and decentralization
- Understand the principles of delegation

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### Definition

•Organizing is the process of arranging and assigning tasks, delegating powers and allocating organizational resources in order to achieve organizational goals effectively and efficiently.



•Organizing aims at developing an formal system of roles and tasks of individuals and groups and identifying the best way for them to cooperate in achieving organizational goals

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## Definition

### Organizing consists of:

- Organization design: dividing organization into subunits and identifying the roles and tasks for each subunit.
- Power hierarchy design: developing the power hierarchy, identifying the relationships among subunits during the achieving organizational goals
- Human resource management: identifying labor forces, staffing, compensating and rewarding



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## Organization Design

**Organization structure** is the formal framework by which job/tasks are divided, grouped, and coordinated or is the formal pattern of interactions and coordination designed by management to link the tasks of individuals and groups in achieving organizational goals.

**Organization structure** consists of specific and collective tasks.

- Specific tasks help the individual to understand what she/he has to do in achieving organizational goals
- Collective task help the individuals to understand how they have to coordinate effectively in achieving organizational goals



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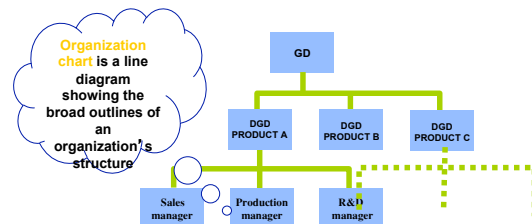
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## Organization Design

**organization design** is the process of developing or changing an organization structure



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## Organizational Design (cont.)

### Basic elements of an organization chart

#### Work Specialization

- the degree to which tasks in an organization are divided into separate jobs
  - individuals specialize in doing part of an activity rather than the entire activity
  - For example: House building (digging, constructing house frame, interior decoration, etc.)
- too much specialization has created human diseconomies



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### Basic elements of Organization Chart ... Departmentalization

- the basis by which jobs are grouped together or is grouping individuals into units, and units into departments and larger units to achieve organizational goals.
  - **functional** - groups jobs by functions performed (marketing, production, HR, financial, etc.)
  - **product** - groups jobs by product line (car, motor, etc.)
  - **geographical** - groups jobs on the basis of territory or geography
  - **process** - groups jobs on the basis of product or customer flow
  - **customer** - groups jobs on the basis of common customers



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## Departmentalization (cont.)

- large organizations combine most or all forms of departmentalization
- trends
  - customer departmentalization is increasingly being used:
    - better able to monitor and respond to customer needs
    - cross-functional teams are becoming popular
      - ✓ groups of individuals who are experts in various specialties
      - ✓ involved in all aspects of bringing a new product to market



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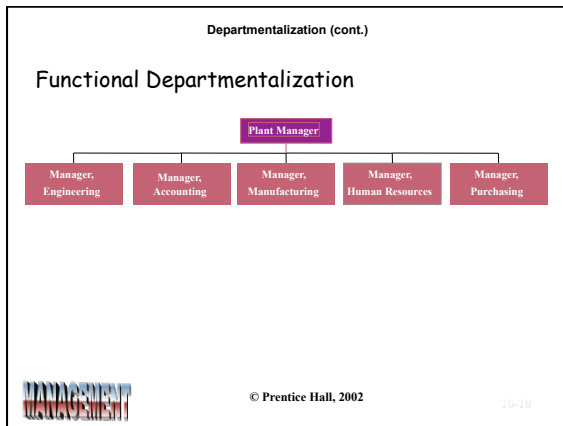
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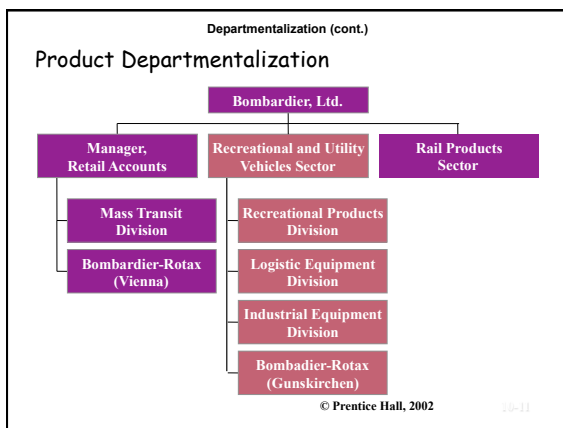
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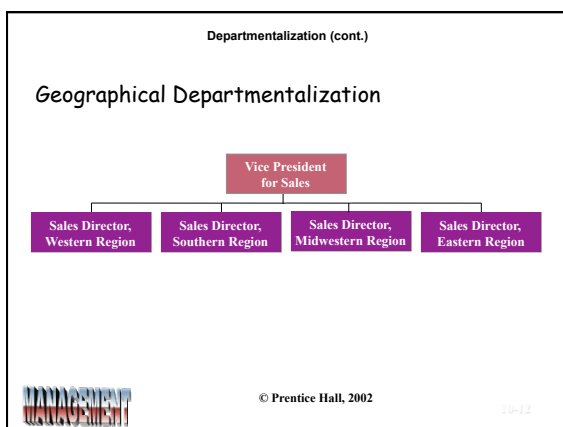
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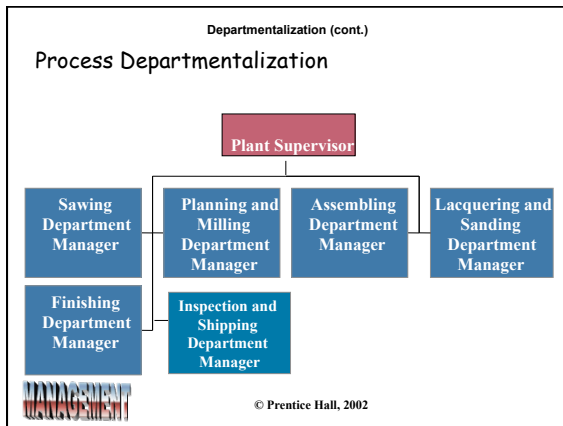
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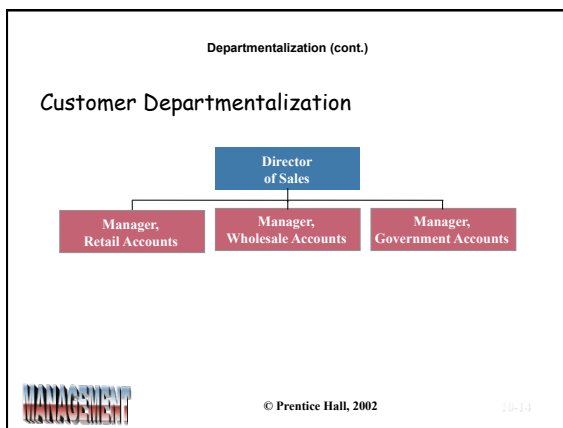
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### Organization Design (cont.)

#### Chain of Command

- continuous line of authority that extends from upper organizational levels to the lowest levels and clarifies who reports to whom
  - **authority** - the rights inherent in a managerial position to tell people what to do and to expect them to do it or
    - the right to make decisions, carry out actions and direct others in matters related to the duties and goals of a position
  - **responsibility** - the obligation to perform any assigned duties and achieve goals related to a position
  - **unity of command** - a person should report to only one manager
- these concepts are less relevant today due to information technology and employee empowerment

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## Organizational Structure Designing (cont.)

### Span of Control

- number of employees that a manager can efficiently and effectively manage
- determines the number of levels and managers in an organization
- the wider the span, the more efficient the organization



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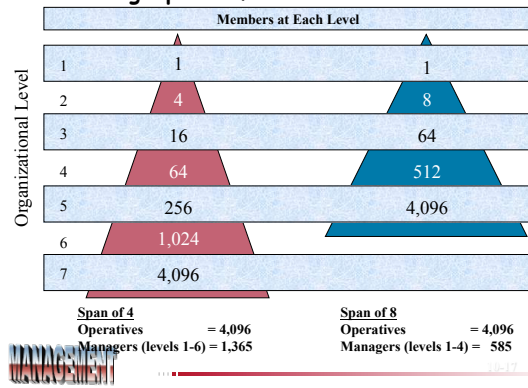
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### Contrasting Spans Of Control




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### Organization Design (cont.)

### Span of Control ...

- appropriate span influenced by:

Factors	Relationships to span
1. the skills and abilities of employees	+
2. the skills and abilities of managers	+
3. the complexity of tasks performed	-
4. availability of standardized procedures	+
5. sophistication of organization's information system	-

In UK: span of control at middle and top management level: 4; at first-line level: 8; in USA: span of control at middle and top management level: 9



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## Organization Design (cont.)

### Formalization

- the degree to which jobs within the organization are standardized
  - standardization - removes the need for employees to consider alternatives (common process to carry out the tasks)
- extent to which employee behavior is guided by rules and procedures
  - employee allowed minimal discretion in highly formalized jobs
    - ✓ explicit job descriptions
    - ✓ clearly defined procedures



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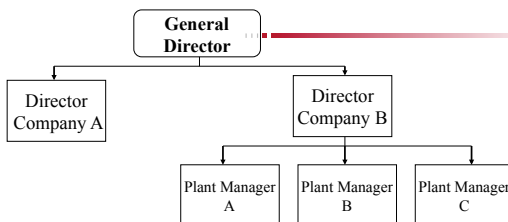
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## Common Organization Designs

### Simple organization structure



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## Common Organizational Designs

- **Principles** - low departmentalization, wide spans of control, authority centralized in a single person, and little formalization
- Each person at lower level report to one manager at higher level.
- One-boss structure

### Characteristics

- **Strengths:** Fast, flexible, inexpensive to maintain, clear accountability
- **Weaknesses:** Not appropriate as organization grows, reliance on 1 person is risky

### Application:

- commonly used by small businesses
- as organizations increase in size, the structure tends to become more specialized and formalized



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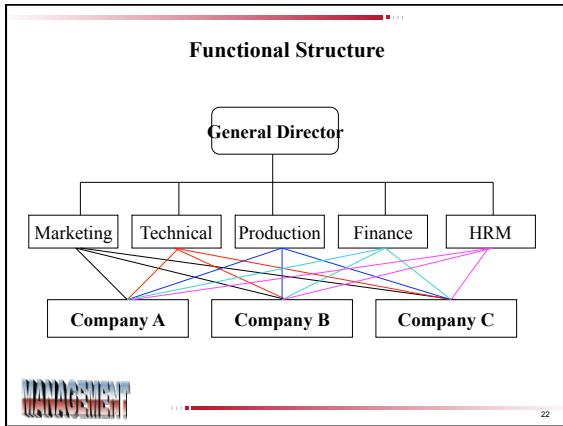
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### Common Organizational Designs

**Principles** - groups similar or related occupational specialties together

Division managers make decision and has responsibilities for dependent units based on their expertise

**Characteristics:**

Strengths: Cost saving from specialization (economies of scale, minimal duplication people and equipment) & employees are grouped with others who has similar tasks, maximal utilization of specialists

Weaknesses: Pursuit functional goals can cause managers to lose sight of what is best for overall organization, functional specialists become insulated and have little understand of what other units are doing; Conflicts on decisions between deferent divisions

**Application:**  
Organization has highly special characteristics

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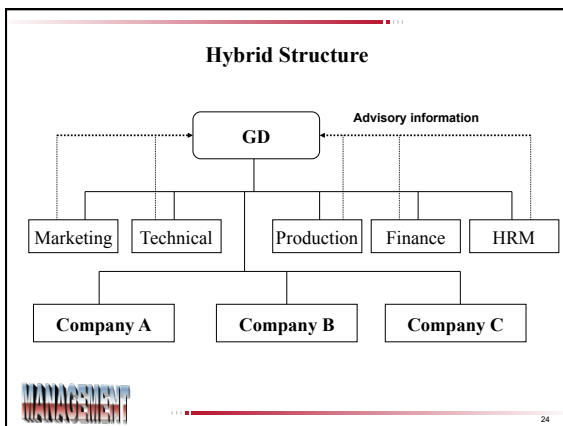
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• **Principles:** structure adopting both simple and functional structures


→ Functional managers take responsibilities in giving advices to the top manager in preparing, issuing and implementing organizational regulations within their expertise

**Characteristics:**

→ Alignment of corporate and divisional goals, functional expertise and efficiency, adaptability and flexibility in divisions, improving quality of decision making, getting unity of command

→ Conflicts between corporate department and divisions, excessive administrative overhead, slow response to exceptional situations

• **Application:**



→ is used most common in Vietnam

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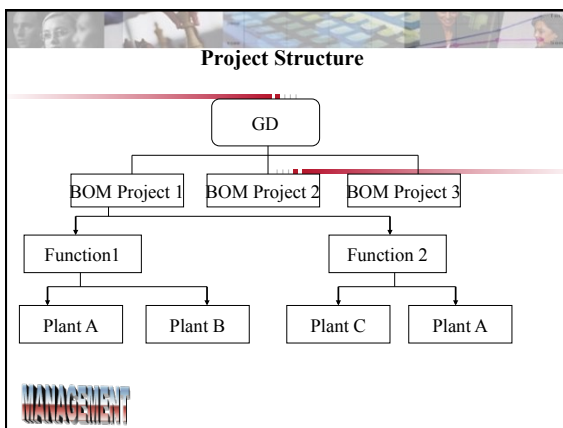
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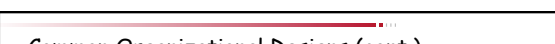
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### Common Organizational Designs (cont.)


■ **Principles :** developed based on simple or functional structures

■ **Characteristics**

- employees work continuously on projects
- all work performed by teams comprised of employees with appropriate skills and abilities
- tends to be very fluid and flexible
  - no rigid departmentalization or organization hierarchy
  - managers serve as facilitators and mentor
- Structure in each project exists within project life.

■ **Application:**

- is used in organization has a high specialty, has several similar product lines, each product line has a big value and is carried out in different places



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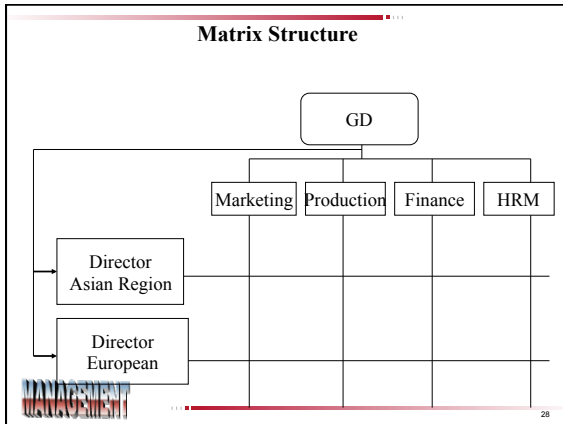
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### Common Organizational Designs (cont.)

- **Matrix Structure** - assigns specialists from different functional departments to work on projects led by project managers
  - adds vertical dimension to the traditional horizontal functional departments
  - creates a **dual chain of command**
    - violates unity of command
    - project managers have authority in areas relative to the project's goals
    - functional managers retain authority over human resource decisions (e.g., promotions)
- **Application:** is used in large corporations such as Groups, MNCs, etc

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## Organizational Design Decisions

### Mechanistic Organization

- rigidly and tightly controlled structure
- tries to minimize the impact of differing human traits
- most large organizations have some mechanistic characteristics

### Organic Organization

- highly adaptive and flexible structure
- permits organization to change when the need arises
- employees are highly trained and empowered to handle diverse job activities
- minimal formal rules and little direct supervision



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## Mechanistic Versus Organic Organization

### Mechanistic

- High Specialization
- Rigid Departmentalization
- Clear Chain of Command
- Narrow Spans of Control
- Centralization
- High Formalization

### Organic

- Cross-Hierarchical Teams
- Free Flow of Information
- Wide Spans of Control
- Decentralization
- Low Formalization



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## Organizational Design Decisions (cont.)

### Contingency Factors

- **Strategy and Structure** - structure should facilitate the achievement of goals
  - strategy and structure should be closely linked
  - strategy focuses on:
    - innovation** - need the flexibility and free flow of information of the organic structure
    - cost minimization** - seek efficiency, stability, and tight controls of mechanistic structure
    - imitation** - use structural characteristics of both mechanistic and organic structures



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## Organizational Design Decisions (cont.)

### Contingency Factors (cont.)

- **Size and Structure** - size affects structure at a decreasing rate
- **Technology and Structure**
  - **technology** - converts inputs into outputs
    - unit production** - production of items in units or small batches
    - mass production** - large-batch manufacturing
    - process production** - continuous-process production
  - mechanistic structure supports routine technology
  - organic structure supports un-routine technology



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### Woodward's Findings On Technology, Structure, And Effectiveness

<u>Unit Production</u>	<u>Mass Production</u>	<u>Process Production</u>	
Low vertical differentiation	Moderate vertical differentiation	High vertical differentiation	
Low horizontal differentiation	High horizontal differentiation	Low horizontal differentiation	
Low formalization	High formalization	Low formalization	
Most effective structure	Organic	Mechanistic	Organic



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## Organizational Design Decisions (cont.)

### Contingency Factors (cont.)

- **Environmental Uncertainty and Structure**
  - one way to reduce environmental uncertainty is to adjust the organization's structure
    - with greater stability, mechanistic structures are more effective
      - ✓ *mechanistic structures are not equipped to respond to rapid environmental change*
    - the greater the uncertainty, the greater the need for an organic structure
      - ✓ *organizations are being designed to be more organic nowadays*



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## Management Process Design

### Decentralization vs. centralization:

To help the organization structure work, it is necessary to develop power hierarchy within in organization.

→Who make decision? Who report to whom? How are the relationships between units

Two ways of designing management process: centralization and decentralization



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## Management Process Design


### Centralization

- the degree to which decision making is concentrated at a single point in the organization
  - top-level managers make decisions with little input from subordinates in a centralized organization
  - Help organization has unity of command, avoids the disperse thinking and actions



### Decentralization

the degree to which decisions are made by lower-level employees; distinct trend toward decentralized decision making



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## Centralization and Decentralization- What is better?

### Decentralization:

- There is no body who has enough capability and time to make decisions in all aspects of organization
- Reflects the organizational policies and strategies
- Reflects the HR policies in terms of employment and training the potential managers
- Maximal utilization of enthusiasm, activeness, creativeness of lower employees in implementing tasks

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Factors That Influence the Amount of Centralization and Decentralization	
More Centralization	More Decentralization
<ul style="list-style-type: none"> <li>● Environment is stable.</li> <li>● Lower-level managers are not as capable or experience at making decisions as upper-level managers.</li> <li>● Lower-level managers do not want to have a say in decisions.</li> <li>● Decisions are significant.</li> <li>● Organization is facing a crisis or the risk of company failure.</li> <li>● Company is large.</li> <li>● Effective implementation of company strategies depends on managers' retaining say over what happens.</li> </ul>	<ul style="list-style-type: none"> <li>● Environment is complex, uncertain.</li> <li>● Lower-level managers are capable and experienced at making decisions.</li> <li>● Lower-level managers want a voice in decisions.</li> <li>● Decisions are relatively minor.</li> <li>● Corporate culture is open to allowing managers to have a say in what happens.</li> <li>● Company is geographically dispersed.</li> <li>● Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.</li> </ul>



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### Delegation

Decentralization is an extent to which power and authority are delegated to lower levels

- Delegation aims to:
  - Organizational goals are carried out faster and higher quality
- Delegation process:
  - Identifying the goals
  - Selecting person to delegate
  - Assigning tasks ~ power or authority to selected person to help she/he complete assigned tasks
  - Asking delegated person to commit completing assigned tasks and ensuring other normal tasks




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### Delegation.....

1. Make delegation in written document
  - ➔ Help employee to understand clearly his/her tasks and which powers can be used
  - ➔ Legal base for identifying delegated responsibilities
2. During implementing the delegation, top manager should believe in lower employees and make good conditions for them to think and act on his/her opinions
3. It should be developed a control system to monitor the delegation's efficiency. If there is no efficiency, it must to withdraw the given authority




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### Review questions

1. Define the Organizing. Describe the roles of organizing in process of managing an organization

- What are the main contents of organizing
- What is an organizational structure? What are the characteristics of an organizational structure
- Describe common organizational structures? What are strengths and weaknesses f each organizational structure
- Describe an example of organizational structure of a NGO, University, company, etc, ...
- Distinguish decentralization and centralization?
- What is the delegation? And its application in reality



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