

Organization flow



Key Design Questions and Answers for Designing the Proper Organization Structure

The Key Question

The Answer Is Provided By

- | | |
|---|-------------------------------------|
| 1. To what degree are activities subdivided into separate jobs? | Work specialization |
| 2. On what basis will jobs be grouped together? | Departmentalization |
| 3. To whom do individuals and groups report? | Chain of command |
| 4. How many individuals can a manager efficiently and effectively direct? | Span of control |
| 5. Where does decision-making authority lie? | Centralization and decentralization |
| 6. To what degree will there be rules and regulations to direct employees and managers? | Formalization |

Structure and Design

- The structure of any building depends on its base or foundation.
- A strong foundation and a basic structure are critical to making a building strong.
- Although it is possible to redesign and restructure a building, if the base is weak, the whole structure of a building will be unstable.
- Foundation and design are inter-related to each other.
- From an organizational point of view, the foundation is the 'Organizational Structure' which demonstrates different roles, hierarchy levels, terms and conditions etc. in an organization.
- 'Organizational Design' encompasses restructuring and destructuring roles, hierarchy level, terms and conditions as per business or organizational needs.

Major Approaches to Organisational Theory

Classical Approach (Theory X)

- The theory was proposed by Taylor (1947) and Fayol (1949) to increase management efficiency.
- The theory emphasize is on structural factors and functions to achieve the objectives.
- The major focus is on specialization and co-ordination.
- The classical theory (Theory X) views organization as a structure which centers around work and not around people.

Classical Approach (Contd.)

- The four key pillars of classical theory are:
 - a) Division of labour
 - b) Scalar and functional processes such as unity of command, chain of command, delegation of authority, defining responsibility and accountability.
 - c) Structure-line and staff.
 - d) Span of control
- The theory concentrates on the structure of formal organization neglecting the interplay of individual personality, informal or social groups and intra-organizational conflicts.

Disadvantages of Classical Theory:

- Ignores human behaviour and human relation.
- Absence of rapid and free channels of communication.
- Lack of flexibility and adaptability.
- Tight control through force and coercion.
- Absence of intrinsic rewards.

Neo-classical Approach (Theory Y)

- Classical theory did not achieve complete production efficiency and workplace harmony, Taylor proposed a new approach (Neo classical).
- The basic assumption of Neo classical approach is that physiological and social aspects of a worker as an individual and his workgroup ought to be focused on.
- This approach studies motives, supervision, group and intergroup behaviours.
- It emphasis that effective coordination of activities is impossible without the cooperation of people.

Features of Neo Classical Approach:

- The business organization is a **social system**
- The **human factor is the most critical** element in this social system
- Social and psychological factors play a crucial role in determining productivity and employee satisfaction
- The management should also **develop social and leadership** skills apart from technical skills. It must be done for the welfare of worker and organization.
- Productivity in an organization is directly related to **employee morale**.

Contingency Approach

- This approach emphasize on the need to adapt the organization to the demand of changing technology, need for innovation generating from environmental and decision making uncertainty.
- The approach suggests that “There is no one best way to handle any of the managerial problems and there is no one best organizational structure to suit all situations.”
- Situational factors play an important role in the design of organizational structure and a suitable management style.

What is Organizational Structure?

- The organization structure is the system which describes the organizational hierarchy in terms of different functions, roles, responsibilities, supervision, etc.
- It demonstrates different concerns including different roles of the employees, job descriptions, job functions, decision-making authorities, reporting structure, allocation of tasks in the department, individuals, project team, branch, etc.

Key Elements:

- Work specialization
- Departmentalization
- Chain of command
- Span of control
- Centralization and decentralization
- Formalization

Work Specialization

The degree to which tasks in the organization are subdivided into separate jobs.



Division of labor:

- **Makes efficient use of employee skills**
- **Increases employee skills through repetition**
- **Less time, increases productivity**
- **Specialized training is more efficient.**
- **Allows use of specialized equipment.**

Departmentalization

The basis by which jobs are grouped together.

Grouping Activities By:

- Function
- Product
- Geography
- Process
- Customer

Chain of Command

The **unbroken line of authority** that extends from the top of the organization to the lowest level and clarifies who reports to whom.

Authority

The **rights inherent in a managerial position** to give orders and to expect the orders to be obeyed.

Unity of Command

A subordinate should have **only one superior** to whom he or she is directly responsible.

Span of Control

The number of subordinates a manager can efficiently and effectively direct.

Concept:

Wider spans of management increase organizational efficiency.

Narrow Span Drawbacks:

- Expense of additional layers of management.
- Increased complexity of vertical communication.
- Encouragement of overly tight supervision and discouragement of employee autonomy.

Centralization

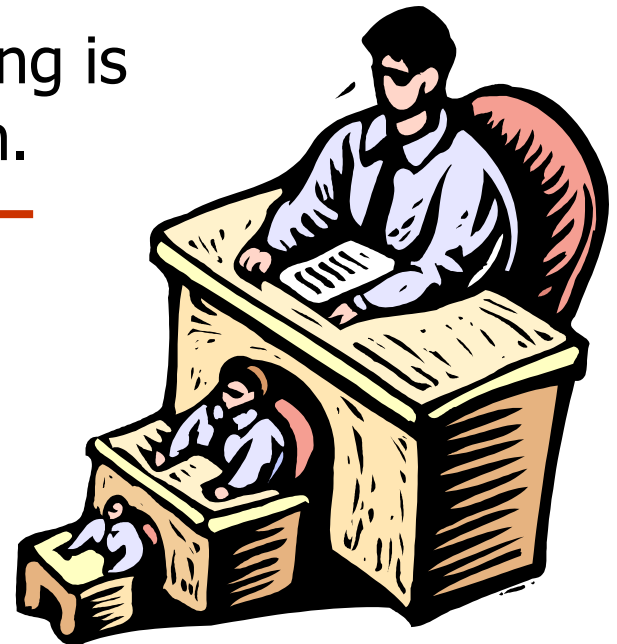
The degree to which decision making is concentrated at a single point in the organization.

Decentralization

The degree to which decision making is spread throughout the organization.

Formalization

The degree to which jobs within the organization are standardized.

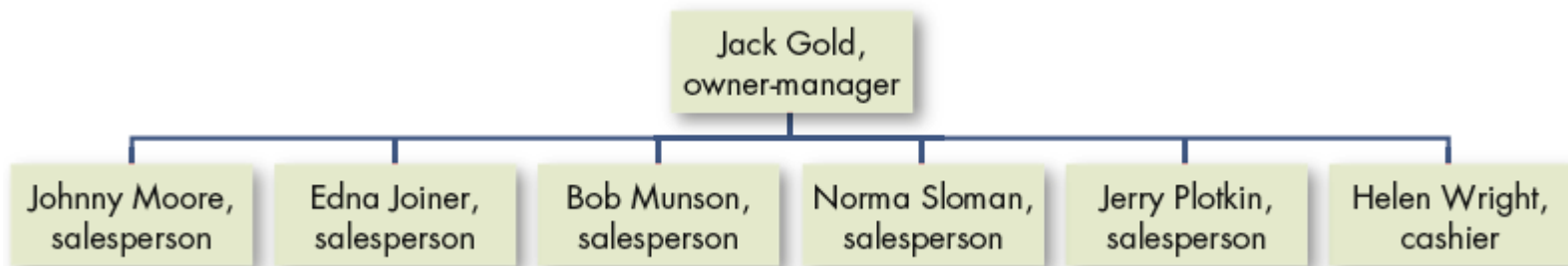


Common Organization Designs

Simple Structure

A structure characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization.

A Simple Structure:
Jack Gold's Men's Store



Functional Organizational Structure

- In this type of organizations, different tasks and activities are distributed to different functions and departments i.e. sales & marketing, finance, production, purchase, HR, IT, etc. These departments have their own staff to perform duties and hence, perform different roles.
- In these type of organizations, there are two authorities of jobs or two roles exist i.e. line and staff/function.
- Line authority is similar to the direct chain of command of supervision and instructions are given by the supervisors to subordinates in a vertical chain. However, staff authority gives power to the specialists to support and increase work efficiency of staff members of line authority with their expertise areas.

Functional Organization:



Divisional Organization Structure

- This type of organizational structure comes into play when a firm has grown exponentially to become a giant in its sector.
- For example, a giant clothing company will require separate divisions based on customer groups, product types, and geographical locations.
- Hence, it will create a ladies' fashion garment division, kids wear division, men's wear division, and affordable clothing division. Each division will have its own production, marketing, human resource, IT, and sales teams. In this manner, the company could manage the product line or geography with all necessary functional resources.

Matrix Structure

A structure that creates dual lines of authority and combines functional and product departmentalization.

Matrix management is an organizational structure in which some individuals report to more than one supervisor

Key Elements:

- + Gains the advantages of functional and product departmentalization while avoiding their weaknesses.
- + Facilitates coordination of complex and interdependent activities.
- Breaks down unity-of-command concept.

Matrix Structure (College of Business Administration)

Programs	Undergraduate	Master's	Ph.D.	Research	Executive development	Community service (Director)
Academic departments						
Accounting						
Administrative studies						
Finance (Dean)						
Information and decision sciences						
Marketing						



Employee