

UCS1704 – Management and Ethical Practices

**UNIT – II
Delegation of Authority**

Semester – VII

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LEARNING OUTLINE

Follow this Learning Outline as you read and study this chapter.

Defining Organizational Structure

- Discuss the traditional and contemporary views of work specialization, chain of command, and span of control.
- Describe each of the five forms of departmentalization.
- Explain cross-functional teams.
- Differentiate, authority, responsibility, and unity of command.
- Tell what factors influence the amount of centralization and decentralization.
- Explain how formalization is used in organizational design.

LEARNING OUTLINE (cont'd)

Follow this Learning Outline as you read and study this chapter.

Organizational Design Decisions

- Effective Delegation
- Contrast mechanistic and organic organizations.
- Explain the relationship between strategy and structure.
- Tell how organizational size affects organizational design.
- Discuss Woodward's findings on the relationship of technology and structure.
- Explain how environmental uncertainty affects organizational design.

LEARNING OUTLINE (cont'd)

Follow this Learning Outline as you read and study this chapter.

Common Organizational Designs

- Contrast the three traditional organizational designs.
- Explain team, matrix, and project structures.
- Describe the design of virtual and network organizations.
- Discuss the organizational design challenges facing managers today.

Effective Delegation

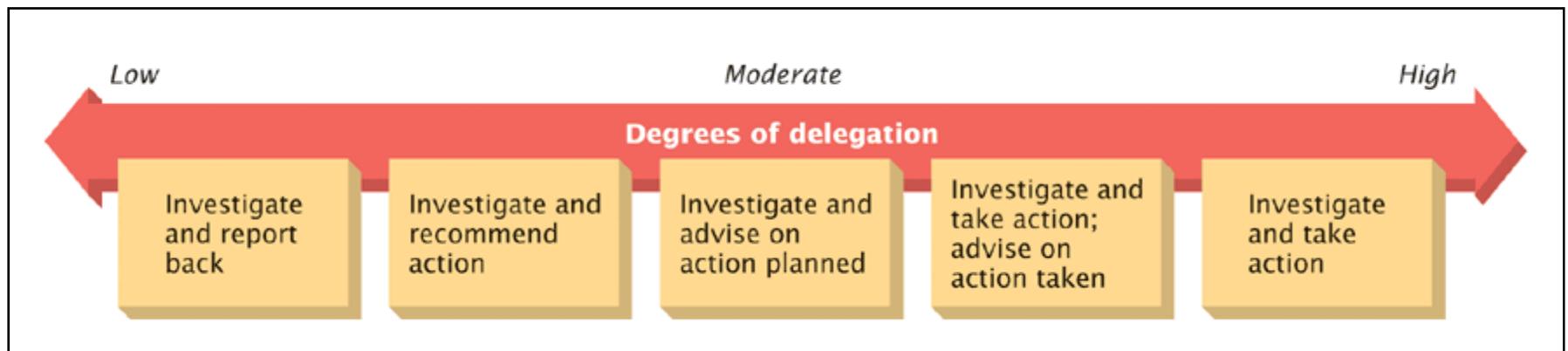
- **Delegation**
 - Assigning various degrees of decision-making authority to lower-level employees.
- **The Advantages of Delegation**
 - Frees up managerial time for other important tasks.
 - Serves as a training and development tool for lower-level managers.
 - Increases subordinates' commitment by giving them challenging assignments.

Effective Delegation (*cont'd*)

- **Barriers to Delegation**

- Belief that only you can do the job right.
- Lack of confidence and trust in subordinates.
- Low self-confidence.
- Fear of being called lazy.
- Vague job definition.
- Fear of competition from subordinates.
- Reluctance to take risks that depend on others.
- Lack of early warning controls.
- Poor example of bosses who do not delegate.

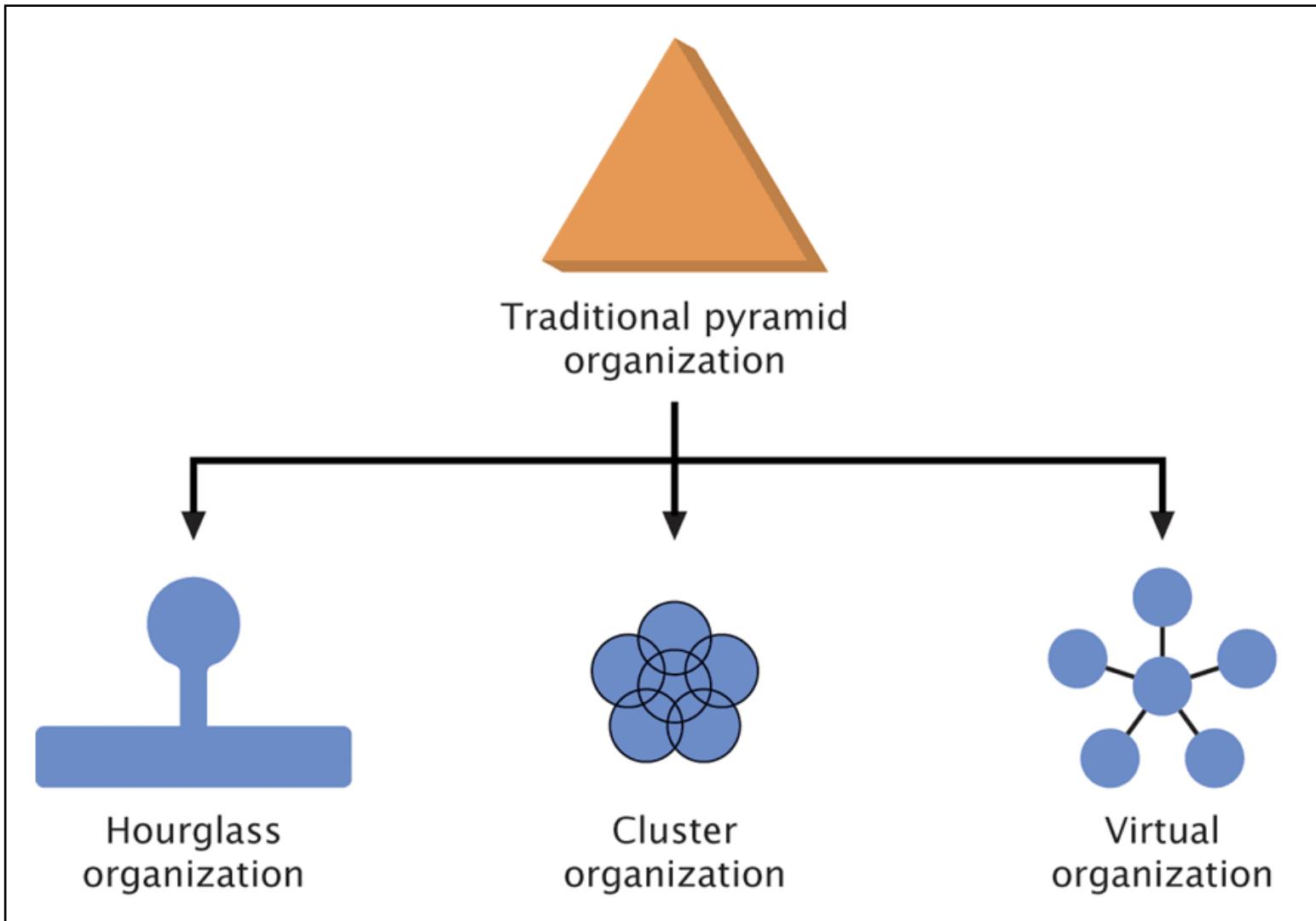
Delegation Continuum



The Changing Shape of Organizations

- Characteristics of New Organizations
 - Fewer organizational layers
 - More teams
 - Smallness within bigness
- New Organizational Configurations
 - Hourglass organization: a three-layer structure with constricted middle (management) layer.
 - Cluster organization: collaborative structure in which teams are the primary unit.
 - Virtual organizations: internet-linked networks of value-adding subcontractors.

Reshaping the Traditional Pyramid Organization



Organizational Design Decisions

- Mechanistic Organization
 - A rigid and tightly controlled structure
 - ❖ High specialization
 - ❖ Rigid departmentalization
 - ❖ Narrow spans of control
 - ❖ High formalization
 - ❖ Limited information network (downward)
 - ❖ Low decision participation
- Organic Organization
 - Highly flexible and adaptable structure
 - ❖ Non-standardized jobs
 - ❖ Fluid team-based structure
 - ❖ Little direct supervision
 - ❖ Minimal formal rules
 - ❖ Open communication network
 - ❖ Empowered employees

Mechanistic versus Organic Organization

Mechanistic

- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

Organic

- Cross-functional teams
- Cross-hierarchical teams
- Free flow of information
- Wide spans of control
- Decentralization
- Low formalization

Contingency Factors

- Structural decisions are influenced by:
 - Overall strategy of the organization
 - ❖ Organizational structure follows strategy.
 - Size of the organization
 - ❖ Firms change from organic to mechanistic organizations as they grow in size.
 - Technology use by the organization
 - ❖ Firms adapt their structure to the technology they use.
 - Degree of environmental uncertainty
 - ❖ Dynamic environments require organic structures; mechanistic structures need stable environments.

Contingency Factors (cont'd)

- **Strategy Frameworks:**

- **Innovation**
 - ❖ Pursuing competitive advantage through meaningful and unique innovations favors an organic structuring.
- **Cost minimization**
 - ❖ Focusing on tightly controlling costs requires a mechanistic structure for the organization.
- **Imitation**
 - ❖ Minimizing risks and maximizing profitability by copying market leaders requires both organic and mechanistic elements in the organization's structure.

Contingency Factors (cont'd)

- **Strategy and Structure**
 - Achievement of strategic goals is facilitated by changes in organizational structure that accommodate and support change.
- **Size and Structure**
 - As an organization grows larger, its structure tends to change from organic to mechanistic with increased specialization, departmentalization, centralization, and rules and regulations.

Contingency Factors (cont'd)

- **Technology and Structure**

- Organizations adapt their structures to their technology.
- Woodward's classification of firms based on the complexity of the technology employed:
 - ❖ **Unit production** of single units or small batches
 - ❖ **Mass production** of large batches of output
 - ❖ **Process production** in continuous process of outputs
- Routine technology = mechanistic organizations
- Non-routine technology = organic organizations

Woodward's Findings on Technology, Structure, and Effectiveness

	Unit Production	Mass Production	Process Production
Structural characteristics	Low vertical differentiation Low horizontal differentiation Low formalization	Moderate vertical differentiation High horizontal differentiation High formalization	High vertical differentiation Low horizontal differentiation Low formalization
Most effective structure	Organic	Mechanistic	Organic

Contingency Factors (cont'd)

- Environmental Uncertainty and Structure
 - Mechanistic organizational structures tend to be most effective in stable and simple environments.
 - The flexibility of organic organizational structures is better suited for dynamic and complex environments.



Common Organizational Designs

- Traditional Designs

- Simple structure
 - ❖ Low departmentalization, wide spans of control, centralized authority, little formalization
- Functional structure
 - ❖ Departmentalization by function
 - Operations, finance, human resources, and product research and development
- Divisional structure
 - ❖ Composed of separate business units or divisions with limited autonomy under the coordination and control the parent corporation.

Strengths and Weaknesses of Traditional Organizational Designs

Simple Structure

Strengths: Fast; flexible; inexpensive to maintain; clear accountability.

Weaknesses: Not appropriate as organization grows; reliance on one person is risky.

Functional Structure

Strengths: Cost-saving advantages from specialization (economies of scale, minimal duplication of people and equipment) and employees are grouped with others who have similar tasks.

Weaknesses: Pursuit of functional goals can cause managers to lose sight of what's best for overall organization; functional specialists become insulated and have little understanding of what other units are doing.

Divisional Structure

Strengths: Focuses on results—division managers are responsible for what happens to their products and services.

Weaknesses: Duplication of activities and resources increases costs and reduces efficiency.

Contemporary Organizational Designs

Team Structure

- What it is: A structure in which the entire organization is made up of work groups or teams.
- Advantages: Employees are more involved and empowered. Reduced barriers among functional areas.
- Disadvantages: No clear chain of command. Pressure on teams to perform.

Matrix-Project Structure

- What it is: A structure that assigns specialists from different functional areas to work on projects but who return to their areas when the project is completed. Project is a structure in which employees continuously work on projects. As one project is completed, employees move on to the next project.
- Advantages: Fluid and flexible design that can respond to environmental changes. Faster decision making.
 - Disadvantages: Complexity of assigning people to projects. Task and personality conflicts.

Contemporary Organizational Designs

Boundaryless Structure

- What it is: A structure that is not defined by or limited to artificial horizontal, vertical, or external boundaries; includes virtual and network types of organizations.
- Advantages: Highly flexible and responsive. Draws on talent wherever it's found..
 - Disadvantages: Lack of control. Communication difficulties..

Organizational Designs (cont'd)

- Contemporary Organizational Designs

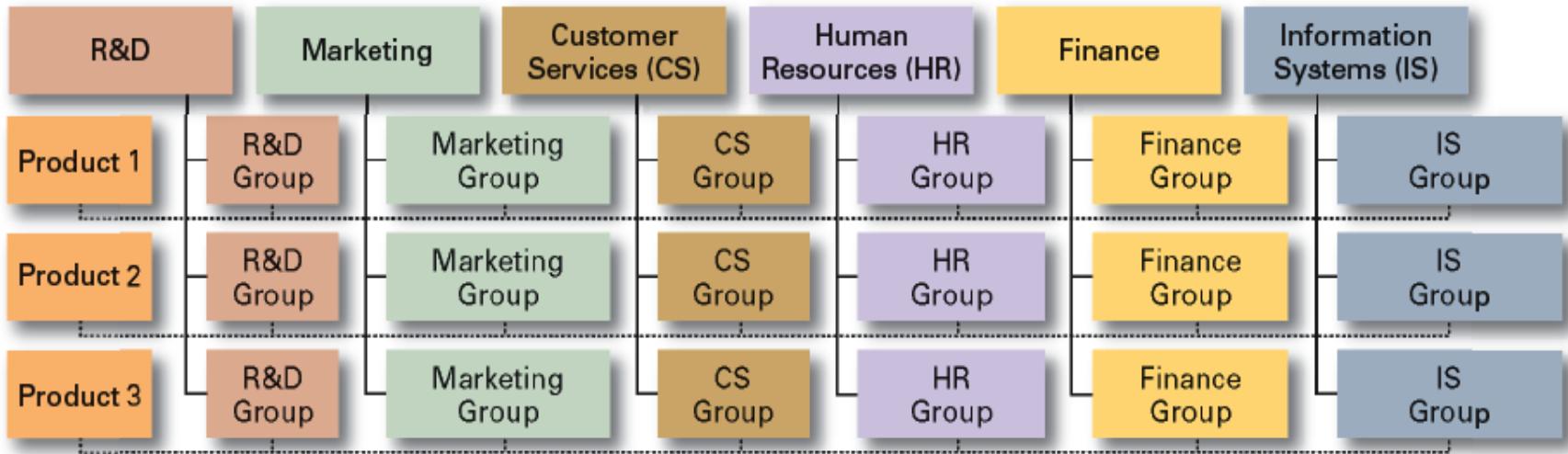
- Team structures

- ❖ The entire organization is made up of work groups or self-managed teams of empowered employees.

- Matrix and project structures

- ❖ Specialists from different functional departments are assigned to work on projects led by project managers.
 - ❖ Matrix and project participants have two managers.
 - ❖ In project structures, employees work continuously on projects; moving on to another project as each project is completed.

An Example of a Matrix Organization



Organizational Designs (cont'd)

- Contemporary Organizational Designs (cont'd)

- Boundaryless Organization

- ❖ An flexible and unstructured organizational design that is intended to break down external barriers between the organization and its customers and suppliers.
 - ❖ Removes internal (horizontal) boundaries:
 - Eliminates the chain of command
 - Has limitless spans of control
 - Uses empowered teams rather than departments
 - ❖ Eliminates external boundaries:
 - Uses virtual, network, and modular organizational structures to get closer to stakeholders.

Removing External Boundaries

- **Virtual Organization**

- An organization that consists of a small core of full-time employees and that temporarily hires specialists to work on opportunities that arise.

- **Network Organization**

- A small core organization that outsources its major business functions (e.g., manufacturing) in order to concentrate what it does best.

- **Modular Organization**

- A manufacturing organization that uses outside suppliers to provide product components for its final assembly operations.

Today's Organizational Design Challenges

- Keeping Employees Connected
 - Widely dispersed and mobile employees
- Building a Learning Organization
- Managing Global Structural Issues
 - Cultural implications of design elements

Organizational Designs (cont'd)

- **The Learning Organization**

- An organization that has developed the capacity to continuously learn, adapt, and change through the practice of knowledge management by employees.
- Characteristics of a learning organization:
 - ❖ An open team-based organization design that empowers employees
 - ❖ Extensive and open information sharing
 - ❖ Leadership that provides a shared vision of the organization's future, support and encouragement
 - ❖ A strong culture of shared values, trust, openness, and a sense of community.

Discussion

- Line organisational structure.
- Staff or functional authority organisational structure.
- Line and staff organisational structure.
- Flat and Tall organisational structure.
- Committee organisational structure.
- Divisional organisational structure.
- Project organisational structure.
- Matrix organisational structure.
- Hybrid organisational structure.