

# **Professional Practices**

**“The Structure of  
Organizations”**

# Contents

- Organizing an Organization
  - Functional units of an organization
  - Geographical organization
  - Organization by product
  - Centralization vs decentralization
  - The position of quality management
- Management
  - Motivation
  - Performance appraisal
  - Sub-optimization

# Organizing an Organization

## Organizing an Organization

Functional Units  
of an  
Organization

Geographical  
Organization

Organization by  
Product

Centralization vs  
Decentralization

The position of  
Quality  
Management

# Functional Units of an Organization

- Tasks carried out in an organization are grouped into five major functions
  - ***Production:*** activities that directly contribute to creating the products or services that the company sells.
  - ***Quality Management:*** quality activities necessary to ensure that quality of product and services produced is maintained at the agreed level.

# Functional Units of an Organization

- ***Sales and Marketing:*** sales is concerned directly with selling the product while marketing is concerned with establishing the environment in which product is sold.
- ***Finance and Administration:*** every company needs to pay its bills, to look after its funds, to pay its employees and so on....data processing and legal department are also generally included in this function.

# Functional Units of an Organization

- ***Research and Development:*** how can company do better the things that it is already doing and what other things can be done to raise profits.

# Geographical Organization

- Organization operating over a large geographical area, there are tasks that should be best organized on a geographical basis.
- Because of cultural differences, an effective selling approach in one country can completely fail in another.
- Even the products that are most demanded in one country are almost unsaleable in another one.

# Organization by Product

- When an organization produces several different products and services, it is desirable to use a top-level structure based on its products.
- It is the most common structure found in really large corporations today.
- Each division can either be headed by a director or can be itself a separate company with its own board of directors (subsidiaries).



# Centralization vs Decentralization

- Organizations can be centralised, decentralised and both.
- In a ***centralised organization***, many of the detailed operational decisions are taken at the center.
- In a ***decentralised organization***, as many details as possible are settled at local level.

# Position of Quality Management

- Whatever be the structure of an organization, the factor of ***“Quality”*** should be kept at the center.
- Pressures on production and sales create temptation to skimp on quality procedures.
- It can only be avoided by developing a ***“Quality Culture”*** within the organization.

# Position of Quality Management

- Some national and international standards are set, which lay down in detail the requirements which a quality plan must meet.
- Examples are ***British Standard 5750*** and ***ISO 9000***.

# Management

## Management

Motivation

Performance  
Appraisal

Sub-  
Optimization

# Management

- Different management roles are classified on the basis of their particular concerns and methods for addressing those concerns. Some are
  - Project management
  - Production management
  - Corporation management

# Management

- The goal of *project managers* is to produce systems which meet the user's needs, are in time and within budget.
- Their main concerns are planning, progress monitoring, acquisition and allocation of resources and quality control.
- The project manager horizon is the successful completion of a project.

# Management

- ***Production management*** is concerned with the management of activities which continue indefinitely and change comparatively slowly.
- It is concerned with productivity, efficiency and maintenance of quality.
- Production manager horizons are both longer and shorter than project managers.

# Management

- ***Corporate management*** deals with the management of organization as a whole.
- Corporate managers monitors the overall performance of the organization and handle serious problems that arise anywhere in the organization.



# Motivation

- How well individuals carry out their jobs depends on several factors
  - How well they understand what is required of them.
  - Their ability
  - The quality of facilities provided for doing the job.
  - Their motivation
  - The attitude of their colleagues.

# Motivation

- People are generally motivated by
  - Self esteem
  - The esteem of others
  - Satisfaction of social needs
  - A sense of security
  - Financial rewards

# Performance Appraisal

- Central idea of performance appraisal is that managers decide with each of their subordinates, what should be the subordinate's objectives in his next time period of job.
- At the end of that time period, the subordinate performance is assessed against these objectives and new objectives are agreed for the next time period.

# Performance Appraisal

- There are several important points in order to make such a scheme work
  - Both manager and subordinate must participate in setting the subordinate's objectives.
  - Attainment of the objectives should be verifiable.
  - Subordinate's job must be sufficiently homogenous.

# Performance Appraisal

- Continuing commitment from all levels of management is required.
- Staff reviews should be diagnostic rather than purely evaluative.
- Review procedure should not be closely linked with the salary review procedure.

# **Sub-optimization**

**“Optimizing the performance of individual units within an organization maynot optimize the performance of the whole organization”**