**LECTURE 7**

# ORGANIZING

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# LEARNING OUTCOMES

**On successful completion of this lesson, the learner will be able to:**

**LO1:** Define the term "**Organizing**" in the business context.

**LO2:** Understand **fundamental concepts** in relation to organizing.

**LO3:** Discuss **different approaches** to departmentalization and the importance of **vertical structure.**

**LO4:** Discuss horizontal coordination, relational coordination, and horizontal collaboration as means of **horizontal structure.**

**LO5:** Discuss the **evolution of organizational structure,** and the factors that shape organizational structure.

**LO6:** Discuss the importance of **human talent management** in effective organizing.

# ORGANIZING ?

➢ Arranging organizational structure and resources to achieve strategic goals.

➢ **Organizing includes:**
  ✓ Establishment of formal lines of authority (vertical structure).
  ✓ Division of labor into specific departments and jobs.
  ✓ Formal coordination system.

**Strategy defines what to do.**
**Organizing defines how to do it.**
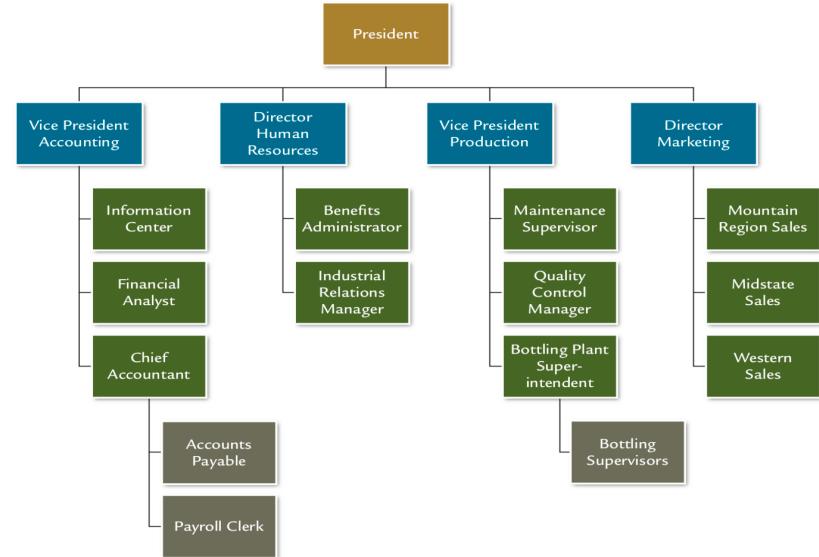
**Organizing follows strategy.**

# ORGANIZING THE VERTICAL STRUCTURE

➢ **Vertical Structure:** A framework for vertical control of the organization.

➢ **An organizational chart:**
- ✓ Hierarchical levels
- ✓ Span of control
- ✓ Chain of command
- ✓ Decision responsibility



➢ Vertical structure requires an effective employee coordination system .
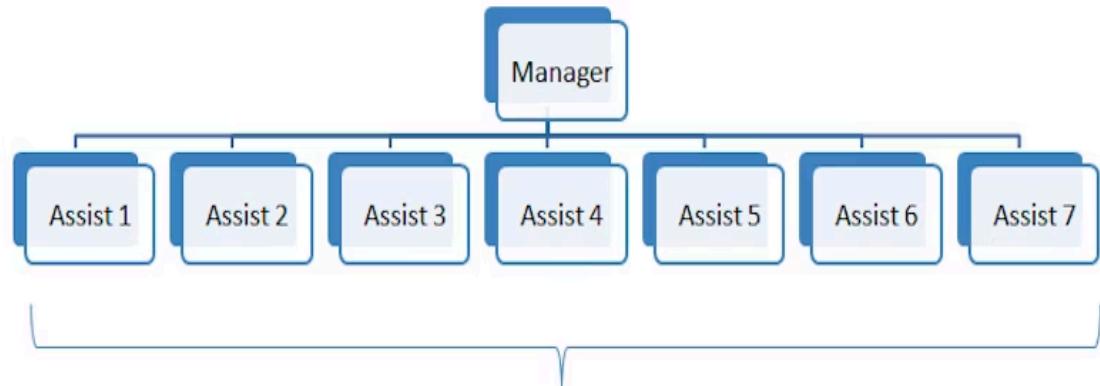
**Without effective coordination systems, no structure is complete.**

# SPAN OF CONTROL

- ➢ Also called Span of Management.
- ➢ It refers to the number of subordinates (direct reports) a supervisor is responsible for.
- ➢ Span of control is wider in flat organizations.
- ➢ A wide or narrow span of control has its own pros and cons.
- ➢ Right span of control leads to organizational effectiveness.

Manager

Assist 1 | Assist 2 | Assist 3 | Assist 4 | Assist 5 | Assist 6 | Assist 7

Span of control = 7
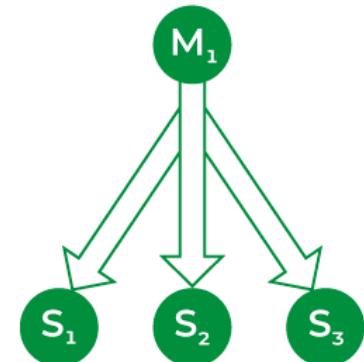
# CHAIN OF COMMAND

➤ An unbroken line of authority that links all employees in an organization.

1.  **Unity of Command:** Each employee is held accountable to only one supervisor.

2.  **Scalar Principle:** A clearly defined line of authority in the organization that includes all employees.

**All employees should know to whom they report and the successive management levels all the way to the top.**

# AUTHORITY | RESPONSIBILITY | ACCOUNTABILITY

- ➢ **Authority:**
  - ✓ The formal and legitimate right of a manager to make decisions, issue orders, and allocate resources.

- ➢ **Responsibility:**
  - ✓ The duty to perform the task or activity as assigned.

- ➢ **Accountability:**
  - ✓ The people with authority and responsibility are subject to reporting and justifying task outcomes to those above them in the chain of command.
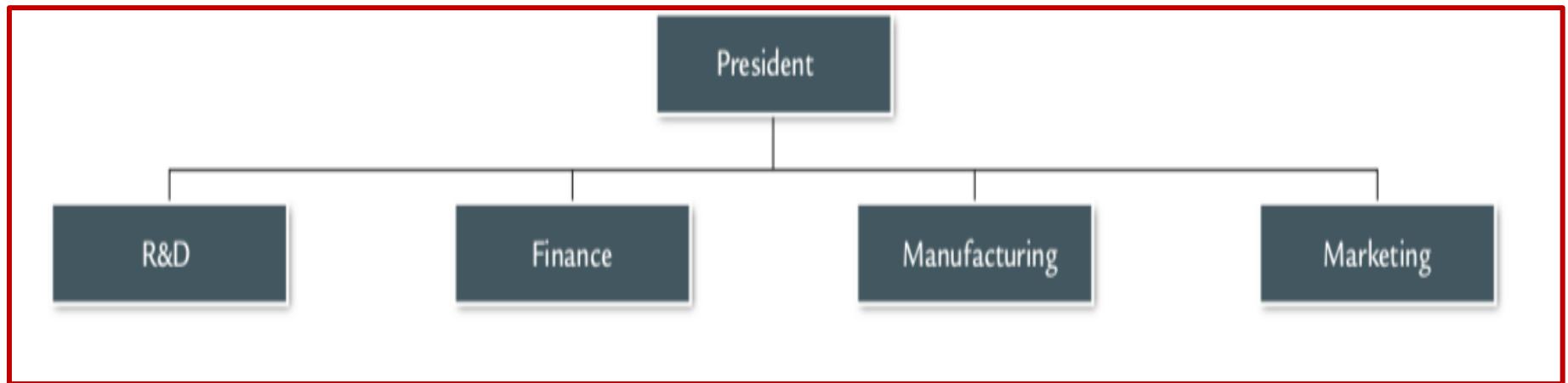
# DEPARTMENTALIZATION

➢ **Grouping individual positions into departments, and departments into the total organization.**

➢ **Traditional approaches to departmentalization:**
  - ✓ **Functional**
    - ▪ Employees are grouped into departments based on similar skills, tasks, and use of resources.
  - ✓ **Divisional**
    - ▪ Employees are grouped into departments based on similar organizational outputs.
  - ✓ **Matrix**
    - ▪ Employees are grouped into departments based on both functional and divisional chains of command simultaneously.

# FUNCTIONAL APPROACH TO DEPARTMENTALIZATION

```
                        ┌─────────────┐
                        │  President  │
                        └──────┬──────┘
         ┌────────────┬────────┴────────┬────────────┐
    ┌────┴────┐  ┌────┴────┐  ┌──────────┴───┐  ┌─────┴─────┐
    │   R&D   │  │ Finance │  │ Manufacturing│  │ Marketing │
    └─────────┘  └─────────┘  └──────────────┘  └───────────┘
```

**Advantages:**

**In class discussion**
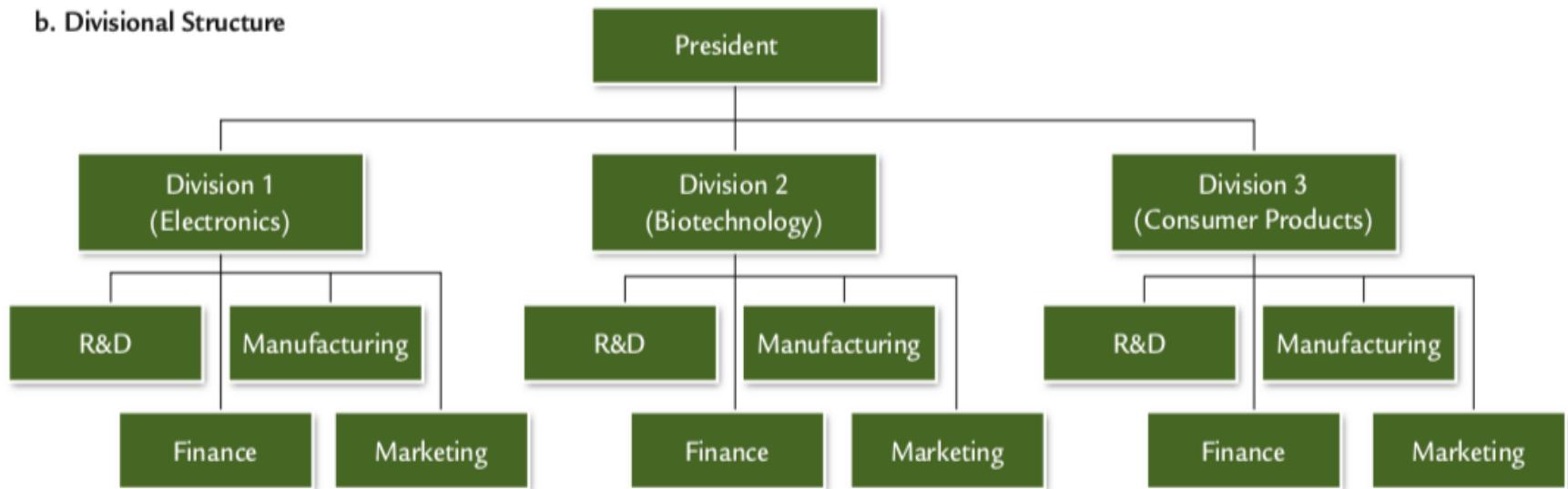
**Disadvantages:**

**In class discussion**

# DIVISIONAL APPROACH TO DEPARTMENTALIZATION

b. Divisional Structure

President

Division 1 (Electronics)
- R&D
- Manufacturing
- Finance
- Marketing

Division 2 (Biotechnology)
- R&D
- Manufacturing
- Finance
- Marketing

Division 3 (Consumer Products)
- R&D
- Manufacturing
- Finance
- Marketing

Advantages:

**In class discussion**

Disadvantages:

**In class discussion**

10
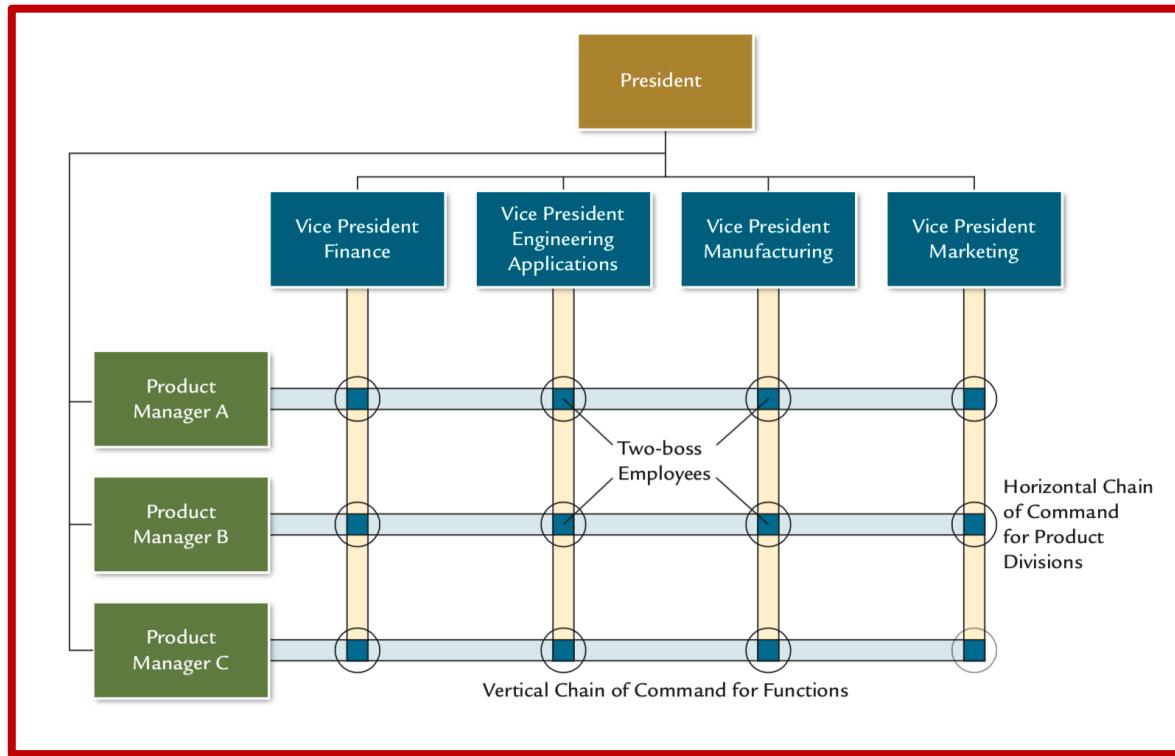
# MATRIX APPROACH TO DEPARTMENTALIZATION
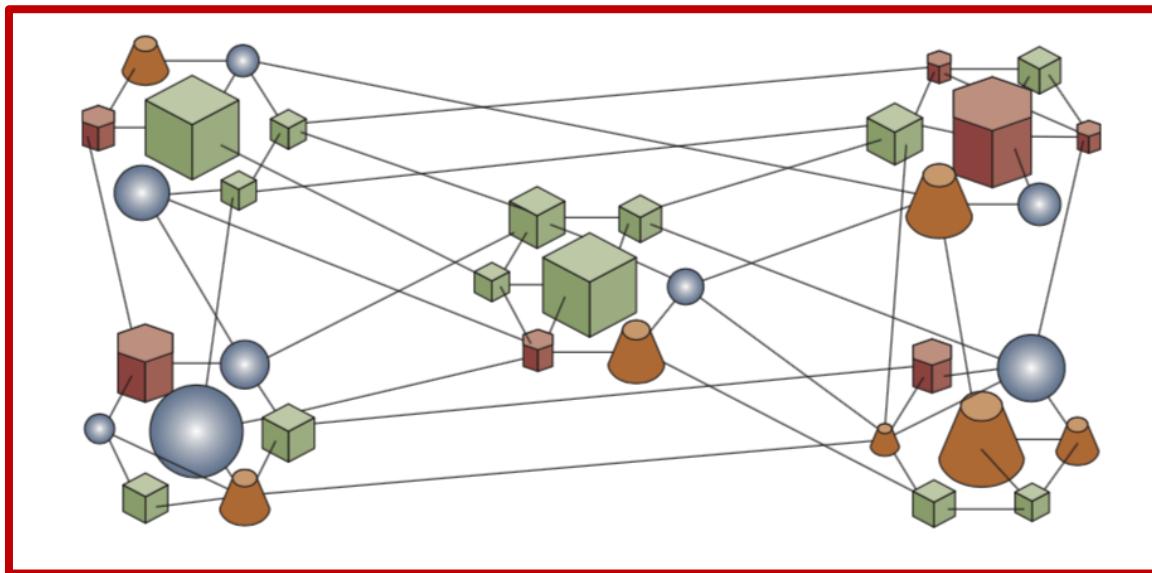


Advantages:

**In class discussion**

Disadvantages:

**In class discussion**

# TEAM APPROACH TO DEPARTMENTALIZATION
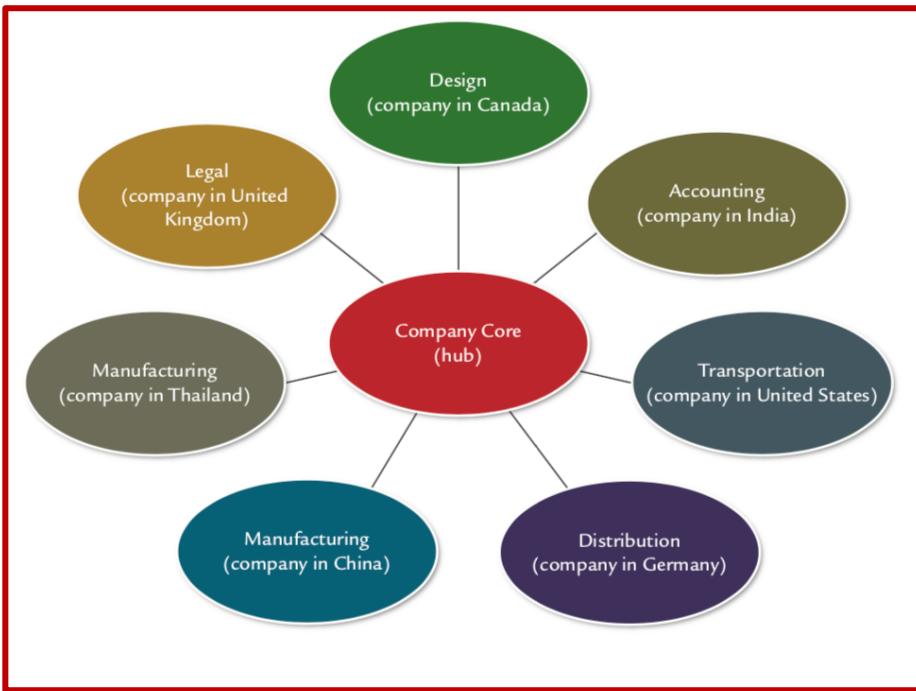


Advantages:

**In class discussion**

Disadvantages:

**In class discussion**

# VIRTUAL NETWORK APPROACH TO DEPARTMENTALIZATION



Advantages:

**In class discussion**

Disadvantages:

**In class discussion**

13

# ORANIZING THE HORIZONTAL STRUCTURE

## HORIZONTAL INTEGRATION:
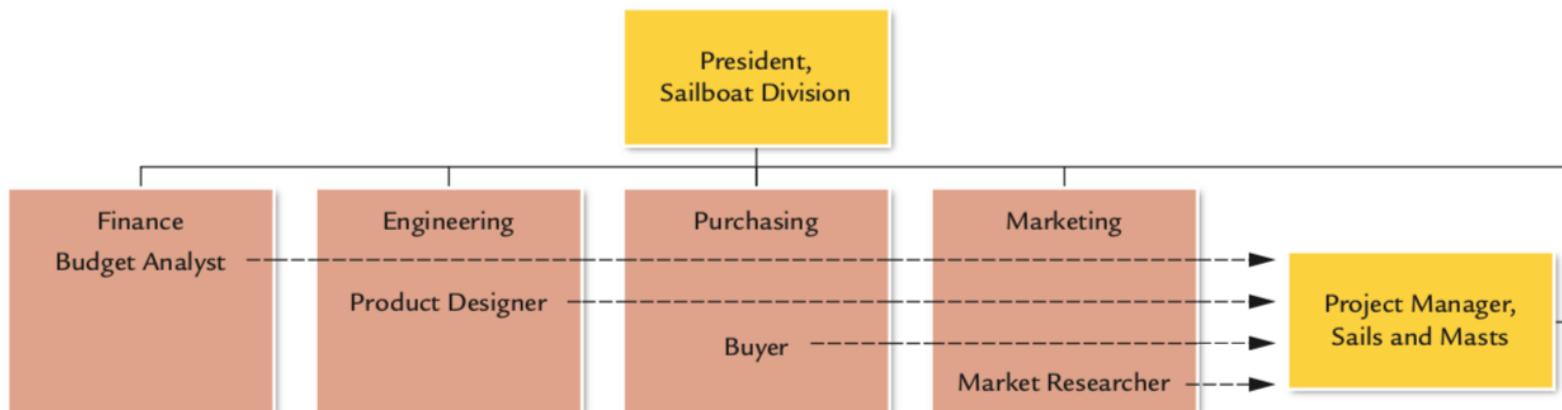
➢ The mechanism for tying all departments together.

➢ The mechanism for tying all departments for working together by breaking down barriers between departments.

➢ Employees of the same status in different departments establish a relationship between them for better performance (HODs of different departments).

# ORGANIZING THE HORIZONTAL STRUCTURE

## HORIZONTAL COORDINATION:

➢ The managerial task of adjusting and synchronizing the diverse activities among different individuals and departments.

➢ Ways to improve horizontal coordination?
   ✓ **Task forces**
   ✓ **Teams**
   ✓ **Project managers**
   ✓ **Relational coordination**

# ORGANIZING THE HORIZONTAL STRUCTURE
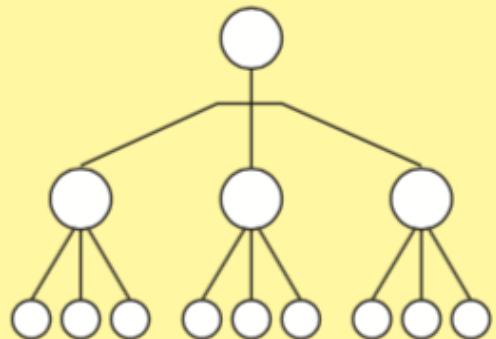
➢ **HORIZONTAL COLLABORATION:**
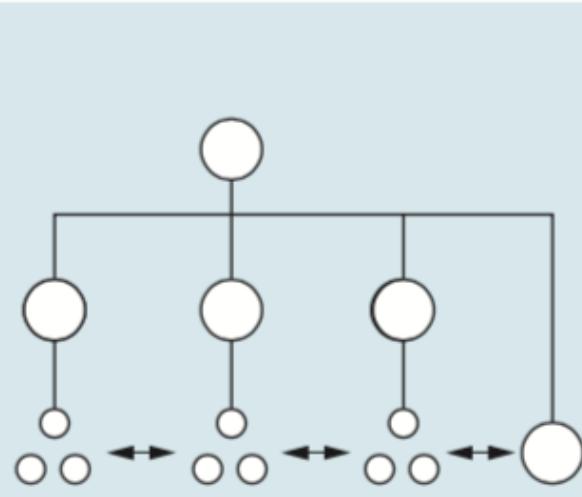
✓ A joint effort between departments to meet a shared purpose and that is typically greater than what any of the individuals or departments could achieve working alone.

✓ Horizontal collaboration both within the organization and with external partners and stakeholders, is essential to succeed.

✓ Companies can achieve higher efficiency levels by forming a coalition and carrying out a joint operational plan.
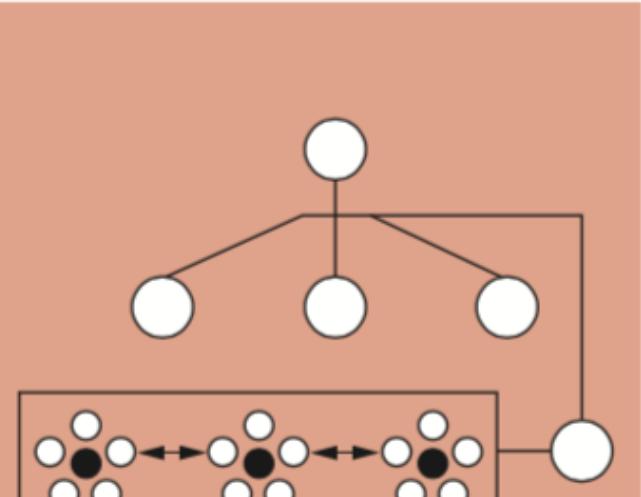
# EVOLUTION OF ORGANIZATION STRUCTURE



Traditional Vertical
Structure

Cross-Functional Teams and
Project Managers

Reengineering to
Horizontal Teams

# RELATIONAL COORDINATION

➢ The highest level of horizontal coordination.

➢ Frequent, timely, problem-solving communication carried out through employee relationships of shared goals, shared knowledge, and mutual respect.

➢ People share information freely across departmental boundaries, and people interact on a continuous basis to share knowledge and solve problems.

➢ **Dimensions of relational coordination:** communication (frequency, timeliness, accuracy, problem-solving) and three questions about relationships (shared goals, shared knowledge, mutual respect).

# FACTORS SHAPING STRUCTURE
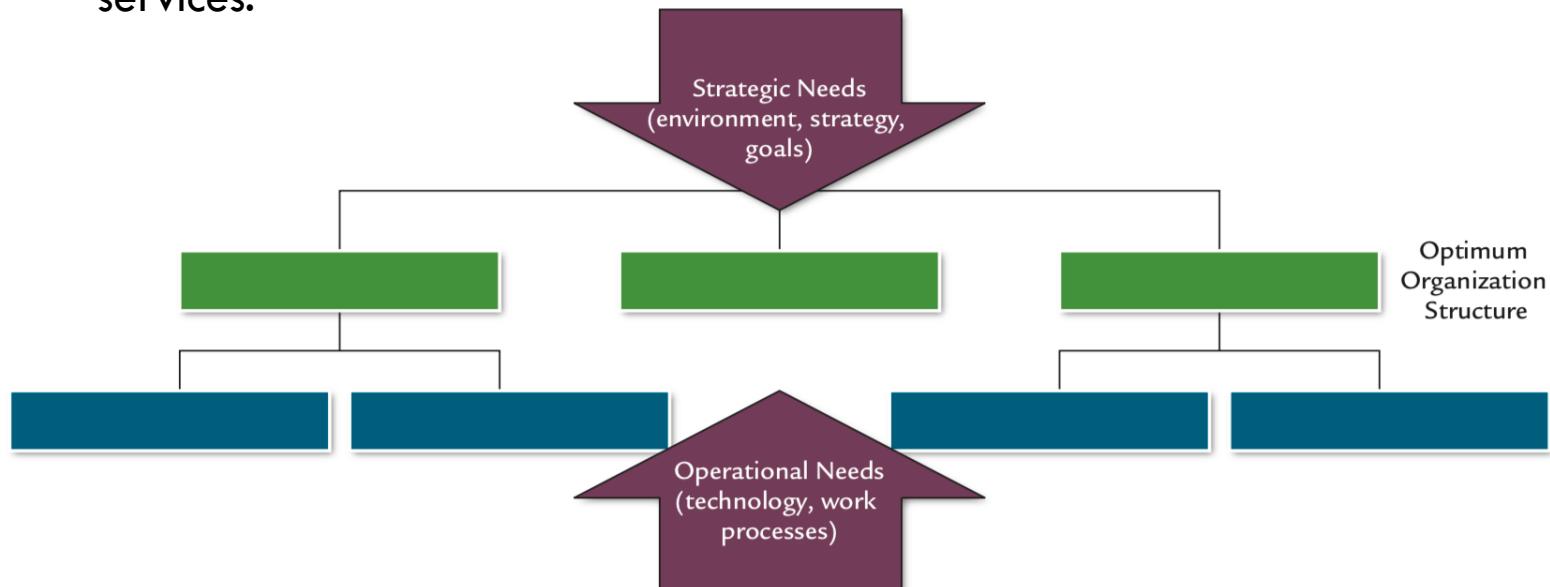
➢ **Strategic needs: (top down)**
   - ✓ Environmental conditions
   - ✓ Strategic direction
   - ✓ Organizational goals

**Factors affecting organizational structure come from both outside and inside the organization.**
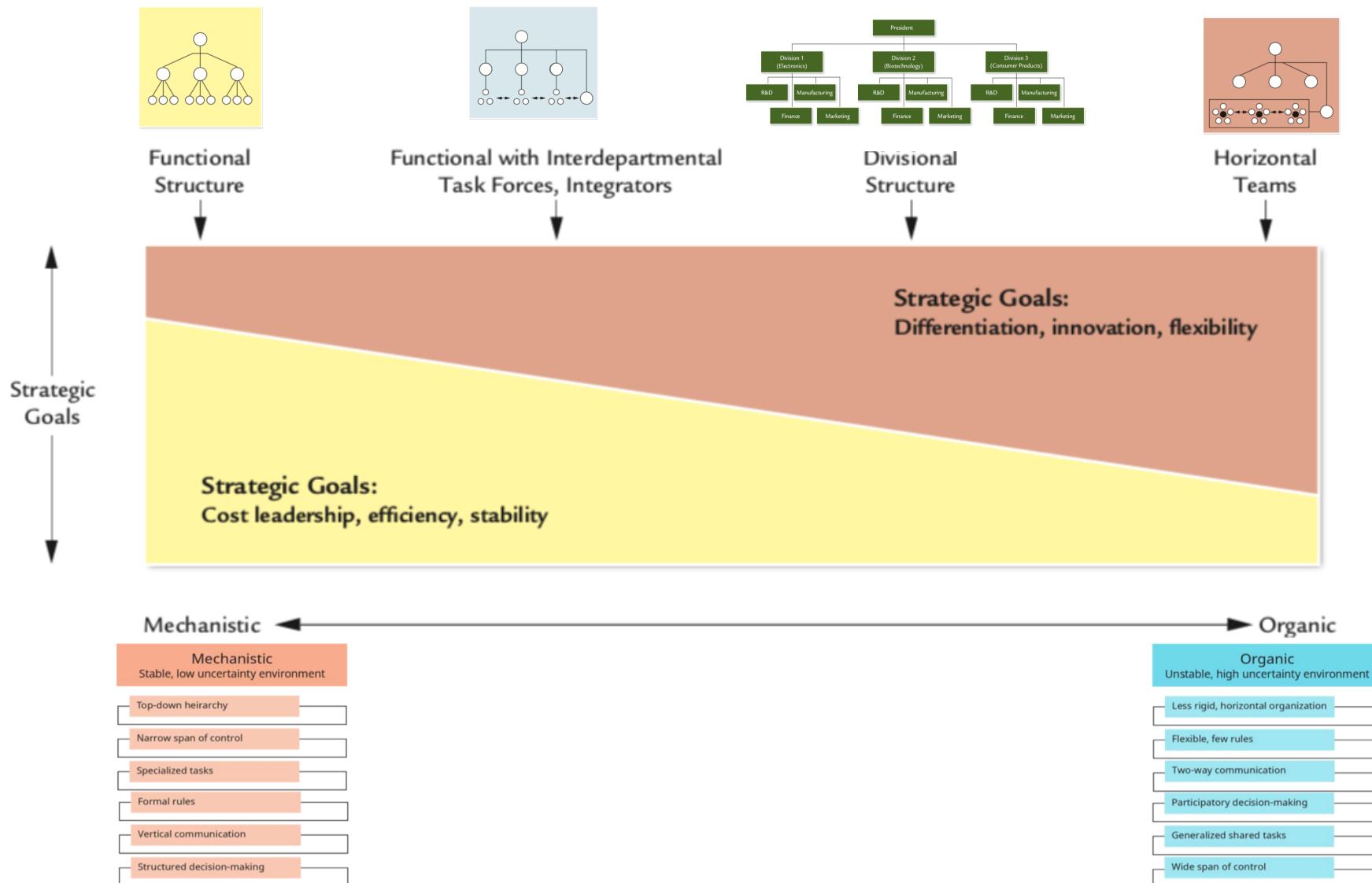
➢ **Operational needs: (bottom up)**
   - ✓ Technology
   - ✓ Work processes that are performed to produce the organization's products and services.



9

# STRUCTURE – STRATEGY CONNECTION



Functional Structure

Functional with Interdepartmental Task Forces, Integrators

Divisional Structure

Horizontal Teams

Strategic Goals

**Strategic Goals:**
Differentiation, innovation, flexibility

**Strategic Goals:**
Cost leadership, efficiency, stability

Mechanistic ⟷ Organic

| Mechanistic |
| --- |
| Stable, low uncertainty environment |
| Top-down heirarchy |
| Narrow span of control |
| Specialized tasks |
| Formal rules |
| Vertical communication |
| Structured decision-making |

| Organic |
| --- |
| Unstable, high uncertainty environment |
| Less rigid, horizontal organization |
| Flexible, few rules |
| Two-way communication |
| Participatory decision-making |
| Generalized shared tasks |
| Wide span of control |

# TECHNOLOGY – STRUCTURE CONNECTION
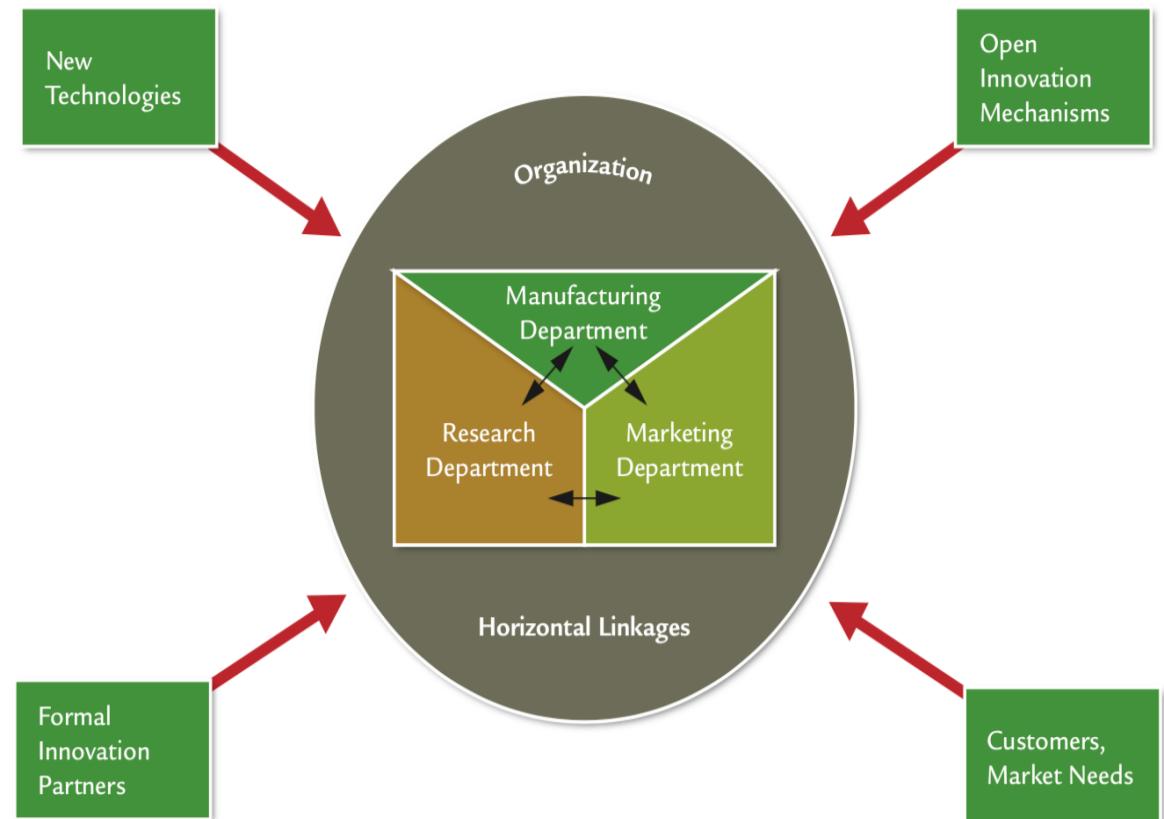
➢ **Technology:** It comprises the knowledge, tools, techniques, and activities used to transform organizational inputs into outputs.

➢ Technology has revolutionized the way organizations function.

➢ Technology plays a crucial role in shaping and enhancing organizational structures.

  ✓ Ability to streamline communication and collaboration within an organization.
  ✓ Technology has enabled organizations to adopt more flexible organizational structures through wireless connections/remote access/ work automation.

# HORIZONTAL COLLABORATION & OPEN INNOVATION
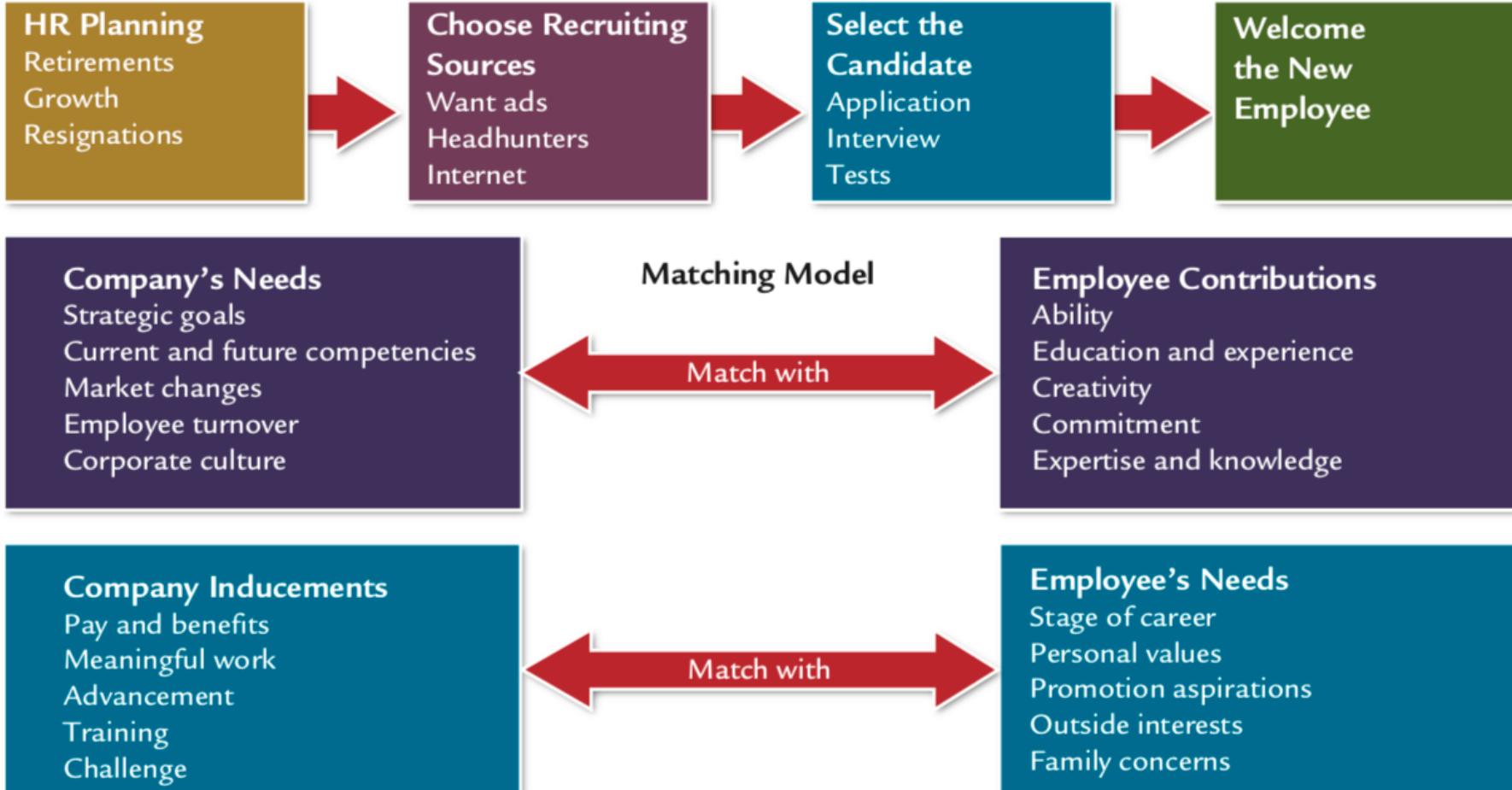
**Innovation is a team support**

➢ Product and process innovations typically originate at lower levels of the organization and flows across departments.

➢ people and organizations outside the firm can be rich sources of innovative ideas.

# FINDING RIGHT TALENTS

**HR Planning**
Retirements
Growth
Resignations

→

**Choose Recruiting Sources**
Want ads
Headhunters
Internet

→

**Select the Candidate**
Application
Interview
Tests

→

**Welcome the New Employee**

## Matching Model

**Company's Needs**
Strategic goals
Current and future competencies
Market changes
Employee turnover
Corporate culture

← Match with →

**Employee Contributions**
Ability
Education and experience
Creativity
Commitment
Expertise and knowledge

**Company Inducements**
Pay and benefits
Meaningful work
Advancement
Training
Challenge

← Match with →

**Employee's Needs**
Stage of career
Personal values
Promotion aspirations
Outside interests
Family concerns

# MANAGING HUMAN TALENTS

➢ Human capital is the backbone of any organization.

➢ No organization can perform without talented people.

➢ Proper company strategy should be in place to find, develop, motivate, and retain human capital, that determines the success or failure of any organization.

➢ Leading-edge HR practices are vital for managing human capital.

**Find the Right People**
- HRM planning
- Job analysis
- Forecasting
- Recruiting
- Selecting

**Company Strategy**

**Maintain an Effective Workforce**
- Wages and salary
- Benefits
- Labor relations
- Terminations

**Manage Talent**
- Training
- Development
- Appraisal

# REFERENCES

➢ Richard L. Daft, *Management* (USA: Cengage, Boston, 2021), pp.3-29.

➢ Openstax. *Principles of Management* (Texas: Rice University, Houston), pp. 16-28.

➢ https://pingboard.com/blog/organizational-planning-guide-types-of-plans-steps-and-examples/

# Q&A