



**Sixth/ Seventh Semester B.E (All branches)**  
**Essentials of Management**  
**HSS-302/401**



# Functions of Management

## Learning Objectives

What is Management

Planning as a Function of Management

Organizing as a Function of Management



Staffing as a Function of Management

Directing as a Function of Management

Controlling as a Function of Management

Summary

# Organizing as a Function of Management

## Learning Objectives

- ▶ What is Organizing
- ▶ Nature of Organizing
- ▶ Components of Organizing
- ▶ Steps of Organizing
- ▶ Benefits of Organizing

# Organizing as a Function of Management

## What is Organizing?

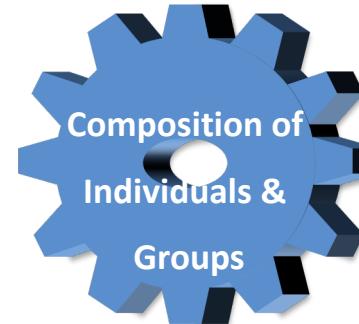
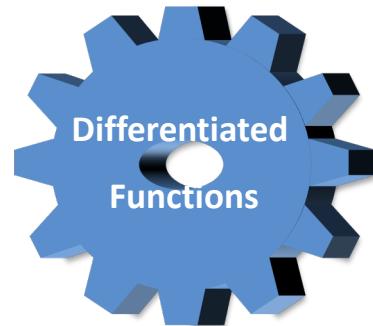
Organizing involves:

- Identification and classification of the required activities
- Grouping of activities necessary to attain objectives
- Assignment of each grouping to a manager with authority and the provision of coordination



# Organizing as a Function of Management

## Nature of Organizing

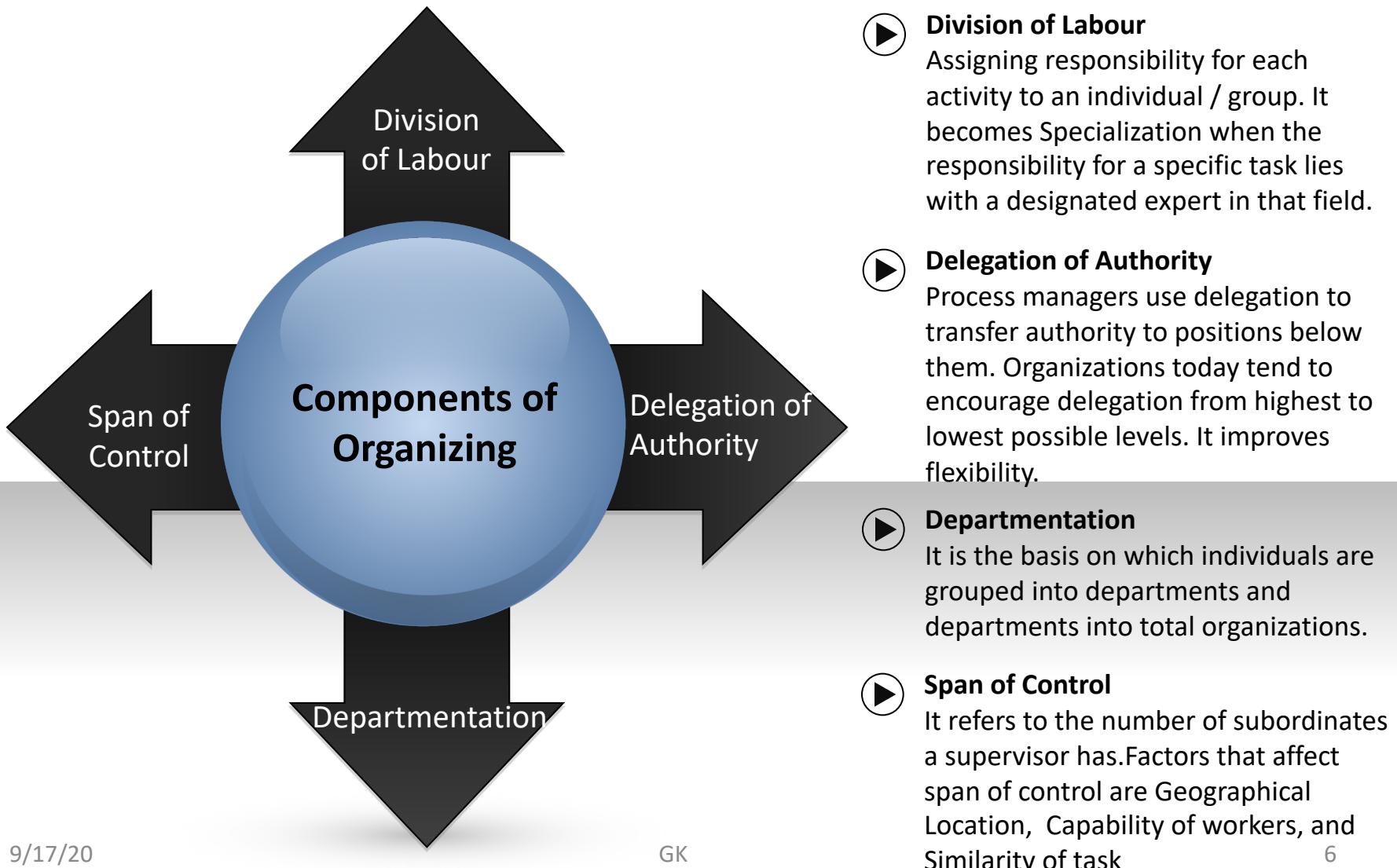


Management is the art of getting things done



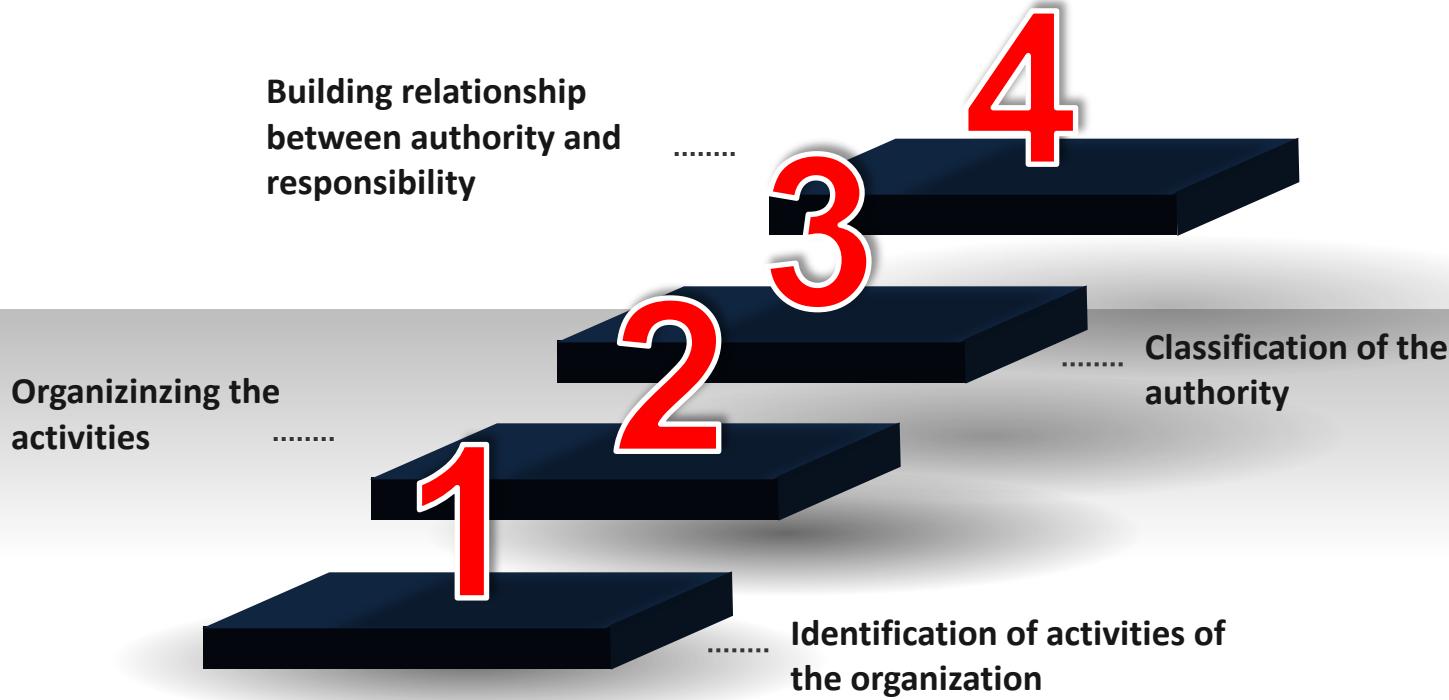
# Organizing as a Function of Management

## Components of Organizing



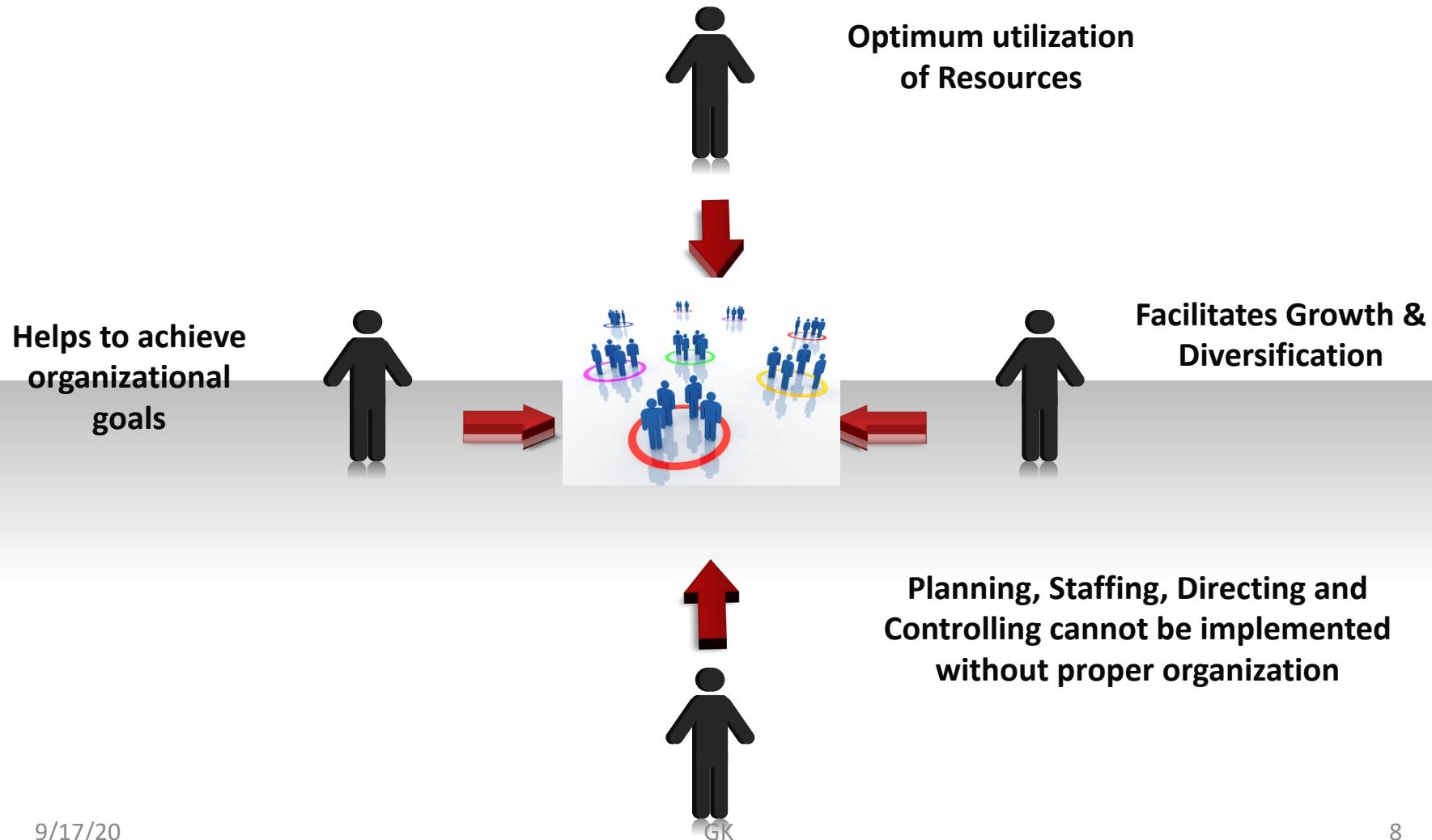
# Organizing as Function of Management

## Steps in Organizing Process



# Organizing as Function of Management

## Benefits of Organizing





# Nature and purpose of Organizing

- Verifiable objectives
- A clear idea of the major duties and activities involved
- An understood area of discretion or authority so that the person filling the role knows that he can do to accomplish goals
- Organization implies a formalized, intentional internal structure of roles and positions.



# Formal and informal organization



- **Formal organization** means the intentional structure of roles in a formally organized enterprise.



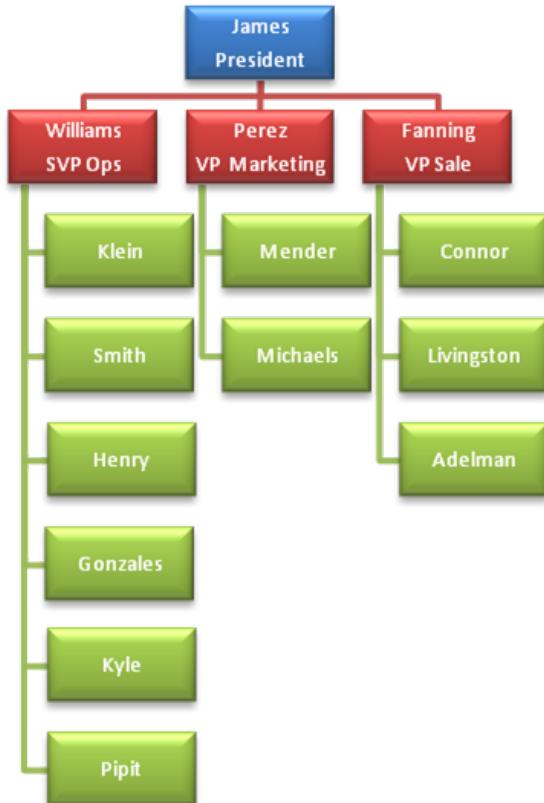
- **Informal organization** is a network of personal and social relations not established/required by the formal organization but **arising spontaneously** as people associate with one another.



# Formal and informal organization

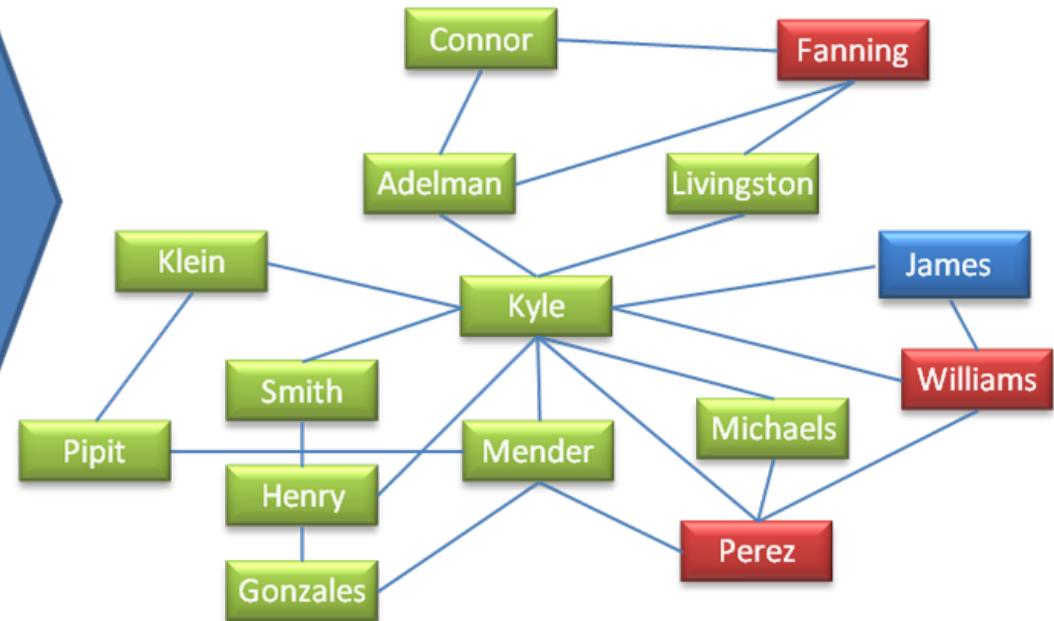


## Formal Structure



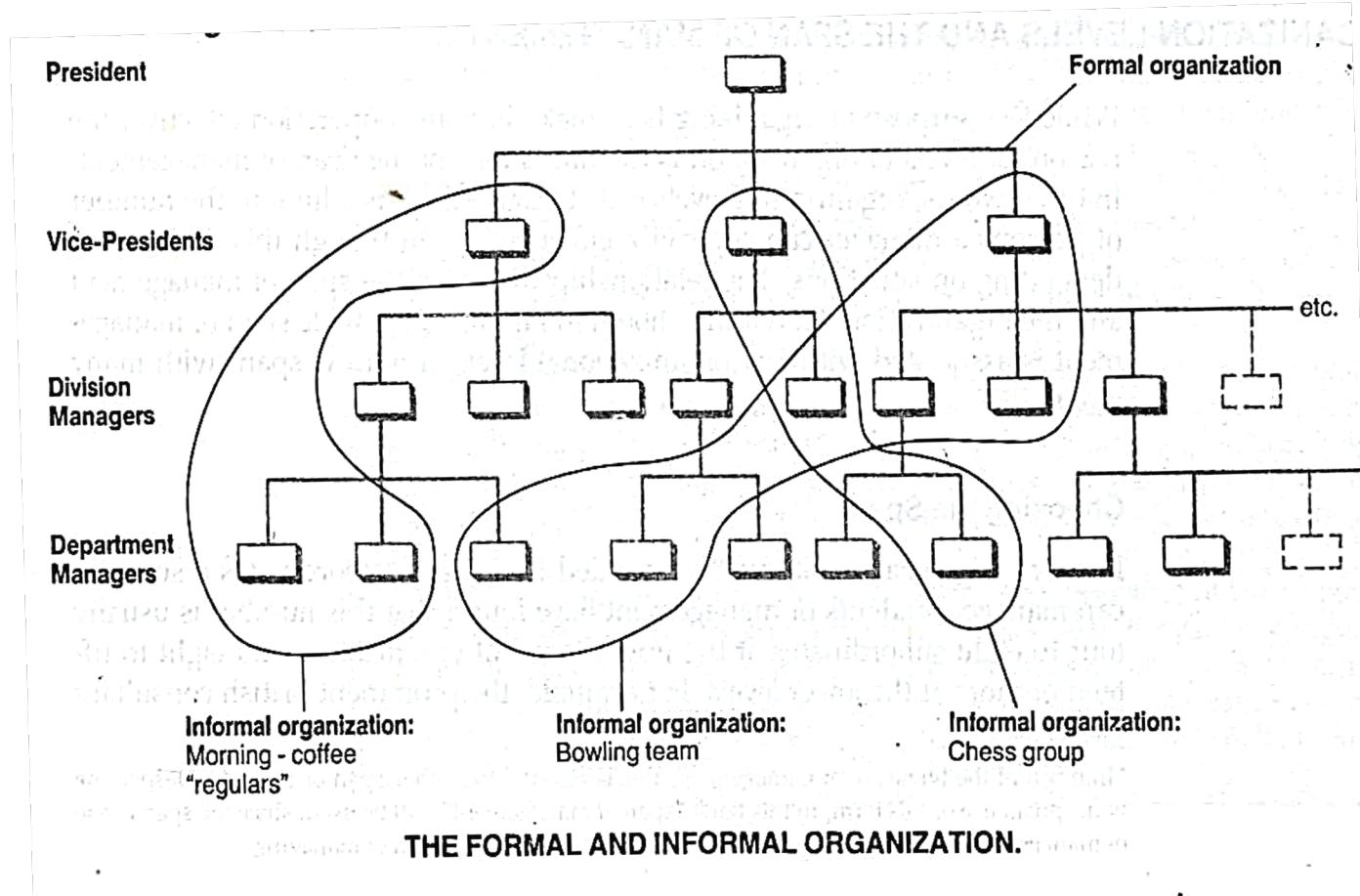
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## Informal Organization





# Formal and informal organization





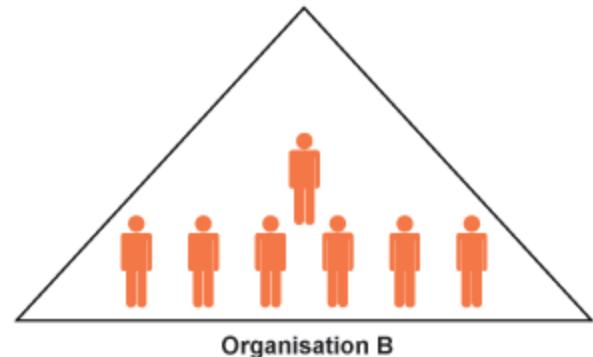
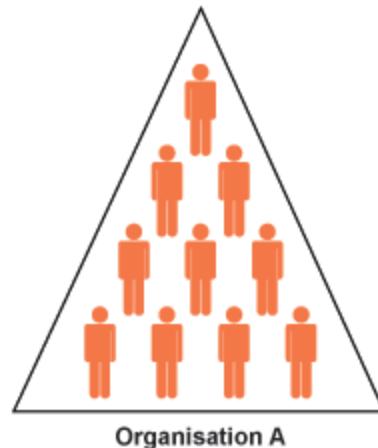
# Formal and informal organization

Formal organization	Informal organization
<ol style="list-style-type: none"><li>1. Designed and created by the top management</li><li>2. Planned one</li><li>3. Authority and responsibility are fixed and defined</li><li>4. Requires an office to function</li><li>5. Is rigid, definite, and has a written constitution</li></ol>	<ol style="list-style-type: none"><li>1. Comes up on its own</li><li>2. Not a planned one, it is created spontaneously</li><li>3. Authority is generally based on personal acceptance.</li><li>4. Functions through people.</li><li>5. Is flexible and has no such fixed Rigid, written constitution.</li></ol>



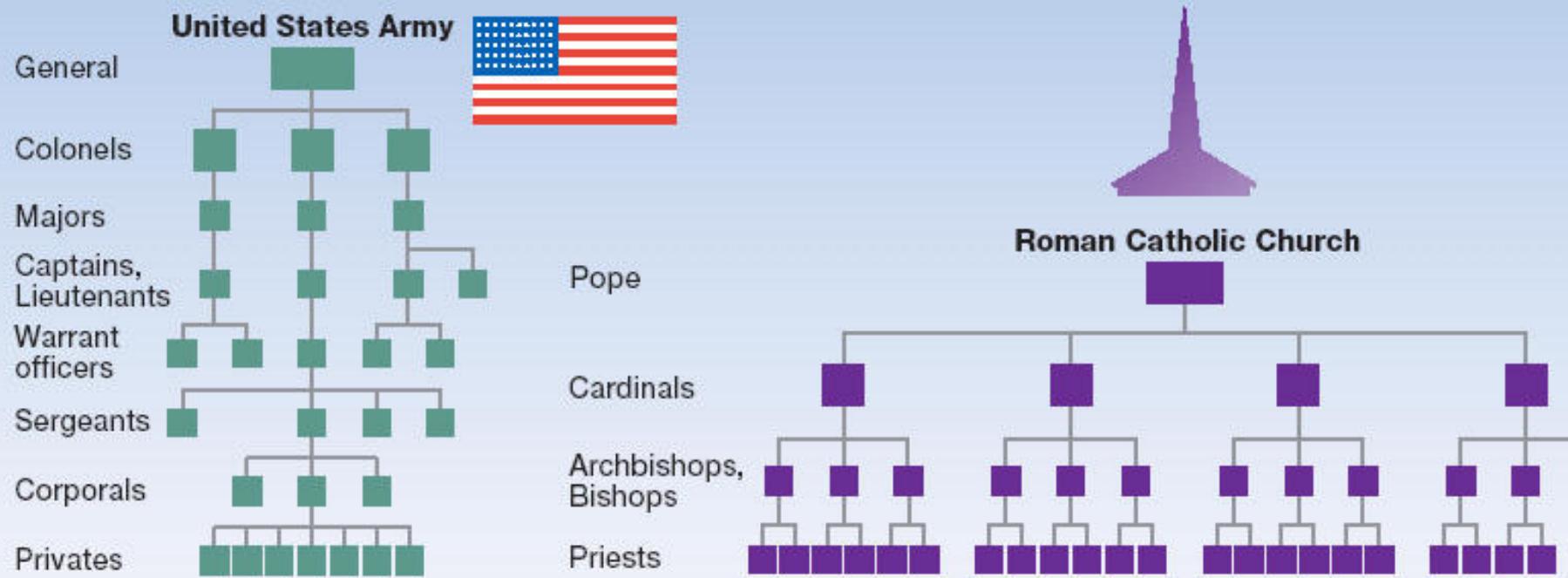
# Tall and flat organizations

- **Tall structures** have many levels of authority and narrow spans of control
- **Flat structures** have fewer levels and wide spans of control





# Tall and flat organizations



# Span of control



- Refers to the number of subordinates who report directly to an executive or supervisor
- The differences in the span of control have direct implications on the shape of the organization
- Organizations must find the optimal span of control to be effective
  - Narrow enough to permit managers to maintain control over subordinates
  - Wide enough so that the possibility of micromanaging is minimized





# Factors effecting span of control

- **The optimal span of control is dependent on the following factors**
  - **Subordinates training:** Well trained subordinate requires less time of supervisor. In this case a broader span is feasible
  - **Delegation of authority:** If manager clearly delegates the authority, then a subordinate can get it done with a minimum superiors time and attention.
  - **Planning:** Clear policies to guide decisions for the subordinates result in fewer dependencies on superiors time
  - **Rate of change:** Dynamic industry calls for narrow span, if stable business, broader span



# Factors effecting span of control

- **The optimal span of control is dependent on the following factors**
  - **Communication techniques:** Broader span is feasible if the manager can communicate effectively.
  - **Kind of activity:** If the activities are highly important and complicated, then small span is recommended.
  - **Kind of organization:** Centralized organization requires narrow span. Decentralized organization decisions are made at lower level and there is freedom of action.
  - **Organizational level:** If delegation of authority done at lower level, then we can have a wider span of control.

# Patterns of departmentation



1. Departmentation by Simple numbers
2. Departmentation by Time
3. Departmentation by Enterprise functions
4. Departmentation by Territory/Geography
5. Departmentation by Product
6. Process/Equipment Departmentation
7. Customer Departmentation
8. Matrix Departmentation



# Departmentation by numbers



- This is structural departmentation include
  - grouping all persons who are to perform the same duties and functions and putting them together under the supervision of a manager.
- Age old method and rapidly falling into disuse: Construction, Old armies



# Departmentation by numbers



- Reasons for the decline:
  1. The technology is advancing very fast, demanding more specialized and different skills.
  2. Groups composed of specialized personnel are more frequently more efficient than merely based on numbers.
- It is useful only at the lowest level of the organization structure.



# Departmentation by time



- Suitable for lower level of the organization
- Oldest form structuring organization
- Grouping of activities according to basis of time
- The use of shifts is common in many enterprise because normal workloads become insufficient and ineffective
- E.g.: Hospital, Production facilities





# Advantages



- Services offered 24X7 instead of 8 hrs shift
- Process need not be interrupted which needs a continuous cycle of operation
- Expensive capital equipment can be used more than 8hrs/day
- Students attending classes during the day's time can work in night shift to sustain their living.



# Limitations

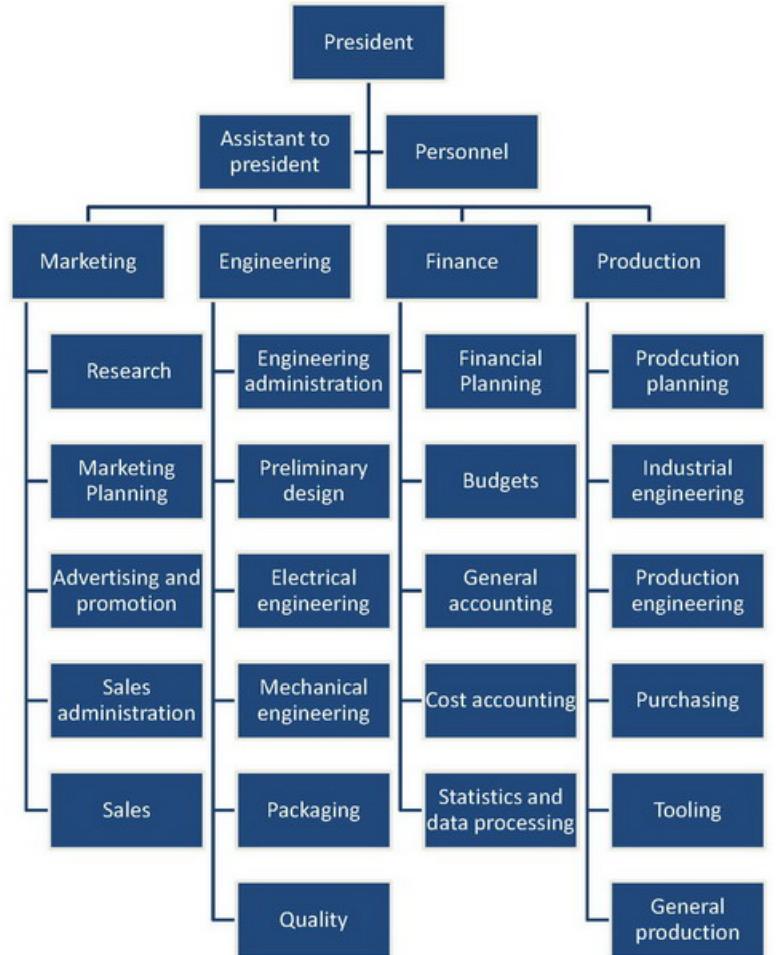
- Supervising during night shift becomes difficult
- There is fatigue factor, since it is difficult for most employees to change their biological clock
- Having several shifts may cause problems with coordination and communication
- Payment of overtime can increase the cost of production or services rendered.



# Functional departmentation



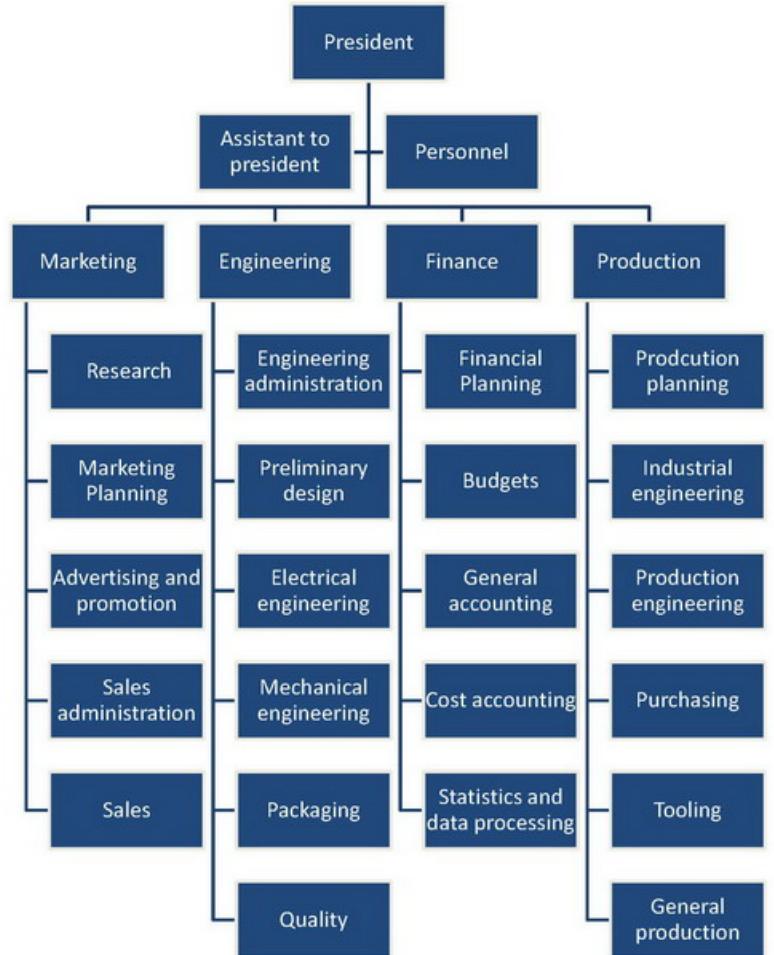
- The most widely used form of departmentation
- Groups activities by function—the jobs to be done.
- Consistent with the idea of specialization and division of work, activities that are alike or similar are placed together in one department and under a single chain of command.



# Functional departmentation



- Functional departmentation also facilitates coordination since a supervisor is in charge of one major area of activity.
- It is easier to achieve coordination this way than to have the same functions performed in different departments under different supervisors.

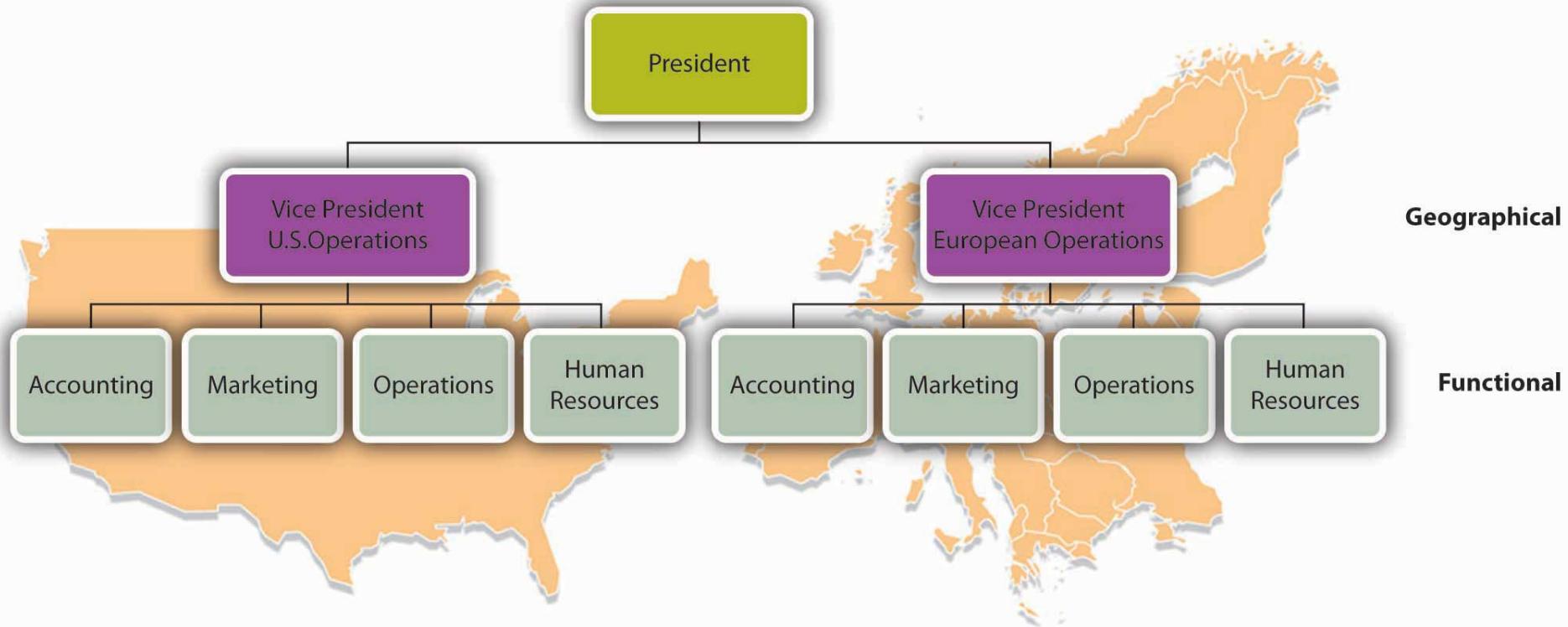


# Functional departmentation



Strengths	Weakness
<ul style="list-style-type: none"><li>• Allows economies of scale within functional departments</li><li>• Enables in-depth knowledge and skill development</li><li>• Enables organization to accomplish functional goals</li><li>• Is best with only one or a few products</li></ul>	<ul style="list-style-type: none"><li>• Slow response time to environmental changes</li><li>• May cause decisions to pile on top, hierarchy overload</li><li>• Leads to poor horizontal coordination among departments</li><li>• Results in less innovation</li><li>• Involves restricted view of organizational goals</li></ul>

# Geographical departmentation



# Geographical departmentation



- Grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography.
- For example, Coca-Cola has reflected the company's operation in two broad geographic areas – the North American sector and the international sector, which includes the Pacific Rim, Europe, Africa and Latin America groups.

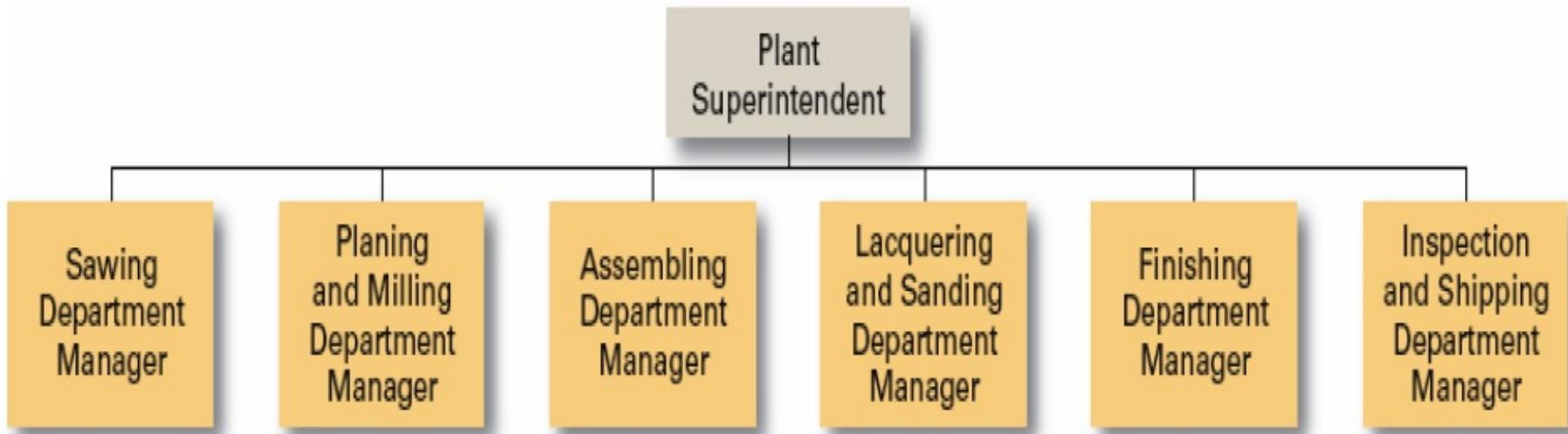


# Geographical departmentation



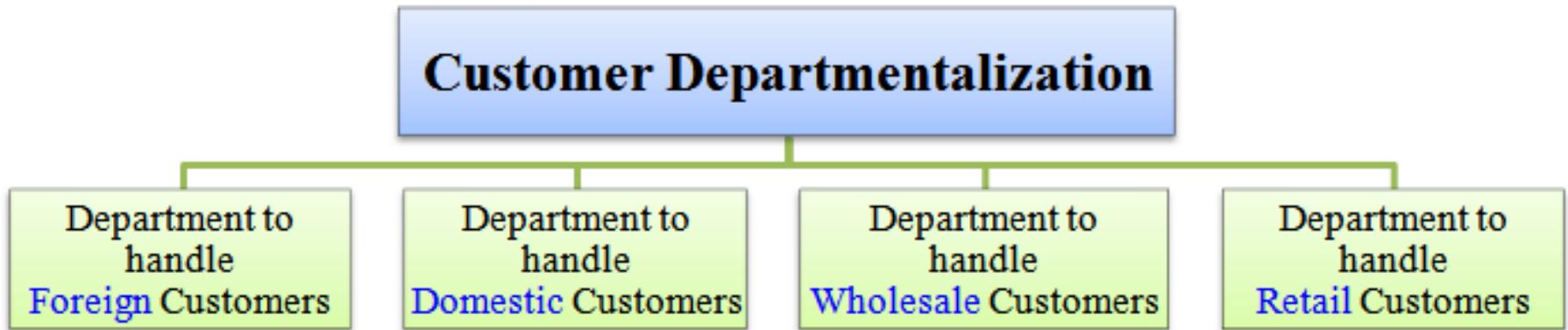
Advantages	Limitations
<ul style="list-style-type: none"><li>Places responsibility at the lower levels.</li><li>Places emphasis on local markets &amp; local problems.</li><li>Improves co-ordination in a region.</li><li>Takes advantages of economies of local operation.</li><li>Better face to face communication with local interests.</li><li>Furnishes measurable training ground for general managers.</li></ul>	<ul style="list-style-type: none"><li>Requires more persons with G.M abilities.</li><li>Tends to make maintenance of economic central services difficult.</li><li>Increases problem of top management control.</li></ul>

# Departmentation by process/ equipment



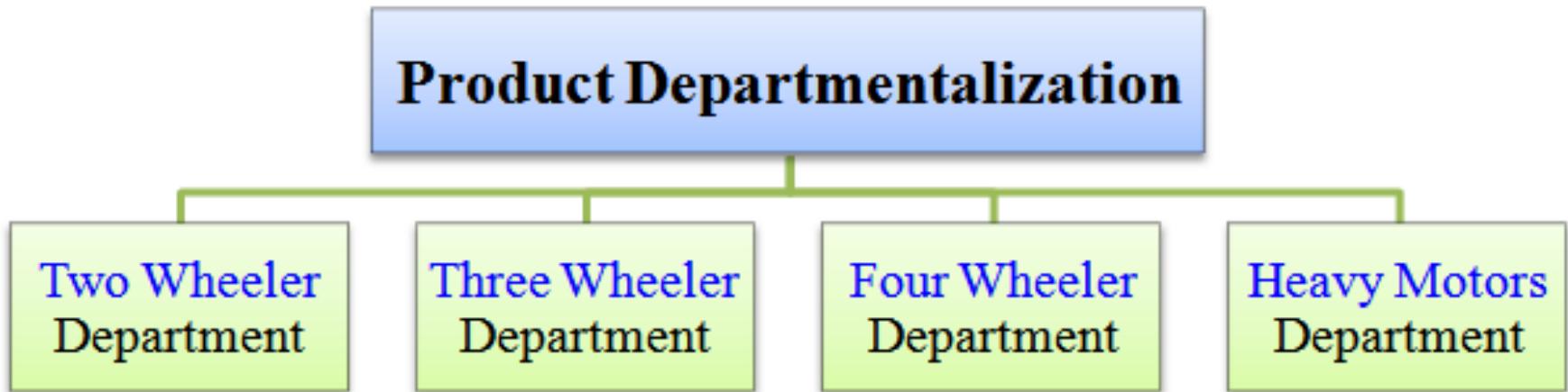
- + More efficient flow of work activities
- Can only be used with certain types of products

# Departmentation by customer



- Customer departmentalization - Grouping activities on the basis of common customers or types of customers.
- The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists.

# Product/ Service departmentation



- E.g.: A food product company may choose to divide its operations into a frozen food department, a dairy products department, a produce department, and the like.
- Product departmentation can also be a useful guide for grouping activities in service businesses.

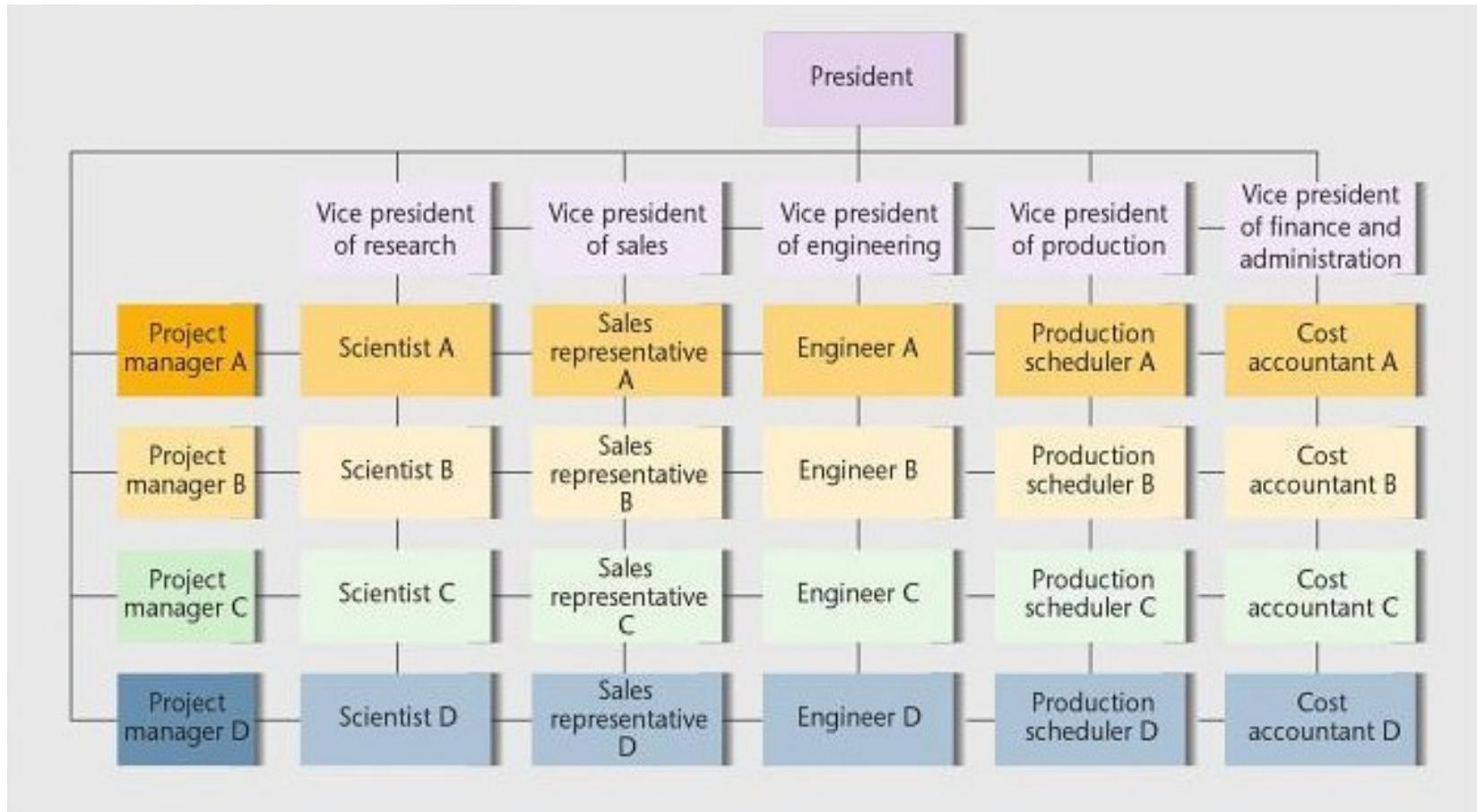
# Matrix structure departmentation



- A matrix structure is a type of departmentalization that superimposes a horizontal set of divisional reporting relationships onto a hierarchical functional structure.
- The essence of a matrix organization is the combination of functional and product or project patterns of Departmentation in the same organization structure.



# Matrix structure departmentation



# Matrix structure departmentation



## Advantages:

- Oriented towards end results
- Professional identification is maintained
- Pinpoints product profit responsibility

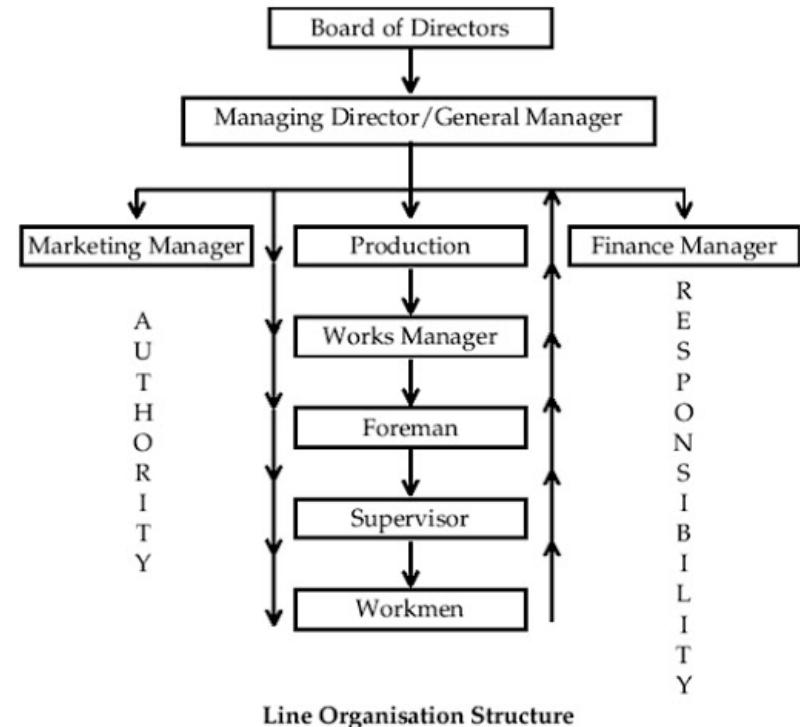
## Disadvantages:

- Unity of command is violated
- Conflict in organization authority exists
- Requires manager effective in human relations

# Line organization Structure



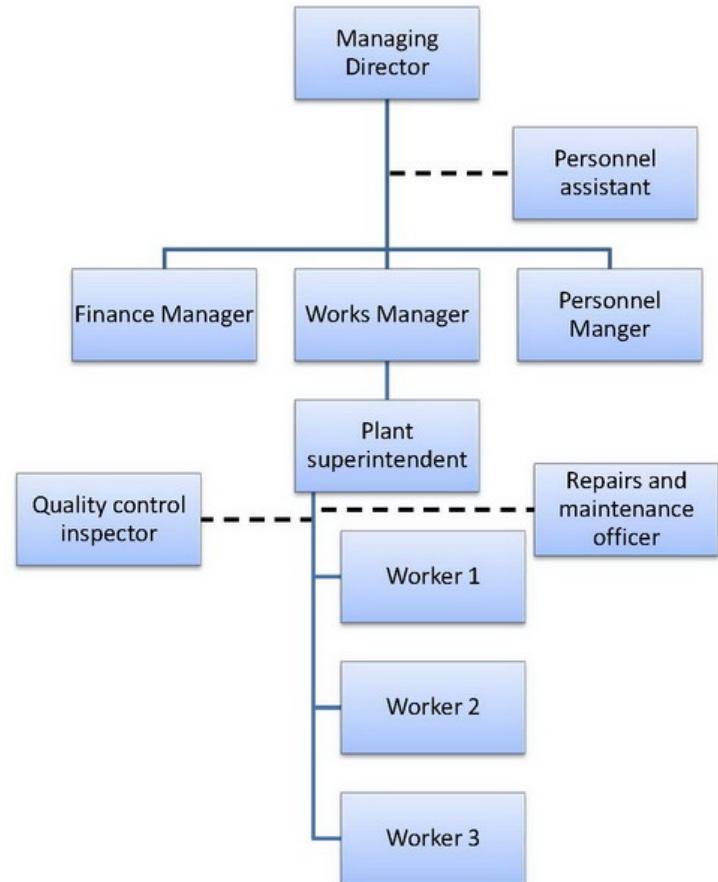
- It is the oldest type of organization. This is known by different names, i.e, **military, vertical, scalar departmental organization.**
- The persons having greater decision making authority are placed at the top and those having the least decision –making authority are at the bottom. In between there are other levels of management such as intermediate or supervisory.



# Line & Staff organization



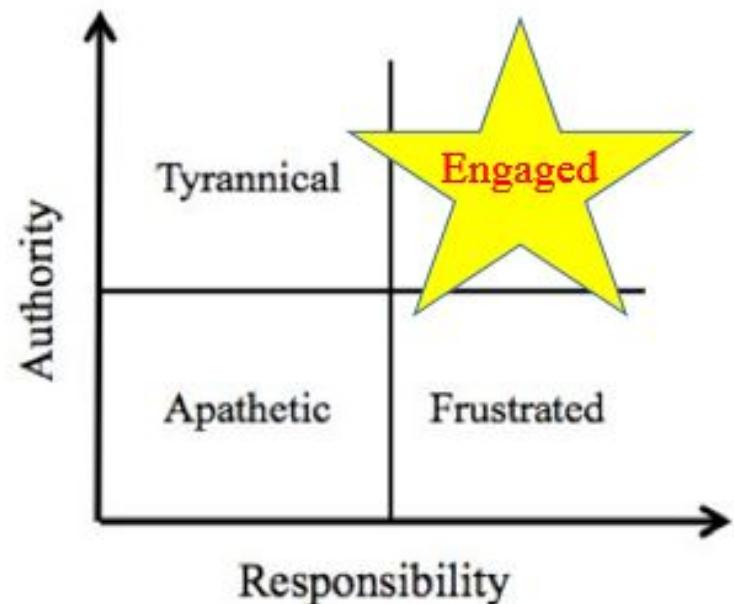
- A line and staff organization is one where specialist advisers, in the form of functional managers, assist the line managers in the performance of their responsibilities.
- Line executives have direct control over the subordinates under them. Staff executives have no such authority. Rather, they are meant to aid and advise the line managers at the same level.
- Line and staff functions frequently overlap. Most staff executives may also simultaneously be line and functional executives.



# Delegation of Authority



- Authority: right to give orders.
- “Rightful legal power to request subordinates to do certain thing or to refrain from doing so, and if he doesn’t follow these instructions the manager is in a position, if need be, to take disciplinary action, even to discharge the subordinate.”



# Delegation of Authority



- Responsibility: Duty or responsibility is used in many senses. It means obligation, liability, or activity or accountability.
- “It may be defined as the obligation of a subordinate, to whom a supervisor has assigned a task, to perform the service required.”



# Delegation of Authority



- Delegation: “**The entire process of delegation involves the determination of results expected, the assignment of tasks, the delegation of authority for accomplishment of these tasks and creating the obligation for the subordinate to carry out the task**



# Delegation of Authority



## Delegation Flow Chart

I do.

I do,  
you  
watch.

We do.

You do,  
I watch.

You do.

- Realization
- Observation
- Collaboration
- Evaluation
- Delegation

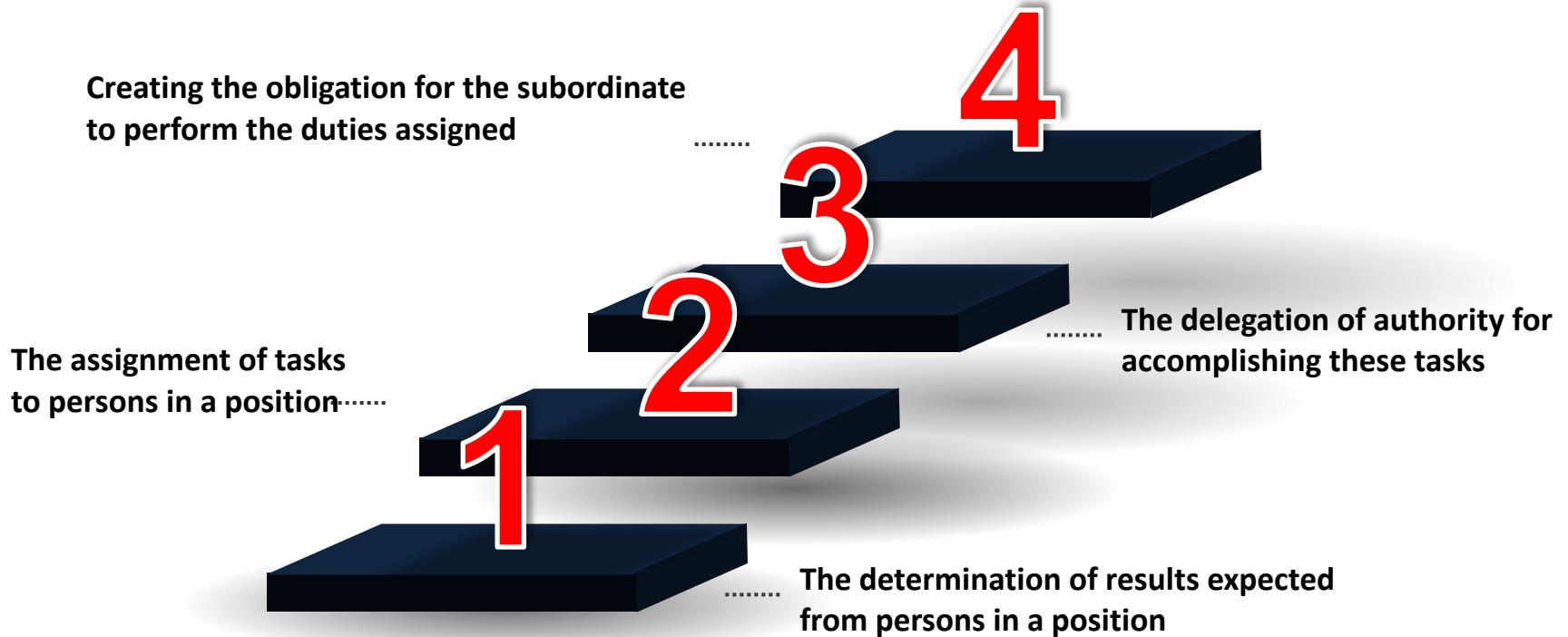
# Principles of Delegation



- 1. Delegation to go by results expected:** Before assigning duties and delegating the authority to his subordinates, the manager should be clear in his mind as to what he expects from them.
- 2. Responsibility is absolute:** A manager can delegate only authority not responsibility. Responsibility is never delegated.
- 3. Select appropriate sub ordinate for delegation:**
- 4. Authority to match responsibility and vice versa:** Just as an ill-equipped soldier can't fight a battle successfully, similarly an inadequate unauthorized subordinate can't succeed in accomplishing the assigned task.



# Process of Delegation



# Why managers do not delegate...?

1. None better than I
2. I will be exposed
3. The company can't do without me
4. I am the master
5. Why take the risk
6. None of the subordinates is capable
7. What if he proves better than me

# DECENTRALIZATION OF AUTHORITY



- Decentralization is the tendency to **disperse decision making authority** in an organized structure.
- It is a fundamental aspect of delegation; to the extent the authority is not delegated, it is centralized.
- It requires careful selection of which decisions to push down into the structure and which to hold near the top, specific policy making to guide the decision making.

# Benefits of decentralization



1. Relieves top management of the burden of decision making
2. Encourages decision making and assumption of authority and responsibility
3. Gives manager more freedom and independence in decision making
4. Promotes establishment and use of broad controls which may increase motivation
5. Makes comparison of performance of different organizational units possible
6. Facilitates setting up of profit centers
7. Facilitates product diversifications
8. Promotes development of general managers
9. Aids in adaptation to a fast changing environment

# LIMITATIONS OF DECENTRALIZATION



1. Limited by the availability of qualified managers
2. Involves considerable expense for training managers
3. Makes it more difficult to have a uniform policy
4. Increases complexity of coordination of decentralized organizational units
5. Result in loss of some control by upper level managers
6. Limited by inadequate control techniques
7. Constrained by inadequate planning and control systems
8. Limited by external forces

# CENTRALIZATION OF AUTHORITY



- Includes withholding the authority by few persons at central points.
- Definition by Louis Allen : centralization is the systematic and consistent reservation of authority at central points in the organization.

# Benefits of Centralization



1. Top management can take vital decisions affecting the entire organizations
2. Having a uniform policy and coordination of all activities are possible
3. High-level people in the organization can take more effective and intelligent decisions
4. Crises and emergency situations can be secured
5. Duplication of effort can be avoided
6. Control and communication becomes easier.

# Limitations of Centralization



1. Decisions are not taken by the people who face situations and problems in their area.
2. Lower and middle level management will not have interest and initiative in the job.
3. Top management unnecessarily has to waste a lot of time and energy on unimportant and routine matters.
4. It hampers effective communication

# Authority & Responsibility

<p><b>Authority is the power or right to give orders, make decisions, and enforce obedience.</b></p>	<p><b>Responsibility is the state or fact of having a duty to deal with something, or of having control over someone.</b></p>
<p><b>It is power.</b></p>	<p><b>It is a duty.</b></p>
<p><b>Here, orders and commands play a vital role.</b></p>	<p><b>Here, duties and obedience play a vital role.</b></p>
<p><b>It stays for a longer period as compared to responsibility.</b></p>	<p><b>It gets completed with the completion of the task so it has a shorter period.</b></p>
<p><b>It flows downwards.</b></p>	<p><b>It flows upwards.</b></p>
<p><b>It can be delegated to others.</b></p>	<p><b>It cannot be delegated.</b></p>
<p><b>The right of a manager to command his subordinates.</b></p>	<p><b>The obligation of a subordinate to complete an assigned work.</b></p>

1. How does informal organization support the formal organization?  
Go through the slides on formal and informal organizations and answer.
2. Neha runs a factory wherein she manufactures shoes. The business have been doing well and she intends to expand by diversifying into leather bags as well as western formal wear thereby making her company a complete provider of corporate wear. This will enable her to market her business unit as the one stop for working women.

Which type of structure would you recommend for her expanded organization and why? Draw the recommended organization structure.

- A company X Ltd. Manufacturing cosmetics, which has enjoyed a prominent position in business, has grown in size. Its business was very good till 1991. But after that, new liberalized environment has seen entry of many MNCs in the sector. With the result, the market share of X Ltd. Has declined. The company had followed a very centralized business model, with Directors and divisional heads making even minor decisions. Before 1991, this business model had served the company very well as consumers had no choice. But now the company is under pressure to reform.
- a) What organization structure changes should the company bring about in order to retain its market share?
- b) How will the changes suggested by you help the firm? Keep in mind that the sector in which the company is FMCG.

Brian has worked for XYZ Company for a number of years and for the last four years he has been General Foreman in charge of assembly departments. His department has been rated high always in respect of efficiency and cost schedules. He is personally respected by his subordinate foremen and by staff personnel.

A week ago a new Supervisor Eshwar was transferred into assembly department from another department whose operations were discontinued. Eshwar had been a General Foreman in the other department and carried the same title in his new assignment. When the Plant Manager introduced Eshwar to Brian and his subordinate foremen he made no mention of Eshwar's specific duties. However in an earlier conversations in his office the Manager informed Eshwar that he would be responsible for the sub assembly areas while Brian would be responsible for the final assembly lines. The manager did not mention the details of the assignment to Brian because he had another 10 General Foremen reporting to him and was hard pressed for time. He assumed that the two men could work things without difficulty and in any event he planned to review their respective areas of responsibilities at the end of the week.

The day after his transfer into the area Eshwar began making changes in the existing system and giving instructions to various supervisors in the sub assembly areas in order to implement changes he felt were desirable. The supervisors reacted with dissatisfaction to the proposed change and immediately went to Brian to ask what was going on and who in charge of the department. Brian could not furnish any specific information but told supervisors to do as Eshwar instructed until he could discuss the matter with the plant manager.

1. What did Plant Manager do what was incorrect. How can he correct the situation? Discuss this with respect to principles of delegation
2. What was the reason for the inefficiency of the Plant Manager?
3. When Eshwar received his assignment did he handle the situation correctly?
4. Do you think that Brian did the right thing in having the men do as Eshwar had instructed? Should Brian talk to Eshwar before discussing the matter with the Manager?
5. Overall what kinds of reasons may be involved in the Plant Managers decision to assign an additional general foreman in the assembly department? Should the reason be communicated to the supervisors in the area?

# Daewoo case Study

## **Daewoo case study**

Daewoo was founded in 1967 by its hardworking, relentlessly driven chairman Kim Woo-Choong. After its initial success in exporting textiles, the company expanded into trade, autos, machinery, consumer electronics, construction, heavy shipping, computers, telephones, and financial services, becoming Korea's fourth largest business group. It became a textile supplier for Sears, Christian Dior, Calvin Klein, and London Fog. It also engaged in a joint venture with General Motors (GM) to build the Le Mans car. However, labor and other problems limited car shipments. Chairman Kim's philosophy of hard work and the value placed in people were important factors in the firm's success. However, in the late 1980s and early 1990s, the company faced several problems. For one, Kim was concerned that, with the increasing prosperity of Koreans, the work force might lose the spirit of hard work. Moreover, there was growing discontent among younger workers and decreasing motivation. Through Kim's hands-off approach to managing, some of the companies in the Daewoo group went out of control. For example, in the unprofitable heavy shipping unit, he noticed many unnecessary expenses. The elimination of company-sponsored barbershops saved the company \$8 million a year. In general, Daewoo's work force was young and well educated. In contrast to similar positions in many other Korean companies, top positions at

Daewoo were occupied by managers with no family ties. Although Daewoo was a major company with its 91,000 employees, it was not dominant in any one industry. The strategy of being a supplier for major companies, such as Caterpillar, GM, and Boeing, may have led to opportunities being bypassed for becoming a major marketer of its own brands. Now in the 1990s, Kim was also looking at opportunities in Europe; for example, he formed a joint venture with a distribution company in France. The massive restructuring had already shown some positive effects. Kim sold some steel, financial, and real estate units. The hands-off managerial style had been replaced by a hands-on style, resulting in re-centralization. Managers were “retired” or otherwise let go. Thousands of positions were also eliminated. Things were looking better in 1991. The company lost money in 1988 and 1989 but made some profit in 1990 partly because of the sale of some major assets. The joint venture with GM registered a healthy growth. The company was also optimistic about the future of the new compact car Espero. Still, Daewoo had to cope with its labor costs and Japanese competition.

What looked good in the early 1990s dramatically changed in the latter part of that decade and especially in the years 2000 to 2002. In 2000, Ford planned to buy Daewoo Motor for some \$7billion. However, the deal fell apart later that year. Moreover, the company went bankrupt in November 2000. Chairman Kim mysteriously disappeared. He liked to think big, and he also left behind the company with big debts. Several billion dollars were also unaccounted for. With Ford out of the picture, GM entered seriously into negotiations with Daewoo, which was once Korea's second biggest car maker. On April 30, 2002, GM agreed to buy the bankrupt company, which was renamed as GM-Daewoo. What is in it if for GM? The acquisition is a key component of its global strategy. On the other hand, restructuring Daewoo is going to be a formidable task. The brand image has to be restored and the Korean market share of 10 percent (which was 37 percent in 1998) has to be improved. The product line also has to be reviewed and complemented with new models. Moreover, GM-Daewoo can expect difficulties with Korea's aggressive unions.

1. What are the advantages and disadvantages of a hands-off, decentralized management approach?
2. What were some of the controllable and uncontrollable factors in this case? How should Mr.Kim have responded to those factors?
3. How can Daewoo stay competitive with the Japanese?
4. What do you think of Daewoo's expansion into Europe? What are the advantages and risks for the company?
5. Why do you think GM acquired the company, while Ford did not?
6. What problems can GM-Daewoo expect in the future?