

UCS1704 – Management and Ethical Practices

UNIT – II

Line and Staff Authority, Departmentation

Semester – VII



OUTLINE

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.

OUTLINE (cont'd)

Organizational Design Decisions

- 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.

OUTLINE (cont'd)

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.

Defining Organizational Structure

- **Organizational Structure**
 - The formal arrangement of jobs within an organization.
- **Organizational Design**
 - A process involving decisions about six key elements:
 - ❖ Work specialization
 - ❖ Departmentalization
 - ❖ Chain of command
 - ❖ Span of control
 - ❖ Centralization and decentralization
 - ❖ Formalization

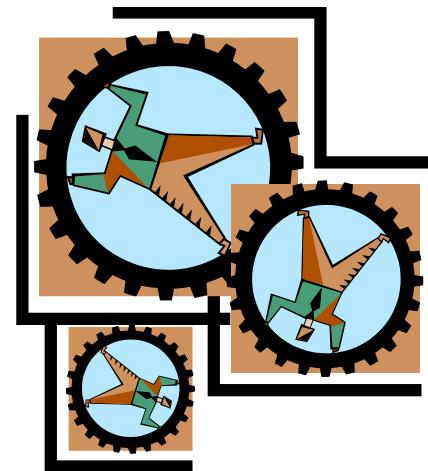
Purposes of Organizing

- **Divides work to be done into specific jobs and departments.**
- **Assigns tasks and responsibilities associated with individual jobs.**
- **Coordinates diverse organizational tasks.**
- **Clusters jobs into units.**
- **Establishes relationships among individuals, groups, and departments.**
- **Establishes formal lines of authority.**
- **Allocates and deploys organizational resources.**

Organizational Structure

- **Work Specialization**

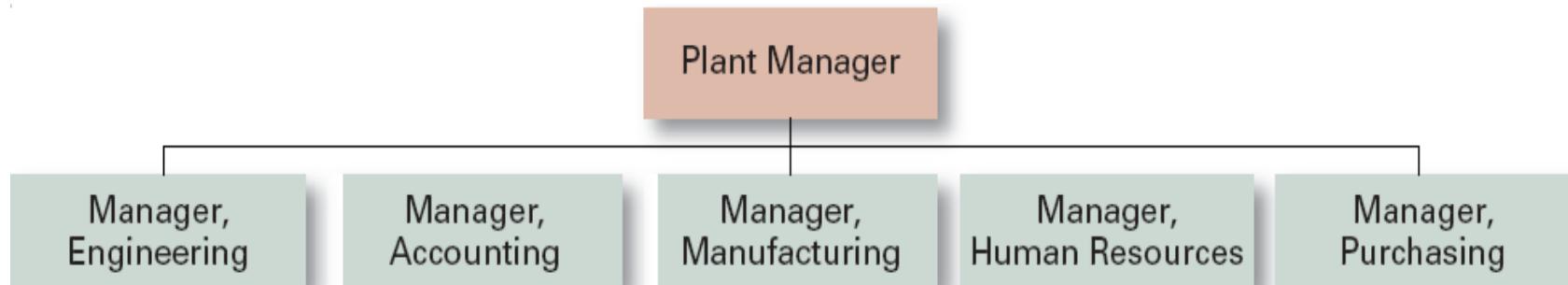
- The degree to which tasks in the organization are divided into separate jobs with each step completed by a different person.
- Overspecialization can result in human diseconomies from boredom, fatigue, stress, poor quality, increased absenteeism, and higher turnover.



Departmentalization by Type

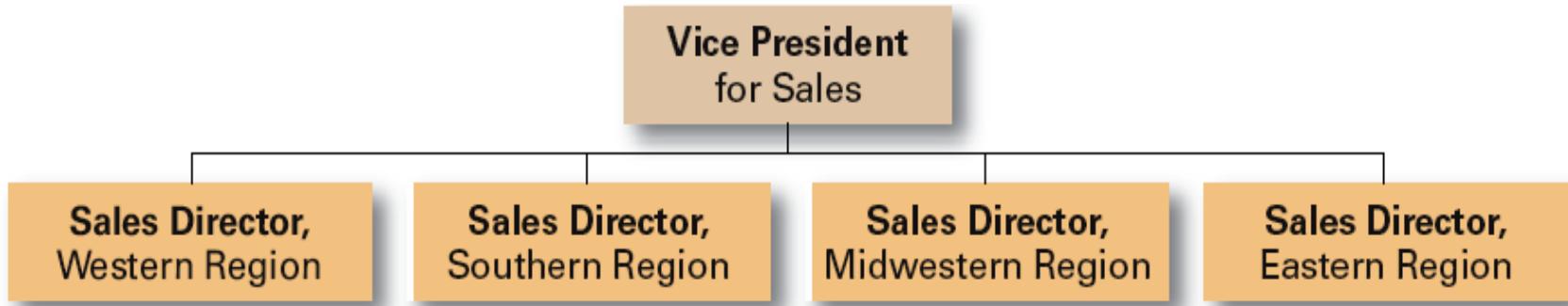
- **Functional**
 - Grouping jobs by functions performed
- **Product**
 - Grouping jobs by product line
- **Geographical**
 - Grouping jobs on the basis of territory or geography
- **Process**
 - Grouping jobs on the basis of product or customer flow
- **Customer**
 - Grouping jobs by type of customer and needs

Functional Departmentalization



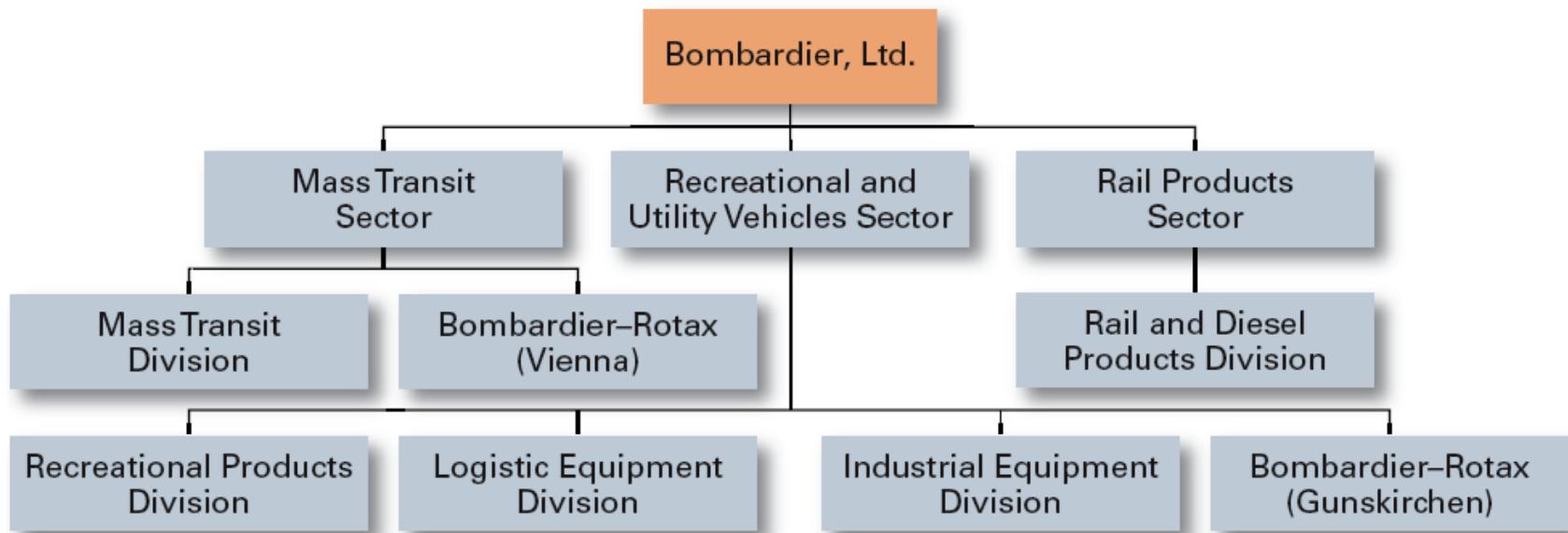
- **Advantages**
 - Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations
 - Coordination within functional area
 - In-depth specialization
- **Disadvantages**
 - Poor communication across functional areas
 - Limited view of organizational goals

Geographical Departmentalization



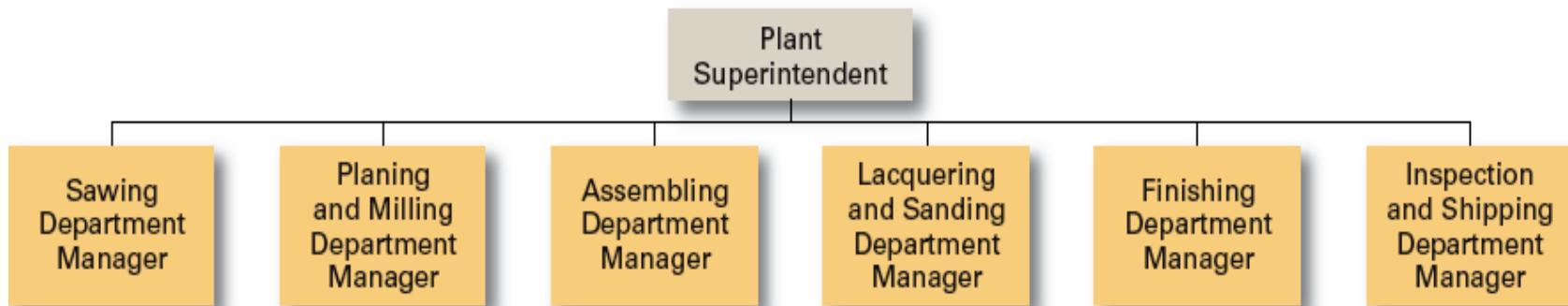
- **Advantages**
 - More effective and efficient handling of specific regional issues that arise
 - Serve needs of unique geographic markets better
- **Disadvantages**
 - Duplication of functions
 - Can feel isolated from other organizational areas

Product Departmentalization



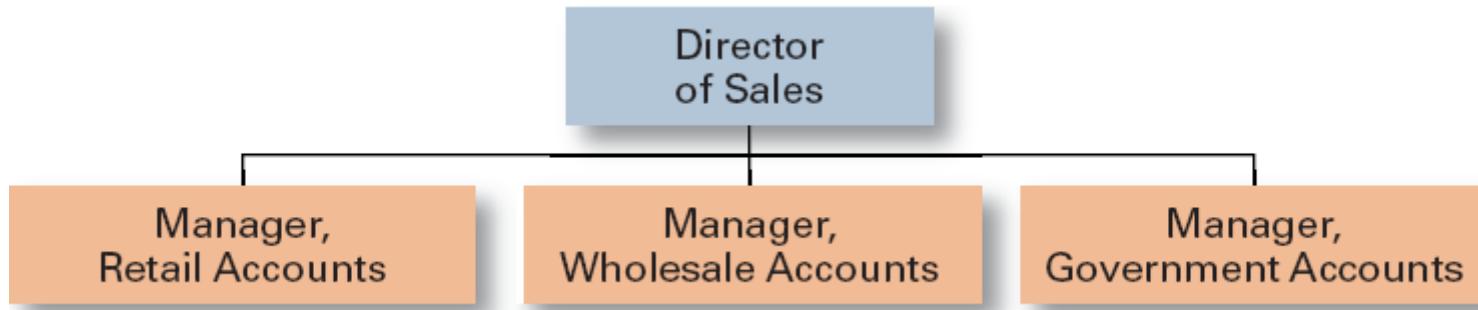
- + Allows specialization in particular products and services
- + Managers can become experts in their industry
- + Closer to customers
- Duplication of functions
- Limited view of organizational goals

Process Departmentalization



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

Customer Departmentalization



- + Customers' needs and problems can be met by specialists
- Duplication of functions
- Limited view of organizational goals

Organization Structure (cont'd)

- **Chain of Command**

- The continuous line of authority that extends from upper levels of an organization to the lowest levels of the organization and clarifies who reports to who.



Organization Structure (cont'd)

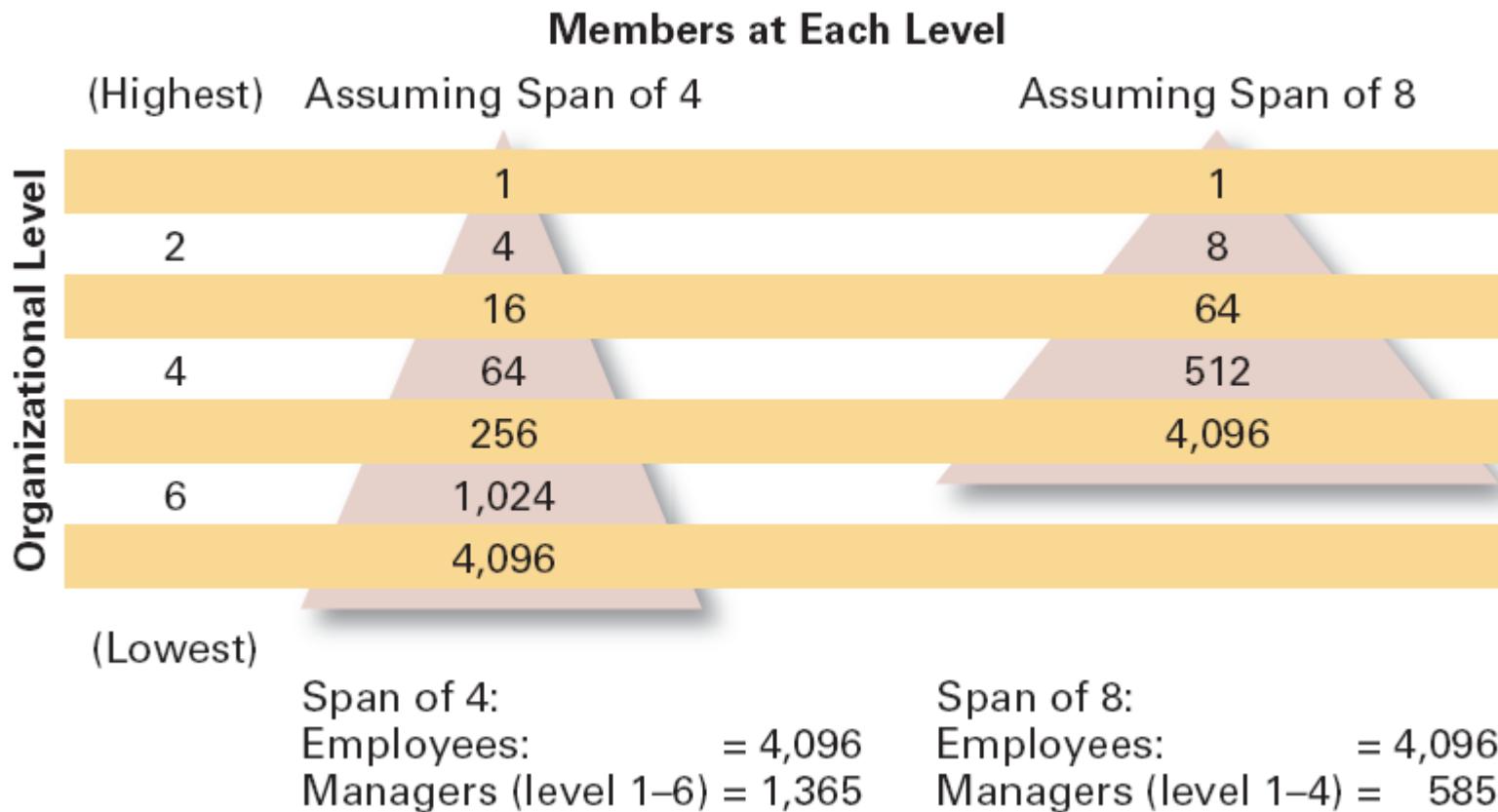
- Authority
 - The rights inherent in a managerial position to tell people what to do and to expect them to do it.
- Responsibility
 - The obligation or expectation to perform.
- Unity of Command
 - The concept that a person should have one boss and should report only to that person.

Organization Structure (cont'd)

- **Span of Control**

- The number of employees who can be effectively and efficiently supervised by a manager.
- Width of span is affected by:
 - ❖ Skills and abilities of the manager
 - ❖ Employee characteristics
 - ❖ Characteristics of the work being done
 - ❖ Similarity of tasks
 - ❖ Complexity of tasks
 - ❖ Physical proximity of subordinates
 - ❖ Standardization of tasks

Contrasting Spans of Control



Organization Structure (cont'd)

- **Centralization**
 - The degree to which decision-making is concentrated at a single point in the organizations.
 - ❖ Organizations in which top managers make all the decisions and lower-level employees simply carry out those orders.
- **Decentralization**
 - Organizations in which decision-making is pushed down to the managers who are closest to the action.
- **Employee Empowerment**
 - Increasing the decision-making authority (power) of employees.

Factors that Influence the Amount of Centralization

- **More Centralization**

- Environment is stable.
- Lower-level managers are not as capable or experienced at making decisions as upper-level managers.
- Lower-level managers do not want to have a say in decisions.
- Decisions are relatively minor.
- Organization is facing a crisis or the risk of company failure.
- Company is large.
- Effective implementation of company strategies depends on managers retaining say over what happens.

Factors that Influence the Amount of Centralization

- **More Decentralization**

- Environment is complex, uncertain.
- Lower-level managers are capable and experienced at making decisions.
- Lower-level managers want a voice in decisions.
- Decisions are significant.
- Corporate culture is open to allowing managers to have a say in what happens.
- Company is geographically dispersed.
- Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

Organization Structure (cont'd)

- **Formalization**
 - The degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.
 - ❖ Highly formalized jobs offer little discretion over what is to be done.
 - ❖ Low formalization means fewer constraints on how employees do their work.