Principles of Management

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Organizing in Management

The Definition of Organizing

"It is a process that refers to identifying and grouping of activities to be performed, defining and delegating authority, specifying responsibility and establishing relationships to enable people to work together effectively in accomplishing objectives."

Principles of Organizing

- Principle of Purpose.
- Principle of Specialization and Work Division.
- Principle of Span of Control or Supervision.
- Principle of Authority & Responsibility
- Principle of Delegation of Authority
- Principle of Centralization & Decentralization

Principles of Organizing

What is an Organization?

- An Organization

  A cooperative and coordinated social system of two or more people with a common purpose.

  When people gather and formally agree to combine their efforts for a common purpose.

- Organizational Architecture

  The organizational structure, control systems, culture, and human resource management systems that together determine how efficiently and effectively organizational resources are used.

What is an Organization? *(cont'd)*

Common Characteristics of Organizations

1. **Coordination of effort:** multiplying individual contributions to achieve results greater than those possible by individuals working alone.

2. **Common goal or purpose:** having a focus to strive for something of mutual interest.

3. **Division of labor:** dividing tasks into specialized jobs that use human resources efficiently.

4. **Hierarchy of authority:** using a chain of command to control and direct the actions of others.

Organizational Effectiveness

- Evaluation of Effectiveness

  There is no single approach to that is appropriate in all circumstances or for all organizational types.

- The Time Dimension of Organizational Effectiveness Involves

  Meeting organizational objectives and prevailing societal expectations in the near future.

  Adapting to environmental demands and developing as a learning organization in the intermediate future.

 Surviving as an effective organization into the future.

Organizational Chart

- An organizational chart is a visual chart that represents the structure of a company. It highlights how teams and departments are organized, the reporting relationships across the organization, and every individual's role and responsibilities.

- **It is a blueprint of the company's organizational structure.** It usually shows different management functions (accounting, finance, human resources , marketing, production and R&D)

- George Terry " An Organisational Chart is a diagrammatical form, which shows important aspects of an Organisation including the major functions and the respective relationships, the channels of supervision and the relative authority of each employee who is in change of each respective function."

- It shows Decision making power travels downwards & answerability travels upwards.

- Organizational and supervisory communication, Restructuring Workforce planning, Resource planning, Genealogy. (Uses)
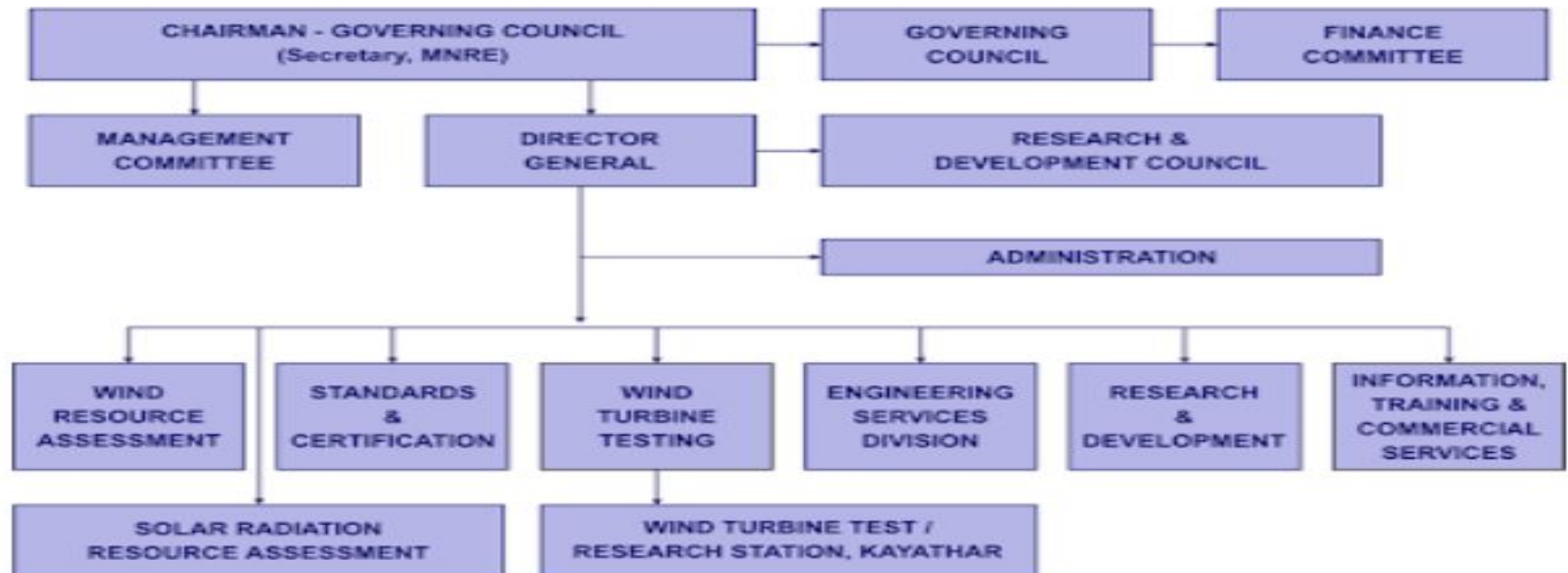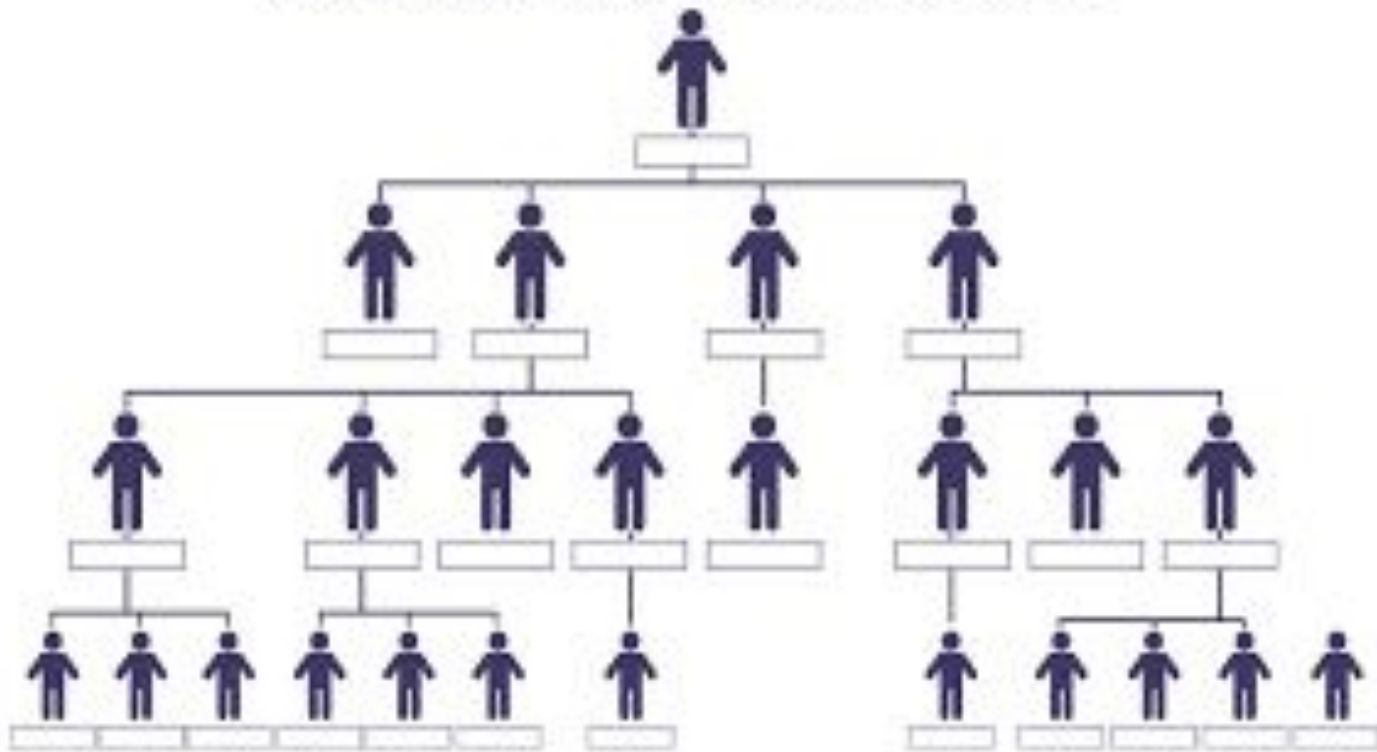
Organizational Structure

- An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

- The organizational structure also determines how information flows between levels within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization.

Types of Organizational Structures

1. Hierarchical Organization

2. Divisional Organization

3. Product or (Team Based) Organization.

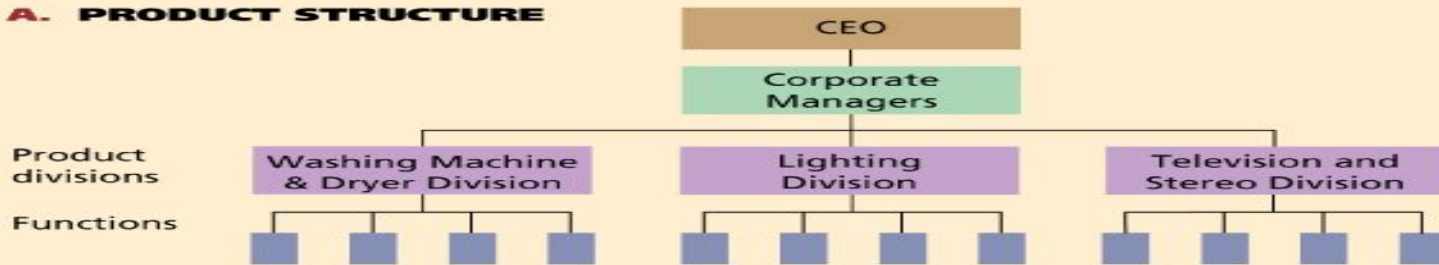4. Matrix Form

5. Tall Organization

6. Flat Organization

Hierarchical Organization

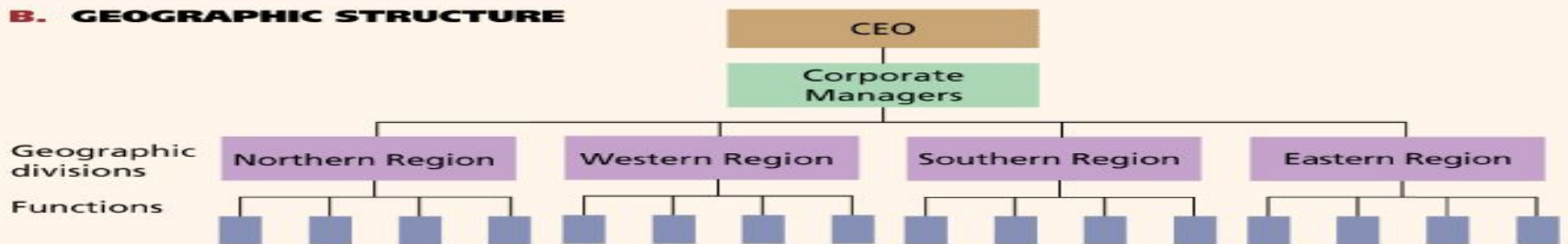Hierarchical Organizational Structure
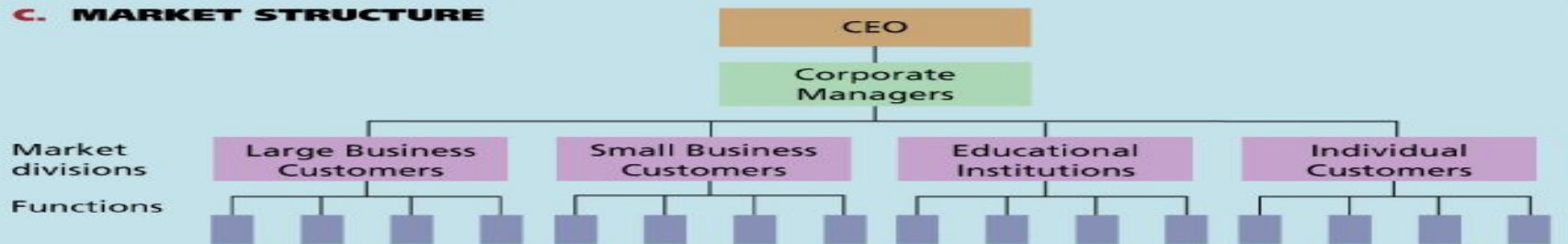
Divisional Organization

A. PRODUCT STRUCTURE

CEO

Corporate Managers

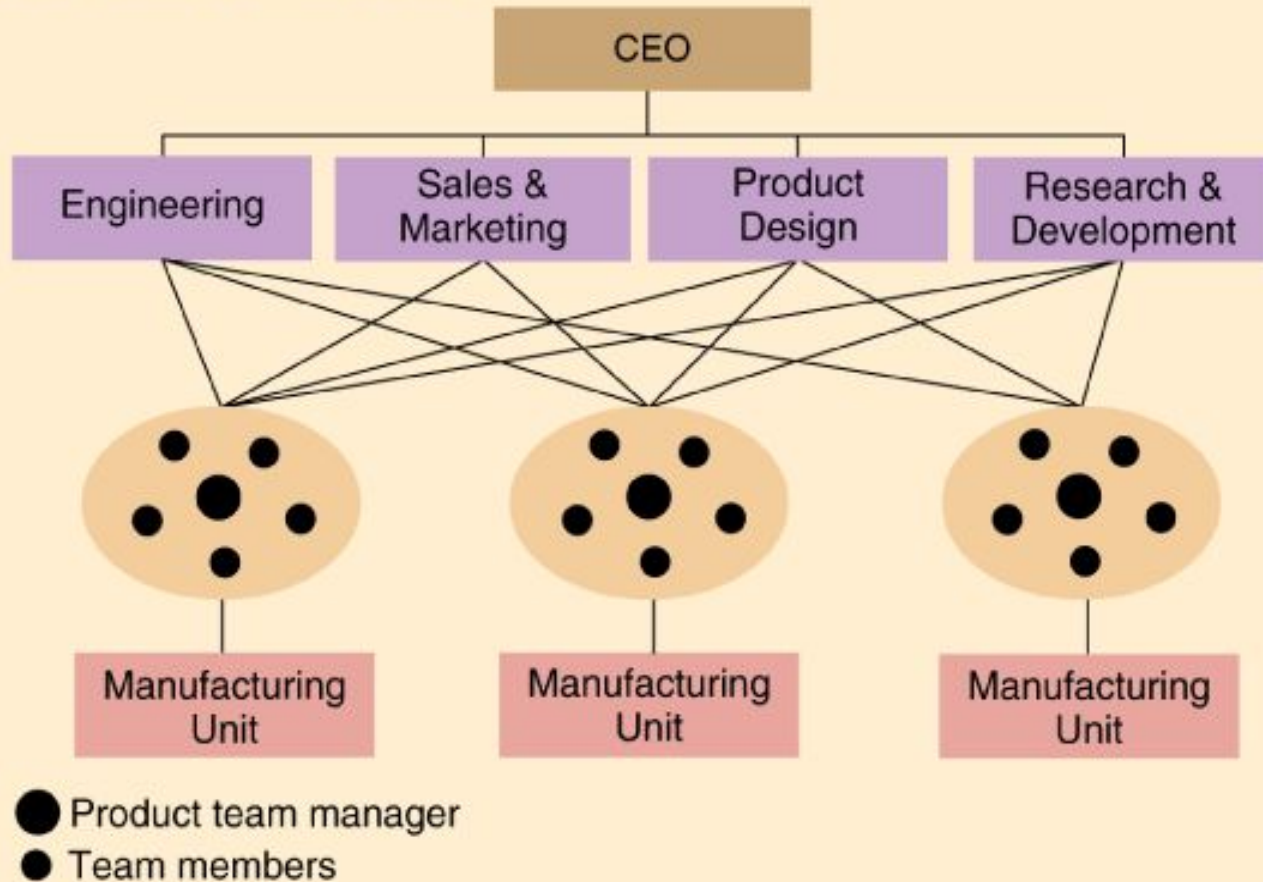Product divisions

Washing Machine & Dryer Division | Lighting Division | Television and Stereo Division

Functions

B. GEOGRAPHIC STRUCTURE

CEO

Corporate Managers

Geographic divisions

Northern Region | Western Region | Southern Region | Eastern Region

Functions

C. MARKET STRUCTURE

CEO

Corporate Managers

Market divisions

Large Business Customers | Small Business Customers | Educational Institutions | Individual Customers

Functions

Product Organization

B. PRODUCT TEAM STRUCTURE

- CEO
  - Engineering
  - Sales & Marketing
  - Product Design
  - Research & Development
- Manufacturing Unit
- Manufacturing Unit
- Manufacturing Unit

● Product team manager
● Team members

Matrix Organization

A. MATRIX STRUCTURE

CEO

Functional Managers

Engineering | Sales & Marketing | Product Design | Research & Development | Manufacturing

Product Team Managers

Product Team A
Product Team B
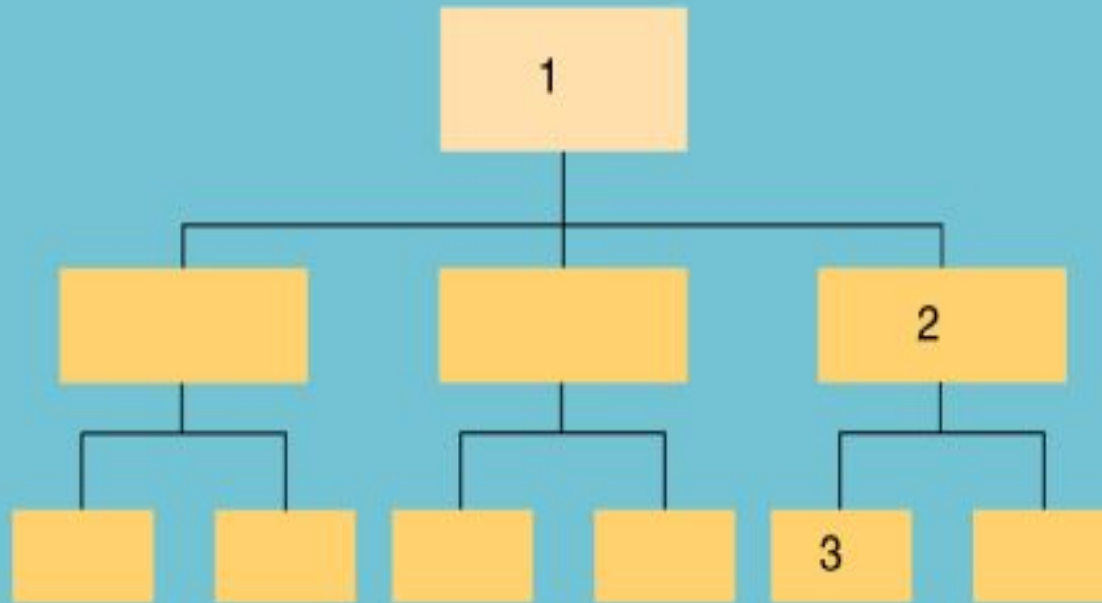Product Team C
Product Team D

● Two-boss employee
Product team
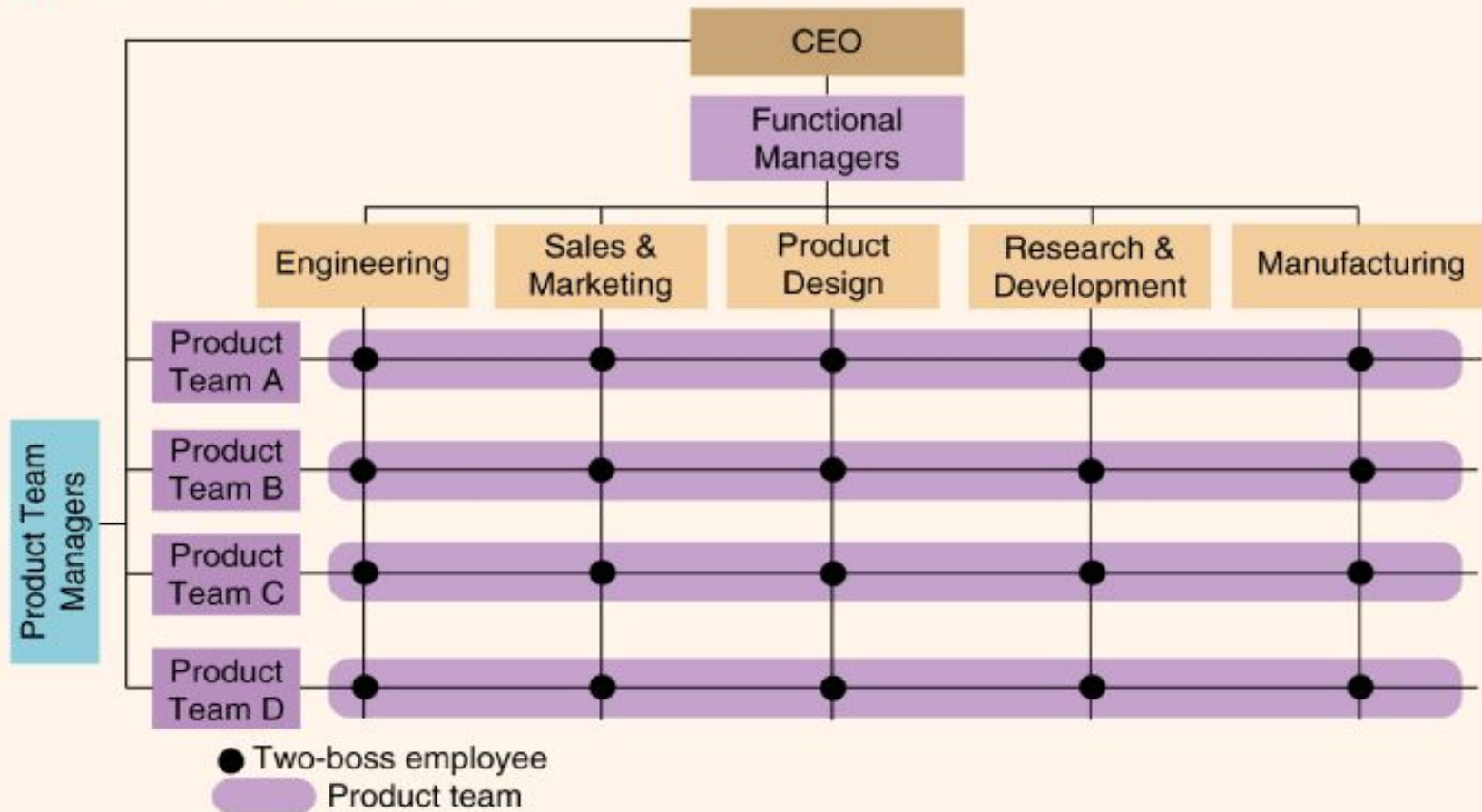
Flat Organization

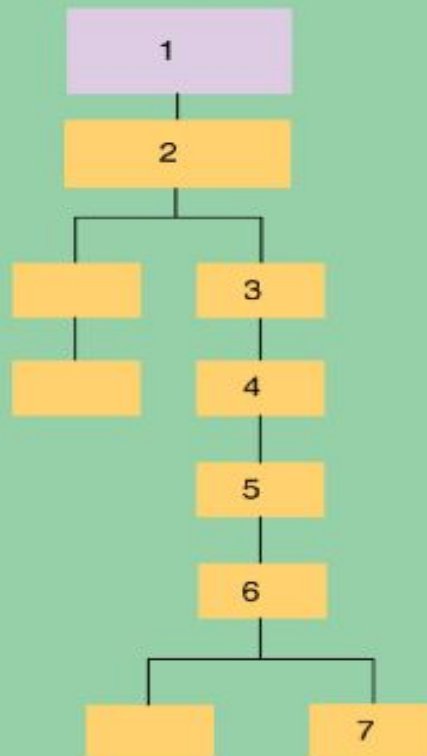A. FLAT ORGANIZATIONAL HIERARCHY
(3 LEVELS IN THE HIERARCHY)

Flat Organization Cont….

- Flat structures have fewer levels
- Wide spans of control.
- Structure results in quick communications but can lead to overworked managers.

Tall Organization

B. TALL ORGANIZATIONAL HIERARCHY (7 LEVELS IN THE HIERARCHY)

Tall Organization Cont..

- Tall structures have many levels of authority

- Narrow spans of control.

- As hierarchy levels increase, communication gets difficult creating delays in the time being taken to implement decisions.

- Communications can also become garbled as it is repeated through the firm.

Determinants of Structure

- The Organizational Environment

  The quicker the environment changes, the more problems face managers.

  Structure must be more flexible (i.e., decentralized authority) when environmental change is rapid.

- Strategy

  Different strategies require the use of different structures.

  A differentiation strategy needs a flexible structure, low cost may need a more formal structure.

  Increased vertical integration or diversification also requires a more flexible structure.

Determinants of Structure

- Technology

  The combination of skills, knowledge, tools, equipment, computers and machines used in the organization.

  More complex technology makes it harder for managers to regulate the organization.

- Human Resources

  Highly skilled workers whose jobs require working in teams usually need a more flexible structure.

  Higher skilled workers often have internalized professional norms.

  Managers must take into account all four factors (environment, strategy, technology and human resources) when designing the structure of the organization.

Organizational Design

Organizational design is the process of creating structures that align roles, workflows, networks and procedures with an organization's goals.

Good organizational structure and design helps improve communication, increase productivity, and inspire innovation. It creates an environment where people can work effectively.

Elements of Organization Design

- Work specialization/Job Design (divide tasks into specific jobs)

- Departmentalization.(Specifies how employees and their activities are grouped together)

- Chain of command/Span of control (Number of people directly reporting to the next level Assumes coordination through direct supervision)

- Centralization (Formal decision making authority is held by a few people, usually at the top) & Decentralization (Authority is in hand of many people or democratic atmosphere in decision making)

- Formalization (The degree to which organizations standardize behaviour through rules, procedures, formal training, and related mechanisms)

Approaches of Organization Design

The Classical Approach.

The Task-Technology Approach.

- Unit & small batch production.
- Large batch and mass production.
- Process production.

The Environmental Approach.

- Mechanistic system.
- Organic system

The Environmental Approach

The Burns and Stalker Model

Mechanistic organizations

Are rigid in design, rely on formal communications, and have strong bureaucratic qualities best suited to operating in relatively stable and certain environments.

It is based on a formal, centralized network

It is high in specialization, formalization & centralization

It is easy to maintain & rarely needs to be changed well defined hierarchy where top level make the majority of decisions.

Cont..

Organic organizations

Have flexible structures, participative communication patterns and are successful in adapting to change in unstable and uncertain environments.

It is for unstable & dynamic environment

It is complex & need to quickly adapt or changed

It is low in specialization, formalization & centralization

When environment changes an organization must be able to gather, process & distribute information very quickly

Principle of Specialization

- The principle that focuses on 'Division of Work'

- According to Henry Fayol, "Principle of management is based on the theory that if an employee is given a specific task to do, they will become more efficient and skilled in it."

- According to the Principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.

Principle of Specialization

Departmentalization

Departmentalization is an organizational structure that separates people into groups, or departments, based on a particular set of criteria. These departments have their own leadership and work together to complete tasks. With large or complicated projects, multiple departments may work together.

Types of Departmentalization

- **Functional Departments**
  - Categorizing jobs according to the activity performed. Three common types of function departments are production, marketing and finance.

- **Product-Service Departments**
  - Grouping jobs around a specific product or service. Have larger number of/multiple products.
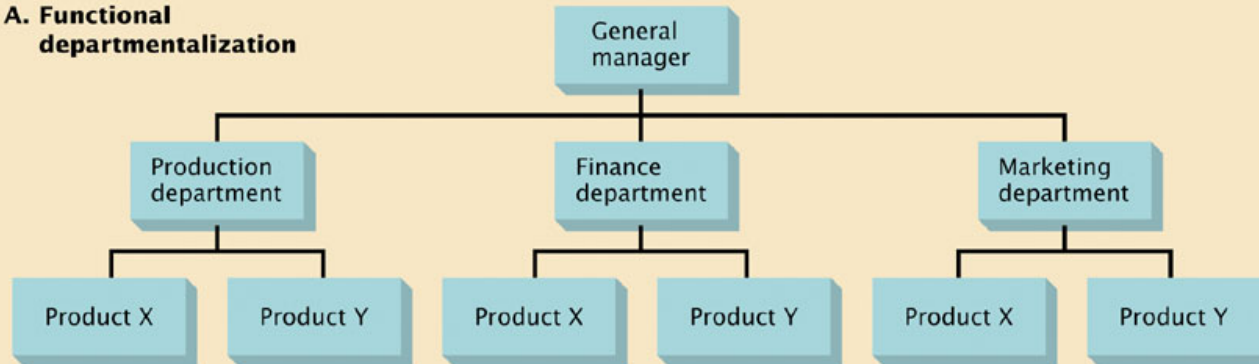
- **Geographic Location Departments**
  - Adopting a structural format based on the physical dispersion of assets, resources, and customers.
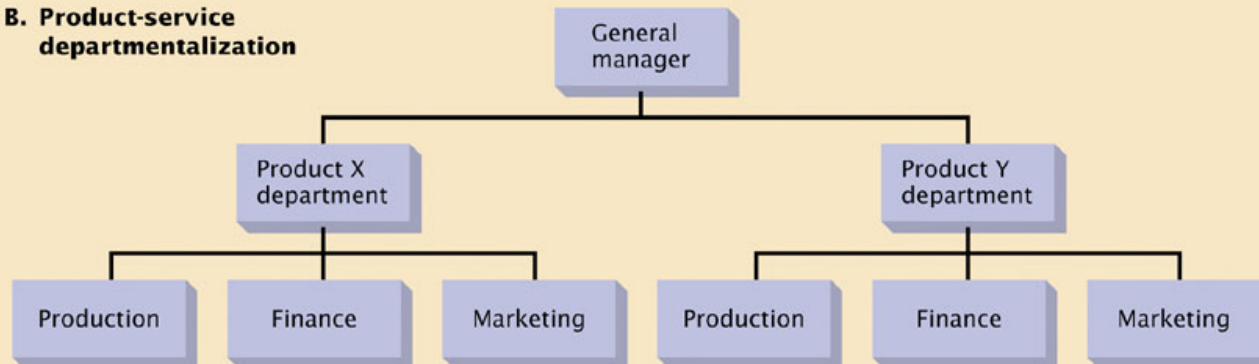
- **Customer Classification Departments**
  - Creating a structural format centered on various customer categories.
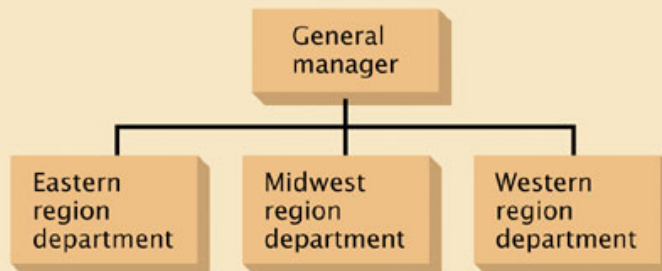
Departmentalization Formats

Departmentalization Formats *(cont'd)*

C. Geographic location departmentalization

- General manager
  - Eastern region department
  - Midwest region department
  - Western region department

D. Customer classification departmentalization

- General manager
  - Industrial products department
  - Home products department
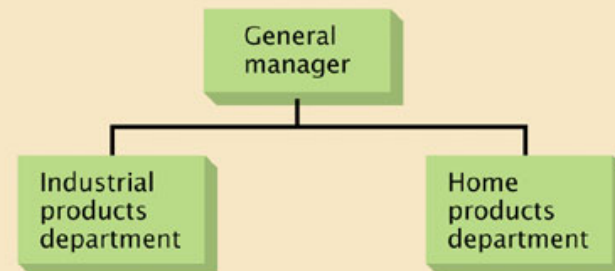
E. Work flow process departmentalization (reengineering)

- General manager
  - New product development process
    - Product development teams
  - Order fulfillment process
    - Order processing teams
  - Customer and account management process
    - Sales teams and customer service teams
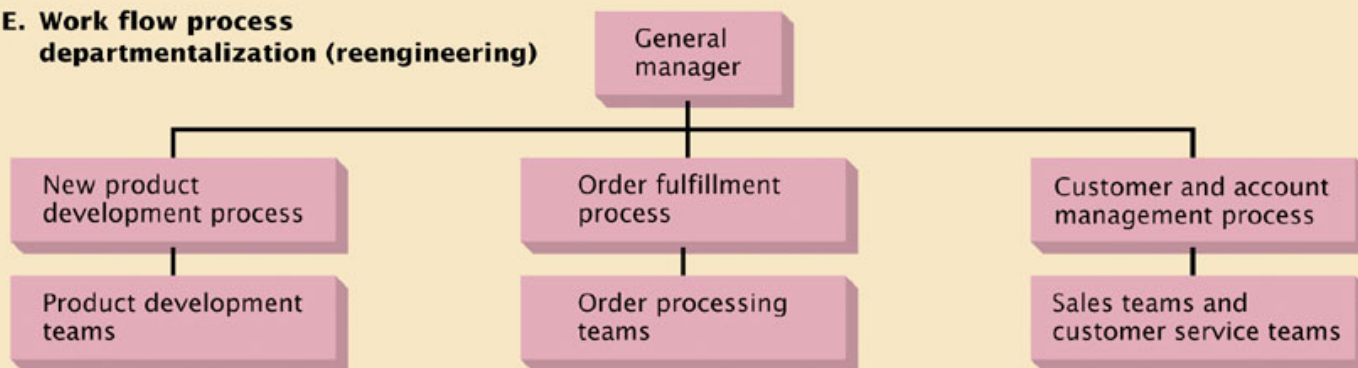
Span of Control

Span of Control (Management)

Span of Control can be defined as the total number of direct subordinates that a manager can control or manage. The number of subordinates managed by a manager varies depending on the complexity of the work.

For example, a manager can manage 4-6 subordinates when the nature of work is complex, whereas, the number can go up to 15-20 subordinates for repetitive or fixed work or flexible work.

Cont..

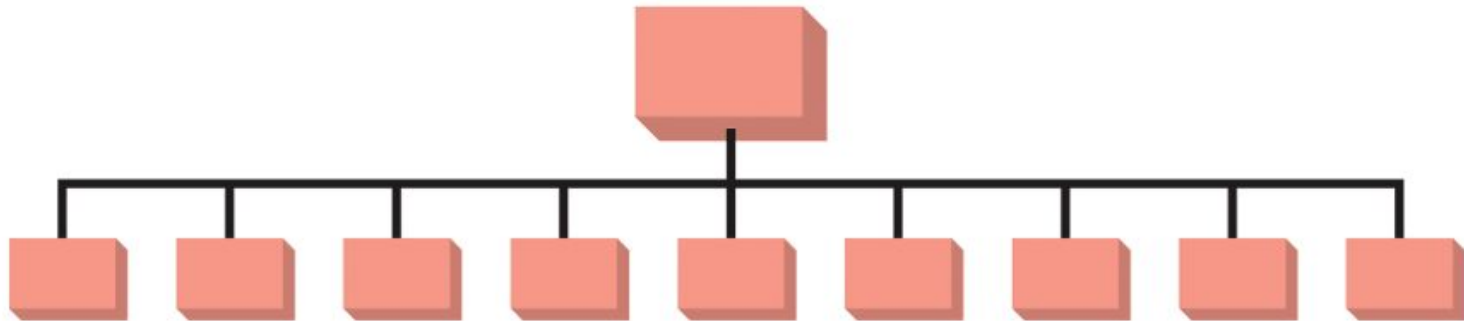- **Is There an Ideal Span of Control?**

  The right span of control efficiently balances too little and too much supervision.

  Narrow spans of control foster tall organizations with many organizational/managerial layers.
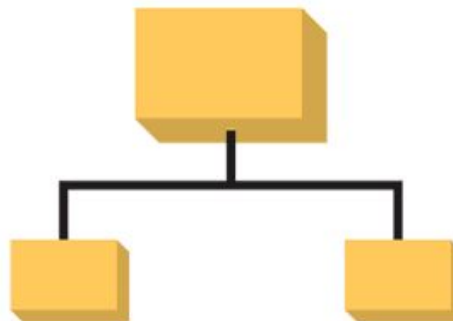
  Flat organizations have wider spans of control.

Narrow and Wide Spans of Control

Advantages/Disadvantage of Narrow SOC

- The manager can supervisor each of his subordinates intimately.

- The nature of work is usually complicated.

- Effective communication between the subordinates and their manager.

- More layers in the hierarchy of management.

- Too much control over employees might hamper their original talent and creativity and too much control results negatively in a long time in decision-making.

Advantages/Disadvantage of Wide SOC

- In a wide span of control, subordinates are more independent.
- Fewer layers in the hierarchy of management.
- The nature of work is repetitive and lesser complex in nature.
- Less direct communication between subordinates and managers.
- Ineffective management.
- Increased workload on managers.
- The roles of team members are not clearly defined.
- Less communication between managers and subordinates reduces the control of the manager.

Contingency Approach *(cont'd)*

- The Contingency Approach to Spans of Control
  - Both overly narrow and overly wide spans of control are counterproductive.
  - Situational factors dictate the spans of control.
    - Wide spans of control are appropriate for departments where many workers work close together and do the same job.
    - Narrow spans of control are best suited for departments where the work is complex and/or the workers are widely dispersed.

Centralization & Decentralization

Centralization

All power and decision making authority is on one person's hand in the organization (from the top of the organization).

Easy to coordinate and combine policies and practices.

Helping the administrator to look at all the work.

Easy to control within the organization. (One system of control).

No duplication of decisions.

Disadvantage of Centralization

- Selfishness/Biasness in making decisions.
- Decreasing ambitions from subordinates/employees (Not sharing in decision making)
- Too much responsibility on single hand.
- It may take much time to make a decision, or to get the job done.
- Long waiting from lower level of the organization to get the green light from the top management.

Centralization & Decentralization

Decentralization

The power and decision making would be distributed in more than one level, person, department. The sharing of decision-making authority by management with lower-level employees.

Sharing employees in the decision making process.

Increasing the satisfaction and motivation of the employees by allowing them to make decisions

Quick accomplishment of work.

Decreasing the burdens of the top management

Disadvantage of Decentralization

Duplicating decisions, work, and services.

Exploiting the authority, negatively, from some subordinates.

Decreasing the central control.

The Need for Balance

The challenge is to balance the need for responsiveness to changing conditions (decentralization) with the need to create low-cost shared resources (centralization).

Authority & Responsibility

Authority

Authority is the power to give commands and to use discretion vested in that particular position or job. If the person is removed from the job, he or she loses the authority. May be defined as the power to take decisions which guide the actions of another. It is legitimate and conferred.

Responsibility

It is the duty to which a person is bound by reasons of his status or tasks. Responsibility is the obligation on the part of the subordinate to complete the given job.

Cont….

- Authority can be transferred to lower positions but not responsibility.

- The authority and responsibility should always be commensurate and coexistent with each other. Otherwise, the performance of the managers goes unchecked. Where the authority exceeds responsibility, it may lead to misutilization of authority.

- Authority and responsibility are complementary to each other authority brings responsibility.

Delegation

- The process of transferring authority from the top to the lower levels in the organization is called delegation.

- Assigning various degrees of decision-making authority to lower-level employees.

- Although a task may be delegated or passed down the chain of command from a manager to a subordinate, the manager continues to be responsible for making sure that his/her instructions are carried out.

Delegation

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.

Delegation

Barriers to Delegation

Lack of confidence and trust in subordinates.

Low self-confidence.

Fear of being called lazy.

Vague(Unclear) job definition.

Fear of competition from subordinates.

Delegation

Degree of Delegation

Low degree of delegation

Investigate and report back

Investigate and recommend action

Investigate and advise on action taken

Investigate and take action; advise on action   taken

Investigate and take action

High degree of delegation

The Changing Shape of Organizations

Characteristics of New Organizations

Fewer organizational layers

More teams

Smallness within bigness

New Organizational Configurations

Virtual organizations: internet-linked networks of value-adding subcontractors.

Cluster organization : team based

Thank You!