

Module - 5

ORGANISATIONS

- The org is a human tool of extending versatility.

[Pradip Krishnawalla]

- Refers to the planned co-ordination of the activities of a no. of people to achieve desired goals.
- Perform several fns to achieve org goals.
- created by people for people. ✓
- Preceded by a design, env, strategy, technology
- what is an org?
 - Social arrangement constituted by people towards some purpose
 - group of people who work independently towards some task

→ Elements are:

- 1) Co-ordination: Individual alone cannot

al of his needs and wishes
He alone cannot attain org goals
People co-ordinate their efforts, and they
joined together they can do more than
any of them could have singly

2) Common goals:

- people work together to achieve some common goals and
- Some agreement concerning their goals
- These goals keep org members together and make them work as a team.
- Achieving common goals through co-ordination of activities

3) Division of Labour: refers to dividing work into operations that are narrow in scope in order to increase efficiency

- each operation is assigned to individual or group of individuals who are more fit in educate, skill & exp to do the job
- also called departmentalisation

4) Integration: different people are performing diff. tasks / functions.

- These are integrated to to achieve the common goals.
- Some Integrative functns is needed to ensure that all are working towards the attainment of common goals.
- (Integration is achieved through hierarchy of authority)
- Supervision - Subordination - Subgroups or individuals
- Superordinate subgroups or individuals to ensure that there co-ordination among all through guiding, limiting, controlling informing and managing the activities of people

→ Organisational Structure:

- org. Constrained by people and work fro org to achieve some common goals
- After accom establishing org goals, org structure evolves to increase the effectiveness of the org's ctrl of the activities necessary to achieve goals.

→ is the formal form of tasks and authority relationship that ctrl how people co-ordinate their actions and use resources to achieve goals

→ Main purpose → to control to motivate people to achieve goals.

→ Types of org structure:

- 1) functional
- 2) Place
- 3) Product
- 4) Multi-divisional

① Functional structure:

- Holdest and most commonly used structure
- The org. is departmentalized on the basis of functions it needs to perform to reach its objectives
- eg: Marketing, Finance, accounting, sales of personnel, maintenance etc.
- The fns or activities of this dept. are co-ordinated by the CEO of the org.
- Follows a common functional structure mainly to standardize repetitive task and thereby reducing errors and lower costs.
- Mgrs are responsible for some to fill the gap or overlaps.
- A functional struc has both adv. and disadv.

→ Adv:

- 1) Structure permits division of labour and encourage Specialisation
- 2) easily understood by the emp.

- It needs no specialised knowledge to understand. But there are several dept., each performing separate fn and all dept must work in unison to achieve org. goals.

- 3) functional strc eliminates duplication.
eg: i.e., there is only one marketing dept. for the entire org.

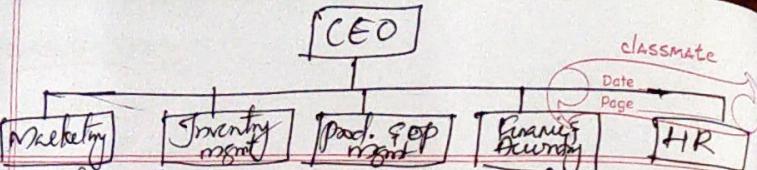
→ Drawbacks:

- 1) focuses on a narrow set of tasks.
- 2) Emp. may lose sight of the org. as a whole.

2) Horizontal integration across final dept becomes difficult as the org. increases the no. of geographic areas and the range of goods and services provided.

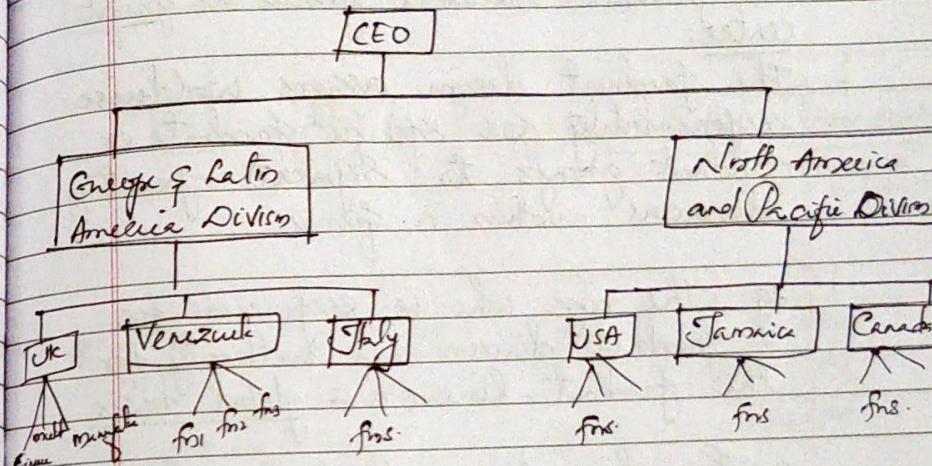
3) There is no accountability of each fn for total results.

- each dept fns as a stand-alone unit.



- This final structure may be effective when an org has a One-size-fits-all product line
- ② pursues a low-cost or focused business strategy,
- ③ uniform env and
- ④ does not have to respond to the presence of several difficult types of customers
- If specialized staff is dept → do bad effectively

rather than grouping fns under diff. mngts or all task in one central office.



② Place structure:

- ↳ establishing an org's primary units geographically while retaining significant elements of functional structure.
- ↳ also called geographic area structure.
- ↳ permits locating many tasks required to have a geographic territory under one mgt

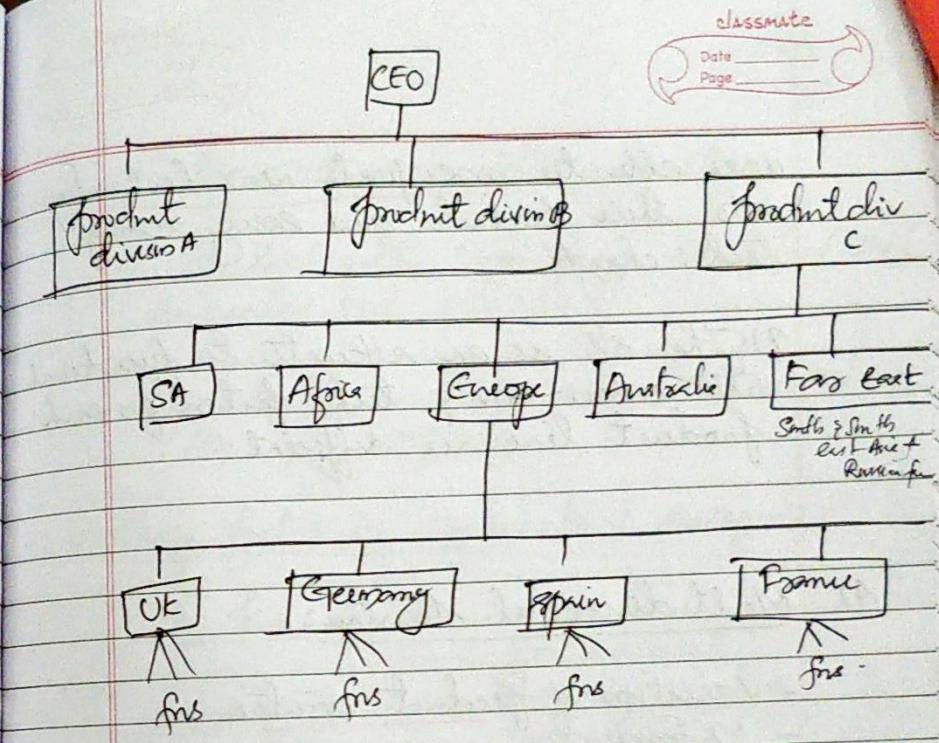
- This structure is used in an org whose products are not easily transferable across regions
- Nestle and cadbury
- Ranbaxy → The company has divided the world into 4 regions — India, S. Middle - East, Europe CIS and Africa, The Asia-Pacific and America, Commonwealth of Ind. states Russia, Ukraine...

3) Product Structure:

- The product structure operates as profit center.
- The product design assigns worldwide responsibility for specific products or product groups to separate operating divisions within a firm.

{ eg: The mgt who is responsible for product division has authority for the product-line on a global basis.

- They have the authority to make imp. decisions.
- But budgetary constraints are managed by corporate head quarters and home office approval for key decisions.
- Product str. is mostly followed in global enterprises



- Adv:
- 1) Product str. allow each mgt products line to focus on the specific needs of its customers (compared to centralized marketing dept.)
 - 2) The company is able to match its marketing strategy to the specific needs of the customers.
 - 3) Mgrs possess extensive knowledge. they are

more able to incorporate new technologies into their products and easily manage tech. changes.

3) This str. is an alternate to functional str. when env & tech factors for each product line are different.

A) Multidivisional Structure:

- variation of product structure
- M form
- These tasks are organised by divisions on the basis of the product or geographic markets in which the goods and services are sold.

Divisional heads are primarily responsible for day-to-day operating decisions within their units.

- Top level ^{exe} concentrates in strategy issues
S allocation of resources to the various div.

clustering with stakeholders and others.

- Top level ^{are} supported by specialized staff accounting and cost fns.
- By adopting multidivisional structure reduces the str. complexity.

→ Key factors in organisational design:

4 key factors

- Environment
 - Business Strategy
 - Technology
 - Internal Contingency factors
- affut org. designs

factors

Env

Indicators

- Degree of Complexity
- Degree of Dynamics
- Richness

Business
Strategy

- Low cost
- Differentiation
- formed