

Organizing



Objectives

- To discuss in detail the following:
 - Nature and purpose
 - Formal and information organization
 - Organization chart and structure

Outcomes

At the end of this session, the students will be able to understand the following

- Nature and purpose
- Formal and information organization
- Organization chart and structure

Outline

UNIT III ORGANIZING

Nature and purpose – Formal and informal organization – Organization chart – Organization structure – Types – Line and staff authority – Departmentalization – delegation of authority – Centralization and decentralization – Job Design - Human Resource Management – HR Planning, Recruitment, selection, Training and Development, Performance Management, Career planning and management.

Organizing

- The identification and classification of required activities
- The grouping of activities necessary for attaining objectives
- The assignment of each group to a manager with the authority (delegation) necessary to supervise it
- The provision for coordination horizontally (on the same or a similar organizational level) and vertically (e.g between corporate headquarters, division and department) in the organization structure

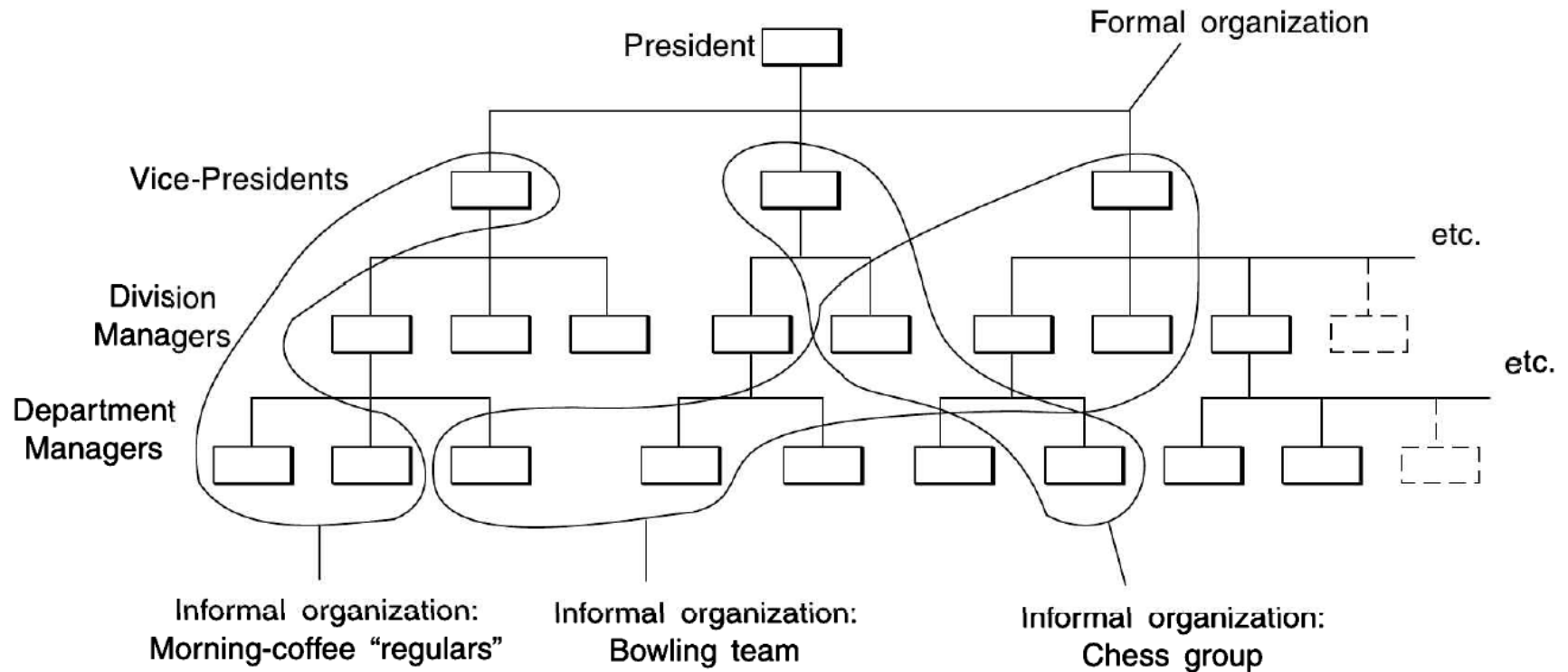
Organizing

- An organization structure should be designed to clarify who is do what tasks and who is responsible for what results in order to remove obstacles to performance caused by confusion and uncertainty of management and to furnish decision making and communication reflecting and supporting enterprise objectives

Organization

A formalized intentional structure of roles or positions

Formal and Informal Organization



Formal and Information Organization

Formal Organization

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

- A formal organization should be flexible.
- There should be room discretion, for beneficial utilization of creative talents, recognition of individual likes and capacities

Formal and Information Organization

Informal Organization

A network of interpersonal relationships that arise when people associate with each other

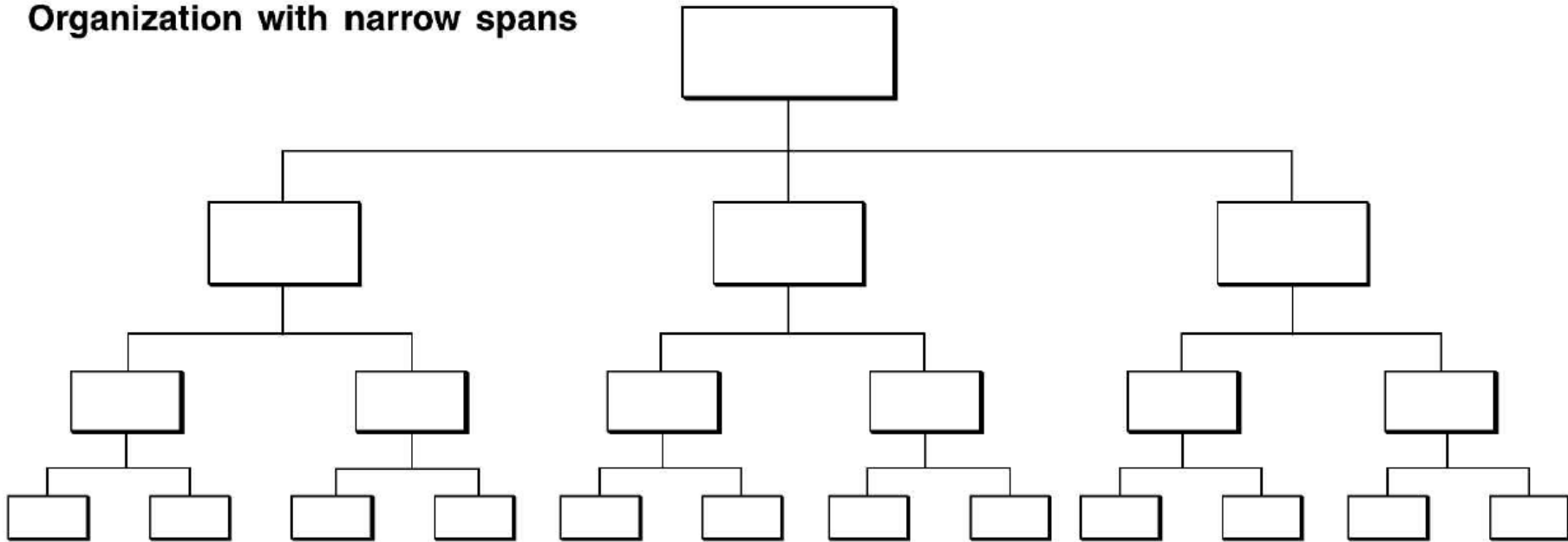
- Sixth floor crowd
- Coffee gang
- It is much easier to ask for help on an organizational problem for someone you know personally, even if he or she is from a different department, than from someone you know only as a name on an organizational chart.

Organization Division: The Department

- Department – distinct area, division or branch of an organization over which a manager has authority for the performance of specified activities.
- Ex: production division, sales department, research section, account division, etc.,
- Vice president – head a division
- Director – a department
- Manager – a branch
- Chief – a section

Organization Levels: Span of Department

Organization with narrow spans



Advantages

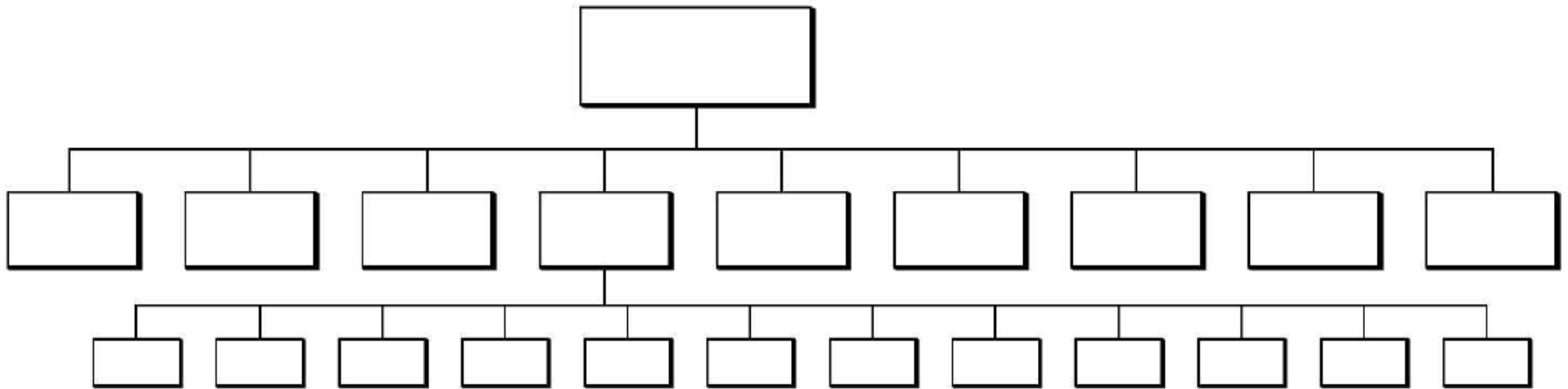
- Close supervision
- Close control
- Fast communication between subordinates and superiors

Disadvantages

- Superiors tend to get too involved in subordinates' work
- Many levels of management
- High costs due to many levels
- Excessive distance between lowest level and top level

Organization Levels: Span of Department

Organization with wide spans



Advantages

- Superiors are forced to delegate
- Clear policies must be made
- Subordinates must be carefully selected

Disadvantages

- Tendency of overloaded superiors to become decision bottlenecks
- Danger of superior's loss of control
- Requires exceptional quality of managers

Organization Levels: Span of Department

Narrow spans (a great deal of time spent with subordinates)

- Little or no training of subordinates
- Inadequate or unclear authority delegation
- Unclear plans for nonrepetitive operations
- Non-verifiable objectives and standards
- Fast changes in external and internal environments
- Use of poor or inappropriate communication techniques, including vague instructions
- Ineffective interaction of superior and subordinate
- Ineffective meetings
- Greater number of specialties at lower and middle levels
- Incompetent and untrained manager
- Complex task
- Subordinates' unwillingness to assume responsibility and reasonable risks
- Immature subordinates

Wide spans (very little time spent with subordinates)

- Thorough training of subordinates
- Clear delegation and well-defined tasks
- Well-defined plans for repetitive operations
- Verifiable objectives used as standards
- Slow changes in external and internal environments
- Use of appropriate techniques, such as proper organization structure and written and oral communication
- Effective interaction between superior and subordinate
- Effective meetings
- Greater number of specialties at upper levels (top managers concerned with external environment)
- Competent and trained manager
- Simple task
- Subordinates' willingness to assume responsibility and reasonable risks
- Mature subordinates

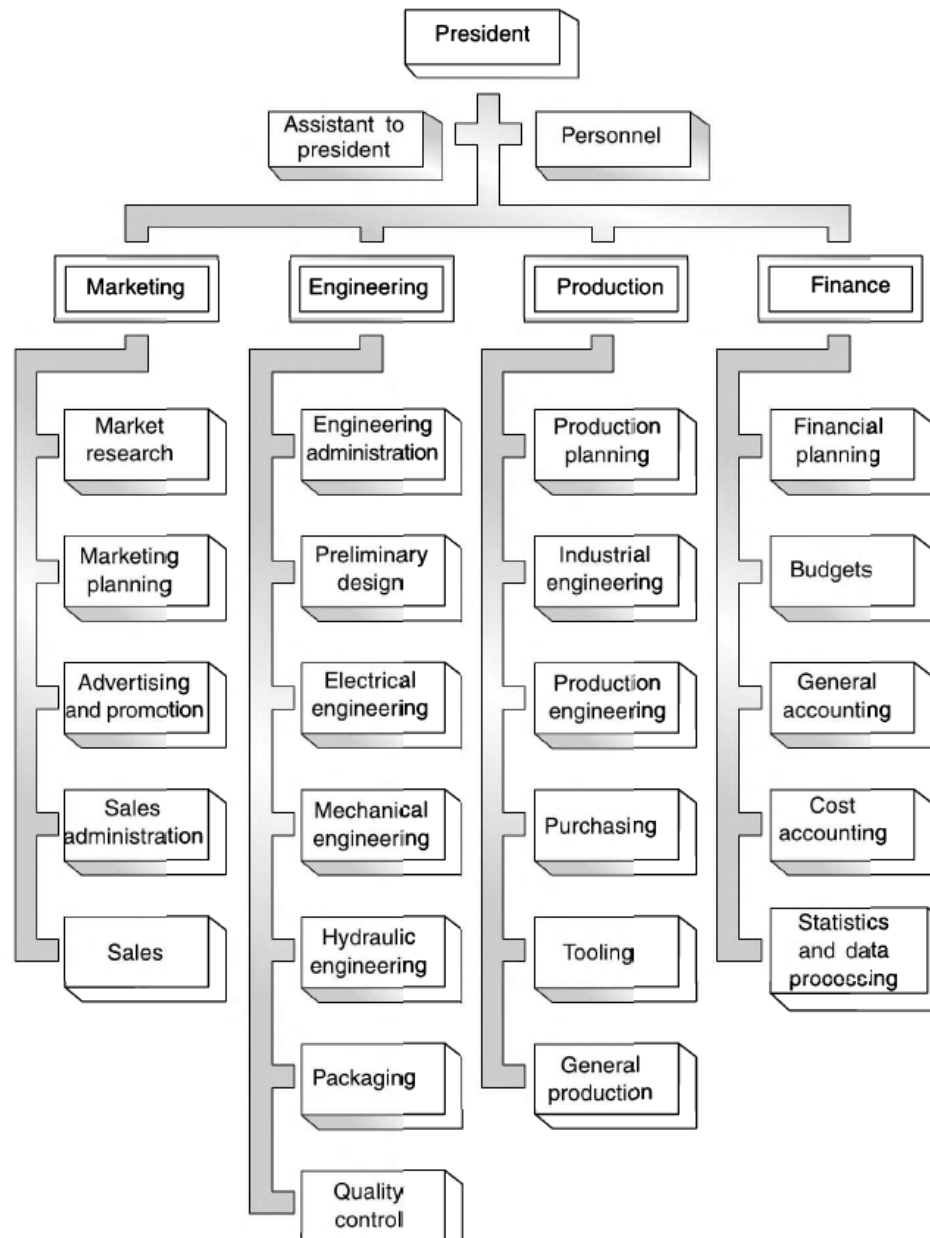
Organization Structure: Departmentation

- There is no single best form of departmentation that is applicable to all organizations or to all situations.
- The pattern used will depend on the given situations and on what managers believe will yield the best results for them in the situation they face.

Organization Structure: Departmentation

- Departmentation by Enterprise Function: Grouping activities according to the functions of an enterprise, such as production, sales and financing.
- Basis enterprise functions:
- Production – creating utility or adding utility to a product or service
- Selling – finding customers, clients, patients, students or members at a price or for a cost.
- Financing – raising and collecting, safeguarding and expending the funds of an enterprise

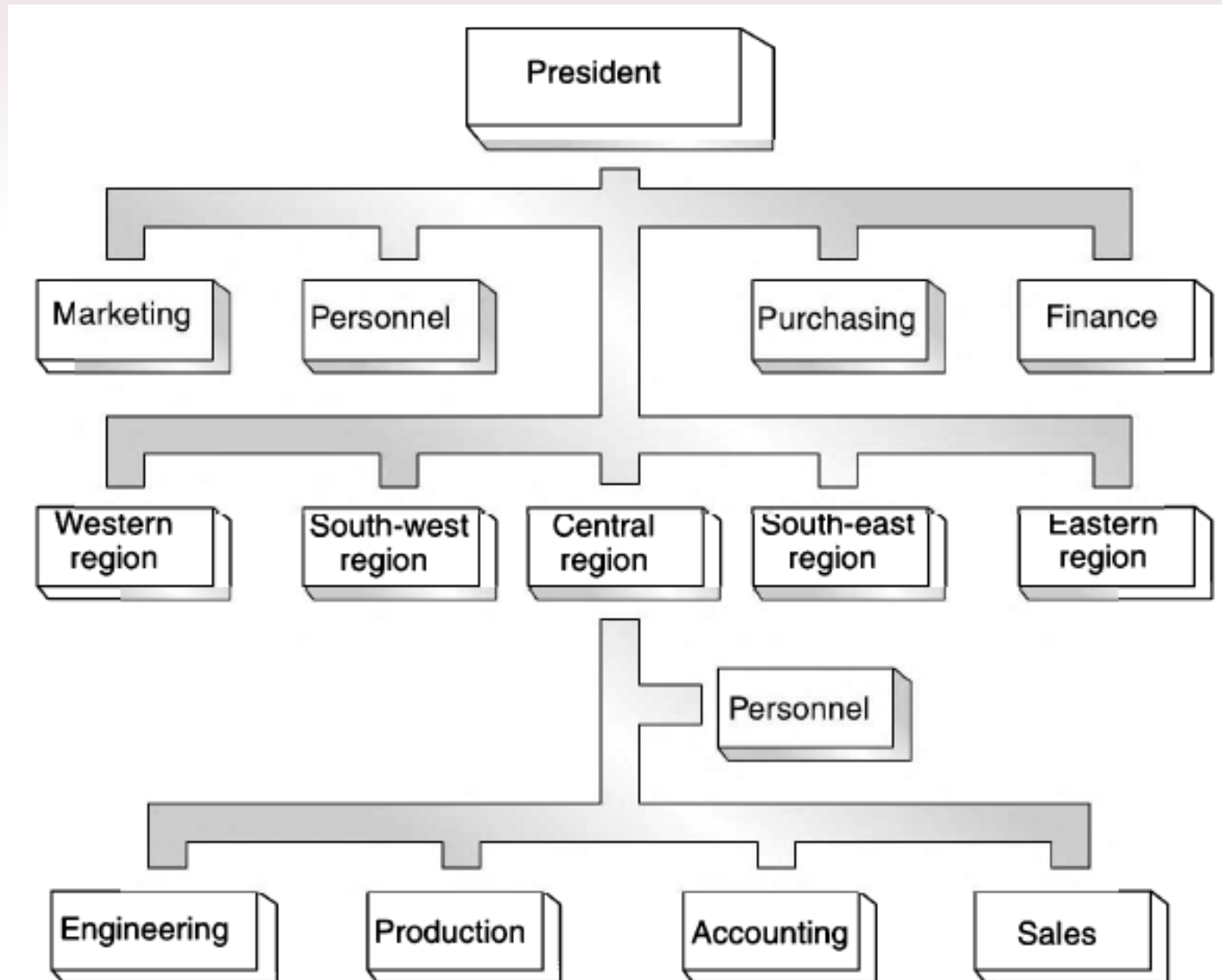
Organization Structure: Departmentation



Organization Structure: Departmentation

- Departmentation by Territory or Geography: Grouping of activities by area or territory is common in enterprises operating over wide geographic areas.
- Large scale firms
- Enterprises whose activities are physically or geographically dispersed
- Business firms – automobile assembling, chain retailing and wholesaling, oil refining
- Government agencies – tax department, central bank., courts, postal service
- Often using in sales and in production
- Not used in finance – which is concentrated at the headquarters

Organization Structure: Departmentation



Organization Structure: Departmentation

Advantages

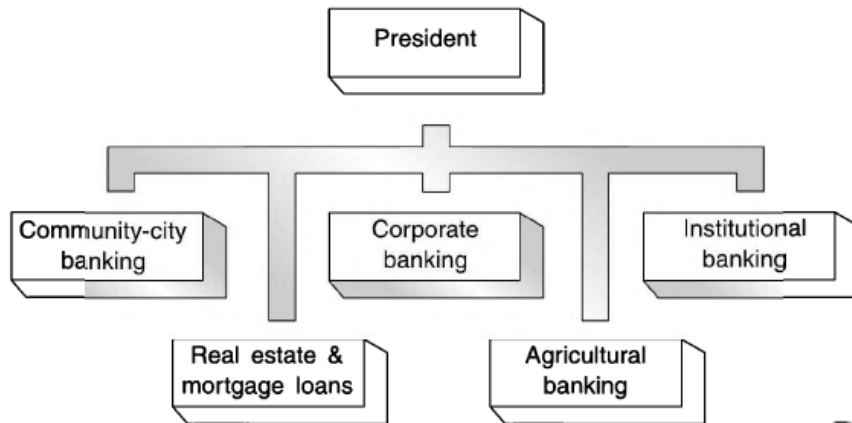
- Places responsibility at a lower level
- Places emphasis on local markets and problems
- Improves coordination in a region
- Takes advantage of economies of local operations
- Better face-to-face communication with local interests
- Furnishes measurable training ground for general managers

Disadvantages

- Requires more persons with general manager abilities
- Tends to make maintenance of economical central services difficult and may require services such as personnel or purchasing at the regional level
- Increases problem of top management control

Organization Structure: Departmentation

- Departmentation by Customer Group: Grouping of organizations that reflects a primary interest in customers.



Advantages

- Encourages concentration on customer needs
- Gives customers feeling that they have an understanding supplier (banker)
- Develops expertness in customer area

Disadvantages

- May be difficult to coordinate operations between competing customer demands
- Requires managers and staff expert in customers' problems
- Customer groups may not always be clearly defined (for example, large corporate firms vs. other corporate businesses)

Organization Structure: Departmentation

- Departmentation by Product: Grouping of organizations according to products or product lines especially in multiline, large enterprises.

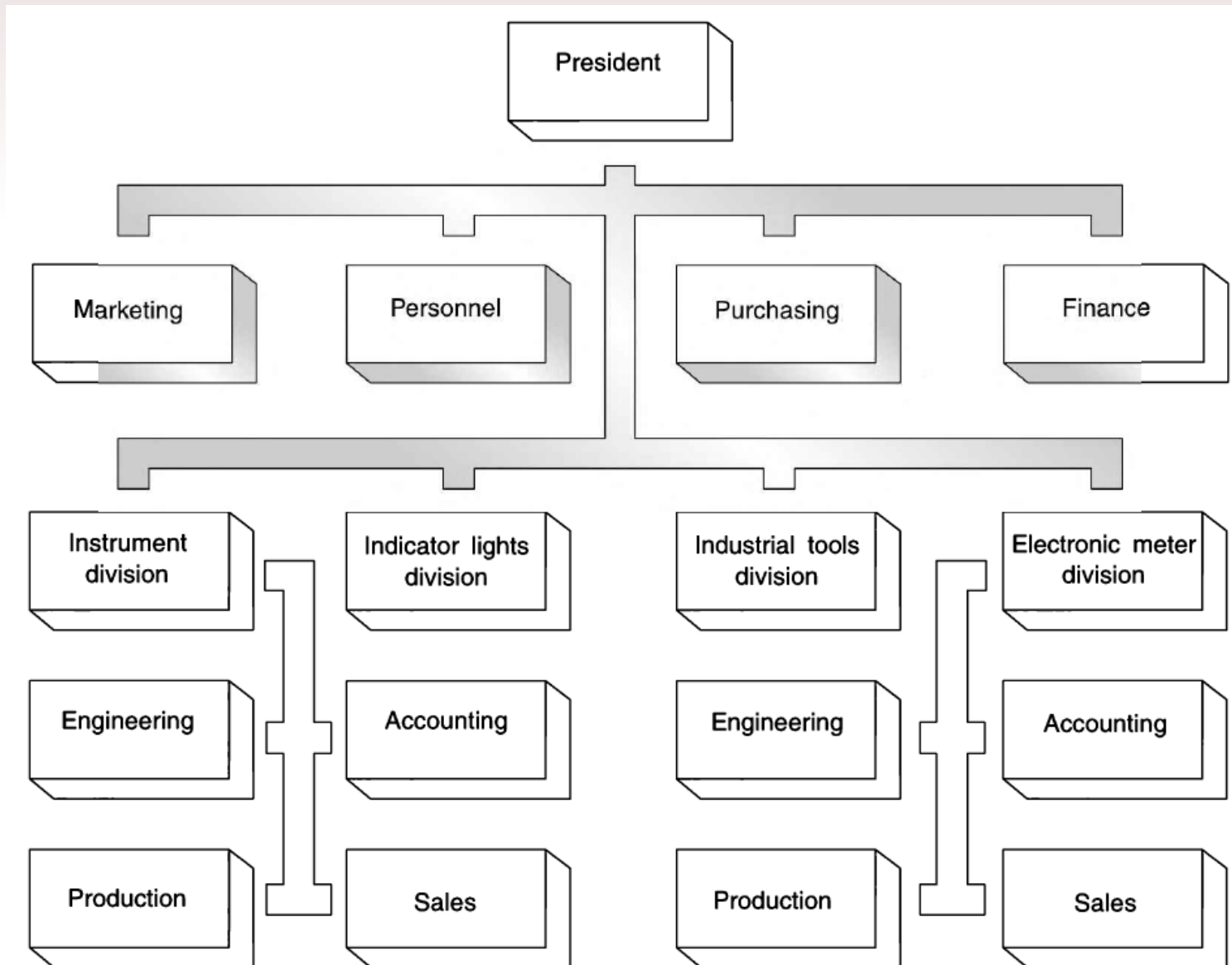
Advantages

- Places attention and effort on product line
- Facilitates use of specialized capital, facilities, skills, and knowledge
- Permits growth and diversity of products and services
- Improves coordination of functional activities
- Places responsibility for profits at the division level
- Furnishes measurable training ground for general managers

Disadvantages

- Requires more persons with general manager abilities
- Tends to make maintenance of economical central services difficult
- Presents increased problem of top management control

Organization Structure: Departmentation



Organization Structure: Departmentation

- Matrix or Grid organization: Combining functional and project or product patterns of departmentation in the same organization structure
- The essence of matrix organization is essentially the combining of functional and product patterns of departmentation
- Functional managers in charge of engineering functions and an overlay of project managers responsible for the end product.
- This type is common in engineering, R&D, construction, aerospace, etc.,

Organization Structure: Departmentation

Guidelines for making matrix management effective:

- Define the objectives of the project or task
- Clarify the roles, authority, and responsibilities of managers and team members
- Ensure that influence is based on knowledge and information rather than on rank
- Balance the power of functional and project managers
- Select an experienced manager for the project who can provide leadership
- Undertake organization and team development
- Install appropriate cost, time and quality controls that report deviations from standards in a timely manner
- Reward project managers and team members fairly

Organization Structure: Departmentation

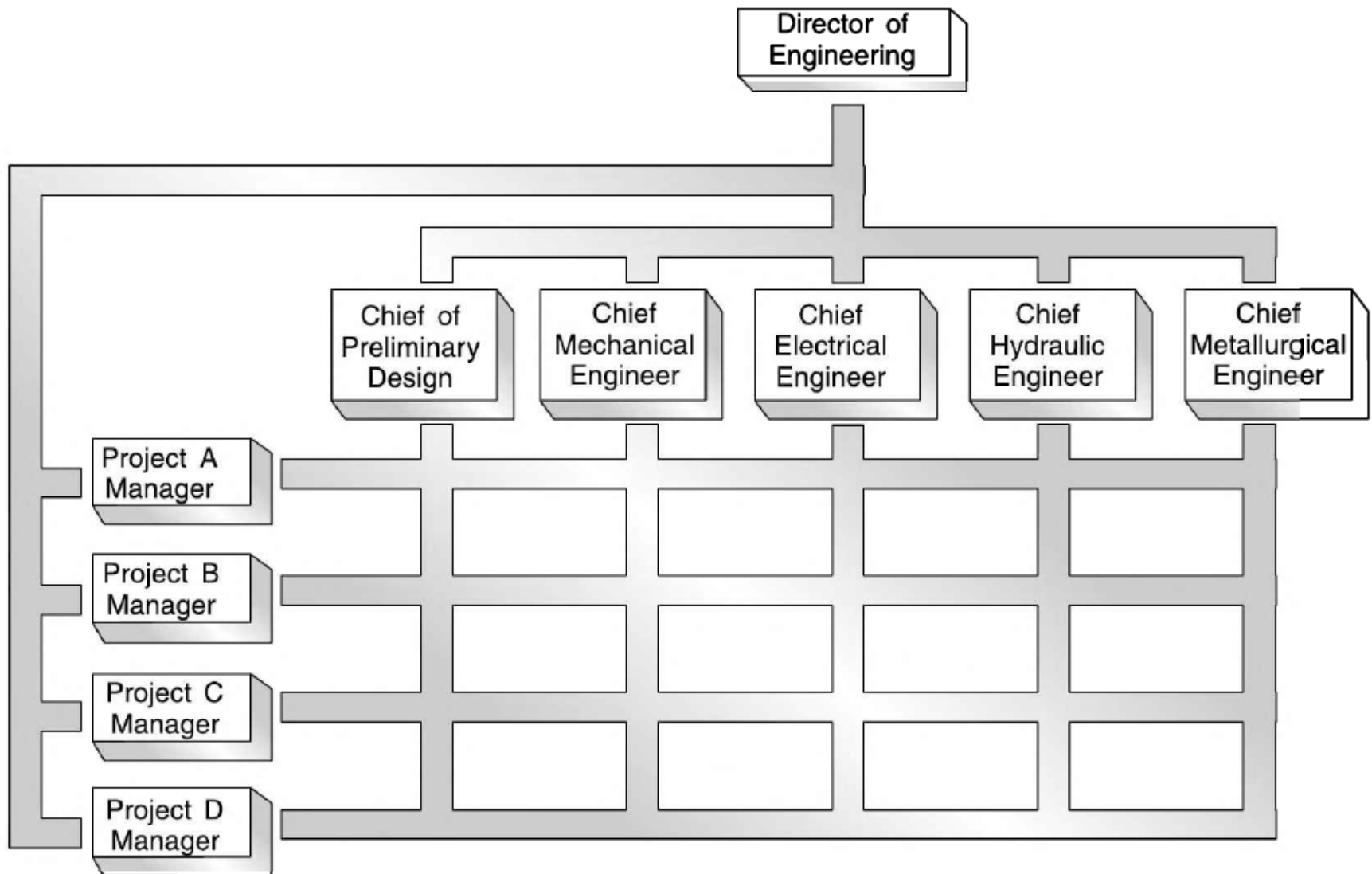
Advantages

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

Disadvantages

- Conflict in organization authority exists
- Possibility of disunity of command exists
- Requires manager effective in human relations

Organization Structure: Departmentation



Test your Understanding

