

UNIT 4: ORGANIZING

Organizing

- *the process of establishing the orderly use of resources by assigning and coordinating tasks. The organizing process transforms plans into reality through the purposeful deployment of people and resources within a decision-making framework known as the organizational structure.*

Organizing

- ▶ Organizing requires the manager to determine how he or she will distribute resources and organize employees according to a designated plan aimed at some organizational goal. The manager will need to identify different roles and responsibilities, assign work, and coordinate the right amount and mix of employees across departments to carry out the plan. Each employee must be aware of his or her responsibilities to avoid frustration, confusion, and loss of efficiency.

Organizing

- ▶ Managers organize by bringing together physical, human and financial resources to achieve objectives.
- ▶ They identify activities to be accomplished, classify activities, assign activities to groups or individuals, create responsibility and delegate authority.
- ▶ They then coordinate the relationships of responsibility and authority.

Organizing Process

- Determination of objectives
- Determination of objectives
- Grouping of activities
- Establishment of formal relationship
- Creation of managerial position
- Assignment of works
- Establishment of Communication and Coordination

Principles of organizing

- Unity of objectives
- Specialization
- Coordination
- Authority and responsibility
- Unity of command
- Scalar chain
- Span of control
- Exception

Cont...

- Efficiency
- Balance
- Homogeneity
- Continuity
- Simplicity
- Flexibility
- Personal ability

Organization Architecture

- The term **organization architecture** refers to the totality of a firm's organization, including formal organization structure, control systems, incentive systems, organizational culture, and people.
- It refers to either 1) the physical space and environment in which a business exists or 2) the *structure* of the business.
- Organization architecture involves blend of all the systems working in the enterprise.

Vertical differentiation

- **Vertical differentiation**, which refers to the location of decision-making responsibilities within a structure (that is, centralization or decentralization) and also to the number of layers in a hierarchy (that is, whether the organizational structure is tall or flat).

Tall Vs Flat Hierarchies

- A second aspect of vertical differentiation refers to the number of levels in an organization's hierarchy.
- **Tall hierarchies** have many layers of management; **flat hierarchies** have few layers.
- Most firms start out small, often with only one or at most two layers in the hierarchy.

Tall organizations

- It has centralization in authority
- Narrow span of control and wide division of works
- Extended communication line from top level management to the bottom level
- Wide distance from top level to the bottom level
- Unity of command and directed from top level management

Cont...

- For example, consider the history of a business founded by the father of this chapter's author. The business was a small factory that made wood products for the construction industry, such as doors, window frames, and stairs.
- Initially the factory had just one manager, who was also the CEO (the author's father), and 10 employees. At this point the CEO performed multiple functions—managing employees, planning production, going on sales calls, doing the books, purchasing lumber, and so on. The firm was soon successful and business grew, so the CEO hired more employees. Soon he was too busy to perform all the tasks he had been doing.

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- At this point he hired help—a factory manager to supervise employees and plan production, a sales manager and three other salespeople to seek business, an accounts manager to manage the books, and a purchasing manager to buy lumber. This freed the CEO to concentrate on bigger strategic issues. In effect, the CEO added another layer to the management hierarchy to cope with growth.

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- The process did not stop here. Over time the CEO decided to enter other businesses that were related to the wood products industry, including home building, a brickmaking business, and a construction equipment rental company. With more businesses to manage the CEO found that he was once again stretched, so he created four divisions: the wood products factory, the home builder, the brick factory, and the equipment rental company.

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- To run each division he appointed a general manager. The CEO then managed the general managers and focused his attention on issues that cut across businesses, while the general managers manage people within their businesses. In effect the CEO added a third layer to the management hierarchy. To better manage growth and diversification of the firm, he made the hierarchy taller.

Flat Organization

- There is high level of decentralization
- There is wide span of control
- There are many functional departments
- There is close and personal supervision of top level management to each department.

- Nucor, for example, has 25 divisions. The general manager of each reports directly to the CEO, which implies that the CEO has a very wide span of control (probably close to 30 if other corporate executives such as the COO are included).
- Although performance benefits are often associated with moving to a flat structure, the process of delayering is not an easy one; and research shows that delayering can cause significant stress and poor morale among managers if the process is not handled correctly. Jack Welch believed that the key to successful delayering is to move fast (thereby eliminating lingering uncertainty among managers concerning their job security) and to reward and promote managers who thrive within the new structure, thereby indicating the management style that will be favored

Horizontal Differentiation

- Horizontal differentiation is concerned with dividing organization into subunits on the basis of convenience.
- It is concerned with formation of different departments of different basis such as functional structure, multi-divisional, geographic and matrix structure.

Functional Organization Structure

- All of the companies define its [organizational structure](#) to determine the reporting relationships that will exist in the company
- It simply states who works for who. Organizations choose their organizational structure based on many factors like: size, its geographic location, the manner of delivering different products and services that they will offer.
- This is where the organization is divided into smaller groups based on its special functions such as [IT](#), finance or marketing.

Multi-divisional Organizational Structure

- Based upon multiple business operation with larger organizational framework
- Organizations which produce multiple product lines or services adopt divisional structure where a product has to be produced by engaging various departments
- Some activities of such organizational structure are decentralized while some other activities are centralized at the corporate level
- There is the provision of divisional manager who has authority over his unit and is responsible for all the performance of concerned department.

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- For example, if Chaudhary group produces noodles and electronic items, then the provision of production, marketing, finance research and development may be there for either of the products.

Geographic structure

- The organizational structure developed on the basis of geographical distribution of places is called geographic structure.
- The organizations that involve business or service activities with multiple branches in different geographic location use such structure to carry out their operation.
- Such organizations involve insurance company, bank, Transport company, chain store or product line which is distributed in many geographical locations.
- The tasks are grouped into regions, zones ,districts, branches, etc as per the necessity and customers availability.

Matrix Organization Structure

- The organization structure involving the specific tasks to solve special type of problem is called matrix organization structure.
- Matrix Organization structure is also called project management structure.
- Provision of project managers and team of specialists from their functional disciplines are there in such organizational structure.
- The project manager is responsible for the overall direction and integration of activities and resources of the concerned project.
- The project authority flows vertically down from the superior to subordinates crossing the vertical lines.

Departmentalization

- In general, the process of division of small units for accomplishing various tasks is known as departmentalization.
- An organization has to carry out different functions of various nature.
- The provision of individual departments on the basis of functions, territory, products, customers give rise to departmentalization.
- Departmentalization is the process that involves individual departments for the production of individual products, delivering of services in different locations satisfying different types of customers for sound functioning of the organization.
- The process of combining jobs into groups is called departmentalization.

Authority

- Authority is defined as the special right inherent with the managerial employees.
- Authority forms hierarchy from top level to the subordinate level.
- It is the right to take decision and use resources optimally by managerial level employees.
- However, managers need to consider rules, regulations and procedures of the organization for using authority.

Line Authority

- Managers with line authority are those people in the organization who are directly responsible for achieving organizational goals.
- Line authority are represented by the standard of chain of command, starting with the board of directors and extending down through various levels in the hierarchy to the point where the basic activities of the organization are carried out.
- Line authority is based primarily on legitimate power.
- For example, managers at a manufacturing company may limit line functions to production and sales, while managers at a department store, in which buying is a key element, will consider the purchasing department as well as the sales department as line activities.
- When an organization is small, all positions may be line roles.

Staff Authority

- Staff authority belongs to those individuals or groups in an organization who provide services and advice to line managers.
- Staff provides managers with varied types of experts help and advice.
- Staff authority is based primarily on expert power.
- Staff can offer line managers planning advice through research, analysis, and options development.
- Staff can also assist in policy implementation, monitoring and control ; in legal and financial matters; and in the design and operation of data processing systems

Responsibility

- Responsibility refers to the liability or obligation to perform the given work by the application of one's ability, knowledge and skills
- It cannot be delegated to others.
- It also arises from superior subordinate relationship like authority.
- However, it flows from bottom to top.
- It should be assigned according to the status and position of the employees.

Establishing Task and Reporting Relationship

Elements for establishing task and reporting relationship

- Chain of command
- Span of management
- Formation of organizational design
 - Tall organization
 - Flat organization

Accountability

- Answerability for any tasks employees perform as per their responsibility
- Cannot be delegated to others
- Concerned with reporting to their concerned superiors in due time
- Achievement of accountability depends upon the extent of authority
- It also follows from anti-hierarchical route (ie, from subordinates to superiors)

Procedures to fulfill the accountability

- Assignment of jobs and roles
- Making enquiry about employees need
- Provide resources and guidance
- Share learning for team work

Delegation of Authority

- The process of transferring rights by top level employees to the subordinate level is called delegation of authority.
- Since, the employees of lower level will not be motivated to perform the tasks which donot come under their rights.
- There fore, if the employees are assigned the duty to complete any task then, it is essential to provide them right to take decisions
- Rights owned by lower level employees and their tasks come together.
- Since every tasks cannot be completed in time by top level management alone effort, assignment of tasks with respective rights to take decision is necessary in organizational setting.
- IN other words, delegation of authority is the process of distribution of authority as rights for individual employees for individual tasks they perform at the work place.

Centralization

- Centralization refers to that organizational structure where decision-making power is confined to the top management, and the subordinates need to follow the instructions of their seniors. Centralization of authority is essential for the small-scale organizations which lack resources and finance.
- A person running a departmental store appoints a manager, a cleaning staff, a salesperson and a helper. The owner delegates the work among the staff according to their skills and positions.

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- However, he retains the decision making authority related to display, discounts, offers, stock, orders, workers' salary, leaves and increment with him. He also keeps firm control over the routine activities of the staff and instructs them from time to time.
- This type of organization has a decentralized structure where the owner is the decision-maker, and the staff has to follow his instructions.

Reasons for Centralization

- **Nature of Organization:** When the organization is generally a sole proprietorship or partnership entity with less number of employees to be managed, it can have a centralized system.
- **Size of the Organization:** The organization which are small in size and operating on a small scale can be efficiently managed by the top management hence following a centralized system.
- **Nature of Task:** The organizations engaged in [business](#) operations which does not require much expertise or specialization, can be managed through centralization.
- **Delegation Ability:** The capability of the management to delegate the responsibilities to the subordinates while keeping the charge in their hand is another factor determining the organizational structure.
- **Employee's Efficiency:** If the employees lack skills and efficiency to take up the responsibility and accountability of the work to be performed, the management will go for centralization of the organization.

Advantages of centralization

- Facilitates unified decision
- Simple structure
- Facilitates quick decision
- Economy in operation
- Integration of operation
- Suitable for small firms

Dis advantages of centralization

- Unsuitable for large organizations
- Manager is overburdened
- Possibility of power misuse
- Low morale and motivation
- Lack of environmental adaptation
- Inappropriate for routine decision

Decentralization

- **Decentralization** refers to a company's top management delegating authority to subunits of the company.
- Subunits include divisions, subsidiaries, profit centers, investment centers, and so on
- Decentralization refers to a specific form of organizational structure where the top management delegates decision-making responsibilities and daily operations to middle and lower subordinates.
- The top management can thus concentrate on taking major decisions with greater time abundance

Reasons for Decentralization

- For Growth and diversification of the organization
- For taking quick decision
- For efficient communication
- For better supervision and control
- For reducing over burden on top management
- For increasing initiative and leadership skills on lower level employees

Advantages of decentralization

- Relief to top management
- Facilitates manager's development
- Possibility of better decision
- Effective control
- High morale and motivation
- Facilitates diversification
- Adaptation of environmental changes

Dis-advantages of decentralization

- Increase in expenditure
- Conflict
- Unsuitable for emergency situations
- Maximizes risk
- Difficulty in communication
- Unsuitable for specialized services

