



Fundamentals of Management

SESSION N 8

BY
**Azar Ejaz
Ateeq**



Chapter 5

Organization Design



The Changing Global Environment

The Challenges of Global Competition

- Establishing operations in a foreign country.
- Obtaining inputs from foreign suppliers.
- Managing in a foreign culture.

The Global Environment Is Open

- Managers need to learn to compete globally.

Management function that involves arranging and structuring work to accomplish the organization's goals

Purpose of Organizing

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



Organization Structure

The formal arrangement of jobs within an organization

Organizational Design

Creating or changing an organization's structure

Organizational Chart

The visual representation of an organization's structure



Elements in Organizational Design

Six key elements:

- ❑ Work specialization
- ❑ Departmentalization
- ❑ Chain of Command
- ❑ Span of control
- ❑ Centralization and Decentralization
- ❑ Formalization



Work Specialization

Dividing work activities into separate job tasks

Departmentalization

The basis by which jobs are grouped together

The Five Common Forms of Departmentalization

- **Functional Departmentalization**—Groups jobs according to function
- **Geographical Departmentalization**—Groups jobs according to geographic region
- **Product Departmentalization**—Groups jobs by product line
- **Process Departmentalization**—Groups jobs on the basis of product or customer flow
- **Customer Departmentalization**—Groups jobs on the basis of specific and unique customers who have common needs



Chain of Command

The line of authority extending from upper organizational levels to the lowest levels, which clarifies who reports to whom

- Authority and Responsibility
- Unity of Command principle



Unity of Command

Unity of command is a structure in which each employee reports to only one manager.

Authority and Responsibility

Authority is the rights inherent in a managerial position to tell people what to do and to expect them to do it.

Line Authority: Authority that entitles a manager to direct the work of an employee

Staff Authority: Positions with some authority that have been created to support, assist, and advise those holding line authority

Responsibility is the obligation to perform any assigned duties.



Span of Control

The number of employees who can be effectively and efficiently supervised by a manager.

Centralization and Decentralization

Centralization – Decision making takes place at upper levels of the organization.

Decentralization – Lower-level managers provide input or actually make decisions.



Formalization

The degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.



KASB INSTITUTE OF
TECHNOLOGY

THANK YOU