

Principles of Management

Unit 3

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 & management

* Organizing?

- arranging and structuring work to accomplish an organization's goal
- identifying and grouping activities required to attain objectives
- can be defined as: defining and grouping activities of the enterprise & establishing authority relations between them

* Nature and Purpose of Organizing?

A. Nature of Organizing

1. Common objectives - achieve common goal / target
2. Division of Labor - overall fn. sub-divided into sub-fns. (departments)
 - each dept. is headed by a manager

3. Authority structure - a series of superior & subordinate relationships called the chain of command

- associate responsibilities w/ different positions

4. Group of persons - comprising of work force - an active environment

5. Communication - free flow of communication for mutual understanding and cooperation

6. Coordination - diverse efforts coordinated towards the common goal

7. Environment - social, political, economic and legal factors
- influenced by materials, machines, technology

8. Rules and Regulations - governed by a set of rules for orderly functioning

B. Purpose of Organizing

1. To facilitate organization - to earn the highest profit

2. To increase efficiency of management - eliminate redundancy

3. To facilitate growth and diversification - expand scale of operations

4. Optimistic use of resources - put right people for the right job

5. Facilitate coordination & communication

6. Permit optimum use of tech. innovations

7. Stimulate creativity & initiative

8. Facilitate development of managerial ability

* Formal and Informal Organizations

A. Formal Organization

→ a system of well-defined jobs - each bearing a definite measure of authority, responsibility and accountability

→ Each is assigned a particular responsibility and given the authority to carry it out

④ 4 pillars of formal organization

- (i) Division of labor and specialization
- (ii) Scalar and Functional processes - (growth of org. both horizontally & vertically)
- (iii) Structure of organization
- (iv) Span of control - (no. of subordinates)

Characteristics of Formal Organizations

1. Flexible, properly planned
2. based on principle of division of labor
3. concentrates on performance of jobs
4. Framed flow of org. structure
5. Well specified coordination & control
6. maintains unity of command

Advantages

- eliminate conflict
- avoid overlapping responsibility
- more stability & security

Disadvantages

- delay in action while following chain of command
- ignores social needs of emp.
- emphasise work only

B. Informal Organization

- not established by formal authority
- arises from relationships among people in the organization like friendship, common interests, personal attitudes, emotions
- small informal groups may be derived from large formal groups

Characteristics of Informal Organization

1. Arises voluntarily
2. created based on similarity of members
3. has no place in organization structure
4. one person may be a part of several informal organizations
5. Rules & regulations not written, but followed

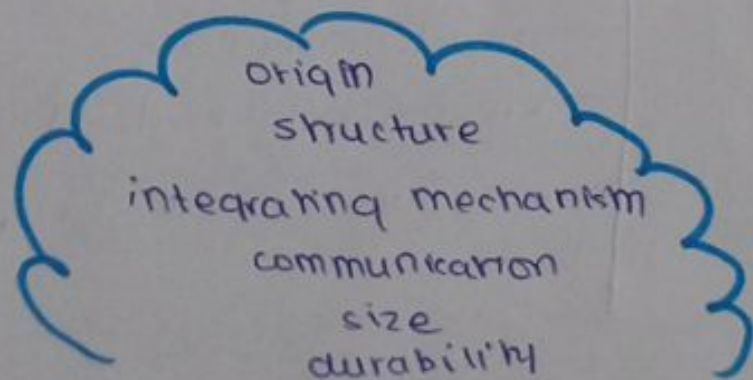
Advantages

- gives satisfaction, so has motivated & happy workers
- Fills up gaps in organization
- Effective channel of communication

Disadvantages

- may be hurdles in achieving objectives of an organization
- reduces efforts of mngt. to produce greater productivity
- rumors easily spread

can distinguish between formal & informal orgs on the basis of



* Organization Charts

5

→ a visual representation of an organization's internal structure

→ It shows:

(i) hierarchical structure

(ii) no. of management levels

(iii) scope of authority

(iv) grouping of depts.

(v) formal lines of communication

→ 3 major components of organizational charts are:

A. Chain of Command

B. Unity of Command

C. Span of Control

A. Chain of Command

→ hierarchical structure that outlines the authority, responsibility & communication within an organization

→ a clear and formal path through which instructions & info. flow from top management to the lowest levels of the org.

→ Chain of command exists when one individual is subordinate to another.

B. Unity of Command

→ each employee responds to only one supervisor

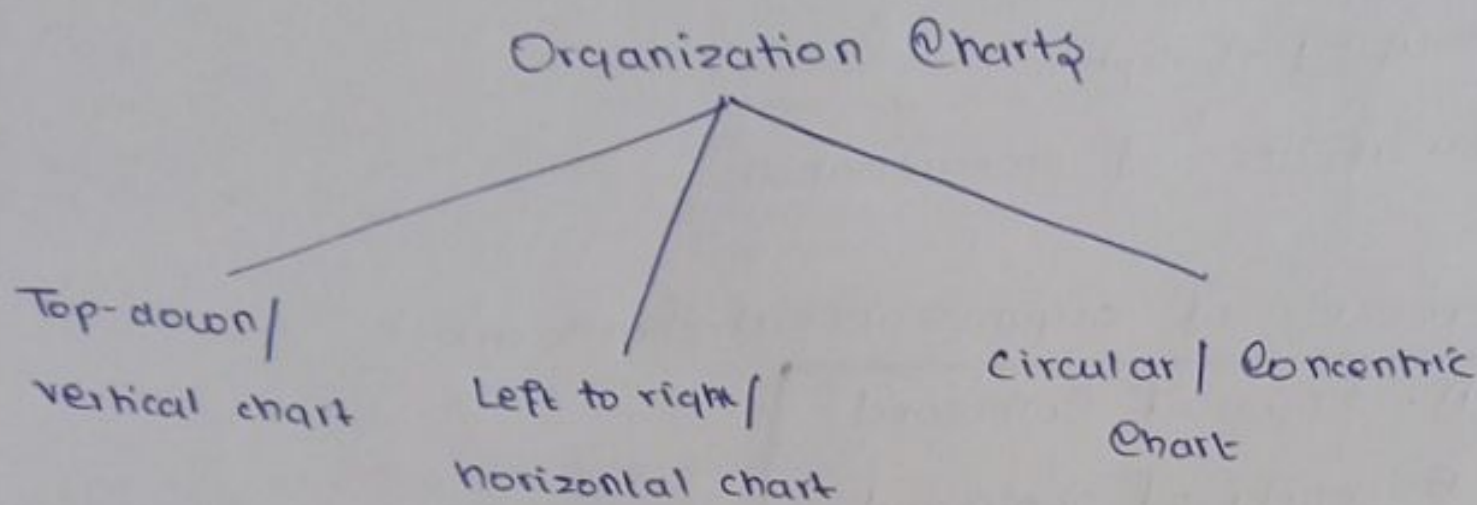
→ avoids confusion who should report to him & who should ^{orders} issues to whom

c. Span of control

→ no. of people reporting to a manager is called a manager's span of control

→ managers with wide spans of control have many subordinates

* Types of Organization charts



A. Top-down chart / Vertical chart

→ structure in the form of a pyramid - executives at the top, middle level managers in the middle, and low level managers and employees at the bottom.

→ Senior level executives make all major decisions

→ Line of command flows vertically

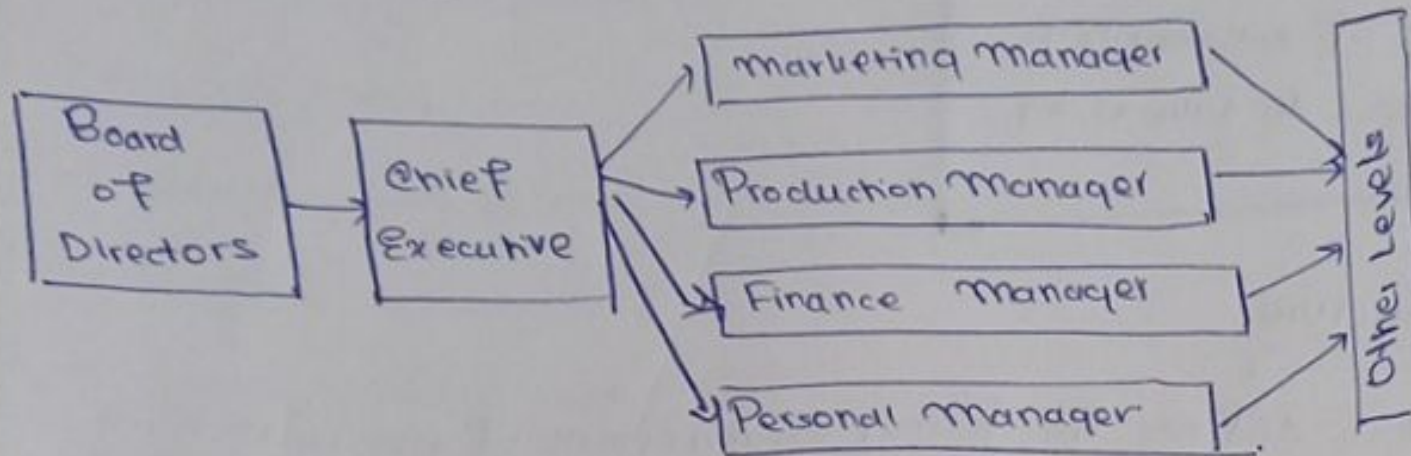
→ narrow span of control

→ long chain of command

B. Left-to-right / Horizontal Chart

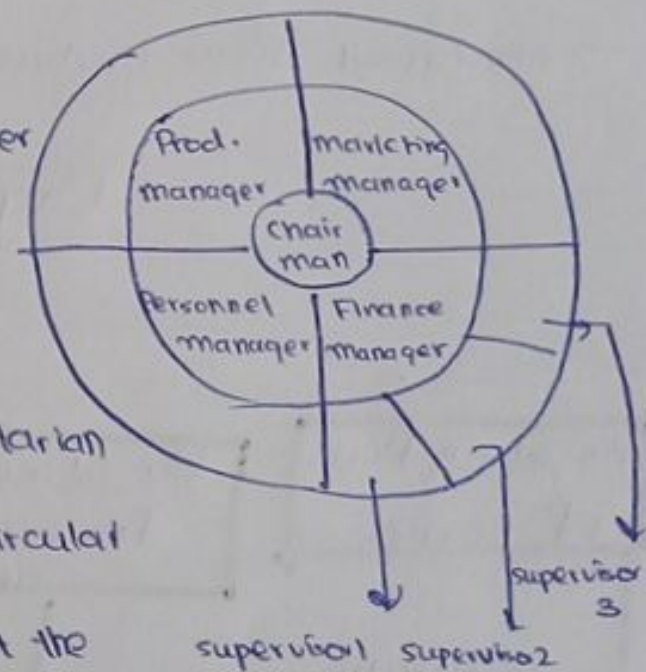
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- line of command flows horizontally
- has a wide span of control
- fewer managers in middle management, so the company has less of a power hierarchy
- short chain of command



C. Circular / Concentric Chart

- top executive of org. is located at the center of the chart
- subordinates are located outside
- Instead of seeing the organization as authoritarian with executives sending orders from the top, the circular structure gives the psychological impression that the org. is more inclusive, w/ better communication & easily accessible mgmt.



Advantages of Org. Chart

- defines relationship
- overlapping positions come to light
- identify the limit of authority
- improve communication
- outsider can understand structure of org.

Disadvantages of Org. Chart

- Avoids informal relationship
- If not clearly defined, may lead to misleading inference
- fails to show how much authority an individual can exercise

can differentiate between vertical & horizontal chart based on:

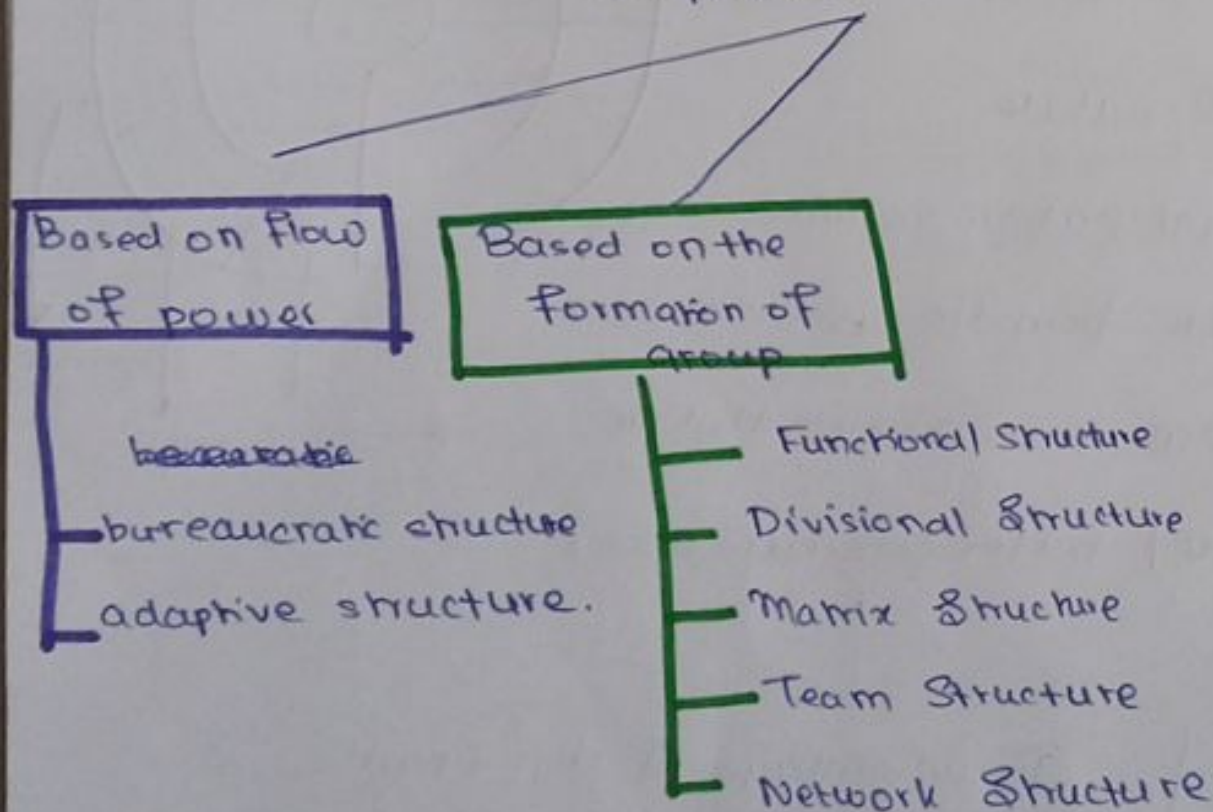
- (i) decision makers
- (ii) number of managers
- (iii) line of control
- (iv) flow of communication
- (v) level of efficiency
- (vi) level of creativity
- (vi) amount of collaboration
- (vii) willingness to take risks

* Organization Structure

→ a flow chart which defines the formal arrangement of jobs within an organization

→ designed from mechanistic & humanistic POV

Organizational Structure



A. Based on the flow of power

① Bureaucratic Structure

9

- tall structures with a clear chain of command
- power centralized w/ top managers
- structures formed on formal authority
- includes hierarchy of authority, promotion-based competency
- eg. college, military

Characteristics

- uses division of labor
- ensures coordination
- clearly defined rules, rights
- defines hierarchy of org

Advantages

- stable
- specialize in what you do best
- clear accountability

Disadvantages

- lack of flexibility
- lack of humanity
- may lead to conflict
- inhibits creative & imagination
- excessive paperwork
- cumbersome, slow to react to change.

② Adaptive Structure

- maintains high degree of openness to inputs from internal & external environments
- framed on knowledge-based authority, flexibility

Characteristics

- roles not highly defined
- tasks continuously redefined
- decentralization of control
- quick decision making

B. Based on Formation of Groups

① Functional structure

→ groups people based on similarity of work

Advantages

- gives importance to specialization
- increases efficiency and productivity
- clear accountability & hierarchy
- cooperation within departments

Disadvantages

- poor communication
- boring & inter-departmental conflict
- work only w/ large companies

② Divisional Structure

- divisions correspond to either products or geography
- each division contains the necessary resources and functions needed to support the product line and geography
- eg. McDonald's & Disney

Advantages

- size can easily be increased
- can easily respond to customers
- enhances efficiency of org.

Disadvantages

- competition may lead to conflicts
- expensive to formulate
- complicated control system

③ Matrix Structure

- a hybrid structure - a combination of 2 or more organization structures (eg. Functional Organization & Project Organization)

→ The org. may be divided on the basis of projects & functions (11) meaning an employee has to work under two authorities.

→ The authority of the functional manager flows downwards while the authority of the project manager. So the authority flows downwards and horizontally

→ people w/ similar skills are pooled for work assignments, resulting in more than one manager to report to.

→ eg. L&T

Advantages

→ facilitates better planning

→ flexible

→ better resource allocation

Disadvantages

→ multiple projects ⇒ complex control

→ complicated relationship

→ delayed decisions

④ Team Structure

→ made of teams working towards a common goal, while working on their individual tasks

→ less hierarchical

→ reinforces problem-solving, decision making, teamwork

→ comprises of members of various departments who work together

eg. shift employees

Advantages

→ reduce interdepartmental conflict

→ low administrative conflict

→ employee learns fr. of various departments

Disadvantages

→ conflict in loyalties

→ increased time spent in meetings

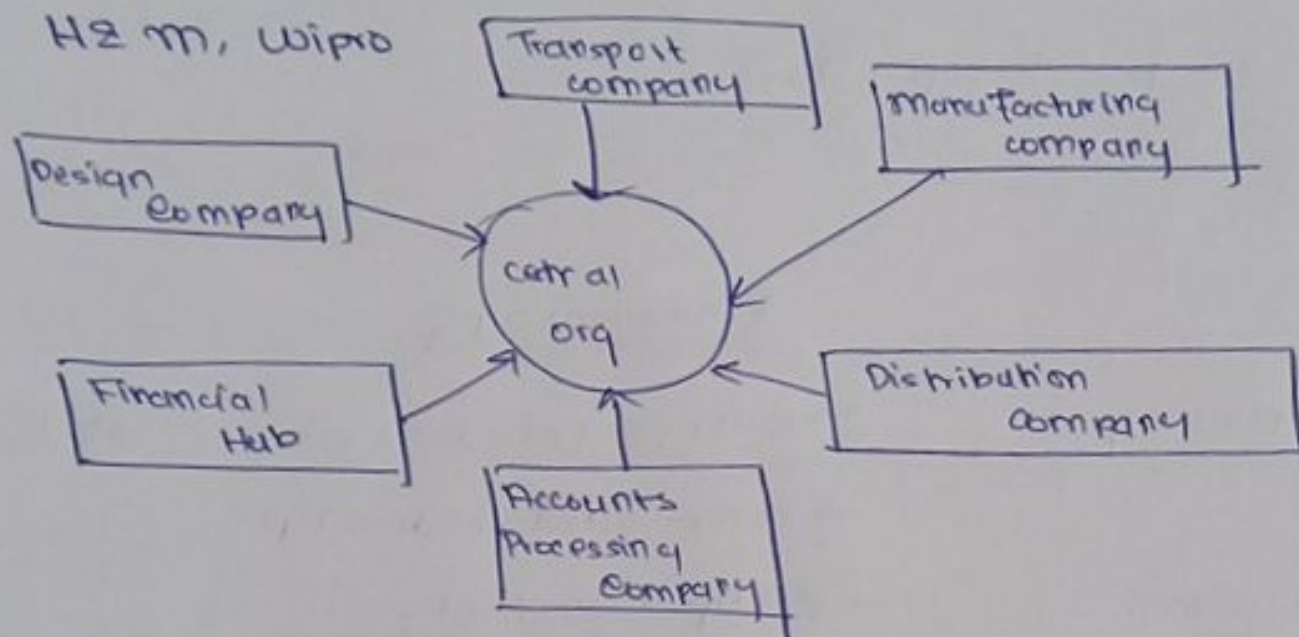
⑤ Network Structure

→ more than one organization combines to produce a good / provide a service

→ These orgs. permit outsourcing to handle other functions.

→ helps visualize both internal & external relationships between managers & top-level management

eg. H&M, Wipro



Advantages

- less hierarchical
- more decentralized
- more flexible
- outsourcing to specialized firms lowers costs

Disadvantages

- complex
- outsourcing makes it difficult to control & reduces reliability

* Line and Staff Authority, Departmentalization

A. Line Authority

→ primary authority responsible for achieving core objectives and for making day-to-day decisions

→ They issue orders, manage resources & make operational decisions related to their department

→ represents hierarchical chain of command

→ superior exercises authority directly over subordinates

Advantages

- simple and easy to understand
- clear delegation of authority & channel of communication
- ensures discipline

Disadvantages

- inflexible
- neglects advice from experts
- limited to small organizations.

B. Staff Authority

- helps line authority in attaining objectives of the organization
- involves giving advice to the line managers to carry out of operation
- does not have direct control over the organization's core activities just provides expertise, advice & support
- The HR manager, legal counsel, financial analyst would typically have staff authority
- Staff authority is classified as:
 - (i) Advisory staff authority - provides advice & assistance
 - (ii) Compulsory staff consultation - line authority must compulsorily consult with staff authority while taking decisions
 - (iii) Concurring authority - staff given complete authority to take decisions

Advantages

- improves the quality of decision
- reduces complexity to line authority
- leads to innovation

Disadvantages

- managerial problems
- weakens line authority

Line vs. Staff Authority - line authority → direct control & decision making power
staff authority → advisory & support roles

* Departmentalization

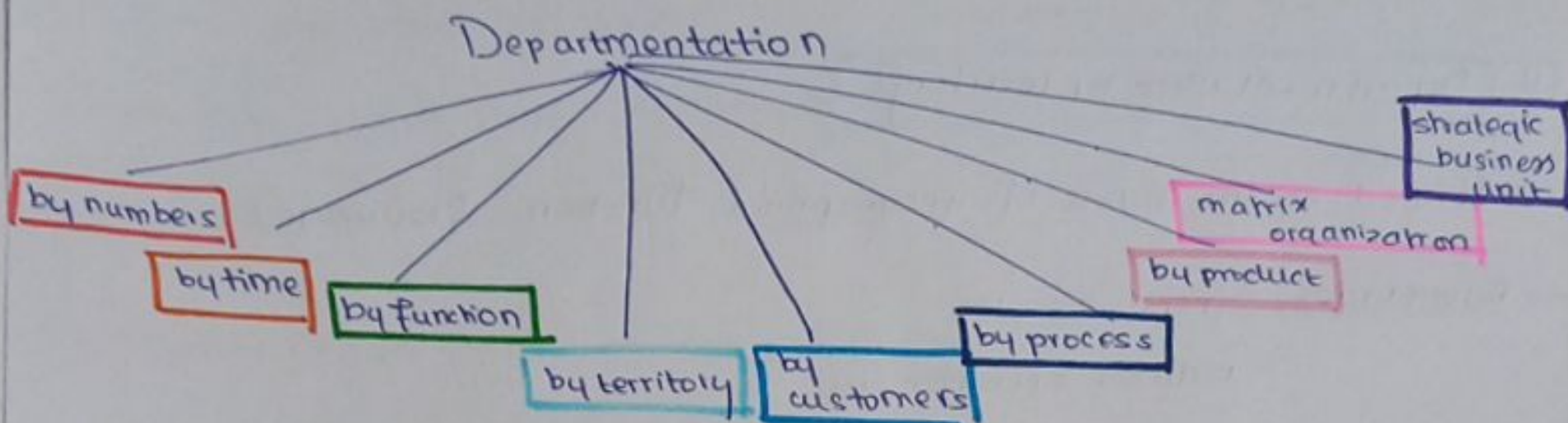
- The process of breaking down a large monolithic enterprise into small and flexible departments
- How jobs are grouped together is called departmentalization
- A department is an organizational unit that is headed by a manager who is responsible for its activities.

Importance of departmentalization

- increases operating efficiency
- helps in fixing responsibilities
- easier for appraisal identification
- facilitates budget preparation

* Departmentation Types

15



① Departmentation by numbers

- created on the basis of strength of employees
- same activities performed by small groups
- e.g. military

② Departmentation by Time

- formed on the basis of time of performance
- Advantages - 24x7 service
 - allows for part time work
- Disadvantages - night time supervision
 - lack of coordination

③ Departmentation by Function

- departments on the basis of work nature
- large scale enterprises - like manufacturing, R&D
- same kinds of jobs grouped together in depts.
- Advantages - ensures performance control
 - facilitates delegation of authority

- ensures coordination

Disadvantages - lack of inter-departmental communication

④ Departmentation by territory

depts.

→ Formed on the basis of geographical function (railways)

→ Advantages - improve sales
- reduces operation cost
- expand business

→ Disadvantages - lack of communication among branches
- friction between regional managers

⑤ Departmentation by customers

→ Formed on the basis of needs of customer

→ each expert serves a particular group of customers

→ Advantages :- Facilitates concentration on customer satisfaction
- helps to analyze market requirement

→ Disadvantages :- needs experts for specific problems
- production cannot be organized effectively

⑥ Departmentation by process

→ depts. on the basis of equipment & process

→ eg. ginning, spinning, weaving in a textile industry

→ Advantage - Focus on optimistic technology
- effective utilization of resources

→ Disadvantages - lack of coordination, conflict
- requires experts

⑦ Departmentation by product

⑦

- dept. on the basis of type of service/product
- Each dept. would have individual functional depts
- eg. Honda

⑧ Matrix Organization - see page 10

⑨ Strategic Business Unit

- a self-contained organizational entity within a larger corporation
- operates as an independent unit with its own set of product or services
- allows for more focused management - and adapt to diverse needs & characteristics of different business segments

* Span of Control

- the number of employees a manager can effectively manage
- If span of control increases, it reduces the operational cost of an organization - but sometimes - the wider the span, lesser is the effectiveness.

Factors Determining the Span of Control

- | | |
|----------------------------------|---|
| ① Competence of superior | ⑤ Means of communication |
| ② Time available for supervision | ⑥ Capacity of Subordinates |
| ③ Leadership style | ⑦ Control mechanism (personal supervision ⇒ narrow span, reporting ⇒ wide span) |
| ④ Nature of work | |

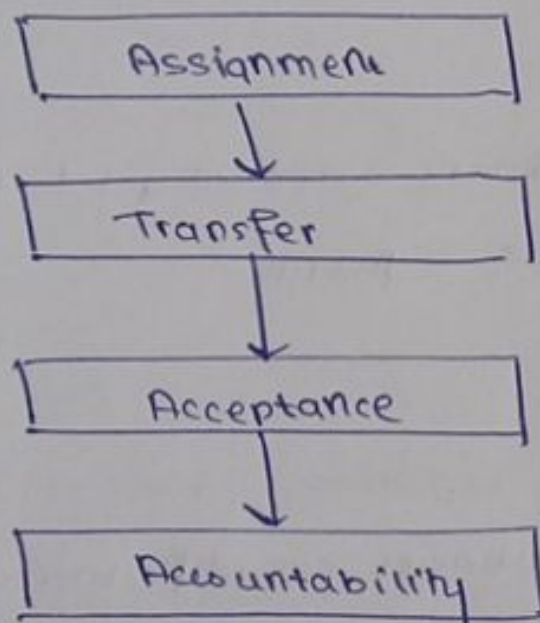
* Delegation of Authority, Centralization and Decentralization

A. Delegation of Authority

- granting authority or right to decision making to subordinates for carrying out an assigned task.
- There is a limit to the no. of subordinates a superior can effectively manage \Rightarrow delegating authority helps.

Process of Delegation of Authority

size up work \uparrow



① Sizing up work

\rightarrow ^{superior} assesses his/her workload, and has to decide which part of work has to be delegated.

② Assignment of duties

\rightarrow subordinates must be explained about the nature of work, limitation of authority, target expected

③ Grant authority to perform duty

→ official authority to do the work given to subordinate

④ Creation of obligation

→ Since the delegate is now in charge, he/she is responsible for all the activities performed.

Advantages

- reduce burden
- multiplicity of skill
- run diff. branches efficiently
- identify talents

Disadvantages

- dependence on manager
- may be failure in completion
- conflict among workers

B. Centralization

- reservation of authority within a central point within the organization
- role of subordinates becomes insignificant in this case.

Advantages

- greater uniformity
- lowers operating cost
- enhances coordination

Disadvantages

- no individual initiative
- overburden
- communication gaps

C. Decentralization

- dispersal of decision-making authority down to the level where work is to be performed.

Characteristics of Decentralization

- reflects the management's attitude and philosophy
- can develop managerial skills among employees

Advantages

- diversification
- higher motivation
- minimizes risk

Disadvantages

- may increase operational cost
- conflict among same level of employees
- lack of communication

* Decentralization vs. Delegation



organization wide
delegation between
top management &
departments



entrustment of authority from one to
another

* Job Design

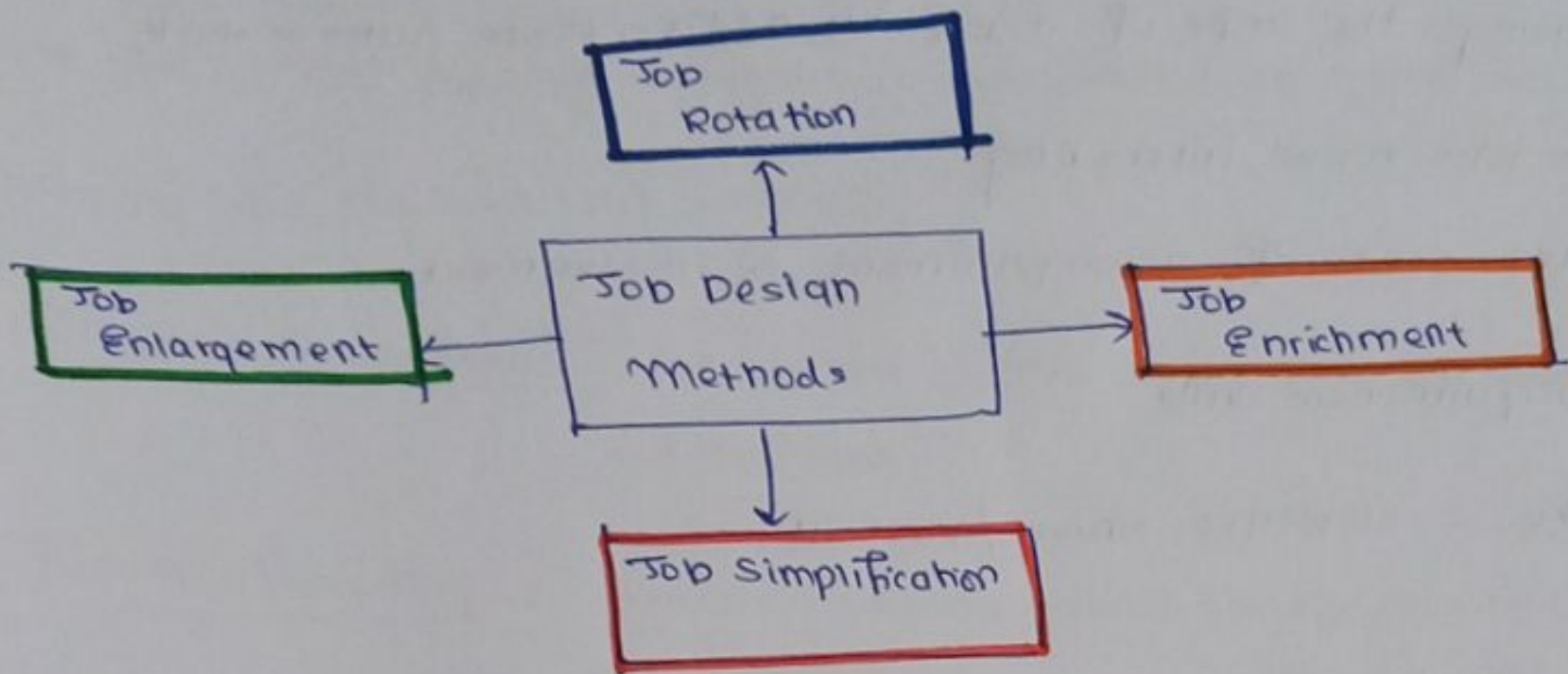
- specify duties and responsibilities that will be included in employees' roles

→ It has the following elements:

- (i) Tasks to be done
- (ii) Motivation to do the job
- (iii) Resource allocation
- (iv) Reward systems - both monetary & non-monetary

(X) Job Design Techniques

(21)



A. Job Simplification

- breaking down a complex job into simpler, more manageable tasks
- increases efficiency
- reduces overall skill requirements
- reduces workload

eg. Ford's 061 assembly line idea

B. Job Rotation

- moving employees through different roles or depts. in the organization
- happens between lateral jobs, i.e. jobs on the same level, and are not considered promotions
- reduces boredom
- exposes employees to all verticals
- creating right employee job-fit
- wide range of work experience

eg. nurses

C. Job enlargement

- increasing the scope of a job by adding more duties & tasks
- makes jobs more interesting
- greater sense of accomplishment & involvement
- can acquire new skills

Drawbacks - employee stress / burnout

D. Job Enrichment

- enhancing the depth and quality of a job by providing employees with more autonomy, responsibility & opportunities
- increase skill and challenge level

* Job Enrichment vs. Job Enlargement

↑	↑
Focuses on enhancing the quality & depth of the task.	expands the no. and variety of tasks within a job
add more complex & challenging tasks	add tasks of similar skill level
provides employees w/ greater control	may not increase autonomy / decision making authority
learn new skills, advance careers	does not promote personal growth & development

* Recruitment and Selection

Recruitment

→ process of attracting potential candidates and qualified people to apply for the jobs that are open.

Internal Recruiting - considering present employees as candidates for openings

External Recruiting - attracting persons outside the ~~job~~ org to apply for jobs

Selection

- choosing the most suitable persons among all applicants.
- In this process, relevant info. about the applicant is collected & deserving candidates are provided with job opportunities.

Selection Process

1. Scrutinizing applications / initial screening
2. Selection Tests
 - intelligence tests
 - aptitude tests
 - personality tests
 - achievement
 - polygraph test
 - integrity test
3. Interview process

BENEFITS

- eliminate selection bias
- can identify dormant talents
- reduce selection cost

LIMITATIONS

- do not make perfect predictions
- measure only a part of total info.

* Training and Development

Training - provide opportunity to acquire and improve job-related skills

Development - all round improvement in performance, personality growth,

Need for Training and Development

- (i) orientation to new hires
- (ii) orientation to potential promotes
- (iii) refreshing knowledge of existing employees
- (iv) upgrading knowledge

Importance of Training and Development

- (i) a trained worker can contribute more
- (ii) better use of resources
- (iii) be loyal to the org.
- (iv) eliminate risks & accidents
- (v) helps in standardizing system

* Training Methods

ON JOB TRAINING

1. Job rotation
2. coaching (work under section head)
3. Job Instructions
4. Assignments
5. Internship / Apprenticeship
6. temp. promotion

Training Methods

OFF JOB TRAINING

1. case studies / incidents
2. role play
3. simulation
4. conference
5. in basket method
6. lectures

* Career Development

25

- improve job performance & personality growth
- aims to impart knowledge, changing attitudes, increasing skills
- allows for a planned growth of managers

* Career Stages

→ There are 4 distinct stages: Each stage represents different career needs & interests of the individual.

① Trial Stage - explore options

- ~ 25 years old
- may try a number of jobs
- self exploration
- high turnover

② Establishment Stage - ~ 25 - 44 years of age

- career choice has been made
- concerned w/ achievement, performance & advancement
- motivated to succeed
- wants challenges & opportunities
- want autonomy

③ Mid Career Crisis Sub Stage - mid 30s to mid 40s

- reassess of ambitions & goals

④ Maintenance Stage - 45 - 64 yrs of age

- continue established patterns of work behavior

- little new ground is broken
- may need technical updating
- must develop skills to avoid stagnation

- ⑤ Late-career stage - career lessens in importance
- employee plans for retirement
 - seeks to develop a sense of identity outside work.