

Unit-Four

Organizing

Meaning of Organizing

- The process of integrating and coordinating the efforts; act of accumulating together all the organizational resources and establishing productive relation among them to achieve certain goals
- Involves identification of activities, grouping them, assigning jobs to employees and creating authority responsibility relationship among them
- Organizing is the process of defining and grouping the activities of the enterprise and establishing authority responsibility relationship among them-Theo Haiman

Process of Organizing

- **Determination of Activities;** involve identification of total volume of work to be completed to achieve predetermined goals; they may be related to production, purchasing, sale etc.
- **Grouping of Activities;** all the identified must be classified into different groups on the basis of their nature and objectivity; it involves creating various departments, units and sections for specific work; it facilitates the developing various positions and levels
- **Assigning Jobs;** jobs are assigned to the specific heads and personnel according to their ability, skill, knowledge and interest; it is necessary to make every person responsible to his/her duty

Process of Organizing

- **Delegating Authority;** means granting right to the employees to handle their assigned jobs properly; it develops responsibility in them for their jobs
- **Establishing Reporting Relations;** it is essential to clarify that who needs to report to whom; generally lower level are required to report to subsequent higher level
- **Coordinating Activities;** process of integrating activities of various departments, units and individuals and directing them towards achievement of organizational goals

Principles of Organizing

- **Unity of Objectives;** states that there should be clarity in objectives and synchronization among the overall goals, departmental goals and individual goals
- **Specialization;** logical and meaningful division of work among employees builds-up their confidence; repetitive functioning of work brings specialization in works
- **Span of Control or Management;** there must be reasonable number of subordinates under a superior for effective supervision and controlling; it should be determined on the basis of nature of work, capability of boss and employees
- **Unity of command;** an employee should have only one superior to whom s/he is directly responsible; there must be command from only one boss to an employee at a time
- **Chain of Command(Scalar Chain);** scalar chain is unbroken line of authority from top to bottom level which clearly defines who works under whom ,clarify the hierarchical relation among employees in an organization

Principles of Organizing

- **Coordination;** there should be harmonious relations among the personnel, units and departments of the organization; all the activities of all units should be directed towards achievement of common goal
- **Authority and Responsibility;** authority and responsibility must go hand-in-hand; it means there should be proper balance and parity between them
- **Exception;** only exceptional and complex issues should be referred to higher level for their decisions and routine matters should be handled by the concerned lower level; it saves the valuable time of the executives to devote in major issues
- **Efficiency;** efficiency of an organization can be achieved by optimum utilizing all the resources to minimize cost, save time and efforts at the best possible way
- **Simplicity;** states that organizational structure should be as simple as possible so that every member can easily understand their roles, duties, authority and relation with others

Principles of Organizing

- **Flexibility;** organizations must be situational or flexible to adapt the changing circumstances in the business; various components of organizing should be adjustable according to requirement
- **Balance;** it states that there should be proper balance among various aspects of the organization; it means balance between centralization and decentralization, authority and responsibility, wide and narrow span of control and so on
- **Continuity;** organizing function must be continuous till the life or survival of the organization; organizational structure can be modified according to the requirement
- **Homogeneity;** suggests to keep the functions of similar nature and same objectives under an unit or department that facilitates direction and coordination of activities

Organizational architecture

- The set of design of any construction, the organizational structural design formulated to deliver the organizational functions with formal division of authority and responsibilities
- Totality of an organization's functional system; involves organization structure, control system, incentive system, culture and people
- Essential for systematic smooth functioning of organization
- May be studied in major two ways-
 - Vertical Differentiation
 - Horizontal Differentiation

Vertical Differentiation: Tall Vs. Flat Hierarchies

Vertical differentiation explain the location of authority within an organizational structure ie. centralization and decentralization; indicates the number of layers in management hierarchy; can be tall and flat hierarchy

Tall hierarchy/ structure ; a traditional organizational structure characterized by many layers of management, narrow span of control, and centralization of authority(more authority is in top level)

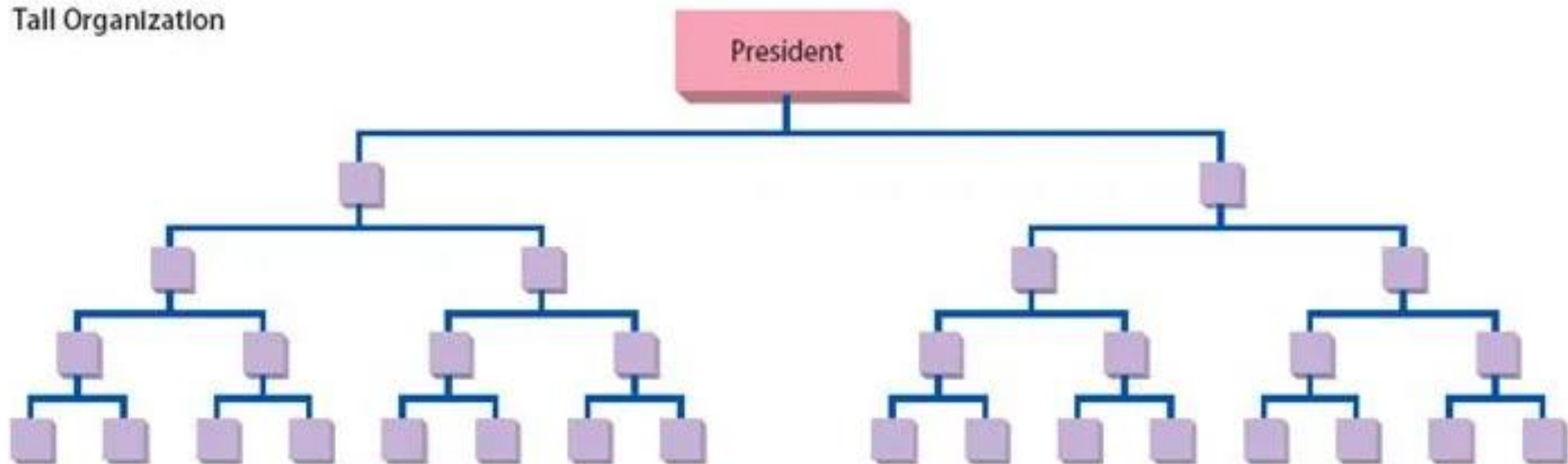
- Long distance between top level and bottom level
- Suitable for large organization
- Low supervision, delay in decision and low employee satisfaction

Vertical Differentiation: Tall Vs. Flat Hierarchies

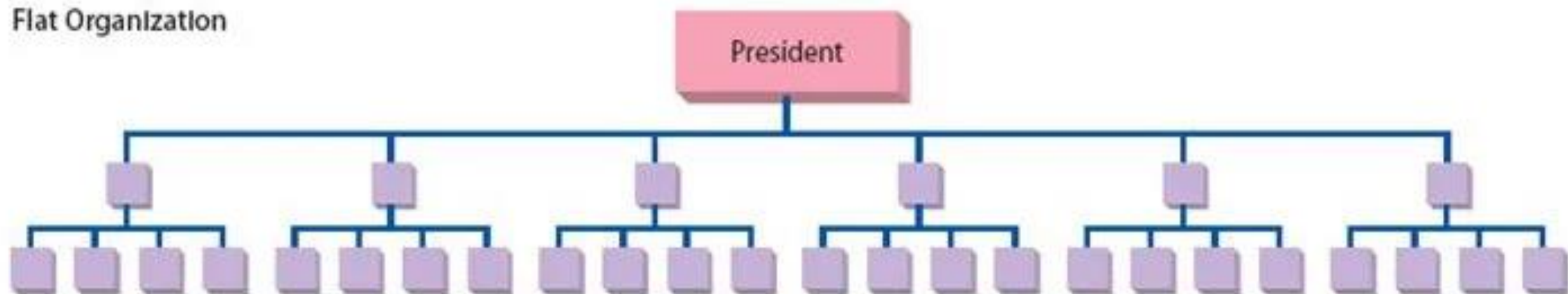
Flat Hierarchy/ Structure

- Organizational structure having few layers of management hierarchy
- Suitable for small organization with expanded functional area
- Wide span of control
- Decentralization of authority with various responsible departments
- Close Supervision and strong belongingness, quick decision

Tall Organization



Flat Organization



Horizontal Differentiation

- Dividing whole organization into various similar or parallel autonomous sub-units(i.e. departments) based on some criteria
- Specialization, efficiency and effectiveness are some benefits of horizontal differentiation
- Examples; Functional Structure, Multidivisional Structure, Geographic Structure and Matrix Structure

Functional Structure/Organization

- Departmentation by function, units and departments are formed on the basis of function
- Developed by F.W. Taylor
- Suitable for large organizations especially for factory
- More emphasis on specialization dividing activities into groups and sub-groups
- Specialists and experts are made responsible to handle the activities of concerned groups and sub-groups
- Example; Production manager is appointed and made responsible for the activities of the production department

General Director

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graph TD; GD[General Director] --- HR[Director of Human Resources]; GD --- MM[marketing manager]; GD --- PM[Production Manager]; GD --- FM[financial manager]; GD --- DRD[Director of Research and Development];
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Director of
Human
Resources

marketing
manager

Production
Manager

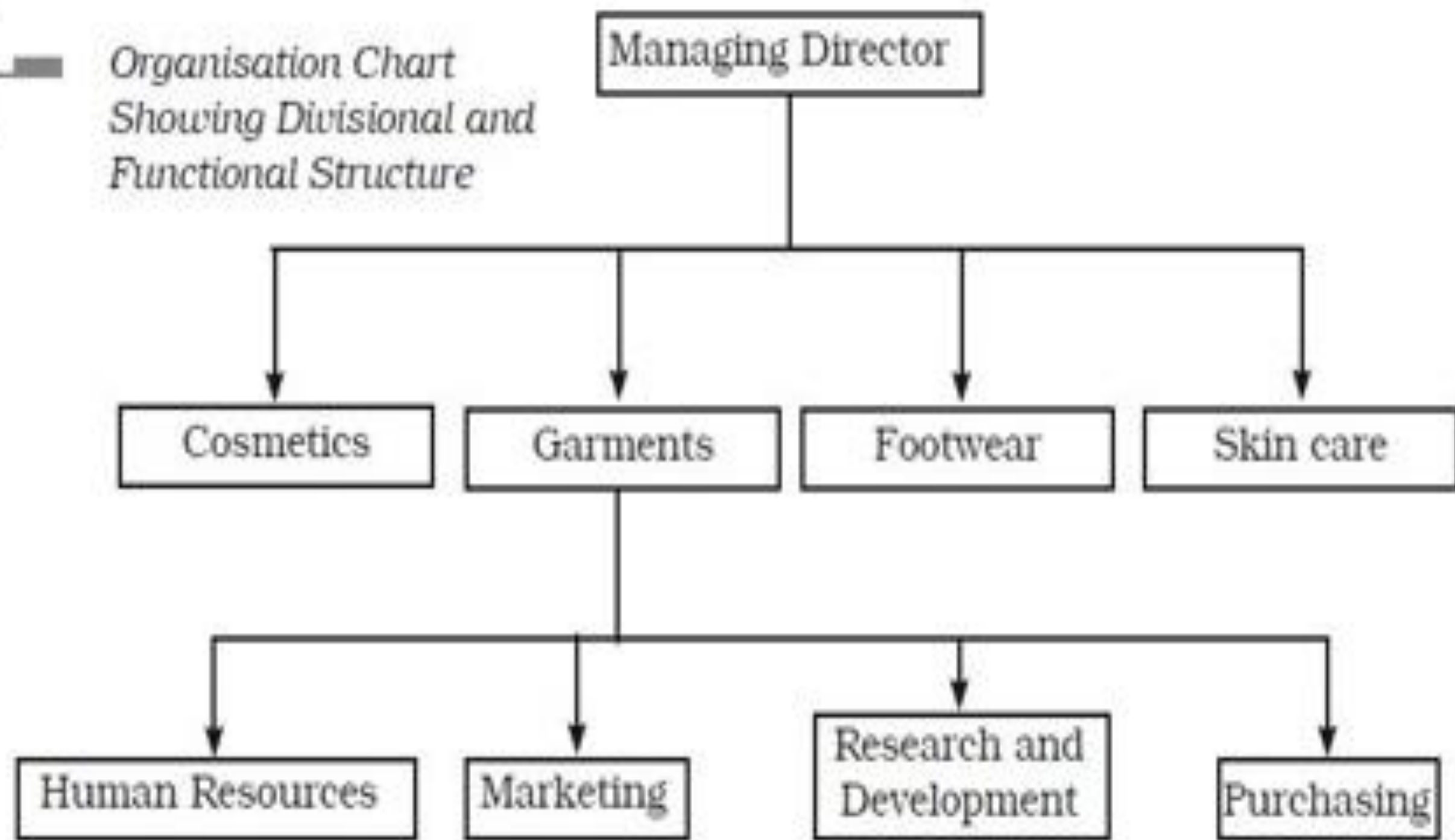
financial
manager

Director of
Research and
Development

Multidivisional structure

- Departmentation by product
- Divides large business organization into many semi-autonomous divisions on the basis of products or service
- Suitable for big organization having various lines of products and services
- All functions related to one product line are brought together under one department

*Organisation Chart
Showing Divisional and
Functional Structure*



Geographic structure

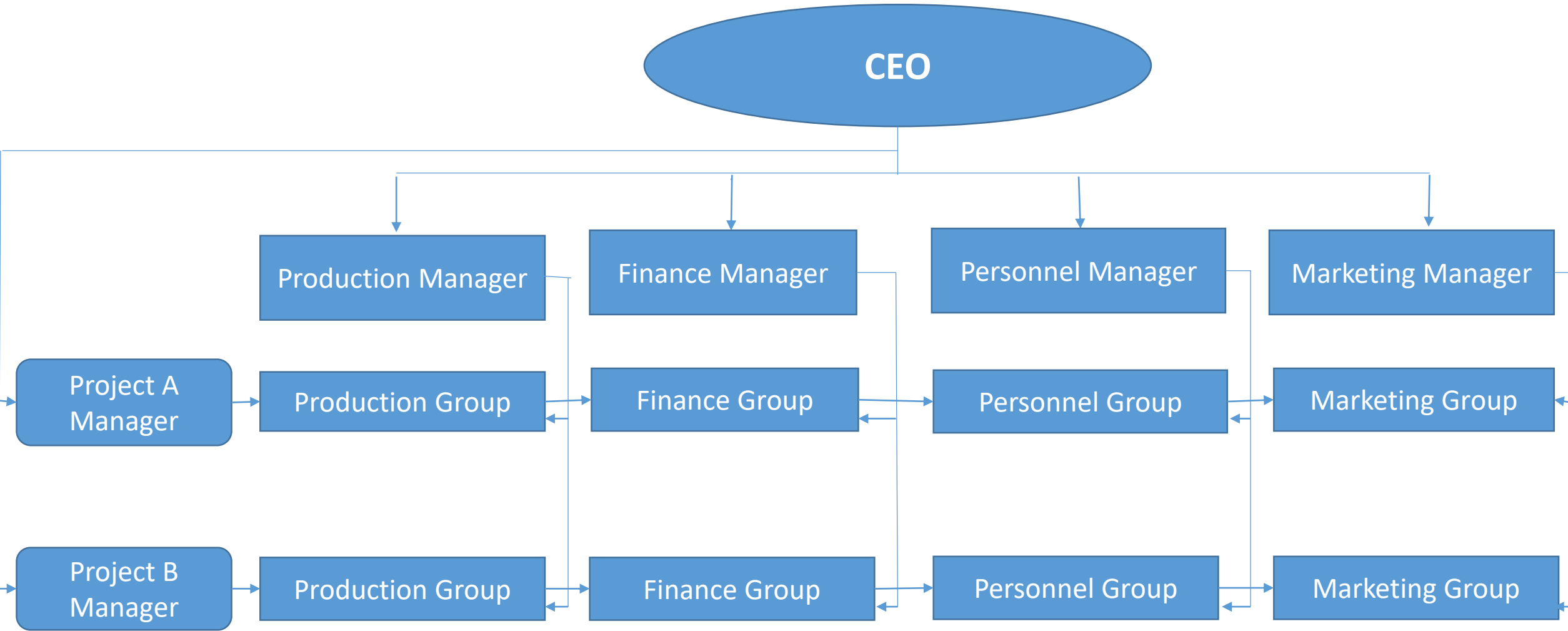
- Departmentation by territory or location
- Creating departments on the basis of geographical location
- Suitable for large scale organization whose activities are spread over a wide area
- A manager is assigned to a department and made responsible
- Example; Banks, Transport company, hospitality business etc.



Matrix Structure/Organization

- A highly specialized structure in which diverse technical and administrative experts work efficiently
- Especially formed to complete unique type of project, so called project structure
- A major project is assigned to a project manager and supporting members from various departments are provided
- Depends upon both vertical and horizontal flows of authority and communication
- Used in construction, research, health care and defense enterprises

Matrix Structure



Responsibility

Responsibility is duty or obligation of an employee to complete the assigned job efficiently. Responsibility should go side by side with authority. A person who has authority has a corresponding responsibility. It is specific and absolute. It cannot be delegated. There must be balance between authority and responsibility.

Establishing Task and Reporting Relationship

Establishing task and reporting relationship among various positions is basic function of organizing. Task must be properly assigned to employees on the basis of skills, qualifications and interest. Each employee needs to report to their immediate superior about progress and problems in work assigned to them

Elements should be considered while establishing task and reporting relationship

- **Chain of command;** there should be clear unbroken line of authority ranging from top to bottom level and employees must have clear reporting relationship
- **Span of control;** there should be a reasonable number of subordinates under a supervisor; a wide span of control includes large number of subordinates under a boss whereas a narrow span of management consists few number of subordinates
- **Formation of organizational design;** organizational structure may be either vertical(tall or flat) or horizontal
- **Creating accountability;** accountability is the obligation of subordinate to report his/her superior about the job; establishing objectives, assigning jobs, providing resources and guidance and sharing lessons learned are steps in creating accountability

Authority and its types

Authority is right or power to command, instruct or control; it is the right vested in the managerial position; it is formal right of a superior to command and compel her/his subordinates to perform the assigned job; line and staff authority are types of authority

- **Line Authority;** it is the right granted to someone in a supervisory position to direct and supervise activities of subordinates; it is given so that an organization can run smoothly and able to achieve its objectives; it flows vertically from top to bottom level; departmental heads, unit heads etc. are empowered with line authority
- **Staff Authority;** it is the right to advise or counsel line authority; it is the right to serve in an advisory capacity; it is right to suggest not to command; staff managers(experts or specialists) can use such authority to suggest line managers, but line managers may not obey that

Delegation of Authority

It is the granting or distributing of authority to subordinates to perform particular job; it is the process of sharing the task with its corresponding authority towards the subordinates ie. assigning work to subordinates; it refers to flow of authority downwards to the subordinates; some features are:

1. No delegation of total authority
2. Delegation of inherent authority only
3. Delegation for organizational purpose
4. Representation of superior
5. Restoration of delegated authority
6. Balance of authority and responsibility
7. No delegation of responsibility

Centralization and Its Advantages

Meaning: Centralization is an approach of organizational design in which decision making power is retained at top level of management ie. top level perform the planning, organizing, leading and controlling function ; it minimizes the role of subordinates because authority is not granted to them; subordinates have to follow the direction of executives to implement decisions; advantages are:

1. Uniformity in action
2. Quick decision
3. Economy in operation
4. Simplifies structure
5. Integrates activities
6. Suitable for small organization

Disadvantages of Centralization

- **Burden to Executive;** top level should manage most of works and take decisions
- **Chances of misuse of authority;** there may be misuse of authority and power by the executive for personal benefits because authority is retained at top level
- **Unsuitable for large organization;** it is not suitable for a large organization which has diversified work and various departments and branches
- **Over dependency;** subordinates become highly dependent on the executive that reduces the creativity and innovation of employees
- **Lack of environmental adaptation;** under centralization, decisions may be delayed and inappropriate because of work overload and limited capacity that may create problem in environmental adaptation
- **Low morale and motivation;** it does not follow the participative management that may reduce the morale and motivation of the employees

Decentralization and its Advantages

Meaning: It is the systematic delegation of authority throughout the organization to middle and lower level managers on the basis of their responsibility; it is a participatory concept and result of delegation of authority; this philosophy states that top level should keep limited authority and delegate maximum authority to the operating levels; top level disperse decision making authority and play the role of advisor; following are the advantages or reasons of decentralization:

1. Relief to executives
2. Possibility of better decisions
3. High morale and motivation
4. Growth and diversification
5. Development of managers
6. Quick decisions

Disadvantages of Decentralization

- **Costly;** it increases the operational cost of the organization because more competent managers and supervisors are needed to exercise authority
- **No uniformity in work;** different managers can make decisions and implement them differently as per their interest, experience, skills and wishes
- **Conflict;** it allows autonomy to the make decision to the lower level managers such decisions may be conflicting to departmental and organizational decisions
- **High risk;** decisions made by subordinates may not be competent and effective due to low experience, skills and knowledge that may result business failure
- **Chances of misuse of authority;** middle and lower levels are independent to make decisions for their respective units due to low control of top level lower levels may misuse the authority
- **Unsuitable for emergency;** due to participative practice, decision making process get delayed and even ineffective, but quick and bold decisions are required in emergency and crisis situation which is only possible by top level

Devolution: its advantages and disadvantages

Meaning of Devolution: it is administrative decentralization; when governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status; it usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions; devolved authority cannot be withdrawn; in a devolved system, lower levels have full autonomy in their work

(Note; Advantages and Disadvantages are same as of decentralization)

Emerging Issues in Organization Design

- **Team Work;** work team is a group of members with complementary skills; members are highly committed to attain common goal for that they are mutually accountable; it is taken as an important concept in organizing as breaks down the departmental barriers and promotes innovation and creativity
- **Organizational Re-engineering;** it is re-designing of all the aspects of an organization to achieve improvements and benefits in critical areas such as cost, services, time, quality etc.; in process re-engineering, new and advanced process, techniques and methodology are introduced in order to replace inappropriate ways of doing things
- **Virtual or Network organization structure;** it is a system of allocation and coordination of task between more than one organization with the aim of producing goods and services; independent business units are linked together by computers information system; it aims to eliminate unnecessary departments and focus on core functions

Emerging Issues in Organization Design

- **Organization downsizing;** it is also called restructuring or rightsizing; it involves reducing the size of the firm in terms of number of employees, departments or units and managerial layers; it is the process of making an organization smaller intentionally by eliminating unnecessary functions, divisions and units in order to minimize cost and improve efficiency; it is concerned with shareholder well-being rather than employee well-being
- **Boundary less organization;** a new concept, in which there is no barrier in information flow and business operations; it eliminates chain of command; there are unlimited span of control, empowered teams and less hierarchy which makes organization more flexible to cope with changing environment; globalization, online business activities and new technology for payment contribute to foster the boundary less organization concept

Staffing: Concept and Importance

- **Meaning:** it is the process of hiring and maintaining competent and capable people at the various position of organization; it involves recruiting, selecting, appointing, developing, appraising and retaining the eligible employees in the organization from top to bottom level; it ensures the right type and number of person at right time and right place; also called human resource management
- **Importance:**
 1. Managing competent staff
 2. Utilization of other resources
 3. Job satisfaction
 4. Increase productivity
 5. Goal achievement
 6. Career development