

Functions of Management: Organizing

Part One: Introduction

- 1.1 Meaning of organization
- 1.2 Process of Organization
- 1.3 Principles of Organization

Definition of Organizing

- **Activities:**

- Identification of activities
- Grouping of Activities
- Assignment of jobs to formal groups
- Establishing a network of authority and responsibility
- Providing framework for measurement, evaluation and control

- **Resources:**

- Determining the specific need of resources
- Allocation of resources into specific groups
- Evaluation and control of use of the resources

Organizing

- Organizing is the process of arranging and allocating work, authority, and resources among an organization's members so that they can achieve organizational goal.

—Stoner, Freeman and Gilbert

Process of Organizing

- Division of Work
- Grouping of Work
- Delegation of Authority
- Coordination of Work

Process of Organizing Simplified

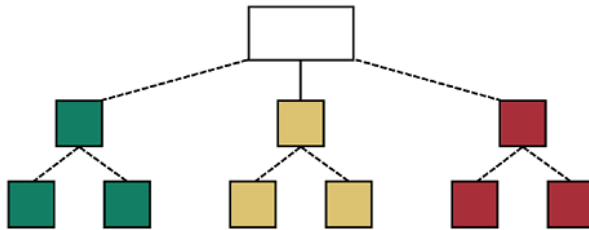
Designing Jobs



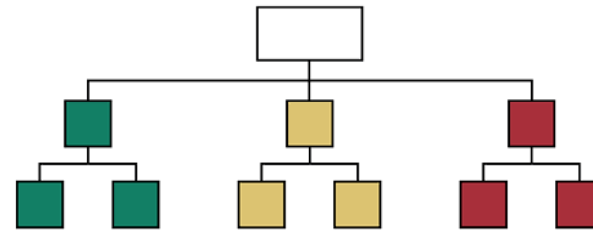
Forming Departments



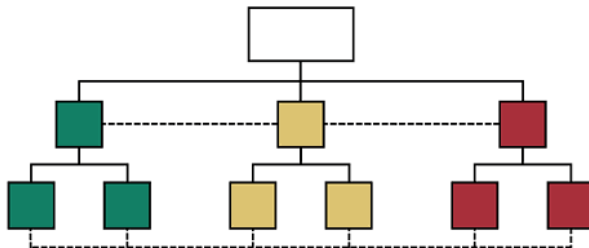
Creating a Hierarchy



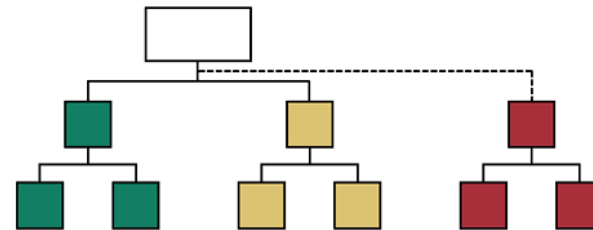
Distributing Authority



Coordinating and Integrating Activities



Differentiating Positions



Principles of Organizing

1. Unity of Objective
2. Specialization
3. Coordination
4. Authority and Responsibility
5. Unity of Command
6. Scalar Chain
7. Span of Control
8. Exception
9. Efficiency
10. Balance
11. Homogeneity
12. Continuity
13. Simplicity

Part Two: Organizational Architecture

– 2.1 Vertical differentiation

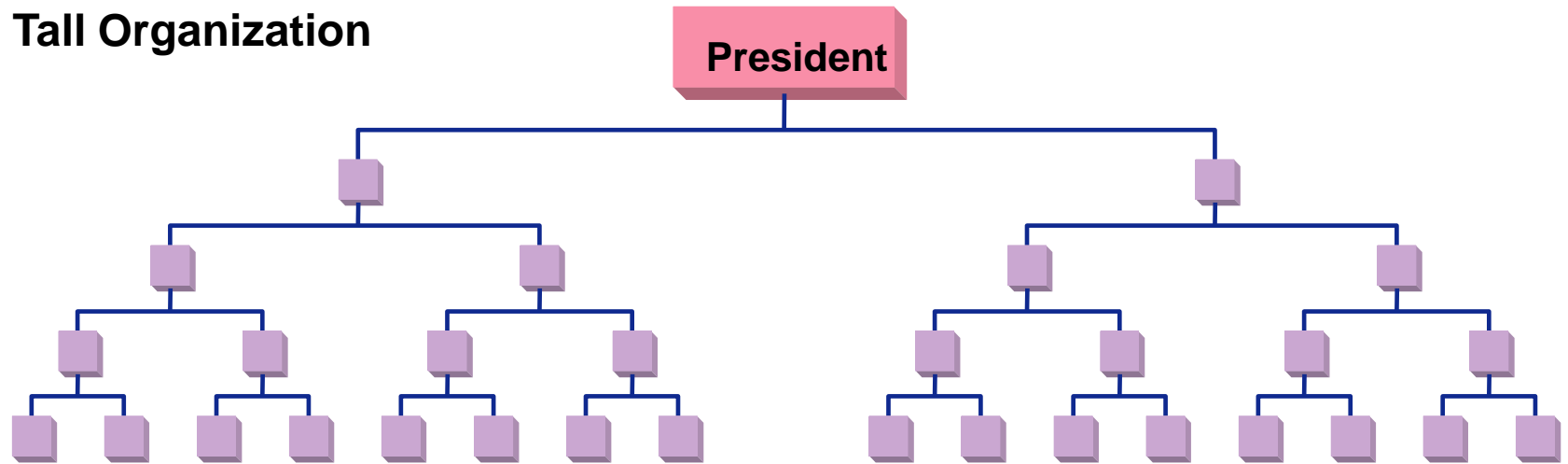
- Tall versus Flat Structure

– 2.2 Horizontal differentiation

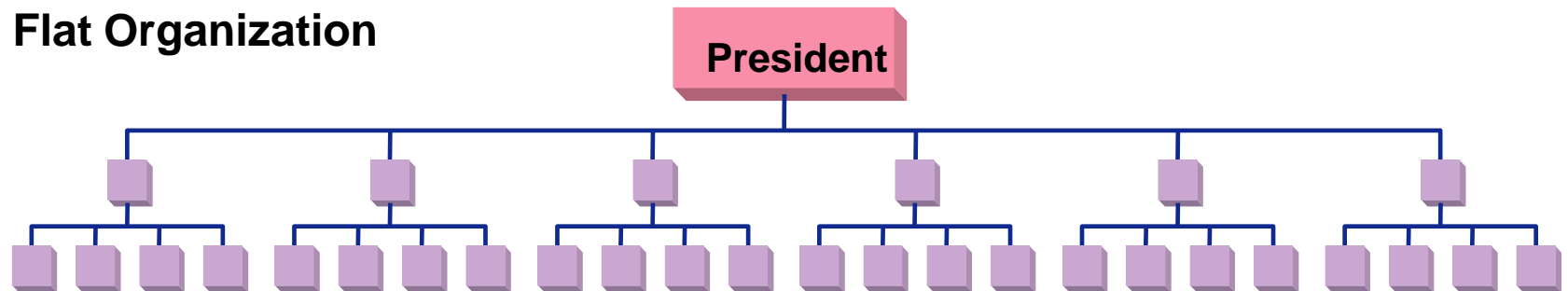
- Functional Structure
- Multidivisional Structure
- Geographic Structure
- Matrix Structure

Tall Versus Flat Organizations

Tall Organization



Flat Organization



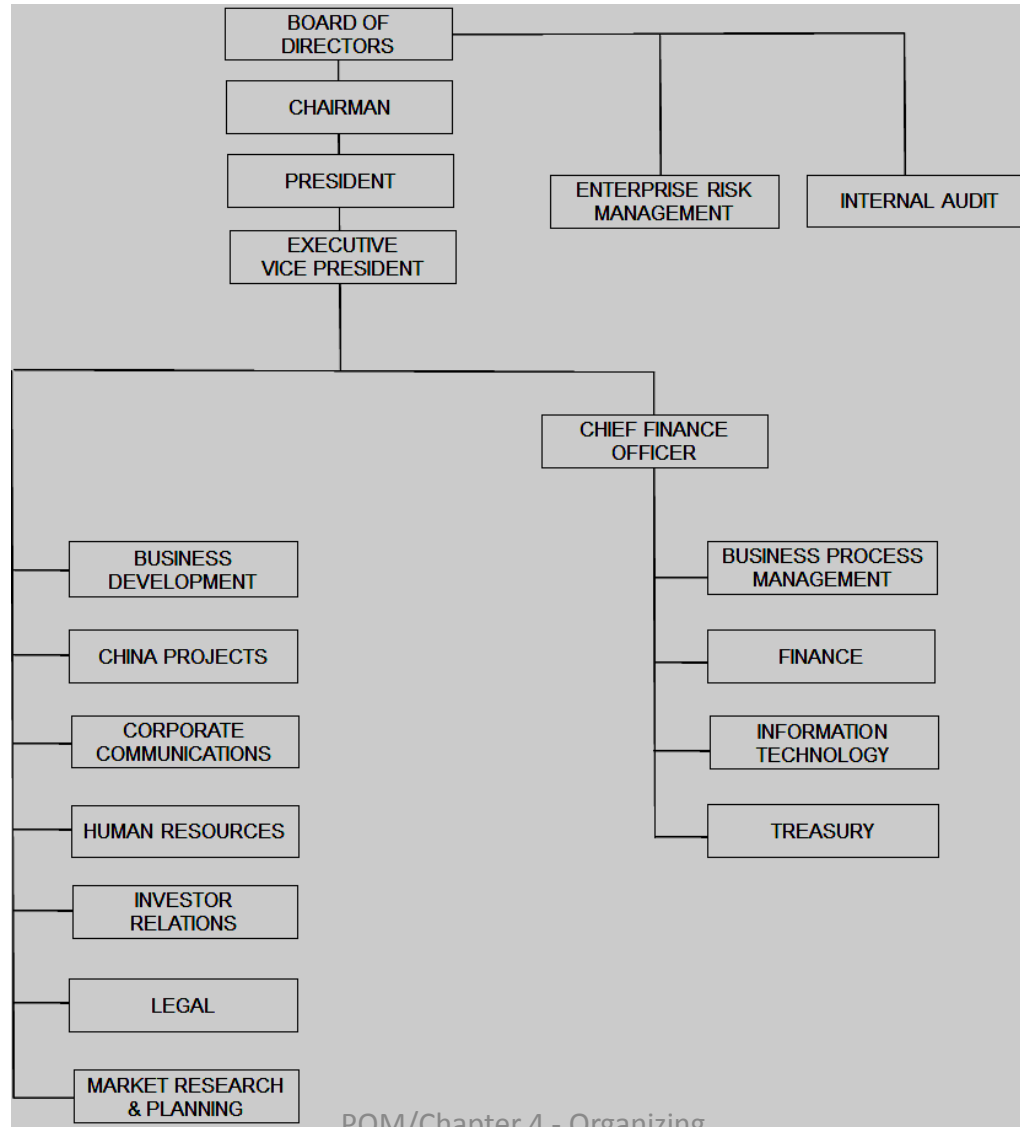
Organizational architecture - Vertical integration

- **Tall Organization:**
- This type of organizational architecture has many layers and narrow span of control.
- **Flat organization:**
- This type of organizational architecture has few layers and wide span of control.

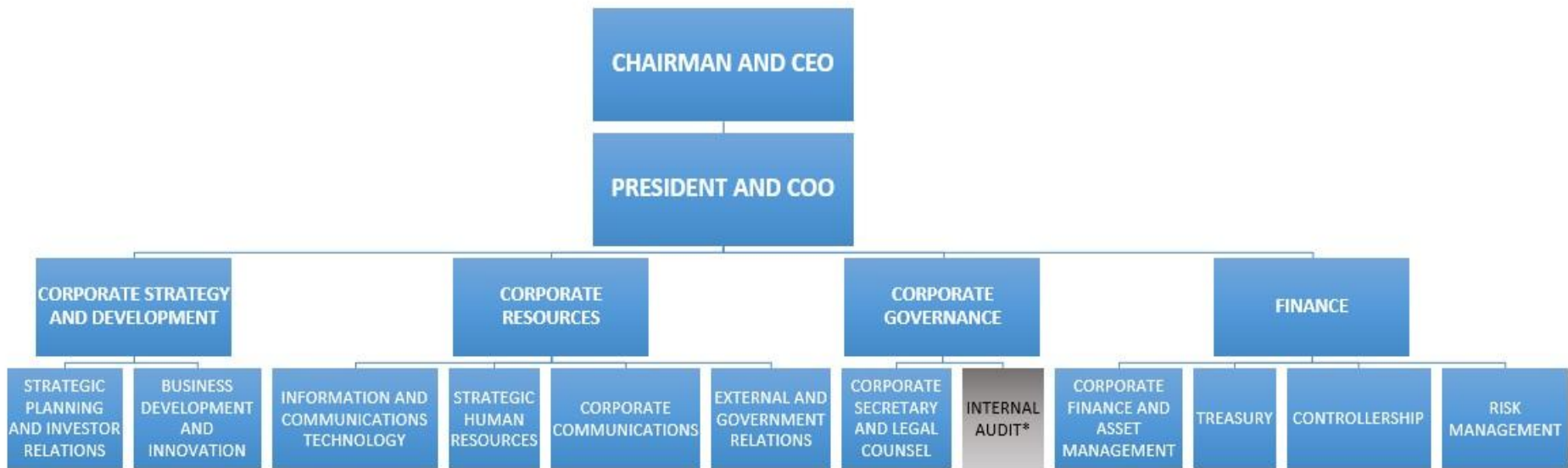
Establishing Reporting Relationships: Tall Versus Flat Organizations

- Tall Organizations
 - Are more expensive because of the number of managers involved.
 - Foster more communication problems because of the number of people through whom information must pass.
- Flat Organizations
 - Lead to higher levels of employee morale and productivity.
 - Create more administrative responsibility for the relatively few managers.
 - Create more supervisory responsibility for managers due to wider spans of control.

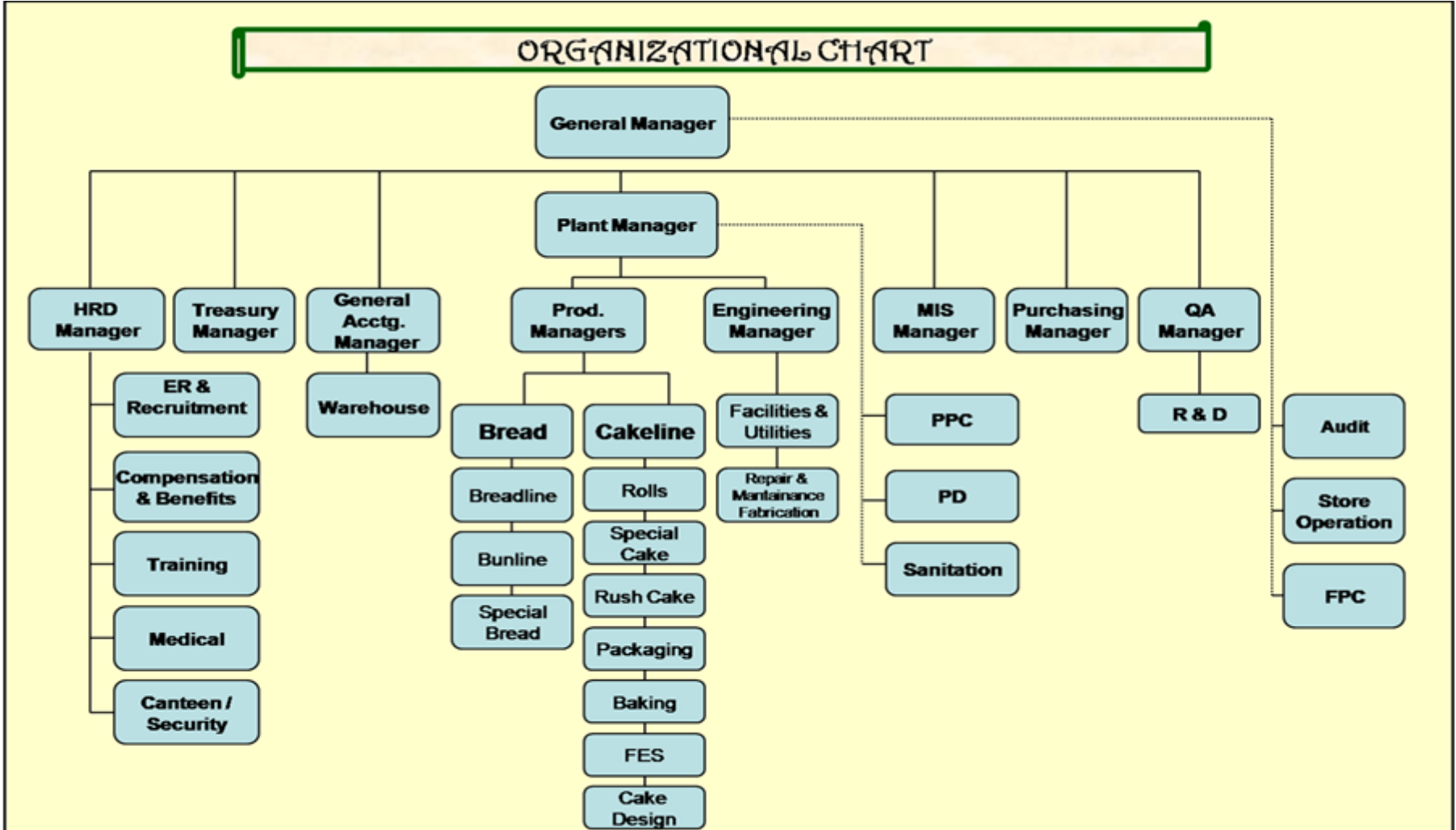
SM Prime Holdings, Inc.



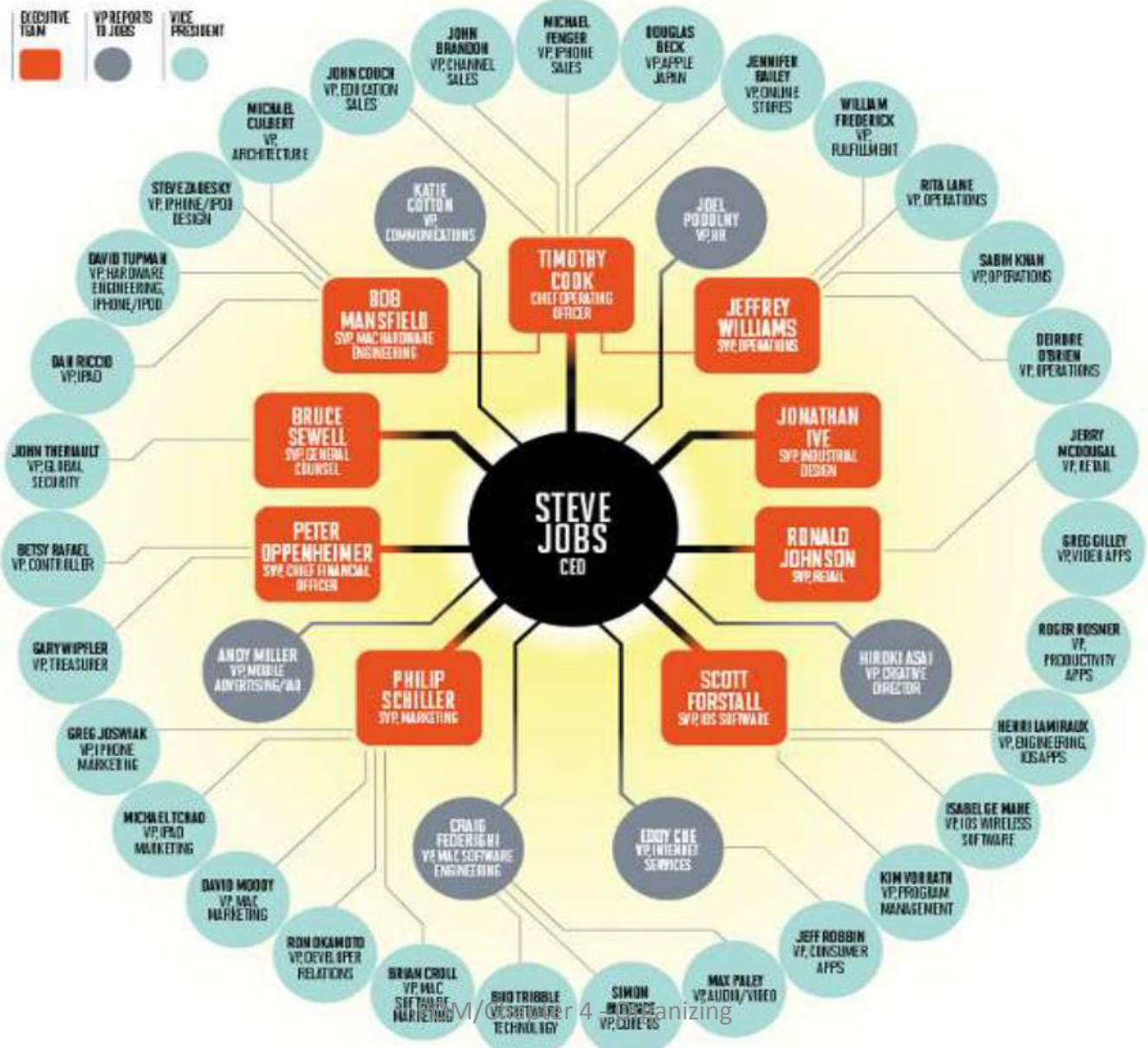
Ayala Corporation



Clarmil, Inc.

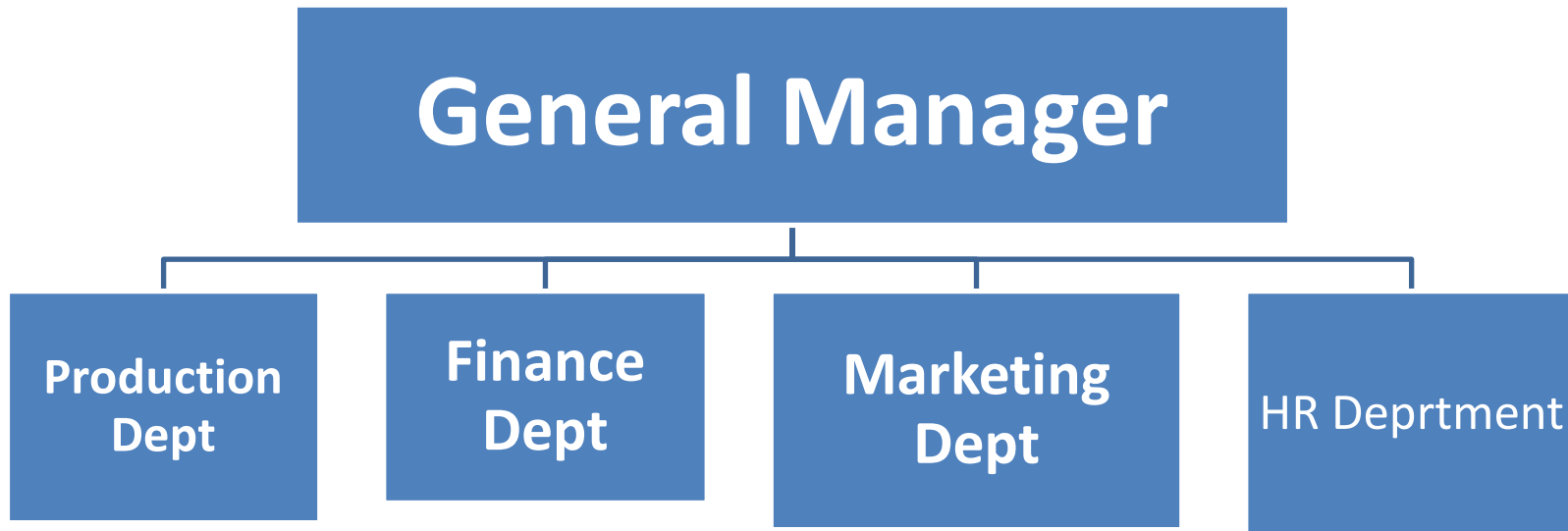


Apple Inc.



ORGANIZATIONAL ARCHITECTURE – HORIZONTAL DIFFERENTIATION

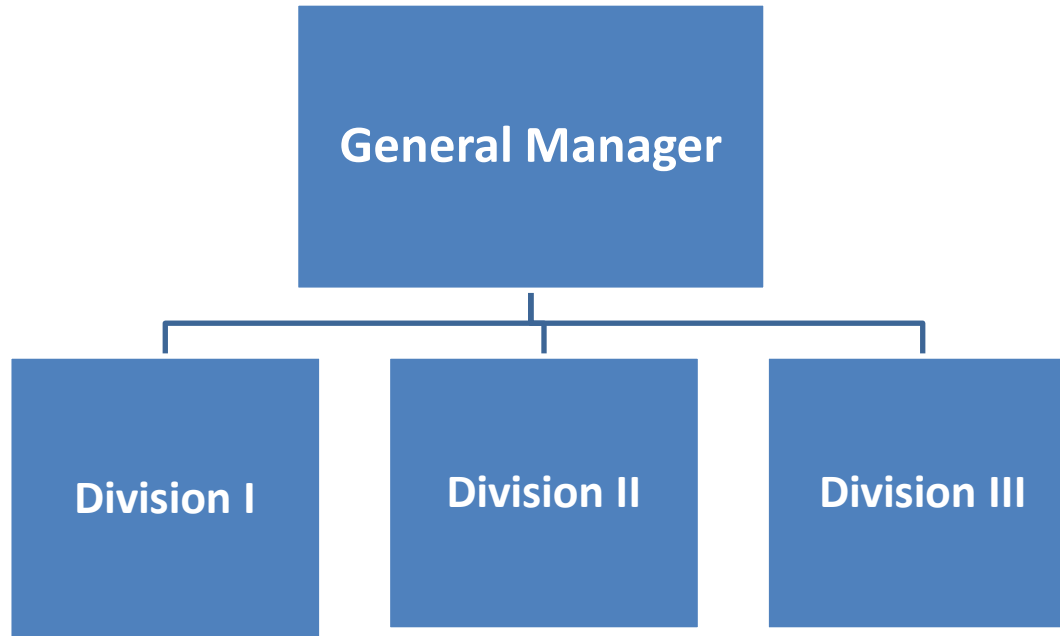
1. Functional structure:



Structure is created based on the various functions of an organization.

ORGANIZATIONAL ARCHITECTURE – HORIZONTAL DIFFERENTIATION

2. Multi-Division structure



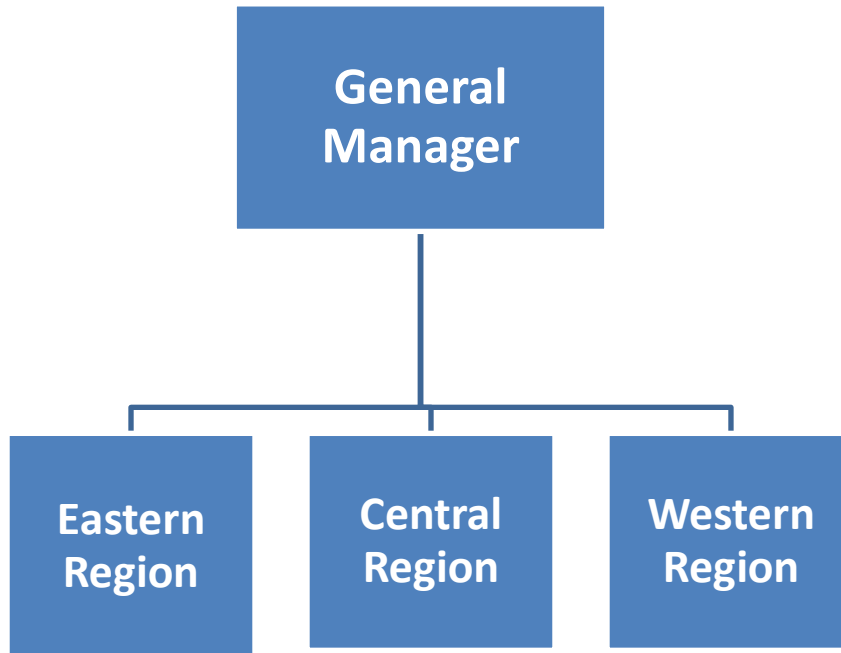
- Multiple divisions are created in a related industry.

Organizational Architecture – Horizontal Differentiation

- Divisional or M-form (Multidivisional) Design
 - An organizational arrangement based on multiple businesses in related areas operating within a larger organizational framework; following a strategy of related diversification.
 - Activities are decentralized down to the divisional level; others are centralized at the corporate level.
 - The largest advantages of the M-form design are the opportunities for coordination and sharing of resources.

ORGANIZATIONAL ARCHITECTURE – HORIZONTAL DIFFERENTIATION

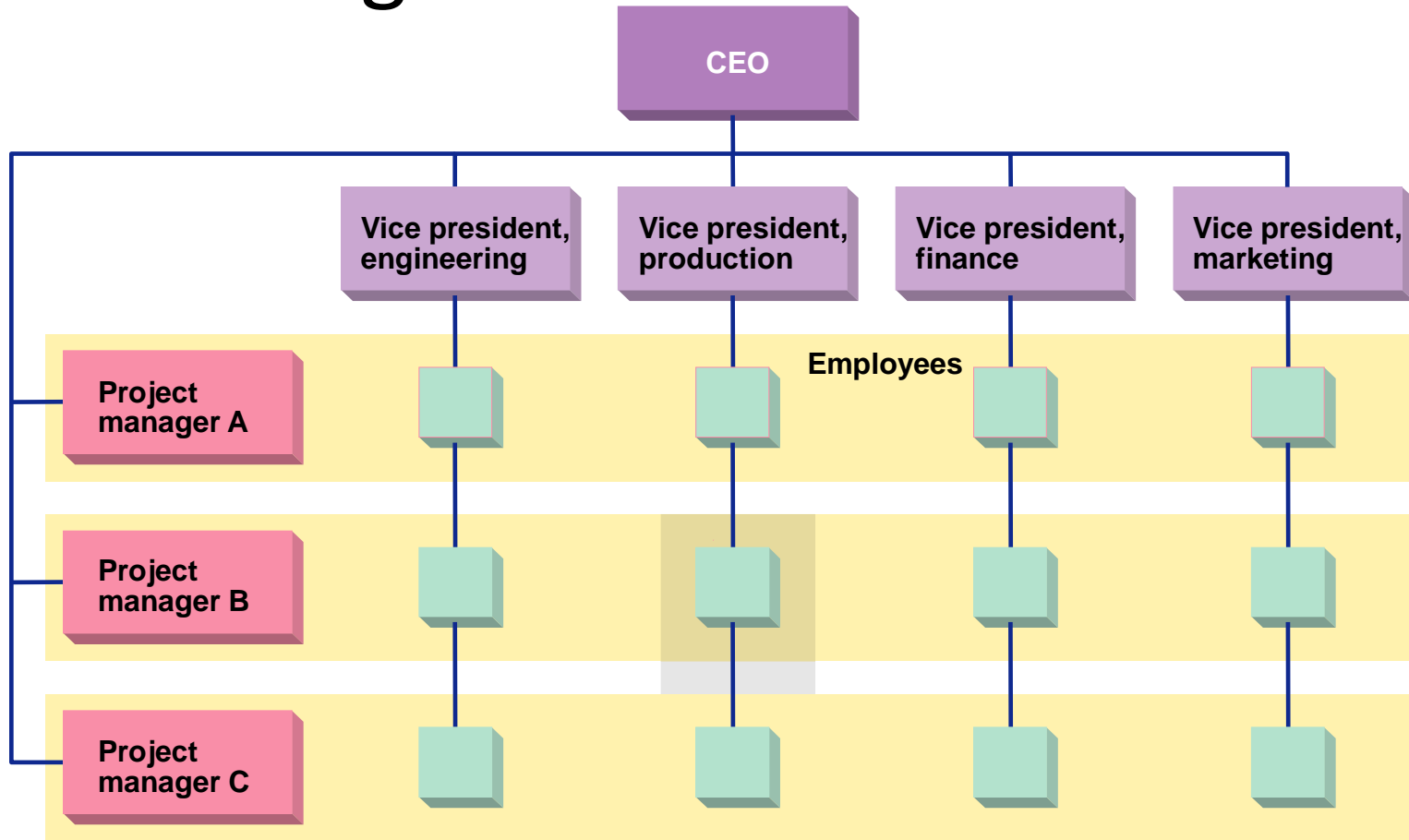
3. Geographic structure:



- Departments are created based on geographic regions.
- All the activities in one geographic region is categorized into one unit.

ORGANIZATIONAL ARCHITECTURE – HORIZONTAL DIFFERENTIATION

4. Matrix Organization



Matrix Structure

- **Advantages:**

- Enhances organizational flexibility.
- Team members have the opportunity to learn new skills.
- Provides an efficient way for the organization to use its human resources.
- Team members serve as bridges to their departments for the team.

- **Disadvantages:**

- Employees are uncertain about reporting relationships.
- The dynamics of group behavior may lead to slower decision making, one-person domination, compromise decisions, or a loss of focus.
- More time may be required for coordinating task-related activities.

Part Three: Responsibility

- 3.1 Meaning of Responsibility
- 3.2 Establishing Task and Reporting Relationships
- 3.3 Creating Accountability

Responsibility:

- Responsibility is the
obligation to perform
or
duty to carryout certain activities

Establishing Task and Reporting Relationship

- Task Relationship:
 - How activities related to each other in an organization.
 - How the basic units of an organization are formed.
 - Establishment of job description and job specification
 - Job Specification: Prerequisites of job. Various skills and experiences needed to perform certain job.
 - Job Description: The activities that have to be carried out at certain position in a job. It describes the job.

Establishing Task and Reporting Relationship

- Establishing Reporting Relationship:
 - It is finding out
 - Chain of command
 - Span of control or span of management

1. Who reports to whom?

2. How many subordinates will a supervisor have?

(Relate it to tall vs flat organizational architecture.)

Creating accountability

- Accountability:
 - Requirement to report

Part Four: Authority

- 4.1 Line and Staff Authority
- 4.2 Delegation of Authority

Authority

- Right to take decisions that arises due to position in organizational structure.
- Authority is the right to perform or command. It allows its holder to act in certain designated ways and to directly influence the actions of others through orders.
- Types of Authority:
 - Line Authority
 - Staff Authority

Line Authority

- The chain of command in the organizational structure that flows major decision making power.
- The officially sanctioned ability to issue orders to subordinate employees within an organization.

Staff Authority

- Staff authority consists of the right to advise or assist those who possess line authority as well as other staff personnel.
- The Advisory or Counseling Role :
- The Service Role
- The Control Role

Delegation of Authority

- Assigning work to subordinates and giving them necessary authority to do the assigned work effectively.

Simple terms,

GRANTING AUTHORITY TO SUBORDINATES

FEATURES OF DELEGATION OF AUTHORITY:

- No delegation of total authority
- Delegation of only that authority a manager has
- Representation of the superior
- Delegation for organizational purpose
- Restoration of delegated authority
- Balance of authority and responsibility
- No delegation of responsibility

Conflict between line – staff employees

- Assume Line Authority
- Do not give Sound Advice
- Steal Credit for Success
- Fail to Keep line personnel informed of their activities
- Do not see the whole picture.

Part Five:

Centralization and Decentralization

- Meaning : Centralization and Decentralization
- Reasons: In which case which is needed
- Advantages and Disadvantages: of both