



# ESSENTIALS OF MANAGEMENT

## CHAPTER 3

# NATURE OF ORGANIZING



## **CHAPTER 3**

### **NATURE OF ORGANIZING**

**Process**

**Urwick's Principles of Organizing**

**Span of Management**

**Factors Affecting the Span**

**Various Methods of Departmentation**

**Line and Staff Concepts**

**(Line, Staff and Functional Staff authority)**

**Delegation - Definition**

**Principles and Steps**



# What is an Organization?

Organization refers to a collection of people, who are involved in pursuing defined objectives.

The organization encompasses division of work among employees and alignment of tasks towards the ultimate goal of the company.

It can also be referred as the second most important managerial function, that coordinates the work of employees, procures resources and combines the two, in pursuance of company's goals.



# Importance of Organizations

- Bring together resources to achieve desired goals
- Produce goods and services efficiently
- Facilitate innovation
- Use modern manufacturing & information technologies
- Adapt to and influence a changing environment
- Create value for owners, customers and employees
- Accommodate ongoing challenges of diversity, ethics etc
- motivation and coordination of employees



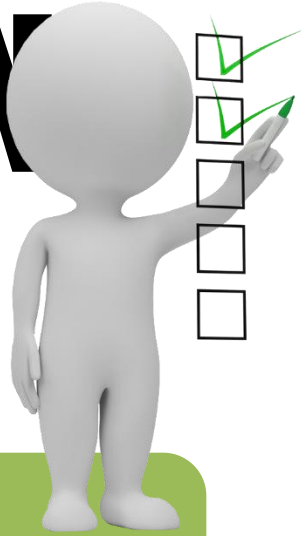
# Nature and Purpose of Organizing

- Verifiable objectives.
- A clear idea of the major duties and activities involved.
- An understood area of discretion or authority so that the person filling the role knows what he can do to accomplish goals.



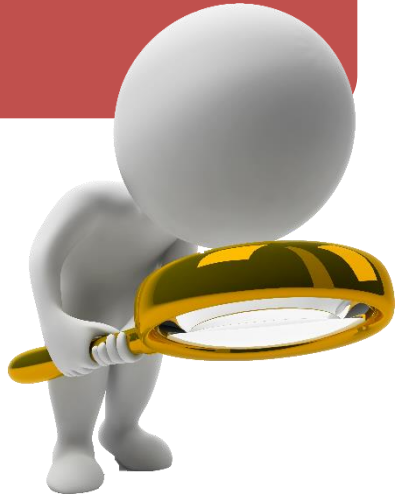
***ORGANIZATION IMPLIES  
A FORMALIZED, INTENTIONAL INTERNAL STRUCTURE  
OF ROLES AND POSITIONS***

# 4 STEPS IN ORGANIZING PROCESS



**1**

IDENTIFICATION OF ACTIVITIES OF THE ORGANIZATION



**2**

ORGANIZING THE ACTIVITIES



**3**

CLASSIFICATION OF THE AUTHORITY



**4**

BUILDING RELATIONSHIP BETWEEN AUTHORITY AND RESPONSIBILITY



# FORMAL AND INFORMAL ORGANIZATION



**Formal Organization** means the intentional structure of roles in a formally organized enterprise.



**Informal Organization** is a network of personal and social relations not established/required by the formal organization but arising spontaneously as people associate with one another.

# FORMAL AND INFORMAL ORGANIZATION



## Formal Organization

This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility.

It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure.

This kind of organization is an arbitrary set up in which each person is responsible for his performance.

Formal organization has a formal set up to achieve pre-determined goals.

# FORMAL AND INFORMAL ORGANIZATION



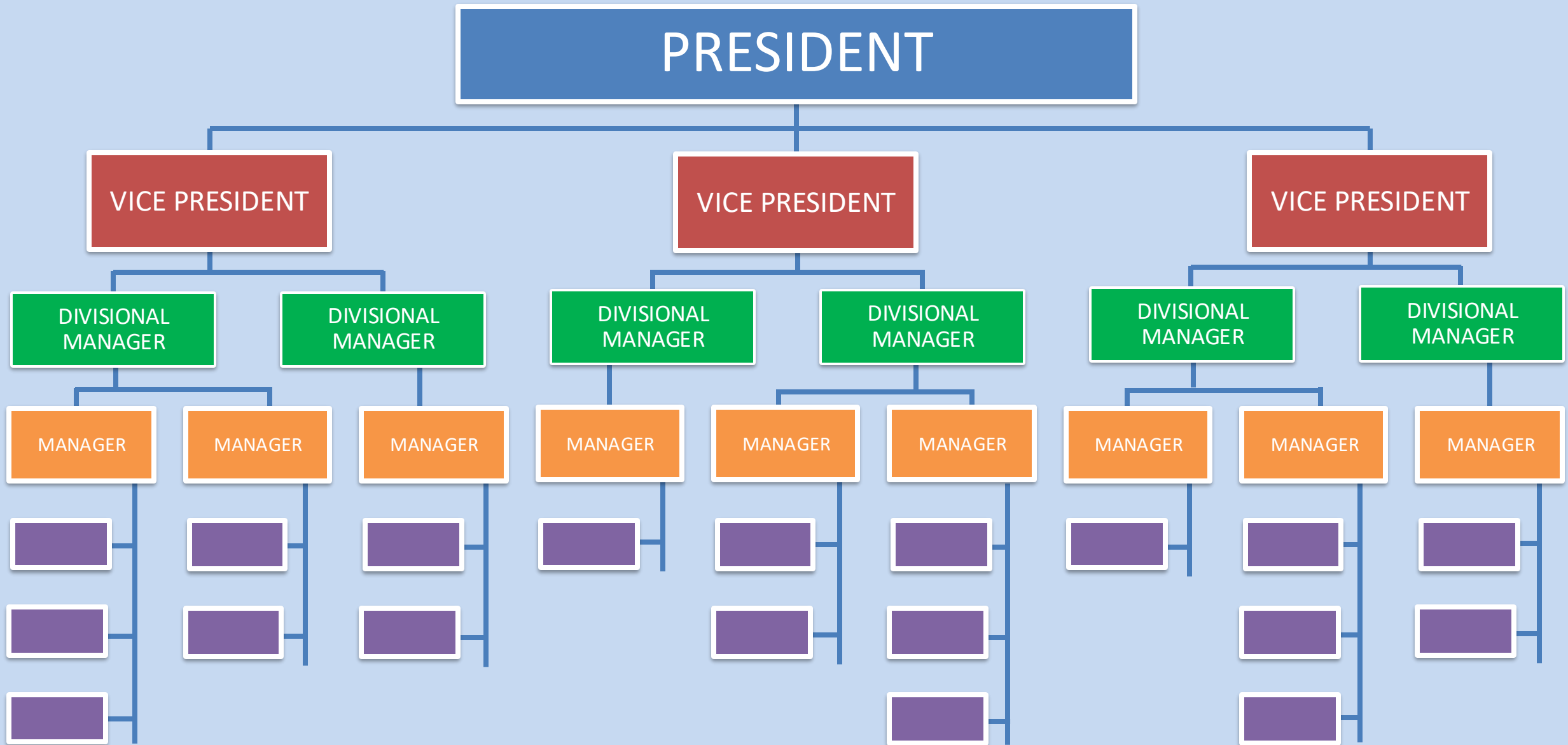
## Informal Organization

It refers to a network of personal and social relationships which **spontaneously originates within the formal set up.**

Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations.

There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.

# FORMAL ORGANIZATION



Formal  
Organisation

VS

Informal  
Organisation

## Formal organization

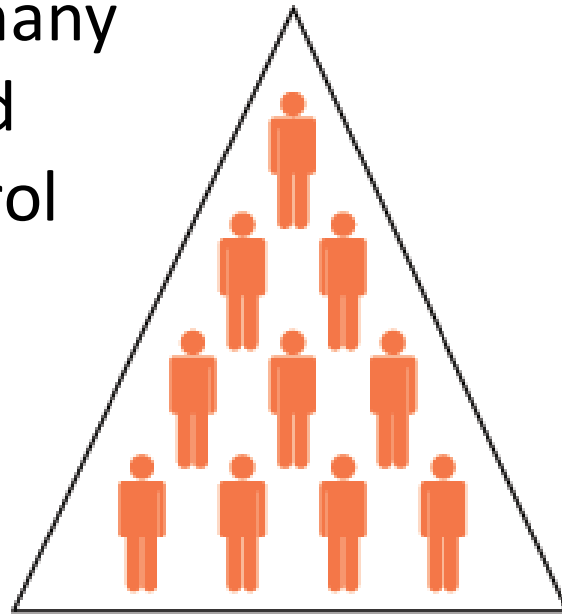
1. Designed and created by the top management
2. Planned one
3. Authority and responsibility are fixed and defined
4. Requires an office to function
5. Is rigid, definite, and has a written constitution

## Informal organization

1. Comes up on its own
2. Not a planned one, it is created spontaneously
3. Authority is generally based on personal acceptance.
4. Functions through people.
5. Is flexible and has no such fixed Rigid, written constitution.

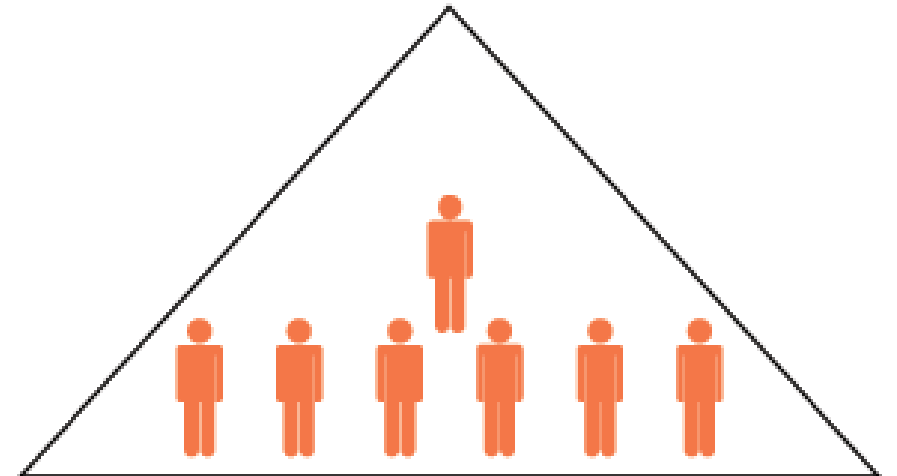
# TALL AND FLAT ORGANIZATIONS

**Tall structures** have many levels of authority and narrow spans of control



Organisation A

**Flat structures** have fewer levels and wide spans of control



Organisation B

# SPAN OF CONTROL

Refers to the number of subordinates who report directly to an executive or supervisor.

The differences in the span of control have direct implications on the shape of the organization.

## TO BE EFFECTIVE...

Organizations must find the optimal span of control

- **Narrow enough** to permit managers to **MAINTAIN CONTROL OVER SUBORDINATES**
- **Wide enough** so that the possibility of **MICROMANAGING (INTERFERING) IS MINIMIZED**



# FACTORS EFFECTING SPAN OF CONTROL

The **OPTIMAL SPAN OF CONTROL** is dependent on the following 8 factors

SUBORDINATES TRAINING

DELEGATION OF AUTHORITY

PLANNING

RATE OF CHANGE

COMMUNICATION TECHNIQUES

KIND OF ACTIVITY

KIND OF ORGANIZATION

ORGANIZATION LEVEL

## COMPARISION OF WIDE AND NARROW SPAN OF CONTROL

**WIDE SPAN OF CONTROL**  
No. of employees per manager  
is high.

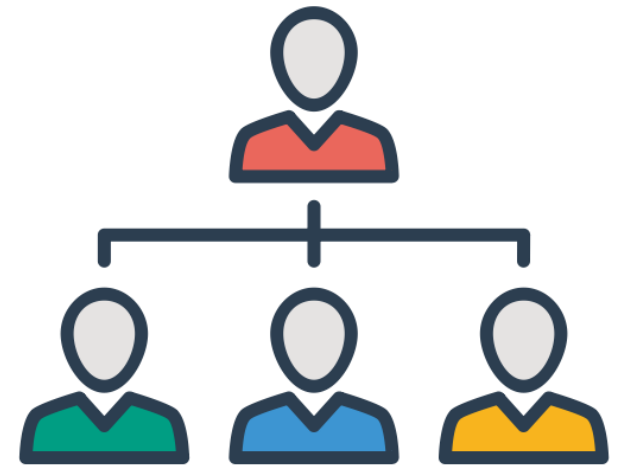
**NARROW SPAN OF CONTROL**  
No. of employees per manager is  
low.

PROS	CONS	PROS	CONS
<ul style="list-style-type: none"><li>• Quick decision making</li><li>• Bureaucracy is reduced</li><li>• Development of lower level.</li><li>• Coordination is easy</li><li>• Reduced cost of competition</li><li>• Employee do all tasks</li><li>• Manager feel motivated</li></ul>	<ul style="list-style-type: none"><li>• Manager under pressure</li><li>• Technological Factors becomes hurdle</li><li>• Chances of chaos in large team</li><li>• More view point in larger team</li><li>• Chances of overseeing some issue</li></ul>	<ul style="list-style-type: none"><li>• Personal contact to employees</li><li>• Petty organized team structure</li><li>• Benefit of specialization</li></ul>	<ul style="list-style-type: none"><li>• Salaries of manager are high</li><li>• Communication becomes difficult</li><li>• More bureaucracy</li></ul>

**Proximity of Subordinates**

Job Complexity, Employee Ability, Similarity of Suborder job, Managerial Ability, Technology.

# TEN PRINCIPLES OF **ORGANIZING** BY URWICK



## Lyndall Urwick

Businessperson

Lyndall Fownes Urwick MC was a British management consultant and business thinker. He is recognized for integrating the ideas of earlier theorists like Henri Fayol into a comprehensive theory of management administration. He wrote an influential book called *The Elements of Business Administration*, published in 1943.



# 10 Principles of **ORGANIZING** (Urwick)

1. Principle of Unity of Objectives
2. Principle of Organizational Efficiency
3. Principle of Specialization
4. Principle of Span of Management
5. Principle of Scalar Chain
6. Principle of Unity of Command
7. Principle of Delegation
8. Principle of Parity of Authority and Responsibility
9. Principle of Flexibility
10. Principle of Functional Definition





# 10 Principles of **ORGANIZING** (Urwick)

## 2. PRINCIPLE OF **ORGANIZATIONAL EFFICIENCY**

An organization is efficient if it is structured to aid the accomplishment of enterprise objectives with a minimum of unsought consequences or costs.



# 10 Principles of **ORGANIZING** (Urwick)

## 3. PRINCIPLE OF **SPECIALIZATION**

The whole work should be divided amongst the subordinates on the basis of qualifications, abilities, and skills.



# 10 Principles of **ORGANIZING** (Urwick)

## 4. PRINCIPLE OF **SPAN OF MANAGEMENT**

The number of persons an individual can efficiently and effectively manage is referred to as the span of management.

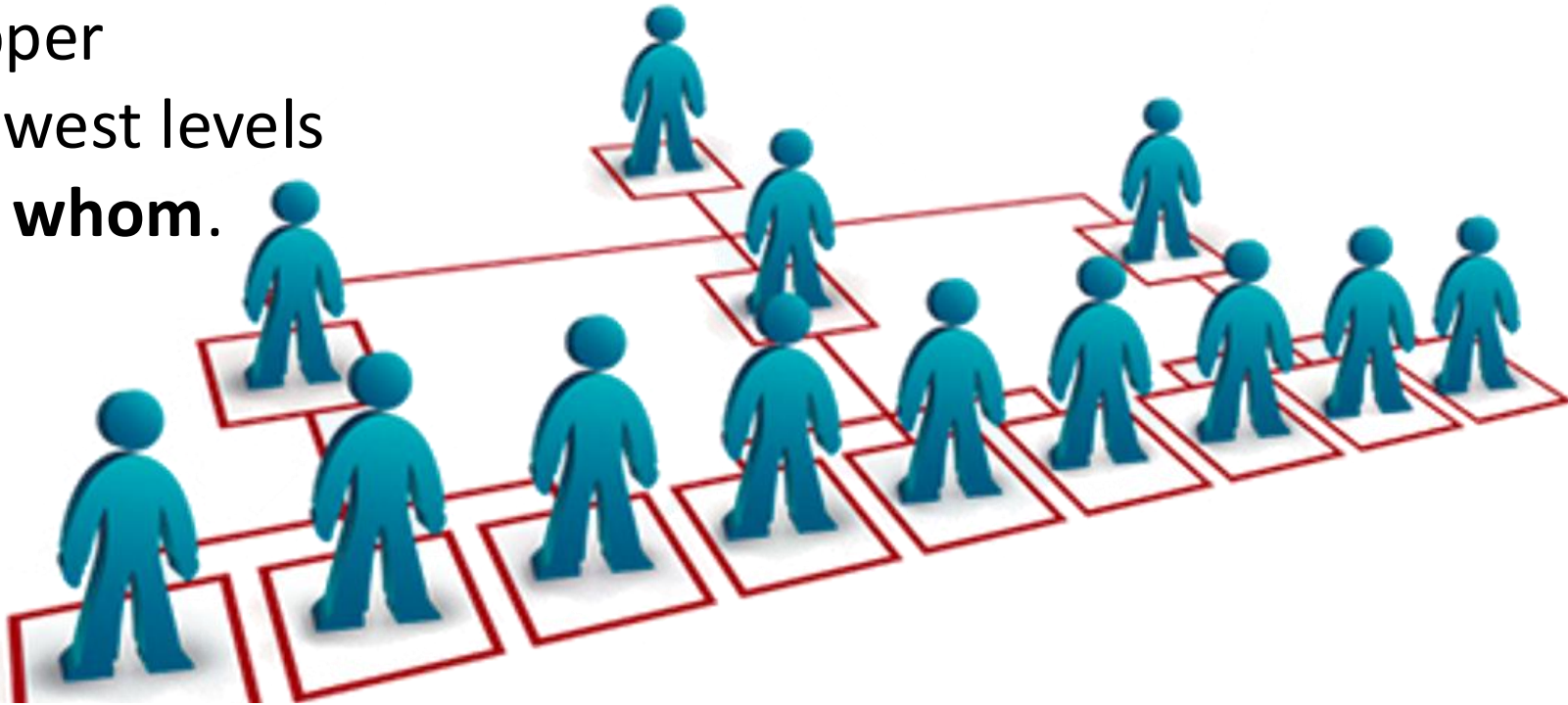
There is a limit to this number. The exact number will depend on the impact of underlying variables.



# 10 Principles of **ORGANIZING** (Urwick)

## 5. PRINCIPLE OF **SCALAR CHAIN**

A scalar chain is a chain of command or authority that flows from upper organizational level to the lowest levels and **clarifies who reports to whom.**



# 10 Principles of **ORGANIZING** (Urwick)

## 6. PRINCIPLE OF **UNITY OF COMMAND**

Every subordinate is answerable and accountable to one boss at one time.



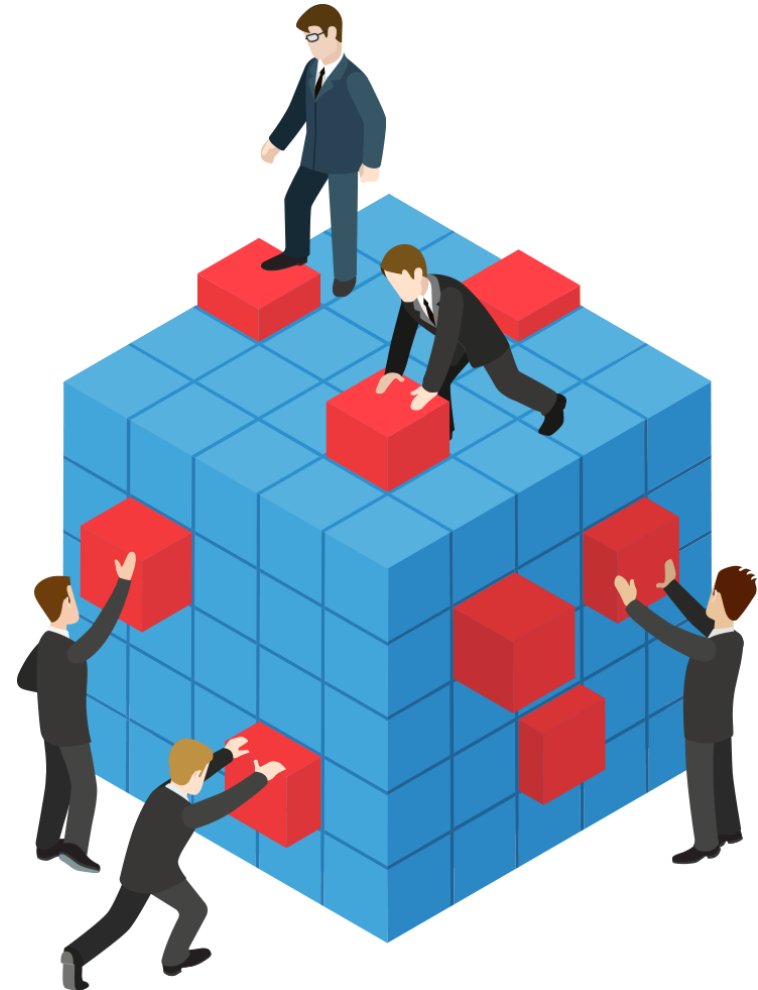
# 10 Principles of **ORGANIZING** (Urwick)

## 7. PRINCIPLE OF **DELEGATION**



The authority must be delegated as far down in the organization as possible.

Adequate authority should be delegated to all individuals so that they accomplish the results expected.



# 10 Principles of **ORGANIZING** (Urwick)

## 8. PRINCIPLE OF **PARITY OF AUTHORITY AND RESPONSIBILITY**

The responsibility for actions cannot be greater than that implied by the authority delegated, nor should it be less.

The responsibility of subordinates to their superiors for performance is absolute, and superiors can't escape responsibility for the organizational activities of their subordinates.

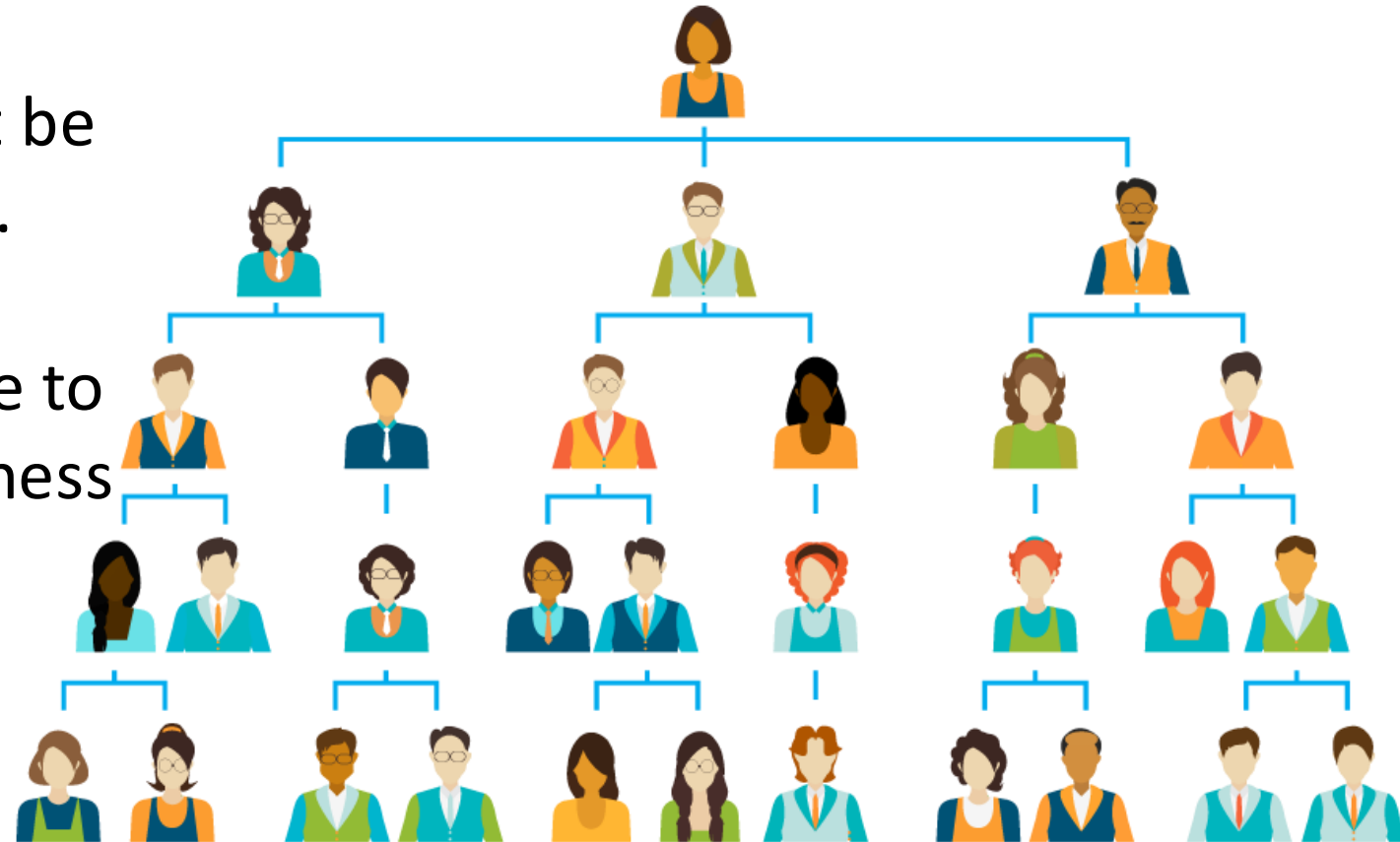


# 10 Principles of **ORGANIZING** (Urwick)

## 9. PRINCIPLE OF **FLEXIBILITY**

The organizational structure must be simple to understand and flexible.

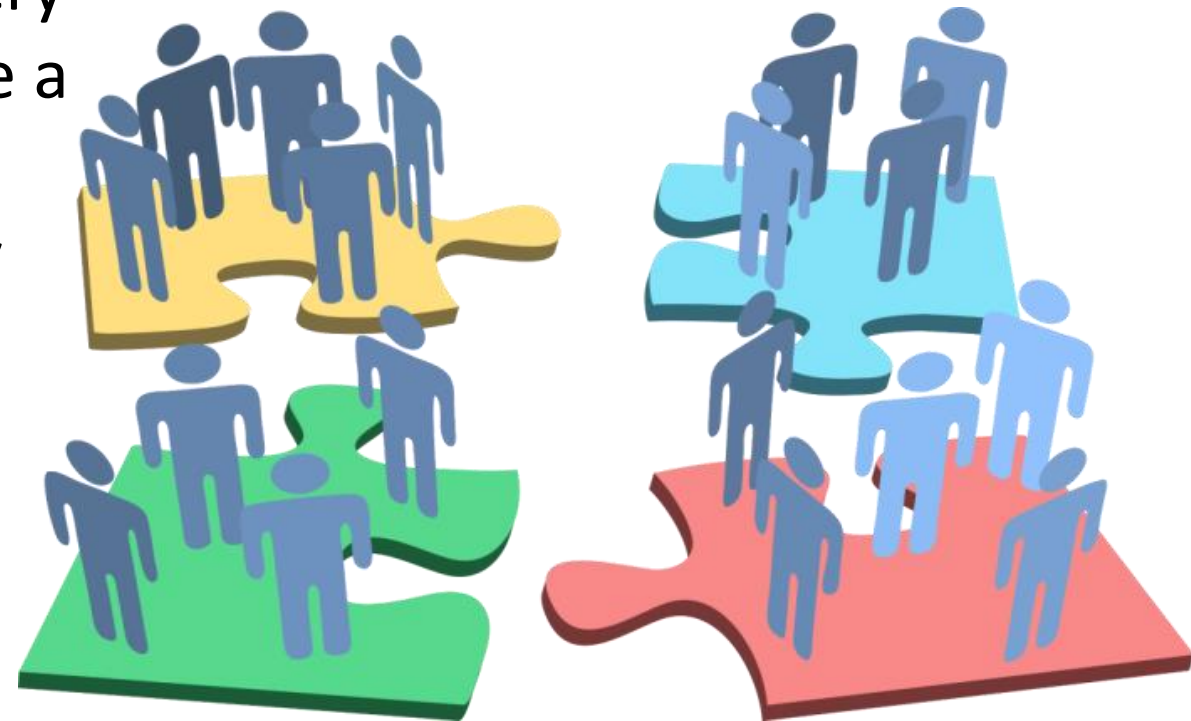
The structure should be adaptable to the changes in the nature of business and technology and procedures.



# 10 Principles of **ORGANIZING** (Urwick)

## 10. PRINCIPLE OF **FUNCTIONAL DEFINITION**

Every position in an organization and every department in an organization must have a clear definition of the results expected, activities to be undertaken and authority delegated.





# **DEPARTMENTMENTATION**

# ORGANIZATION STRUCTURE

## THE FIRST STEP IN DESIGNING AN ORGANIZATION STRUCTURE

is to divide whole work into  
a number of jobs  
to ensure that  
no important activity  
is left out

## THE NEXT STEP IN DESIGNING AN ORGANIZATION STRUCTURE

is to bring together  
homogeneous jobs  
into groups and  
to decide their relation  
to each other

THIS PROCESS IS KNOWN AS

## DEPARTMENTATION

it involves many decisions,  
concerning a logical division of work to be done,  
and leads to the establishment of  
a number of manageable units.

# PATTERNS OF DEPARTMENTATION

1. Departmentation by Simple numbers
2. Departmentation by Time
3. Departmentation by Enterprise functions
4. Departmentation by Territory/Geography
5. Departmentation by Product
6. Process/Equipment Departmentation
7. Customer Departmentation
8. Matrix Departmentation



# BY NUMBERS

# 1

This is a structural departmentation which include – grouping all persons who are to perform the same duties and functions and putting them together under the supervision of a manager.

Age old method and rapidly falling into disuse.



# BY NUMBERS

# 1

## Reasons for the **DECLINE**:

1. The technology is advancing very fast, demanding more specialized and different skills.
2. Groups composed of specialized personnel are more efficient than merely based on numbers.



It is useful only at the lowest level of the organization structure.

# BY TIME

# 2

Oldest form structuring organization

Suitable for lower level of the organization

Grouping of activities according to basis of time

The use of shifts is common in many enterprise because normal workloads become insufficient and ineffective

E.g.: Hospital, Production facilities



## ADVANTAGES



- Services offered 24X7 instead of 8 hrs shift
- Process need not be interrupted which needs a continuous cycle of operation
- Expensive capital equipment can be used more than 8hrs/day
- Students attending classes during the day's time can work in night shift to sustain their living.



## LIMITATIONS

- Supervising during night shift becomes difficult
- There is fatigue factor, since it is difficult for most employees to change their biological clock
- Having several shifts may cause problems with coordination and communication
- Payment of overtime can increase the cost of production or services rendered.

# BY FUNCTION

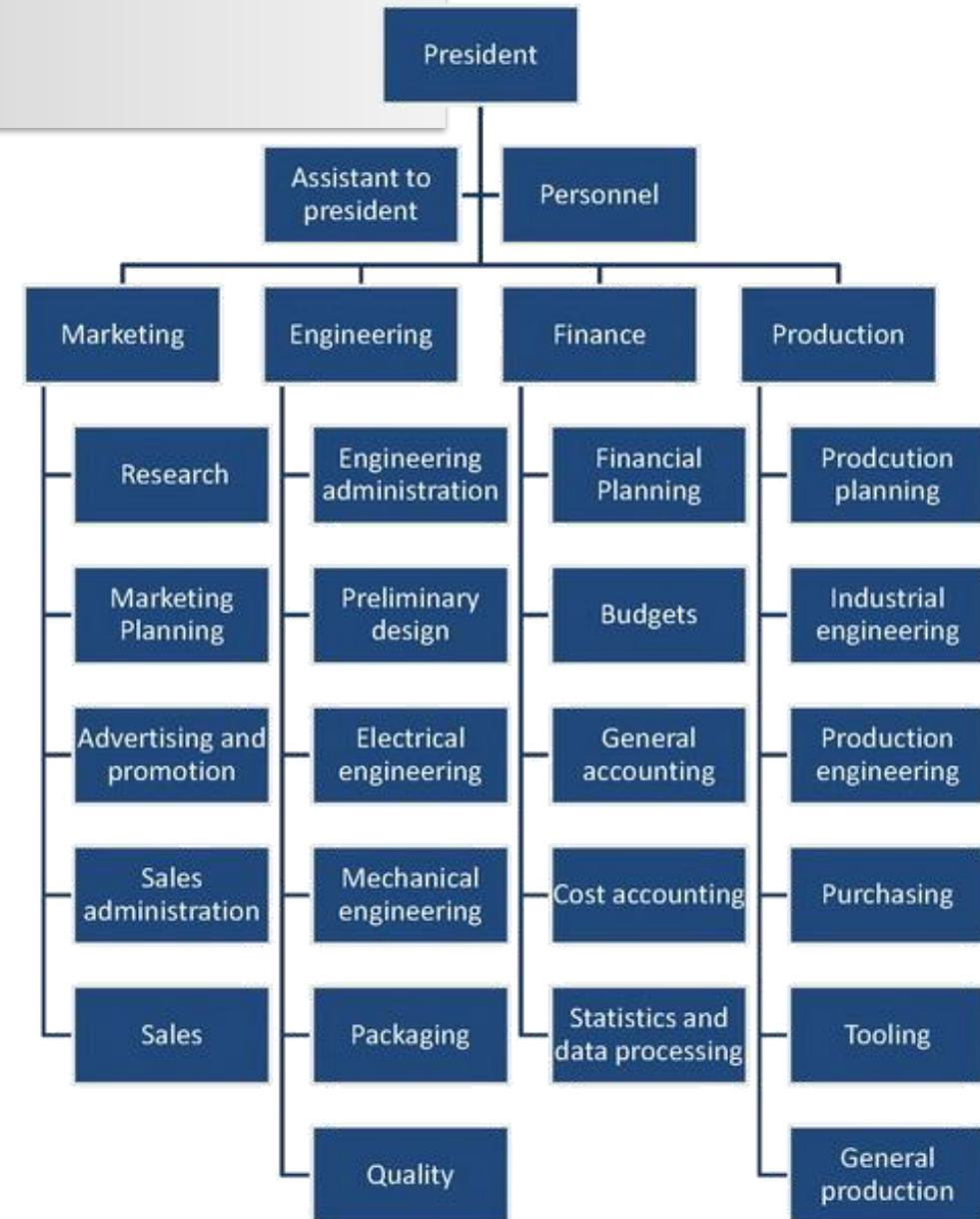
# 3

## Functional departmentation

The most widely used form of departmentation

Groups activities by function—the jobs to be done.

Consistent with the idea of specialization and division of work, activities that are alike or similar are placed together in one department and under a single chain of command.

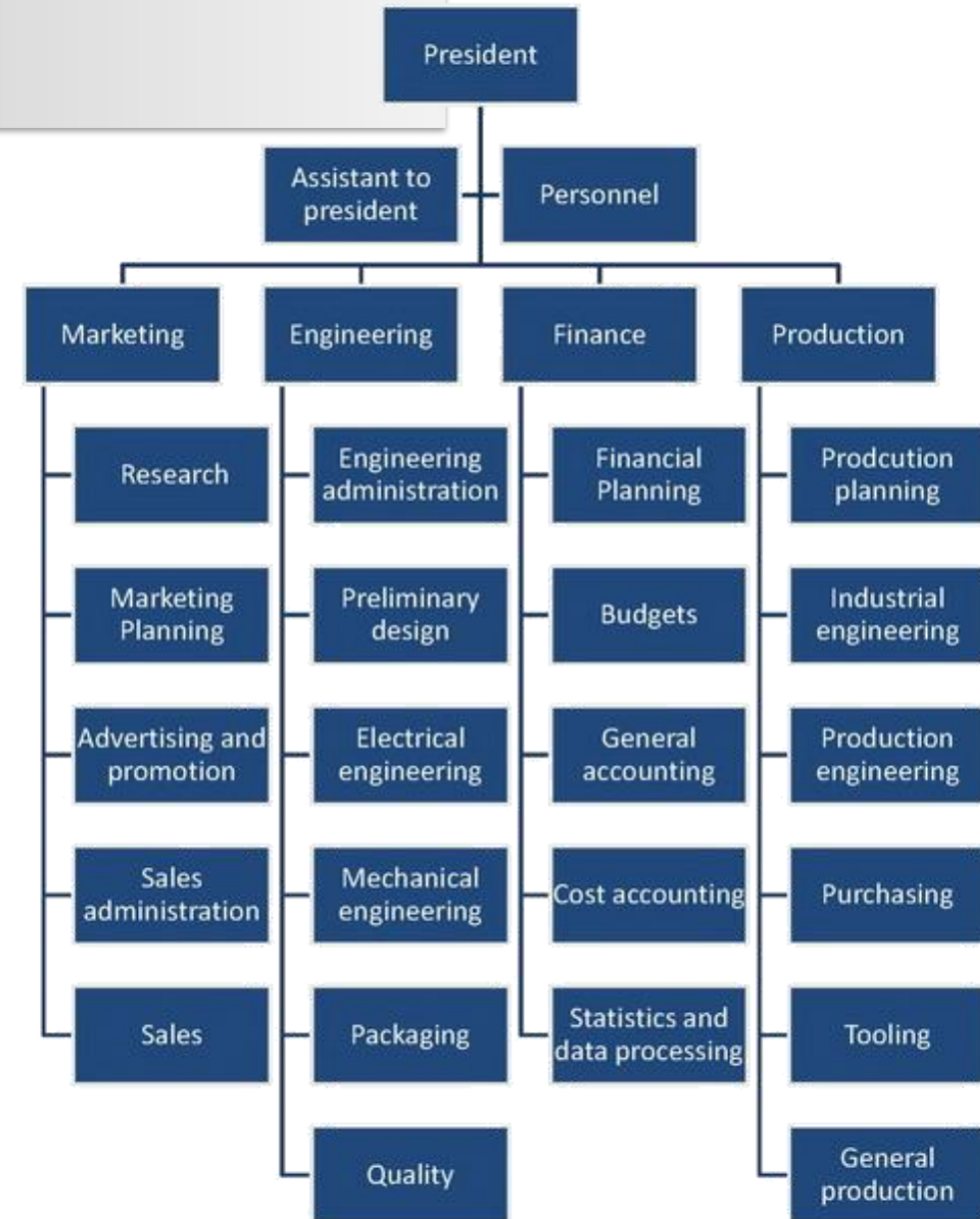


# BY FUNCTION

# 3

Functional departmentation also **facilitates coordination** since a supervisor is in charge of one major area of activity.

It is easier to achieve coordination this way than to have the same functions performed in different departments under different supervisors.



# BY FUNCTION

# 3

## STRENGTHS



- Allows economies of scale within functional departments
- Enables in-depth knowledge and skill development
- Enables organization to accomplish functional goals
- Is best with only one or a few products



## WEAKNESS

- Slow response time to environmental changes
- May cause decisions to pile on top, hierarchy overload
- Leads to poor horizontal coordination among departments
- Results in less innovation
- Involves restricted view of organizational goals

## BY TERRITORY / GEOGRAPHY

# 4

### Geographical departmentation

Grouping activities on the basis of territory.

If an organization's customers are geographically dispersed, it can group jobs based on geography.

For example, Coca-Cola has reflected the company's operation in two broad geographic areas – the North American sector and the international sector, which includes the Pacific Rim, Europe, Africa and Latin America groups.



# BY TERRITORY / GEOGRAPHY

# 4

## ADVANTAGES



- Places responsibility at the lower levels.
- Places emphasis on local markets & local problems.
- Improves co-ordination in a region.
- Takes advantages of economies of local operation.
- Better face to face communication with local interests.
- Furnishes measurable training ground for general managers.

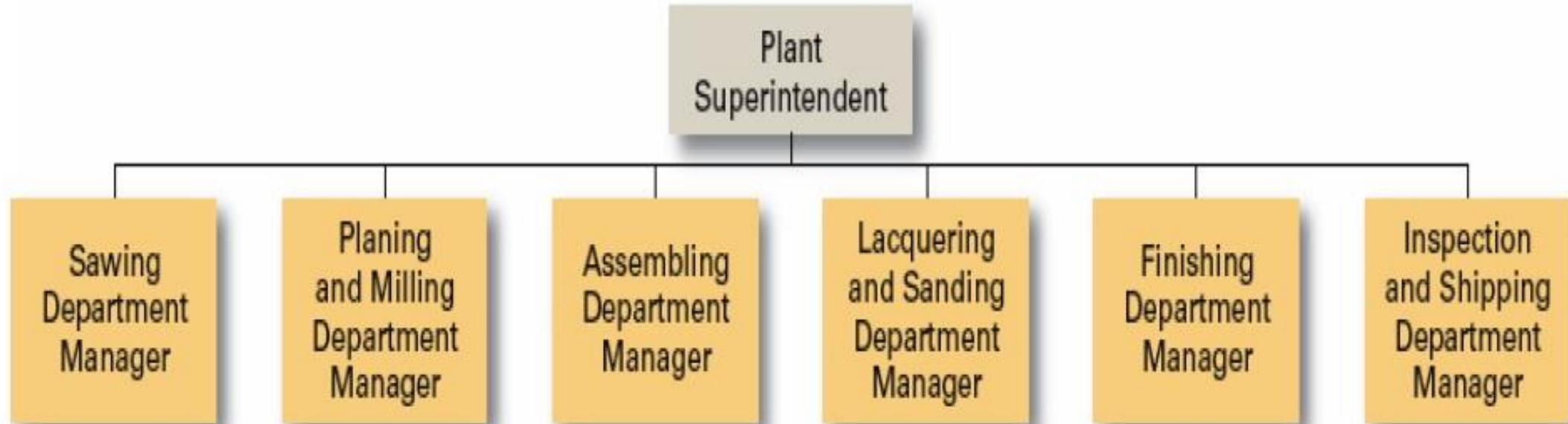


## LIMITATIONS

- Requires more persons with G.M abilities.
- Tends to make maintenance of economic central services difficult.
- Increases problem of top management control.

# BY PROCESS / EQUIPMENT

# 5



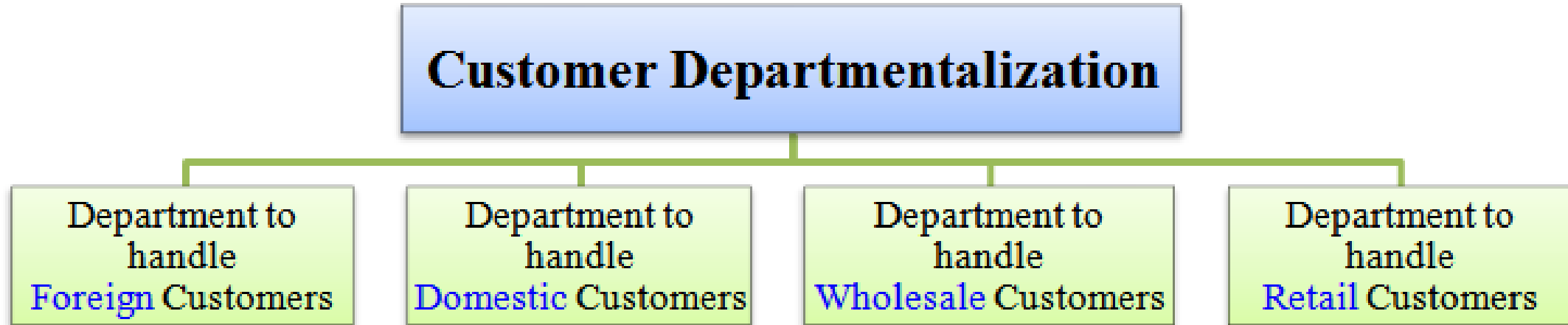
- + More efficient flow of work activities
- Can only be used with certain types of products

# BY CUSTOMER

# 6

Customer departmentalization - Grouping activities on the basis of common customers or types of customers.

The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists.

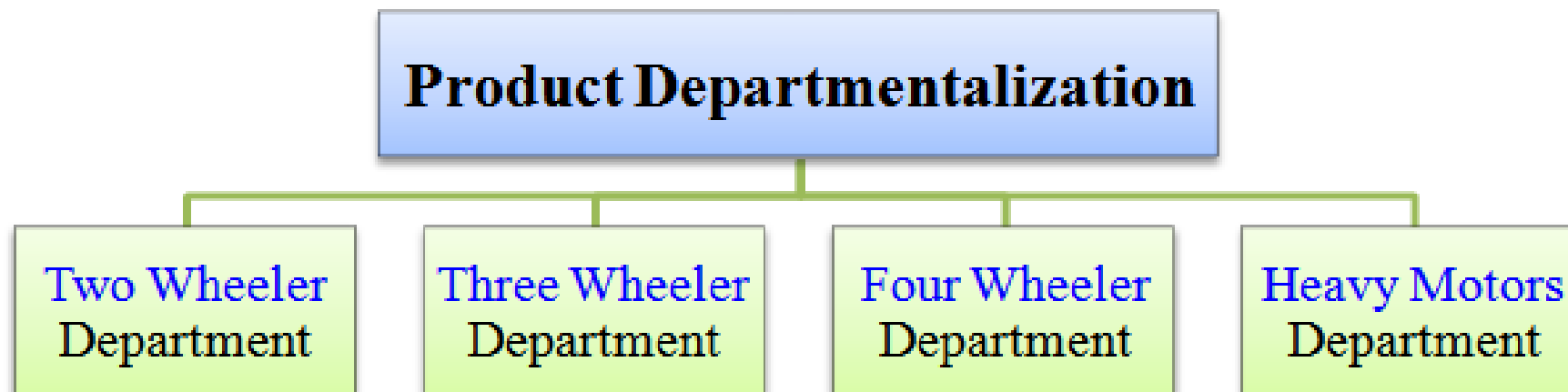


# BY PRODUCT / SERVICE

# 7

Product departmentation can also be a useful guide for grouping activities in service businesses.

E.g.: A food product company may choose to divide its operations into a frozen food department, a dairy products department, a produce department, and the like.



## Matrix structure departmentation

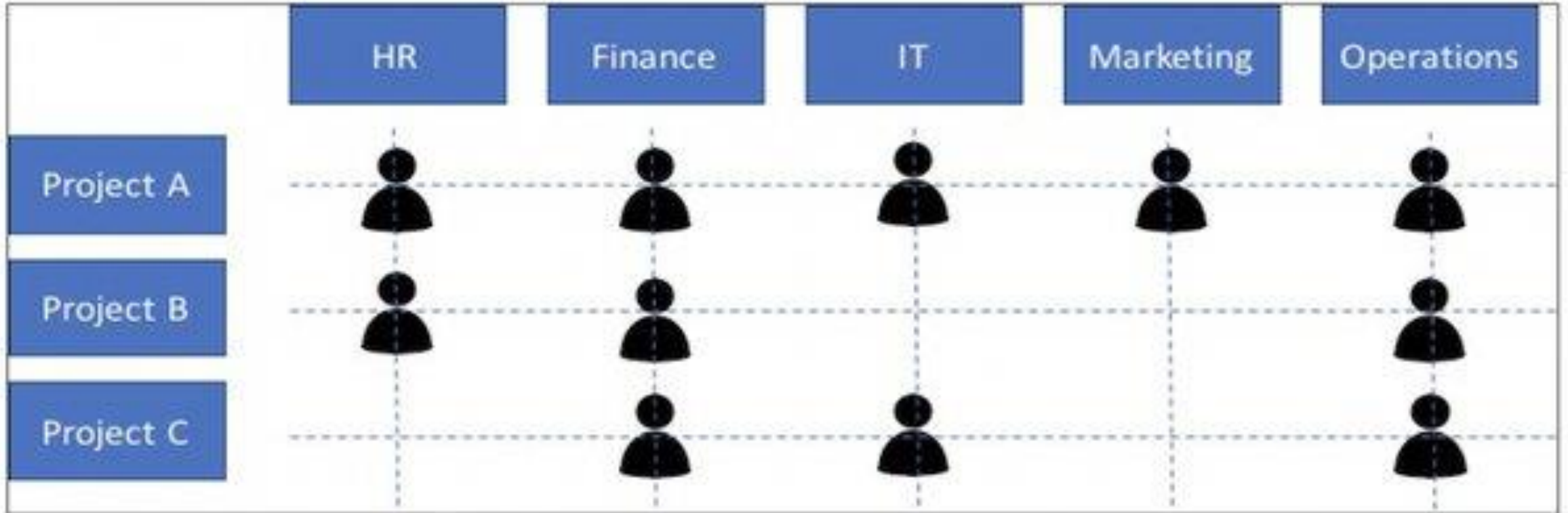
A matrix structure is a type of departmentalization that superimposes a horizontal set of divisional reporting relationships onto a hierarchical functional structure.

The essence of a matrix organization is the combination of functional and product or project patterns of Departmentation in the same organization structure.



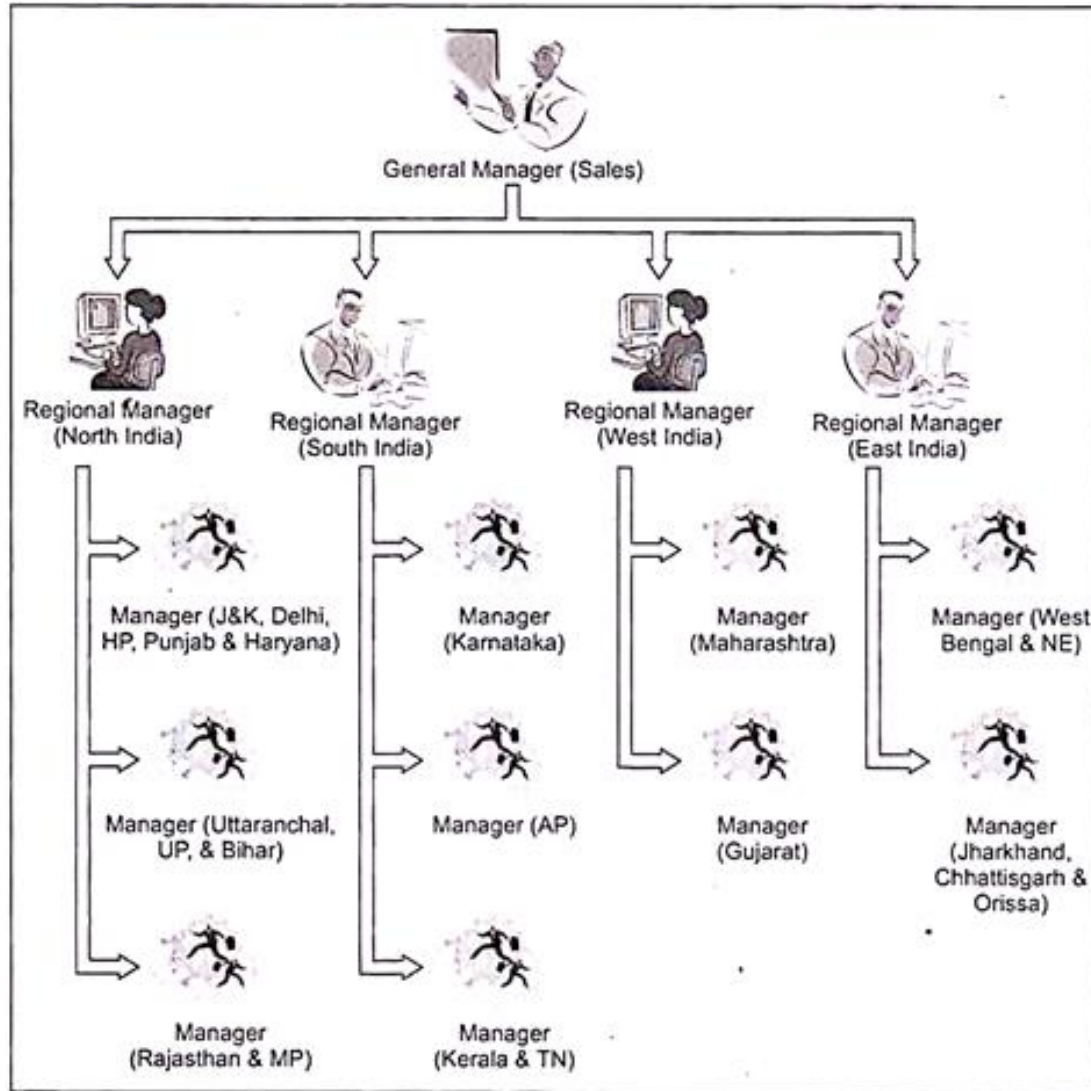
# BY MATRIX STRUCTURE

# 8

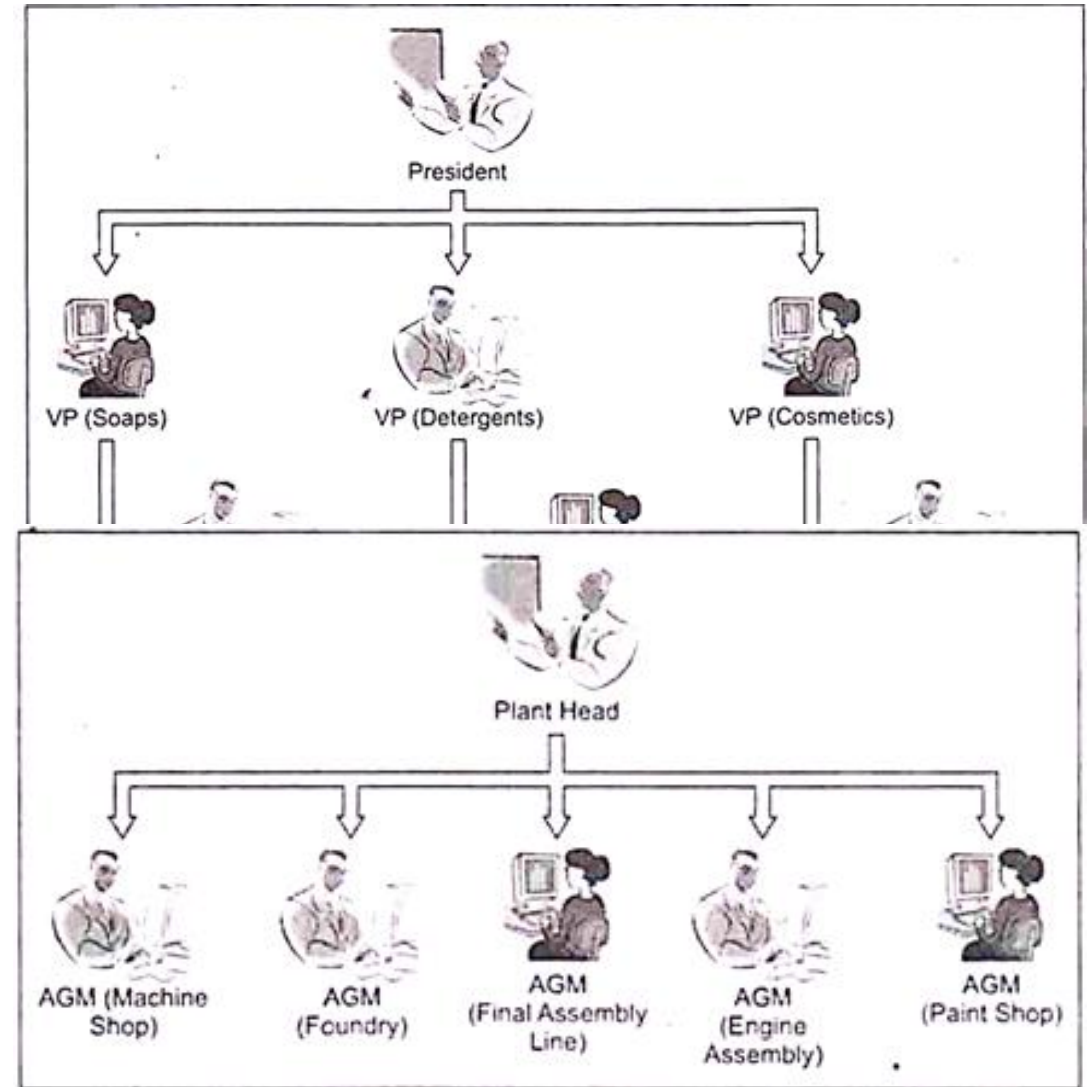


**A MATRIX ORGANIZATION** has a complicated structure in which the reporting relationships are set up as a **MATRIX** – a grid – instead of the traditional vertical hierarchy.

# IDENTIFY THE DEPARTMENTATION



**GEOGRAPHICAL DEPARTMENTATION**

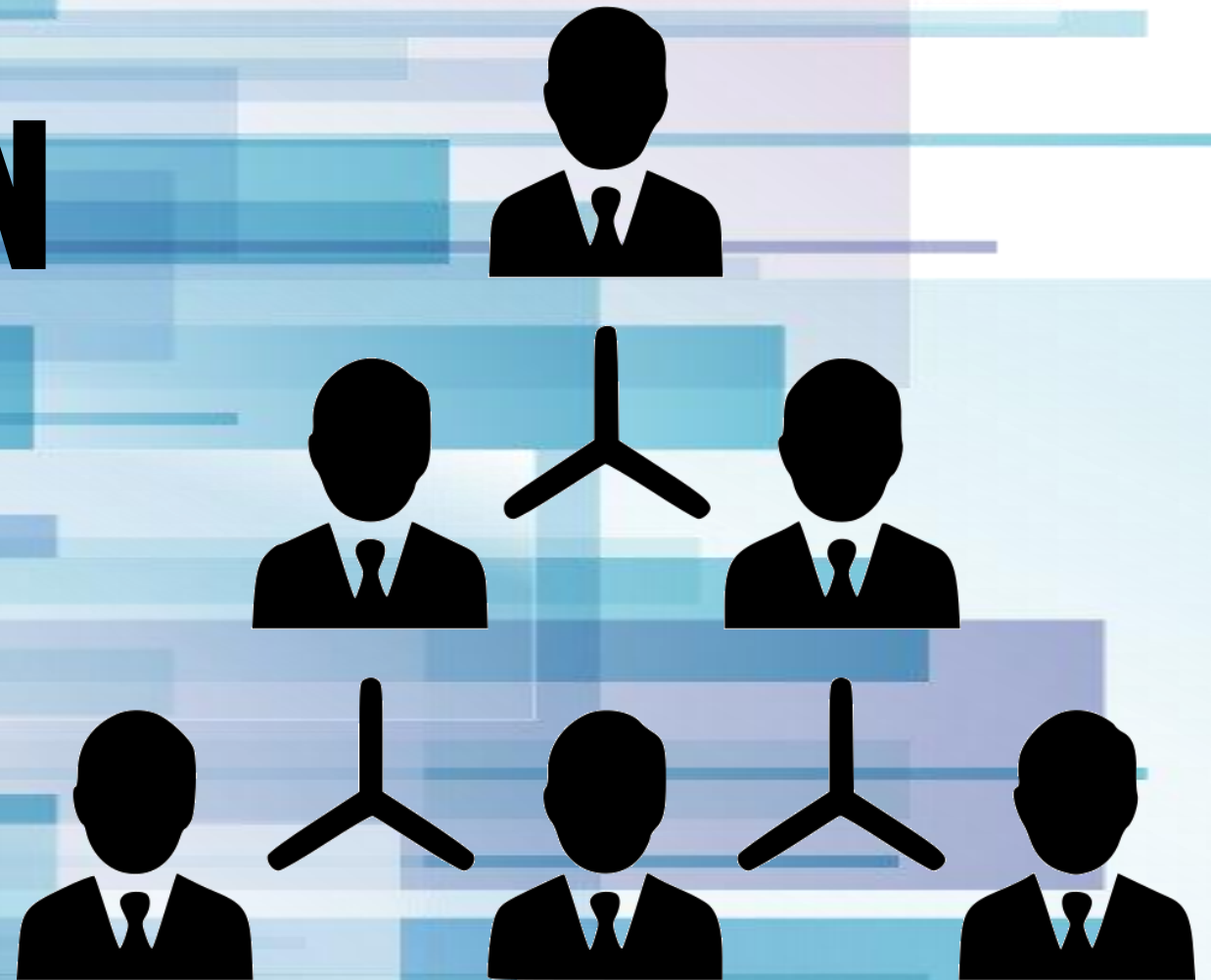


**PROCESS DEPARTMENTATION**

# ORGANIZATION

## 1. LINE ORGANIZATION

## 2. LINE & STAFF ORGANIZATION



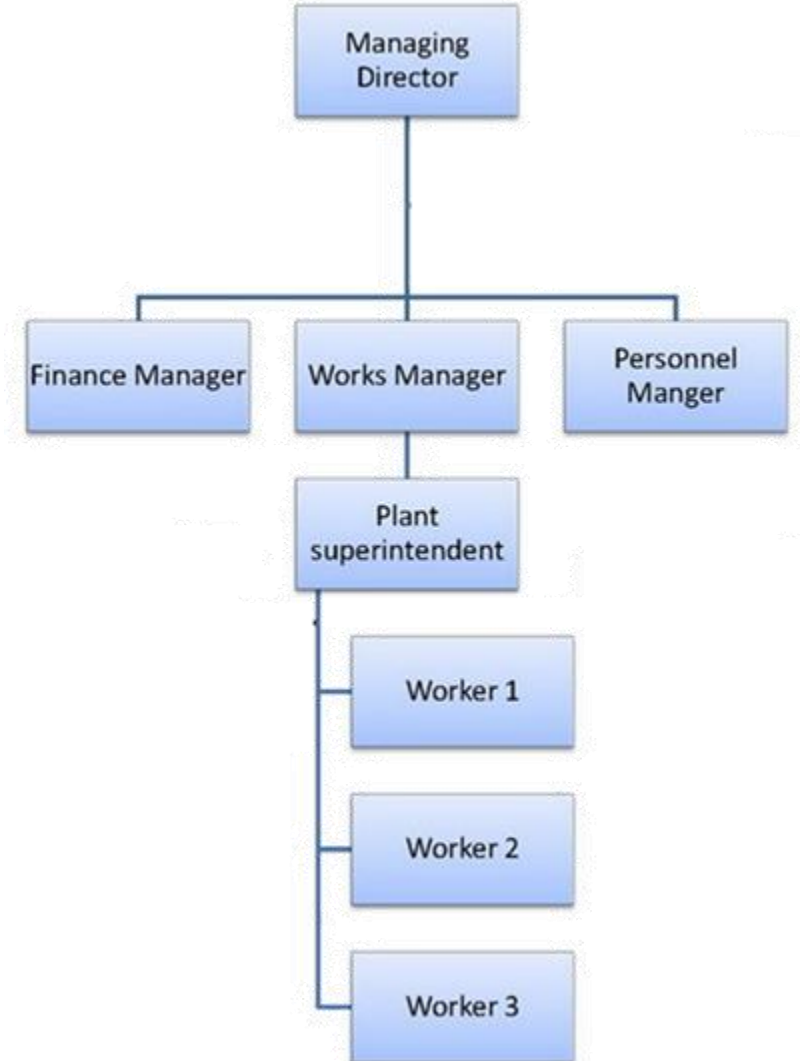
# LINE ORGANIZATION

It is the oldest type of organization.

This is known by different names, i.e, military, vertical, scalar departmental organization.

***The persons having greater decision-making authority are placed at the top and those having the least decision-making authority are at the bottom.***

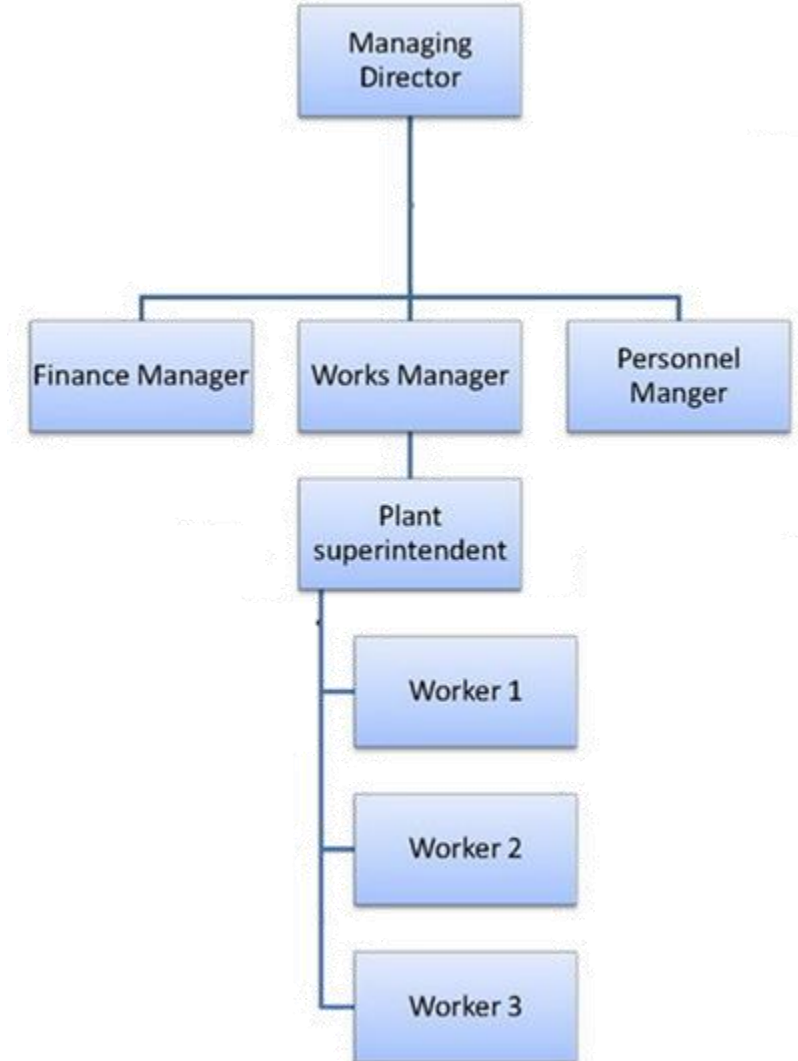
In between there are other levels of management such as intermediate or supervisory.



# LINE ORGANIZATION

## FEATURES OF LINE ORGANIZATION

- It is the most simplest form of organization.
- Line of authority flows from top to bottom.
- **Specialized and supportive services do not take place in these organization.**
- Unified control by the line officers can be maintained since they can **independently take decisions** in their areas and spheres.
- This kind of organization always **helps in bringing efficiency in communication and bringing stability** to a concern.

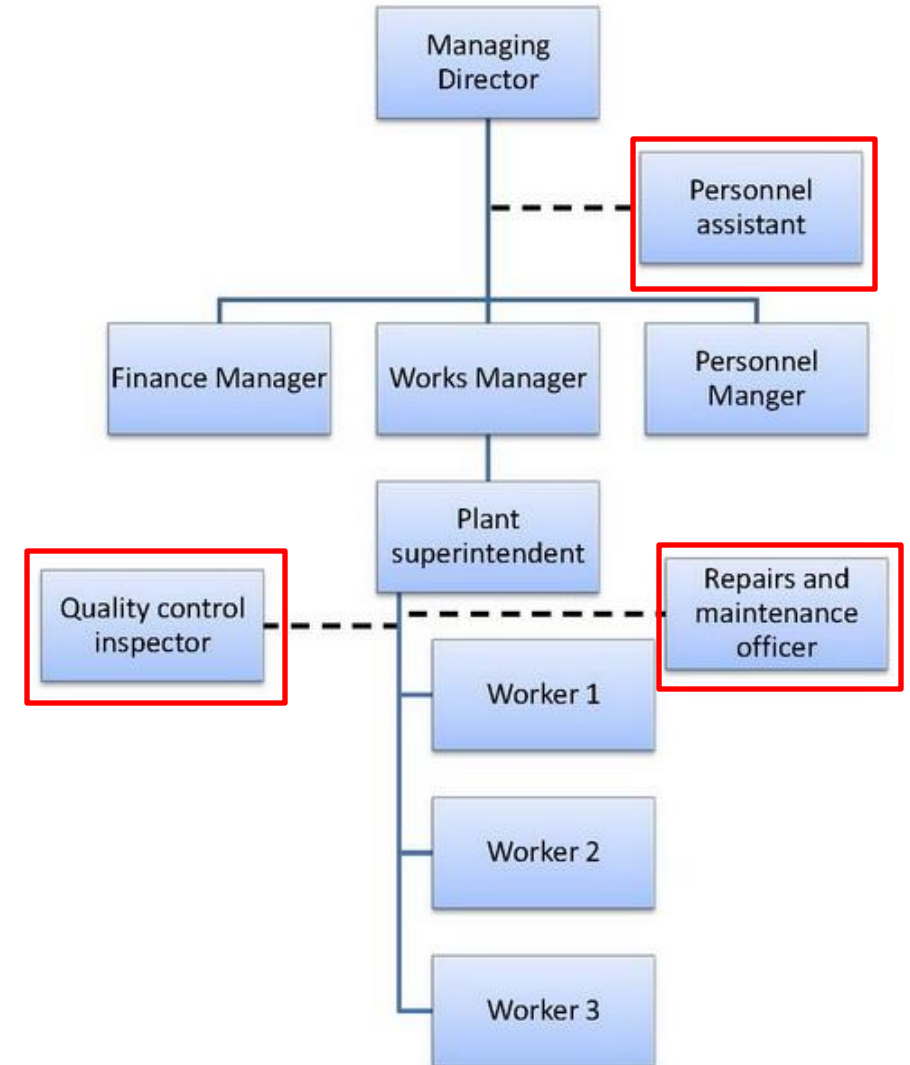


# LINE & STAFF ORGANIZATION

A line and staff organization is one where specialist advisers in the form of functional managers, assist the line managers in the performance of their responsibilities.

**The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives.**

Line and staff functions frequently overlap. Most staff executives may also simultaneously be line and functional executives.



# LINE & STAFF ORGANIZATION

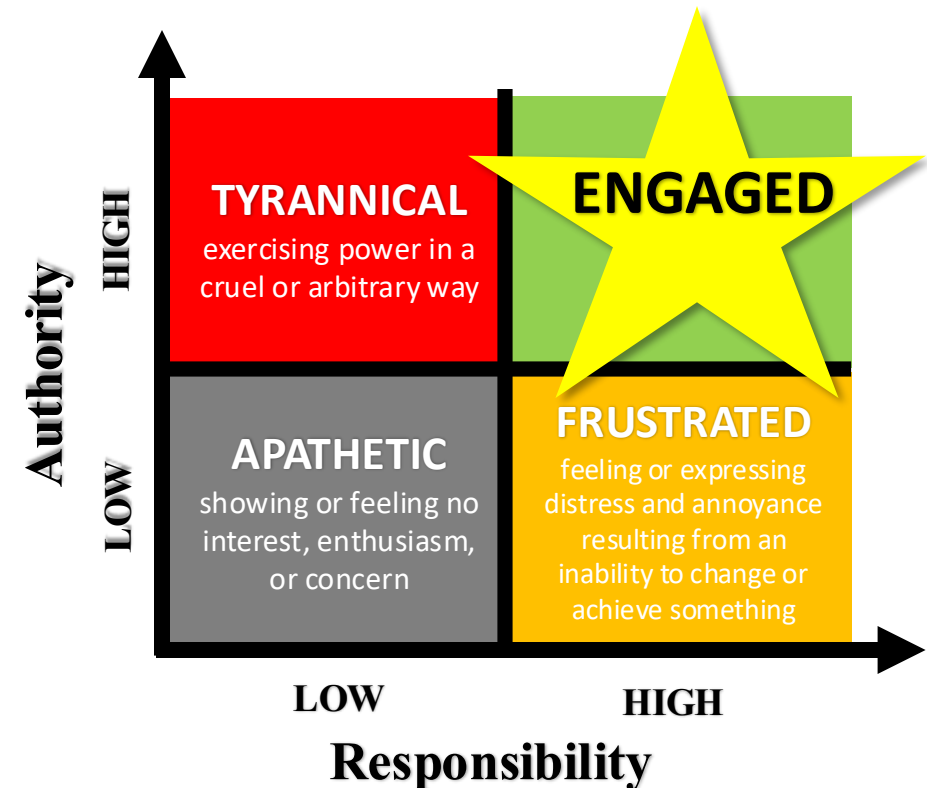
## FEATURES OF LINE AND STAFF ORGANIZATION

- Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
- Division of work and specialization takes place in line and staff organization.
- The whole organization is divided into different functional areas to which staff specialists are attached.
- Efficiency can be achieved through the features of specialization.
- Power of command remains with the line executive and staff serves only as counselors.

# AUTHORITY

## AUTHORITY: RIGHT TO GIVE ORDERS

“ **RIGHTFUL LEGAL POWER** to request subordinates to do certain thing or to retain from doing so, and if he doesn't follow these instructions the manager is in a position, if need be, to take disciplinary action, even to discharge the subordinate.



# RESPONSIBILITY

Duty or responsibility is used in many senses.

**It means OBLIGATION, or LIABILITY, or ACTIVITY or ACCOUNTABILITY.**

“ It may be defined as the **OBLIGATION** of a subordinate, to whom a supervisor has assigned a task, to perform the service required.



# DELEGATION OF AUTHORITY

Delegation:

**“ The entire process of delegation involves the determination of results expected, the assignment of tasks, the delegation of authority for accomplishment of these tasks.**



# 4 STEPS IN PROCESS OF DELEGATION

1

The determination of results expected from persons in a position



2

The assignment of tasks to persons in a position



3

The delegation of authority for accomplishing these tasks



4

Creating the obligation for the subordinate to perform the duties assigned