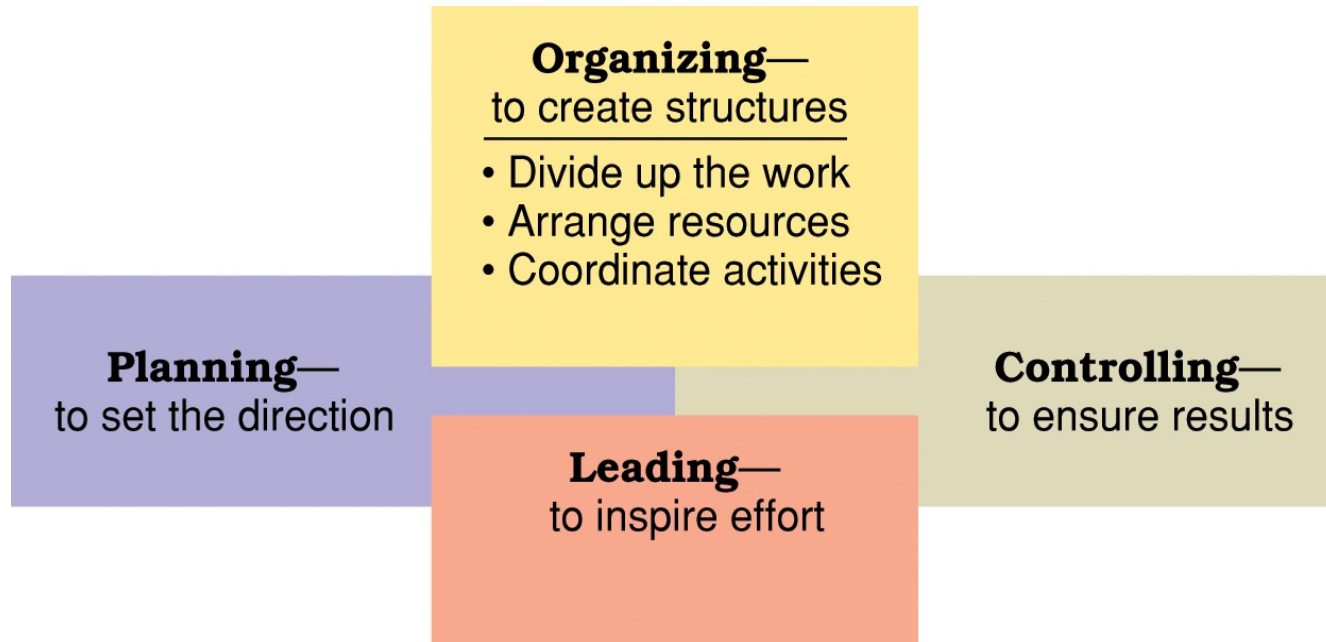# Organizing

Dr. Sunmeet Banerjee

Study Questions

➢What is organizing as a management function?

➢What are the major types of organization structures?

➢What are the new developments in organization structures?

➢What organizing trends are changing the workplace?

What is organizing as a management function?

➤Organizing and organization structure

◦ Organizing

◦ The process of arranging people and other resources to work together to accomplish a goal.

◦ Organization structure

◦ The system of tasks, workflows, reporting relationships, and communication channels that link together diverse individuals and groups.

Organizing viewed in relationship with the other management functions.

Organizing—
to create structures

- Divide up the work
- Arrange resources
- Coordinate activities

Planning—
to set the direction

Controlling—
to ensure results

Leading—
to inspire effort

What is organizing as a management function?

➤Formal structures:
◦ The structure of the organization in its official state.
◦ An organization chart is a diagram describing reporting relationships and the formal arrangement of work positions within an organization.
◦ An organization chart identifies the following aspects of formal structure:
  ◦ The division of work.
  ◦ Supervisory relationships.
  ◦ Communication channels.
  ◦ Major subunits.
  ◦ Levels of management.

What is organizing as a management function?

➢Informal structures:

- ◦ A "shadow" organization made up of the unofficial, but often critical, working relationships between organization members.

- ◦ Potential advantages of informal structures:

  - ◦ Helping people accomplish their work.

  - ◦ Overcoming limits of formal structure.

  - ◦ Gaining access to interpersonal networks.

  - ◦ Informal learning.

# What is organizing as a management function?

➢Informal structures (cont.)

◦ Potential disadvantages of informal structures:

◦ May work against best interests of entire organization.

◦ Susceptibility to rumor.

◦ May carry inaccurate information.

◦ May breed resistance to change.

◦ Diversion of work efforts from important objectives.

◦ Feeling of alienation by outsiders.

What are the major types of organization structures?

➢Functional structures:

◦ People with similar skills and performing similar tasks are grouped together into formal work units.

◦ Members work in their functional areas of expertise.

◦ Are not limited to businesses.

◦ Work well for small organizations producing few products or services.

Functional structures in a business, branch bank, and hospital.
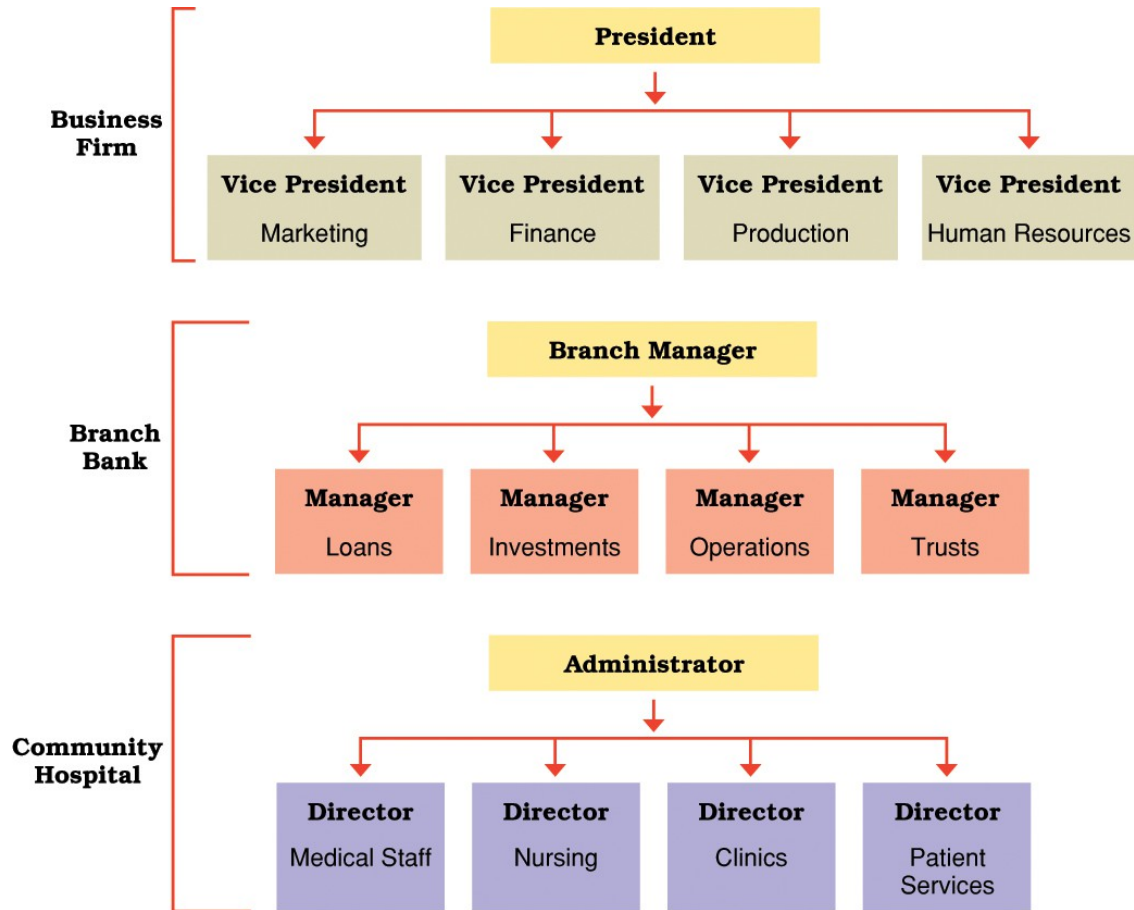
What are the major types of organization structures?

➤ Potential advantages of functional structures:

- ◦ Economies of scale.
- ◦ Task assignments consistent with expertise and training.
- ◦ High-quality technical problem solving,
- ◦ In-depth training and skill development.
- ◦ Clear career paths within functions.

What are the major types of organization structures?

➤Potential disadvantages of functional structures:

- ◦ Difficulties in pinpointing responsibilities.
- ◦ Functional chimneys problem.
- ◦ Sense of cooperation and common purpose break down.
- ◦ Narrow view of performance objectives.
- ◦ Excessive upward referral of decisions.

What are the major types of organization structures?

➤Divisional structures:

◦ Group together people who work on the same product or process, serve similar customers, and/or are located in the same area or geographical region.

◦ Common in complex organizations.

◦ Avoid problems associated with functional structures.

Divisional structures based on product, geography, customer, and process.

Type	Focus	Example
Product	Good or service produced	General Manager → Grocery products, Drugs and toiletries
Geographical	Location of activity	President → Asian division, European division
Customer	Customer or client serviced	Agency Administrator → Problem youth, Senior citizens
Process	Activities part of same process	Catalog Sales Manager → Product purchasing, Order fulfillment

What are the major types of organization structures?

➢Potential advantages of divisional structures:

- More flexibility in responding to environmental changes.
- Improved coordination.
- Clear points of responsibility.
- Expertise focused on specific customers, products, and regions.
- Greater ease in restructuring.

What are the major types of organization structures?

➤Potential disadvantages of divisional structures:

◦ Duplication of resources and efforts across divisions.

◦ Competition and poor coordination across divisions.

◦ Emphasis on divisional goals at expense of organizational goals.

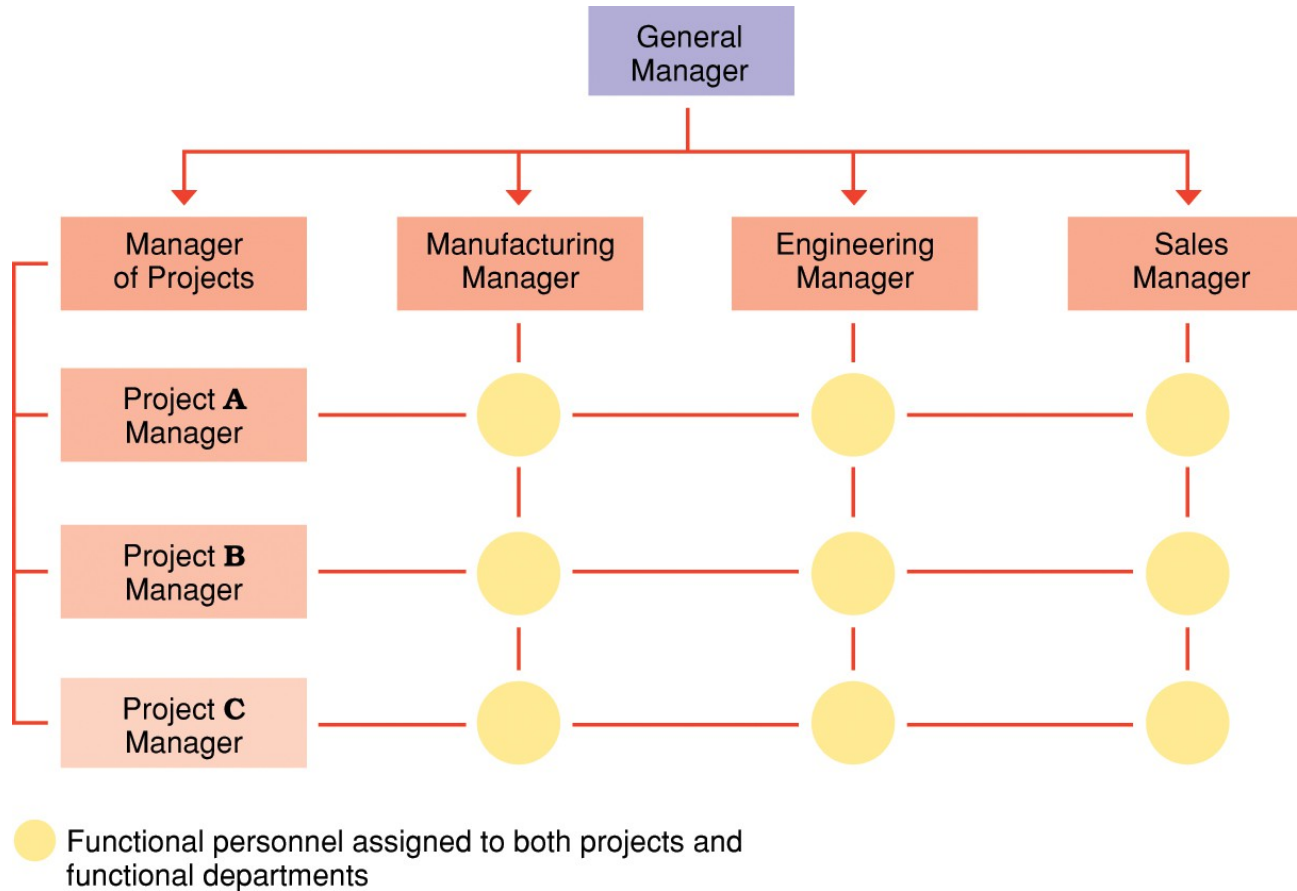# What are the major types of organization structures?

➢Types of divisional structures and how they group job and activities:

- ◦ Product structures focus on a single product or service.

- ◦ Geographical structures focus on the same location or geographical region.

- ◦ Customer structures focus on the same customers or clients.

- ◦ Process structures focus on the same processes.

What are the major types of organization structures?

➢ Matrix structure

- ◦ Combines functional and divisional structures to gain advantages and minimize disadvantages of each.
- ◦ Used in:
  - ◦ Manufacturing
  - ◦ Service industries
  - ◦ Professional fields
  - ◦ Non-profit sector
  - ◦ Multi-national corporations

Matrix structure in a small multi project business firm.

Functional personnel assigned to both projects and functional departments

What are the major types of organization structures?

➢ Potential advantages of matrix structures:

- ◦ Better cooperation across functions.

- ◦ Improved decision making.

- ◦ Increased flexibility in restructuring.

- ◦ Better customer service.

- ◦ Better performance accountability.

- ◦ Improved strategic management.

What are the major types of organization structures?

➢Potential disadvantages of matrix structures:

- ◦ Two-boss system is susceptible to power struggles.

- ◦ Two-boss system can create task confusion and conflict in work priorities.

- ◦ Team meetings are time consuming.

- ◦ Team may develop "groupitis."

- ◦ Increased costs due to adding team leers to structure.

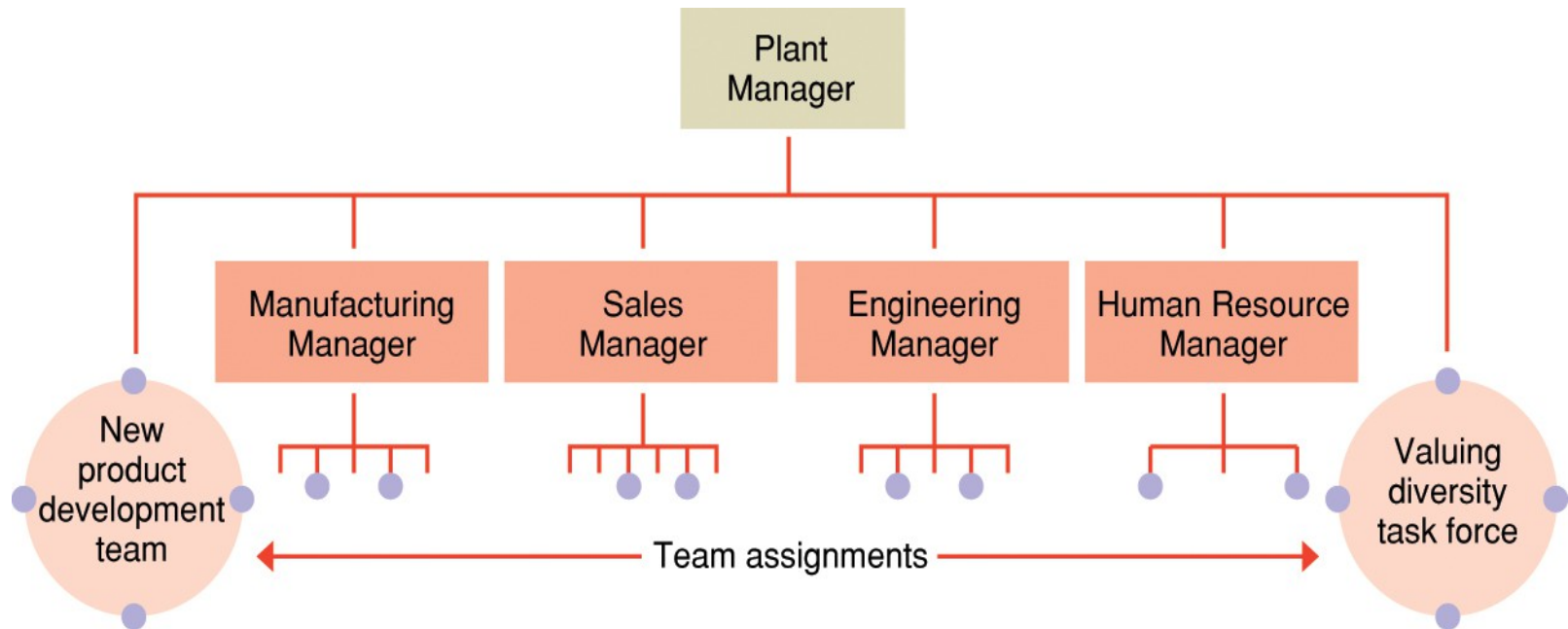# What are the new developments in organization structures?

➢Guidelines for horizontal structures:

- ○ Focus the organization around processes, not functions.

- ○ Put people in charge of core processes.

- ○ Decrease hierarchy and increase the use of teams.

- ○ Empower people to make decisions critical to performance.

- ○ Utilize information technology.

- ○ Emphasize multiskilling and multiple competencies.

- ○ Teach people how to work in partnership with others.

- ○ Build a culture of openness, collaboration, and performance commitment.

What are the new developments in organization structures?

➤Team structures:

◦ Extensively use permanent and temporary teams to solve problems, complete special projects, and accomplish day-to-day tasks.

◦ Often use cross-functional teams.

How a team structure uses cross-functional teams for improved lateral relations.

What are the new developments in organization structures?

➢Potential advantages of team structures:

  ◦ Eliminates difficulties with communication and decision making.
  ◦ Eliminates barriers between operating departments.
  ◦ Improved morale.
  ◦ Greater sense of involvement and identification.
  ◦ Increased enthusiasm for work.
  ◦ Improved quality and speed of decision making.

What are the new developments in organization structures?
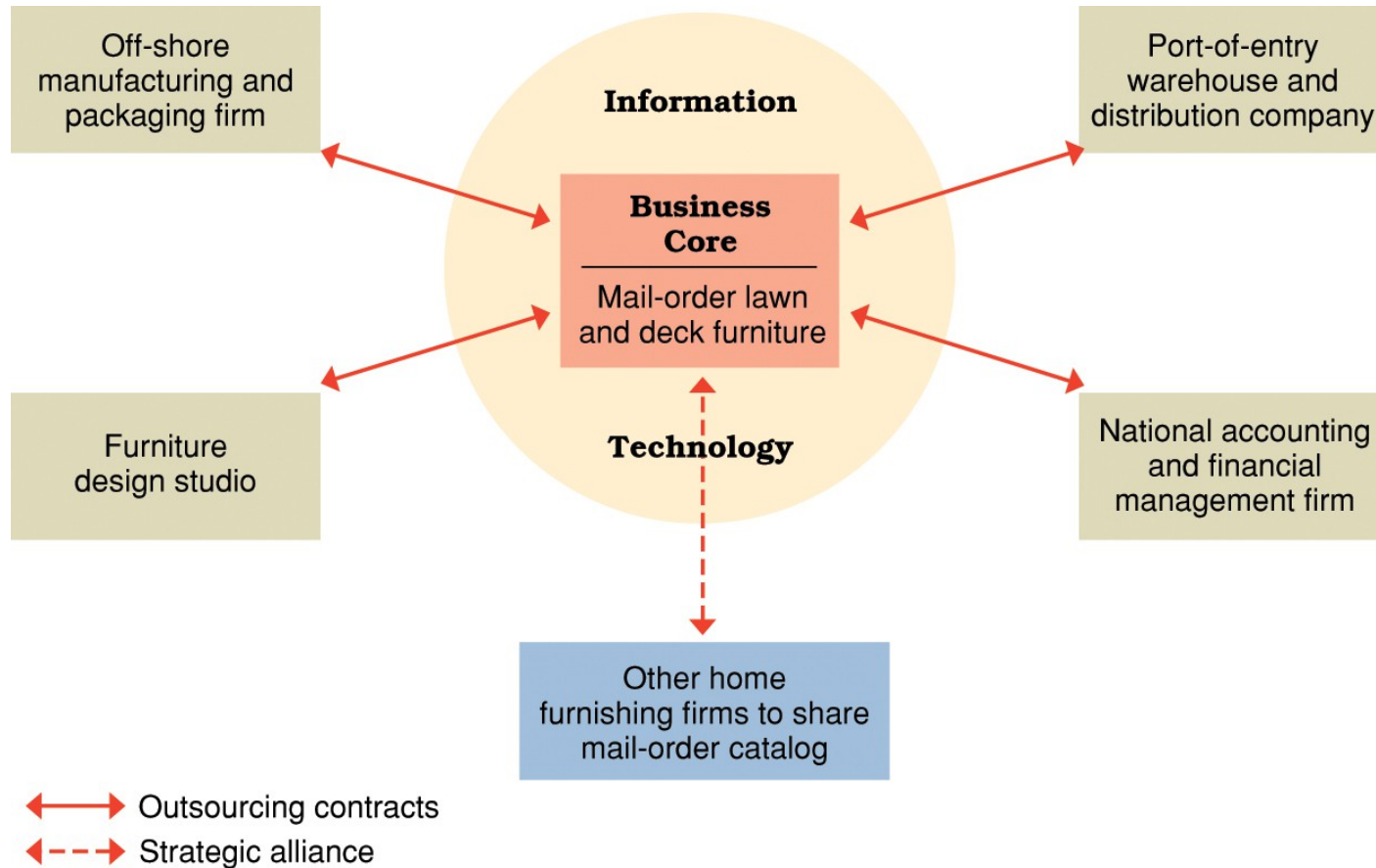
➤ Potential disadvantages of team structures:

- ◦ Conflicting loyalties among members.

- ◦ Excessive time spent in meetings.

- ◦ Effective use of time depends on quality of interpersonal relations, group dynamics, and team management.

What are the new developments in organization structures?

➤Network structures:

◦ A central core that is linked through networks of relationships with outside contractors and suppliers of essential services.

◦ Own only core components and use strategic alliances or outsourcing to provide other components.

A network structure for a Web-based retail business.

What are the new developments in organization structures?

➤ Potential advantages of network structures:

- ◦ Firms can operate with fewer full-time employees and less complex internal systems.

- ◦ Reduced overhead costs and increased operating efficiency.

- ◦ Permits operations across great distances.

What are the new developments in organization structures?

➤Potential disadvantages of network structures:

- ◦ Control and coordination problems may arise from network complexity.
- ◦ Potential loss of control over outsourced activities.
- ◦ Potential lack of loyalty among infrequently used contractors.
- ◦ Excessively aggressive outsourcing can be dangerous.

What are the new developments in organization structures?

➢Deadly sins of outsourcing:

- ◦ Outsourcing activities that are part of the core.
- ◦ Outsourcing to untrustworthy vendors.
- ◦ Not having good contracts with the vendor.
- ◦ Overlooking impact on existing employees.
- ◦ Not maintaining oversight; losing control to vendors.
- ◦ Overlooking hidden costs of managing contracts.
- ◦ Failing to anticipate need to change vendors, cease outsourcing.

What are the new developments in organization structures?
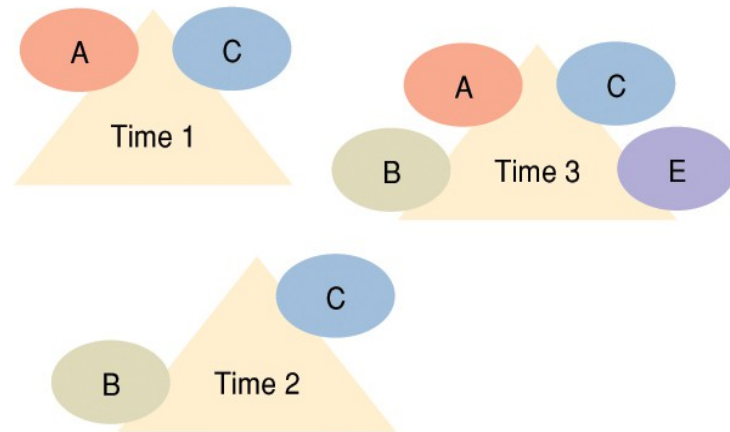
➤ Boundary less organizations:

- Eliminate internal boundaries among subsystems and external boundaries with the external environment.
- A combination of team and network structures, with the addition of "temporariness."
- Key requirements:
  - Absence of hierarchy.
  - Empowerment of team members.
  - Technology utilization.
  - Acceptance of impermanence.

The boundary less organization eliminates internal and external barriers.

Internal boundaries are eliminated as people work together as needed

Research and Development
Production
Sales
Purchasing
Distribution

External boundaries vary as alliances change with shifting needs/opportunities

A   C   Time 1

B   C   Time 2

A   C   B   Time 3   E

What are the new developments in organization structures?

➢Boundaryless organizations (cont.)

◦ Encourage creativity, quality, timeliness, flexibility, and efficiency.

◦ Knowledge sharing is both a goal and essential component.

◦ Virtual organization.

  ◦ A special form of boundaryless organization.

  ◦ Operates in a shifting network of external alliances that are engaged as needed, using IT and the Internet.

What organizing trends are changing the workplace?

➤ Contemporary organizing trends include:

- ◦ Shorter chains of command.

- ◦ Less unity of command.

- ◦ Wider spans of control.

- ◦ More delegation and empowerment.

- ◦ Decentralization with centralization.

- ◦ Reduced use of staff.

What organizing trends are changing the workplace?

➤ Shorter chains of command:

◦ The line of authority that vertically links all persons with successively higher levels of management.
◦ Organizing trend:
  ◦ Organizations are being "streamlined" by cutting unnecessary levels of management.
  ◦ Flatter structures are viewed as a competitive advantage.

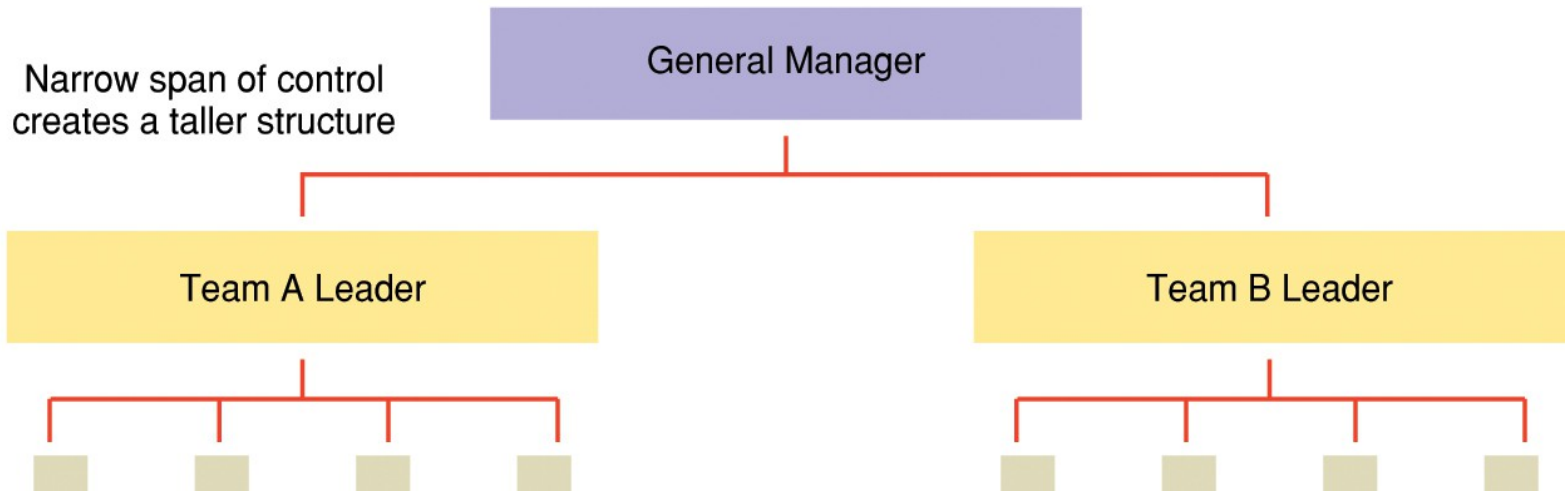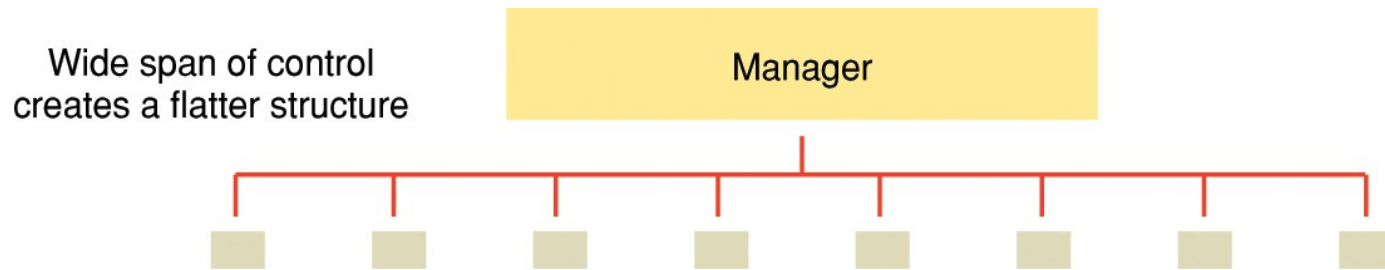# What organizing trends are changing the workplace?

➤ Less unity of command:

- ◦ Each person in an organization should report to one and only one supervisor.
- ◦ Organizing trend:
  - ◦ Organizations are using more cross-functional teams, task forces, and horizontal structures.
  - ◦ Organizations are becoming more customer conscious.
  - ◦ Employees often find themselves working for more than one boss.

What organizing trends are changing the workplace?

➤ Wider spans of control:

- The number of persons directly reporting to a manager.
- Organizing trend:
  - Many organizations are shifting to wider spans of control as levels of management are eliminated.
  - Managers have responsibility for a larger number of subordinates who operate with less direct supervision.

Spans of control in "flat" versus "tall" structures.

Wide span of control creates a flatter structure

Manager

Narrow span of control creates a taller structure

General Manager

Team A Leader

Team B Leader

What organizing trends are changing the workplace?

➢ More delegation and empowerment:

- ◦ Delegation is the process of entrusting work to others by giving them the right to make decisions and take action.
- ◦ The manager assigns responsibility, grants authority to act, and creates accountability.
- ◦ Authority should be commensurate with responsibility.

What organizing trends are changing the workplace?

➢Guidelines for effective delegation:
◦ Carefully choose the person to whom you delegate.
◦ Define the responsibility; make the assignment clear.
◦ Agree on performance objectives and standards.
◦ Agree on a performance timetable.
◦ Give authority; allow the other person to act independently.
◦ Show trust in the other person.
◦ Provide performance support.
◦ Give performance feedback
◦ Recognize and reinforce progress.
◦ Help when things go wrong.
◦ Don't forget your accountability for performance results.

What organizing trends are changing the workplace?

➢ **More delegation and empowerment (cont.)**

◦ A common management failure is unwillingness to delegate.

◦ Delegation leads to empowerment.

◦ Organizing trend:

   ◦ Managers are delegating more and finding more ways to empower people at all levels.

What organizing trends are changing the workplace?

➤ Decentralization with centralization:

- ◦ Centralization is the concentration of authority for making most decisions at the top levels of the organization.

- ◦ Decentralization is the dispersion of authority to make decisions throughout all levels of the organization.

What organizing trends are changing the workplace?

➤ **Decentralization with centralization (cont.):**

◦ Centralization and decentralization not an "either/or" choice.
◦ Organizing trend:
  ◦ Delegation, empowerment, and horizontal structures contribute to more decentralization in organizations.
  ◦ Advances in information technology allow for the retention of centralized control.

What organizing trends are changing the workplace?

➢Reduced use of staff:

- Specialized staff
  - People who perform a technical service or provide special problem-solving expertise to other parts of the organization.
- Personal staff
  - People working in "assistant-to" positions that provide special support to higher-level managers.

Study Question 4: What organizing trends are changing the workplace?

➢Reduced use of staff (cont.)
◦ Line and staff managers may disagree over staff authority.
  ◦ Advisory Authority.
  ◦ Functional authority.
◦ No one best solution for dividing line-staff responsibilities.
◦ Organizing trend:
  ◦ Organizations are reducing staff size.
  ◦ Organizations are seeking increased operating efficiency by employing fewer staff personnel and smaller staff units.