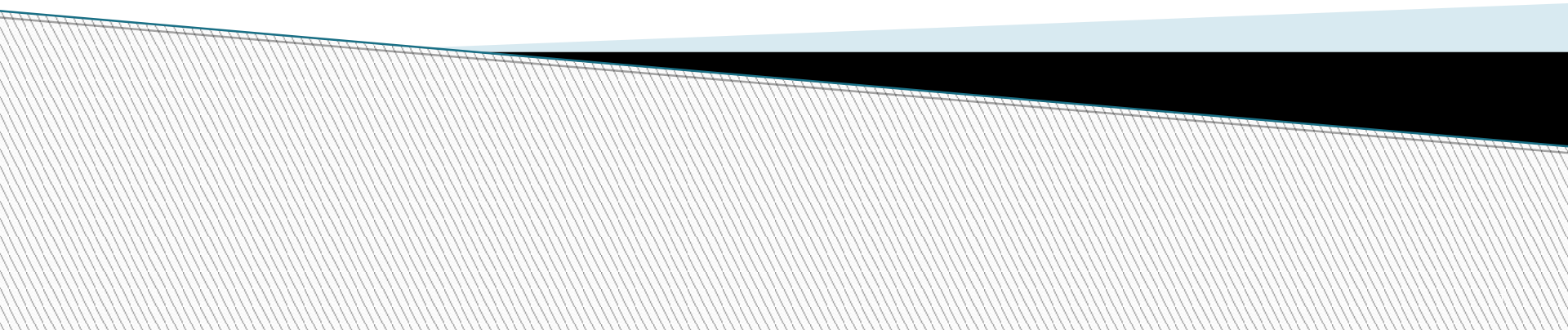# Module 2: Planning, Organizing, Leading and Communicating

What we will cover

Module 2 : Planning, Organizing, Leading and Communicating

Planning: Nature, Purpose, Objectives

Strategic Planning, Decision Making

Nature of Organizing

Organizational Structures

Line/ Staff Authority and Decentralization

Effective Organizing and Organizational Culture

What we will cover

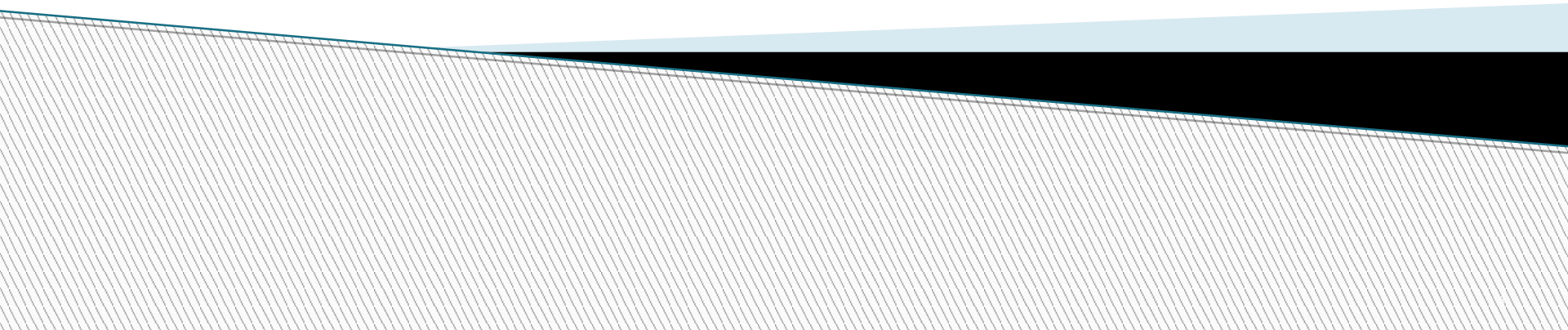Module 2 : Planning, Organizing, Leading and Communicating

Human Factors and Motivation

Leadership

Committees, Teams and Group Decision Making

Communication

Planning

Planning Defined

Planning is the function that determines in advance what has to be done in future.

Planning "Involves selecting missions and objectives and deciding on the action to achieve them; it requires decision-making, that is, choosing course of action from among alternatives."
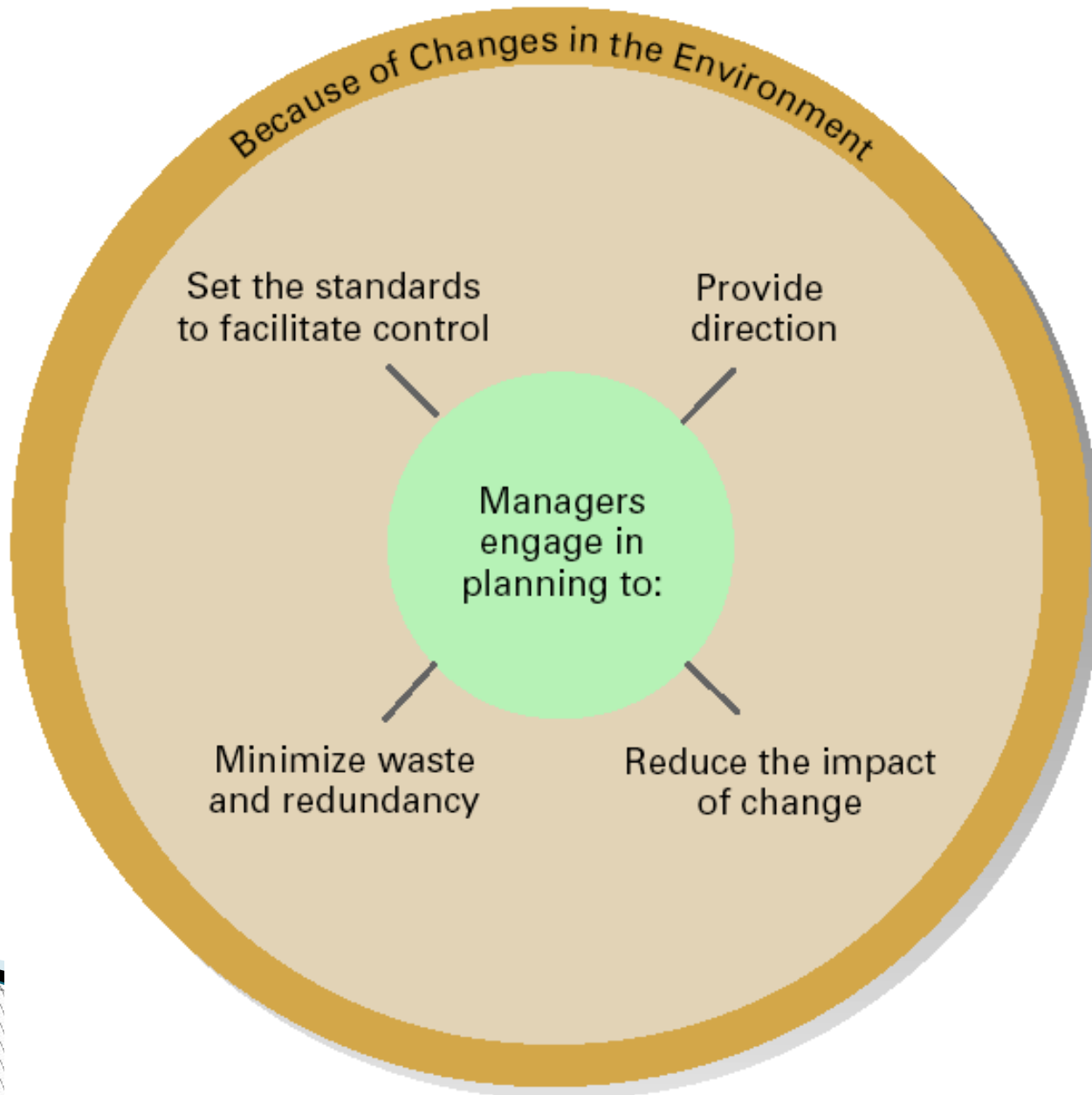
.

Planning is the most basic of all managerial functions, and it is about deciding in advance 'what is to be done, by whom, how, when and where'

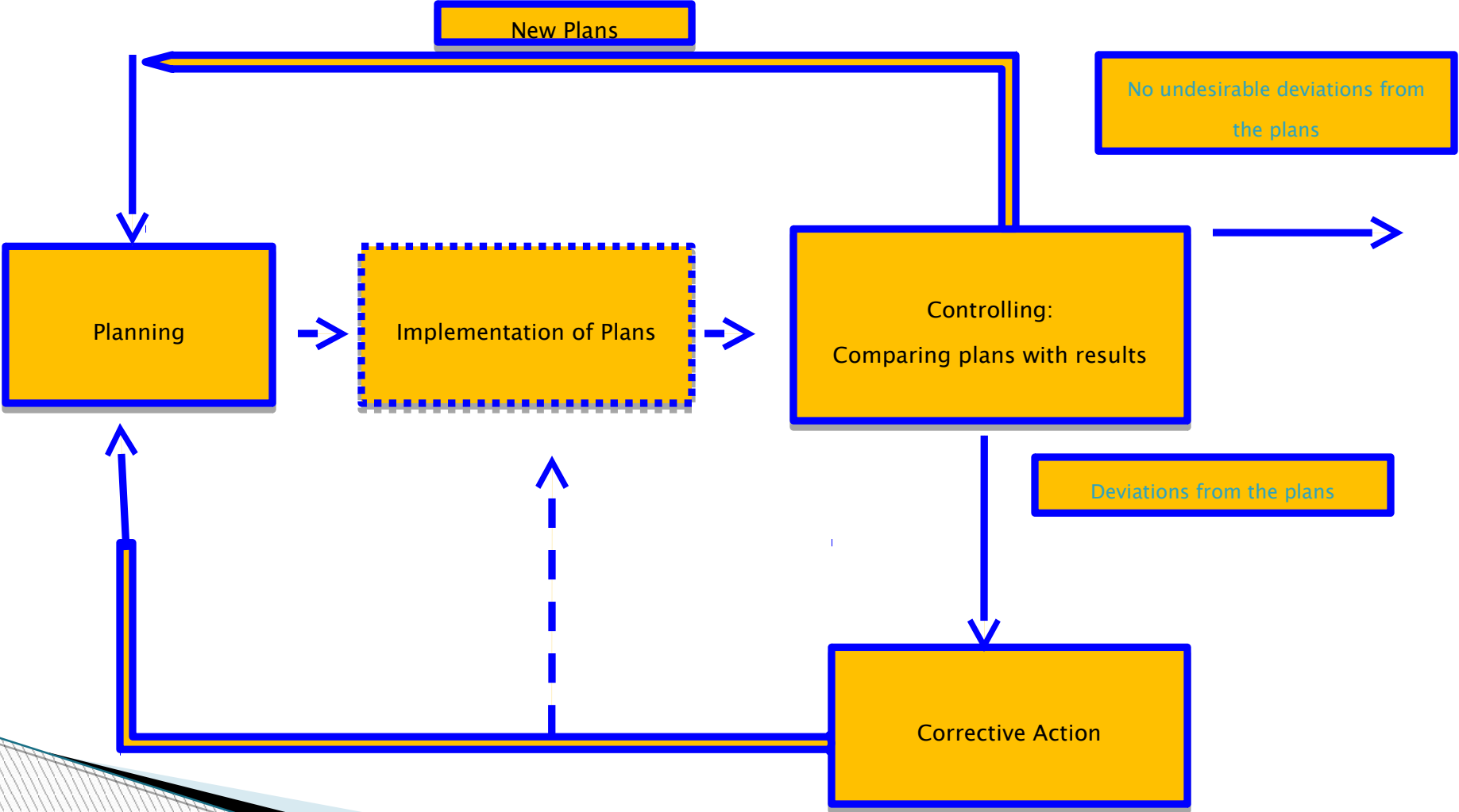Defining the organization's objectives or goals

Establishing an overall strategy for achieving those goals

Developing a comprehensive hierarchy of plans to integrate and coordinate activities

Reasons for Planning

Because of Changes in the Environment

Set the standards to facilitate control

Provide direction

Managers engage in planning to:

Minimize waste and redundancy

Reduce the impact of change

Planning and Controlling: Siamese Twins of Management

Features of Planning

Planning is Goal Oriented	Planning involves choice
Planning is a primary function	Planning is forward looking
Planning is all pervasive	Planning is flexible
Planning is a mental exercise	Planning is an integrated process
Planning is a continuous process	Planning includes efficiency and effectiveness

Classification of Plans

Classification of Plans

Mission or Purpose

- Mission or Purpose identifies the basic purpose/ function/ tasks of an organization or any part of it.
- Every kind of organized operation has or should have a mission or purpose in order to be meaningful
- The Mission Statement should guide the actions of the organization, spell out its overall goal, provide a sense of direction and guide decision making
- The Mission statement provides the "framework or context within which the company's strategies are formulated

Business

- The production and distribution of goods and services
- To earn profits

Court

- Interpretation of laws and their application

University

- Teaching, Research and providing services to the community

NGO

- To serve humanity in general or any affected part of the community

Classification of Plans

Objectives or Goals

- Objectives or goals are the ends towards which activity is aimed. Objectives emanate primarily from the mission statement of the organization

- Objective should be expressed as specifically as possible so that results can be seen and verified.

Strategies

- Strategies are defined as the determination of the basic long – term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

- Strategies may also refer to a framework of grand plans formulated to meet the challenges of special circumstances.

- Strategy is a term that was originally used in military science to mean plans to counter what as adversary might or might not do.

Classification of Plans

Policies

- Policies are also plans in that they are general statements or understandings that guide or channel thinking in decision-making.

- Policies define an area within which a decision is to be made and ensure that the decision will be consistent with, and contribute to an objective.

- Policies in an organization can thus be major or minor in nature, but they all serve the purpose of bringing uniformity in decisions and action.

Procedures

- Plans that establish a required method of handling future activities .chronological sequences of required actions.

- Guides to action, rather exact manner in which certain activities must be accomplished.

Classification of Plans

Rules

- The essence of a rule is that it reflects a managerial decision that a certain action must–or must-not– be taken.

- Rules are different from policies in that policies are meant to guide decision making which managers can use their discretion, while rules allow no discretion in their application.

- "No Smoking" is a rule that allows no deviation from a stated course of action

Programs

- Programs are a complex of goals, policies, procedures, rules, task assignment, steps to be taken, resources to be employed, and other element necessary to carry out a given course of action.

- The dimension of a program can vary with the nature and purpose of the program, and can be termed major or minor.

- Eg., an airline's program to acquire a $400 million fleet of jets

Classification of Plans

Budgets

- A budget is a statement of expected results expressed in numerical terms.

- Budget should be expressed in financial or physical units, and must relate to a specific period of time.

- A budget may thus be called a "quantified plan"

- Making a budget forms part of the planning process but the budget itself is a Control device

Types of Plans

Types of Plans
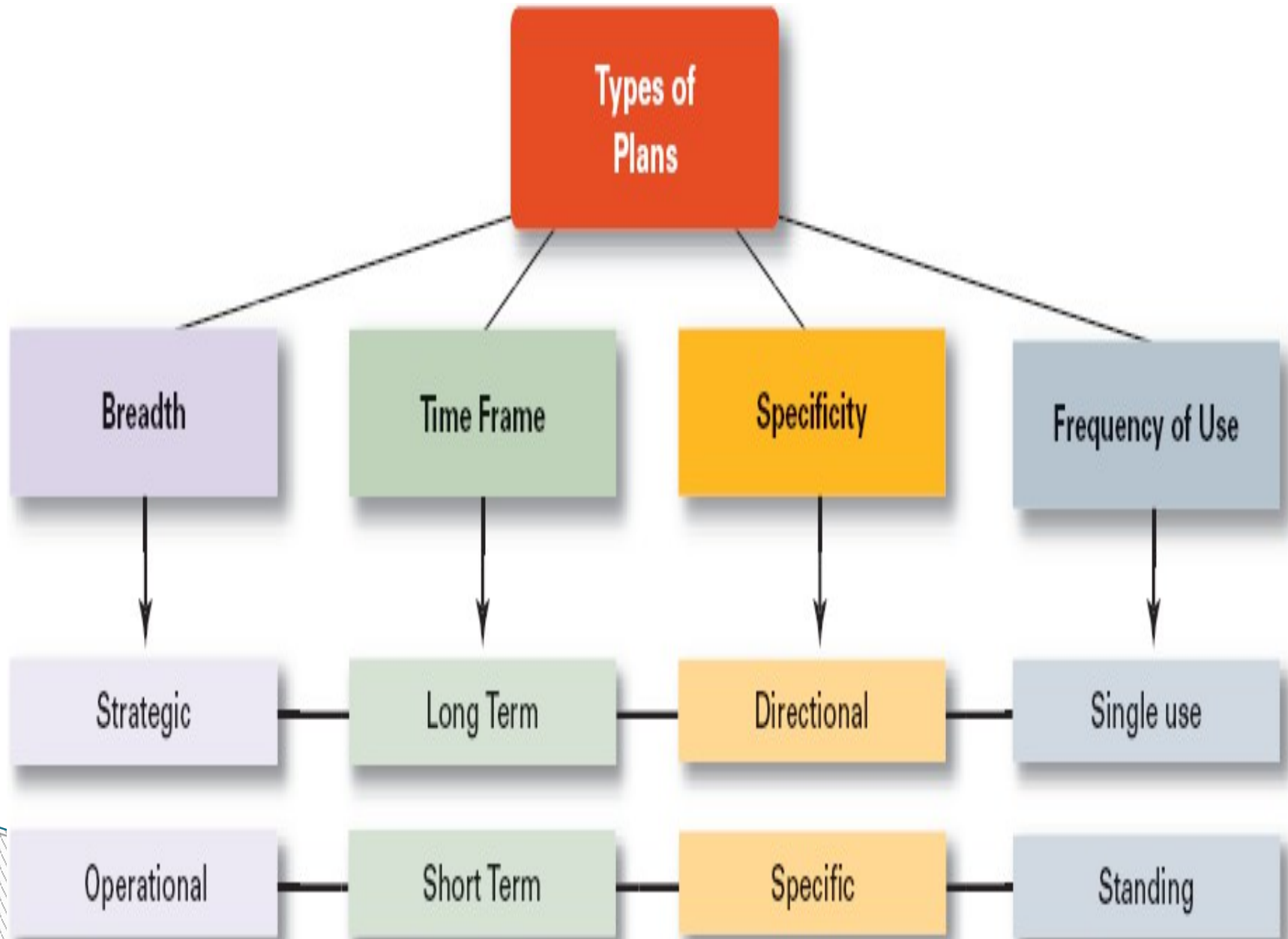
Types of Plans – Based on Breadth

▶ Strategic Plans
- Apply to the entire organization
- Establish the organization's overall goals
- Seek to position the organization in terms of its environment
- Cover extended periods of time

▶ Operational Plans
- Specify the details as to how the overall goals are to be achieved
- Cover a short time period

Strategic and Operational Plans

Feature	Strategic	Operational
Time horizon	5 years or more	Under one year
Purpose	Adapt toexternal environment based on internal strengths	Implement internal goals
DecisionRange	Relativelyenduring	Shortterm
Organizational levelinvolved	Top management	Middle and Lower Management
Basis for planning	Primarilyjudgemental	Exact data and standards used
Predictability	Uncertain	Reasonablycertain
Controlon outcome	Low	Reasonablyhigh

Types of Plans – Based on Time frame

▶ Long term plans

  ○ Plans with time frames extending beyond three years

▶ Short term plans

  ○ Plans with time frames of one year or less

▶ Specific Plans

 ○ Plans that are clearly defined and leave no room for interpretation

▶ Directional Plans

  ○ Flexible plans that set out general guidelines and provide focus and yet allow discretion in implementation

Long term and Short term Plans

Feature	Long term plans	Short term plans
Time factor	5 years or more	Uptoone year
Deals with	Mission, Long term goals and strategies	Current operations
Primary focus	Organization's linkage with external factors	Linkage withvarious parts of the organization
Impact	Demandschanges in the structure and resource allocation	Operates within the existingstructure and resources
Uncertainty	High due to longer time horizon	Low due to limited time horizon
Prepared by	Top Management	Middle and lower level management

Directional v/s Specific Plans (Based on Specificity)
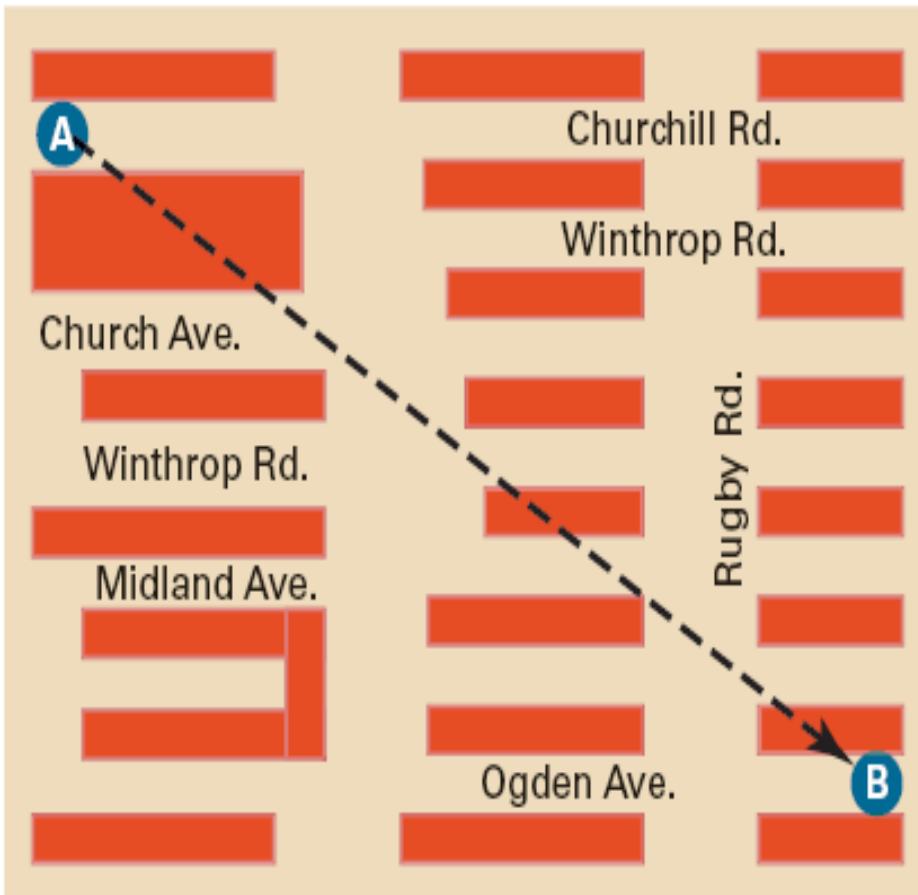
Directional Plans
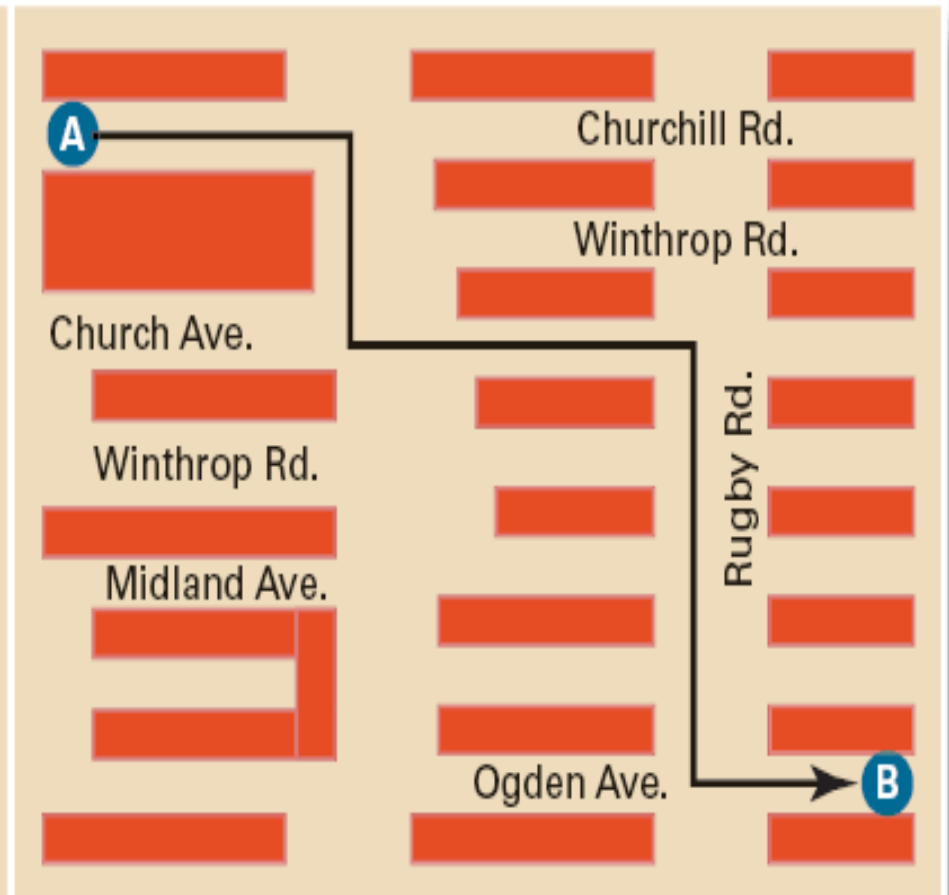
Specific Plans

Types of Plans – Based on Frequency of Use

▸ **Single Use Plans**

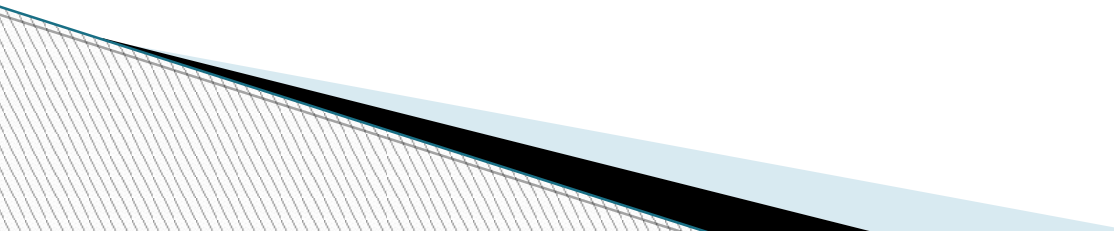 ○ A one time plan specifically designed to meet the needs of a unique situation

▸ **Standing Plans**

  ○ Ongoing plans that provide guidance for activities performed repeatedly

Steps in Planning

Steps in Planning

Steps in Planning

▶ Preliminary Step

▶ Emphasizes on being aware of the external environment

▶ Recommended that a proper SWOT analysis of the given situation be done for the company/ department

▶ A realistic diagnosis of the situation would lead to setting realistic objectives

▶ Being Aware of Opportunity

▶ SettingObjectives or Goals

▶ Considering Planning Premises

▶ Identifying Alternatives

▶ Comparing Alternatives in light of Goals

▶ Choosing an Alternative

▶ Formulating Supporting Plans

▶ Quantifying Plans by making budgets

Steps in Planning

▶ Objectives specify the "endpoint" for which a particular sequence of activities is being carried out.

▶ Objectives are first set for the enterprise and then for each sub unit

▶ Long term goals are first framed and then broken down into short term goals

▶ Being Aware of Opportunity

▶ SettingObjectives or Goals

▶ Considering Planning Premises

▶ Identifying Alternatives

▶ Comparing Alternatives in light of Goals

▶ Choosing an Alternative

▶ Formulating Supporting Plans

▶ Quantifying Plans by making budgets

Steps in Planning

▶ Premises are assumptions about the environment in which the plan is to be carried out

▶ Major Principle of Planning Premises is
  ○ **the more**thoroughly individuals charged with**planning understanding**and agree to utilize consistent planning premises,**the more coordinated enterprise planning**would be.

▶ Forecasting is a major part of premising and includes
  ○ What kinds of markets will be there
  ○ What volume of sales
  ○ What prices
  ○ What products
  ○ What technical developments
  ○ Costs, wage rates, tax rates and policies
  ○ What new plants?
  ○ Political or social environment
  ○ Long terms trends etc

▶ Being Aware of Opportunity

▶ Setting Objectives or Goals

▶ Considering Planning Premises

▶ Identifying Alternatives

▶ Comparing Alternatives in light of Goals

▶ Choosing an Alternative

▶ Formulating Supporting Plans

▶ Quantifying Plans by making budgets

Steps in Planning

- **Search for and examine alternative courses of action**
  - ○ Especially those not immediately apparent
  - ○ Very rare that there is a plan for which reasonable alternatives do not exist
  - ○ Quite often, an alternative that is not obvious turns out to be the best
- **More common problem is not finding alternatives but reducing the number of alternatives**
  - ○ Done so that only the most promising alternatives may be analyzed

- Being Aware of Opportunity
- Setting Objectives or Goals
- Considering Planning Premises
- Identifying Alternatives
- Comparing Alternatives in light of Goals
- Choosing an Alternative
- Formulating Supporting Plans
- Quantifying Plans by making budgets

Steps in Planning

▶ Evaluate the alternatives by weighing them in light of premises and goals
  ○ One alternative may appear to be the most profitable but may require large cash outlay and may have a slow payback
  ○ Another may look less profitable but may involve lower risk
  ○ Another may better suit the company's long term objectives

▶ Evaluation can be exceedingly difficult
  ○ Many alternative courses of action
  ○ Many variables and limitations

▶ Being Aware of Opportunity

▶ Setting Objectives or Goals

▶ Considering Planning Premises

▶ Identifying Alternatives

▶ Comparing Alternatives in light of Goals

▶ Choosing an Alternative

▶ Formulating Supporting Plans

▶ Quantifying Plans by making budgets

Steps in Planning

▶ This is the point of decision making.

▶ Evaluation often leads to more than one better/ advisable courses.

▶ Some times one best course is selected and one is kept for contingency (mostly in production and security departments)

▶ Some times two courses are adapted simultaneously

▶ Being Aware of Opportunity

▶ Setting Objectives or Goals

▶ Considering Planning Premises

▶ Identifying Alternatives

▶ Comparing Alternatives in light of Goals

▶ Choosing an Alternative

▶ Formulating Supporting Plans

▶ Quantifying Plans by making budgets

Steps in Planning

▶ Formulating Derivative or supporting plans almost invariable required to support the basic plan

▶ Quantifying Plans by Making budgets
  ○ Giving meaning by quantifying the plan
  ○ Budgets can become a means of adding various plans and can set important standards against which planning progress can be measured

▶ Being Aware of Opportunity

▶ Setting Objectives or Goals

▶ Considering Planning Premises

▶ Identifying Alternatives

▶ Comparing Alternatives in light of Goals

▶ Choosing an Alternative

▶ Formulating Supporting Plans

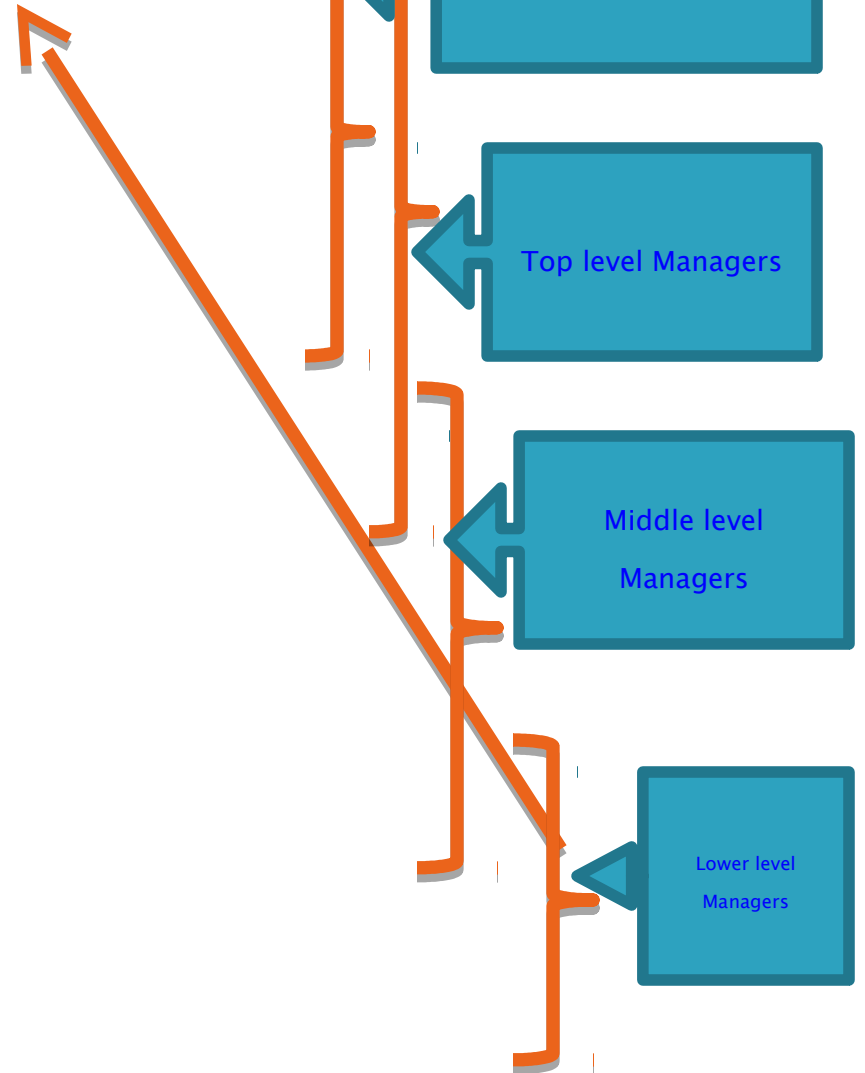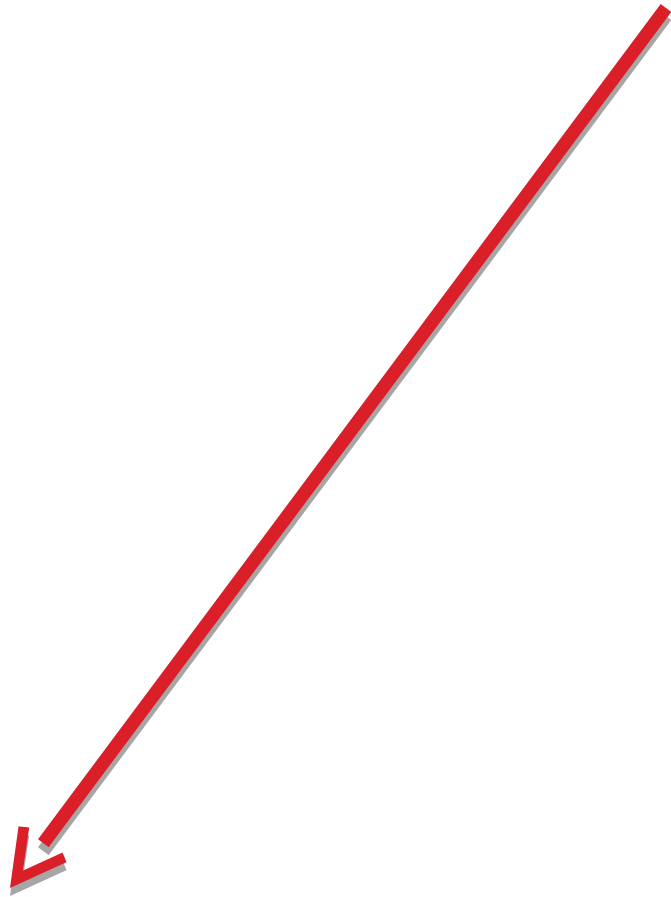▶ Quantifying Plans by making budgets

Objectives
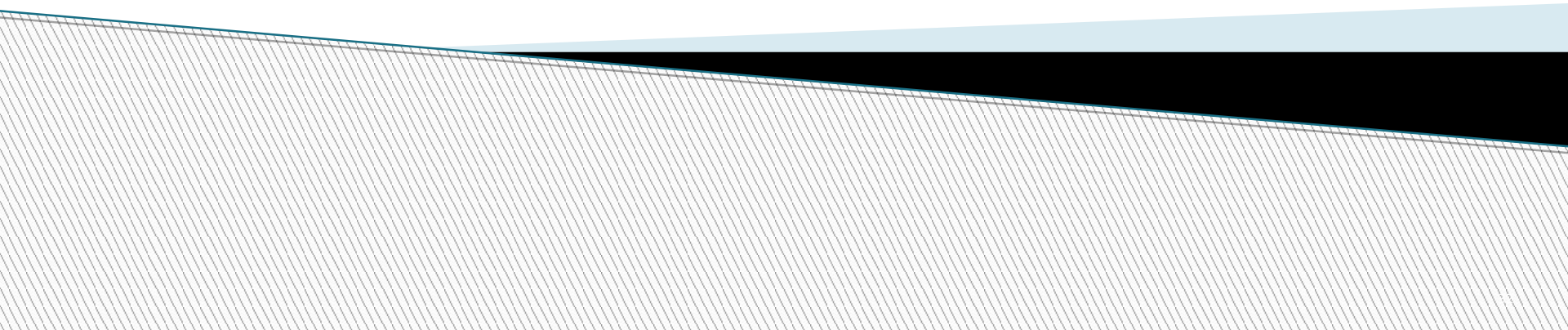
Objectives

- Objectives are the "ends"towards which the organizational and individual activities are directed.

- Objectives are required to be "Verifiable"
  - To facilitate easy measurement and tracking

- Objectives can be long term or short term, broad or specific

Hierarchy of Objectives

▶ Objectives form a hierarchy ranging from the broad aim to specific individual objectives

▶ The topmost and the most important objective is the purpose or mission – this gets translated into overall objectives

▶ And then there are more specific objectives or the "Key result areas"; in which performance is essential for the success of the enterprise

▶ Key result areas may be

   ○ Market share or market standing

   ○ Innovation

   ○ Productivity

   ○ Physical and financial resources

   ○ Profitability

   ○ Manager performance and development

   ○ Worker performance and attitude

   ○ Service

   ○ Quality

Hierarchy of Objectives

1. Socio economic purpose (Goal of organization)

Board of Directors

Top level Managers

Middle level Managers

Lower level Managers

How to set Objectives

▶ Objectives must be specific, measurable, attainable, realistic and timed

▶ Objectives must be challenging and priorities must be assigned to each of them

▶ Objectives should be stated and communicated very clearly

▶ Objectives should promote both personal and professional growth

Non-verifiable and Verifiable Objectives

To design and conduct a 40 hr in house program on "management", to be completed by October 1, 2014, involving not more t
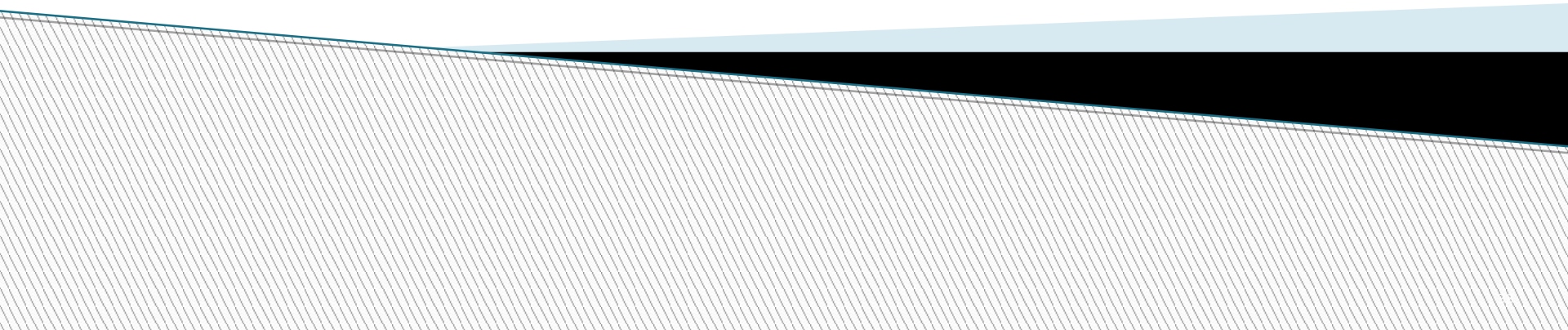
To increase production output by 5% by Dec 31, 2014 without additional costs by maintaining the current quality level

To achieve a ROI of 12% at the end of the current fiscal year

To issue a two page monthly newsletter beginning July 1, 2014, involving not more than 40 working hrs of preparation (after t

Evolving Concepts in Management by Objectives

Evolving concepts of MBO

▶ Management by Objectives

- A comprehensive managerial system that integrates many key managerial activities in a systematic manner and is consciously directed toward the effective and efficient achievement of organizational and individual objectives

- MBO is a process to accept objectives within an organization so that management and employees agree to the objectives and understand what they are in the organization.

- Links individual and unit performance objectives at all levels with overall organizational objectives

- Focuses operational efforts on organizationally important results.

- Motivates rather than controls

MBO Process

▶ The superior and the subordinate meet to discuss and set goals/ objectives for the subordinate for a period of time

▶ Both the superior and the subordinate attempt to establish objectives that are realistic, challenging, clear and comprehensive

▶ The standards for measuring and evaluating the objectives are agreed upon

▶ Review dates when the objectives will be reexamined are set

▶ The superior plays more of a counseling, coaching and supporting role

▶ Entire process focuses on results and counseling of the subordinates and not on activities, mistakes and organizational requirements

Benefits of MBO

▸ Emphasis on development and utilization of human resources

▸ Secures employee commitment to organizational goals

▸ People feel motivated when clear goals are effectively communicated to them

▸ Improvement of managing through results-oriented planning

▸ Clarification of organizational roles and structures as well as delegation of authority according to the results expected by the people occupying the roles

▸ Development of effective controls that measure results and lead to corrective actions

Failures of MBO

▶ Failure by managers to understand the philosophy of MBO

▶ Failure by superiors to give clear guidelines

▶ The development of objectives can be time consuming, leaving both managers and employees less time in which to do their actual work.

▶ The elaborate written goals, careful communication of goals, and detailed performance evaluation required in an MBO program increase the volume of paperwork in an organization.

Organizing
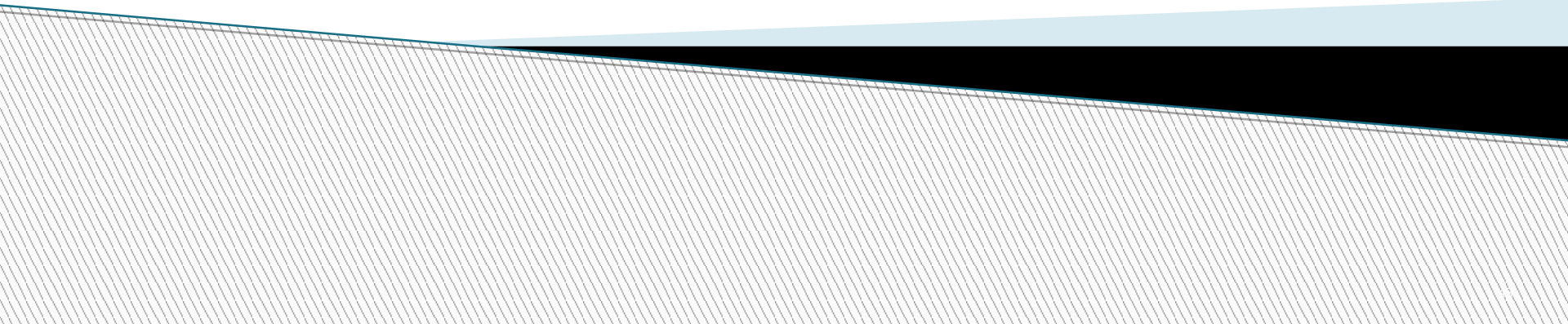
WHAT IS Organizing?

"**Organizing is the process of identifying and grouping of the works to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most efficiently**".

- Louis A. Allen

What is an Organization

▶ An Organization is a formalized intentional structure of roles or positions
- People working together and filling certain roles
- The roles are intentionally designed to ensure that required activities are done and that the activities fit together
  - So that people can work smoothly, efficiently and effectively

ORGANIZATION STRUCTURE

A DESIGN OF ORGANIZATION MOVEMENT ORA BLUEPRINT,

Organization Structure

ORGANIZATIONSTRUCTURE EXPLAINS THE POSITION ANDOFFICIAL RELATIONSHIP BETWEEN VARIOUSINDIVIDUALS IN THE ORGANIZATION.

It is a diagrammatic representation of organization structurewhich shows names, designation andfunctions of personnel in a organization.

Chairman

Vice Chairman

Quality Department

Human Resources Department

Legal Affairs Department

Construction Department

Financial Affairs Department

Marketing, Sales & PR Department

Recruitment

Evaluation

Marketing

Sales & Customer Service

Quality Control

Quality Assurance

Civil Engineering

Metal Engineering
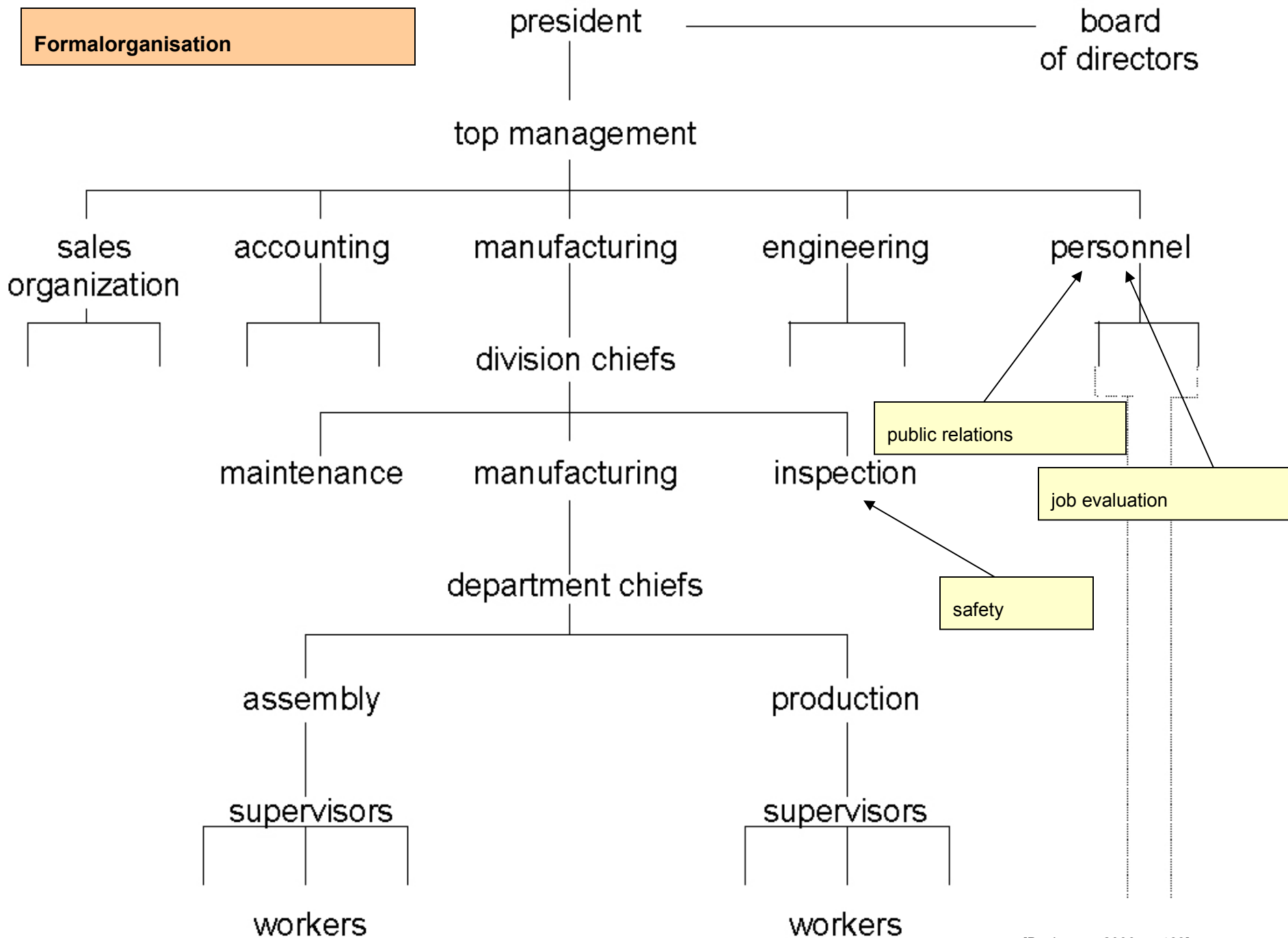
Electro - Mechanical Engineering

Formal and Informal Organizations

Formal Organizations

- Refers to the organization structure deliberately created by management to achieve the enterprise objectives

- Network of official authority, responsibility, relationships and communication flows

- Official and rational structure

- According to Chester Bernard, "Formal organization is a system of consciously coordinated activities of two or more persons towards a common objectives. The essence of formal organization is conscious common purpose and formal organization comes into existence when persons (A) are able to communicate with each other (B) are willing to act and (C) share a purpose."

president ——————————— board of directors

top management

sales organization   accounting   manufacturing   engineering   personnel

division chiefs

maintenance   manufacturing   inspection

public relations

job evaluation

department chiefs

safety

assembly   production

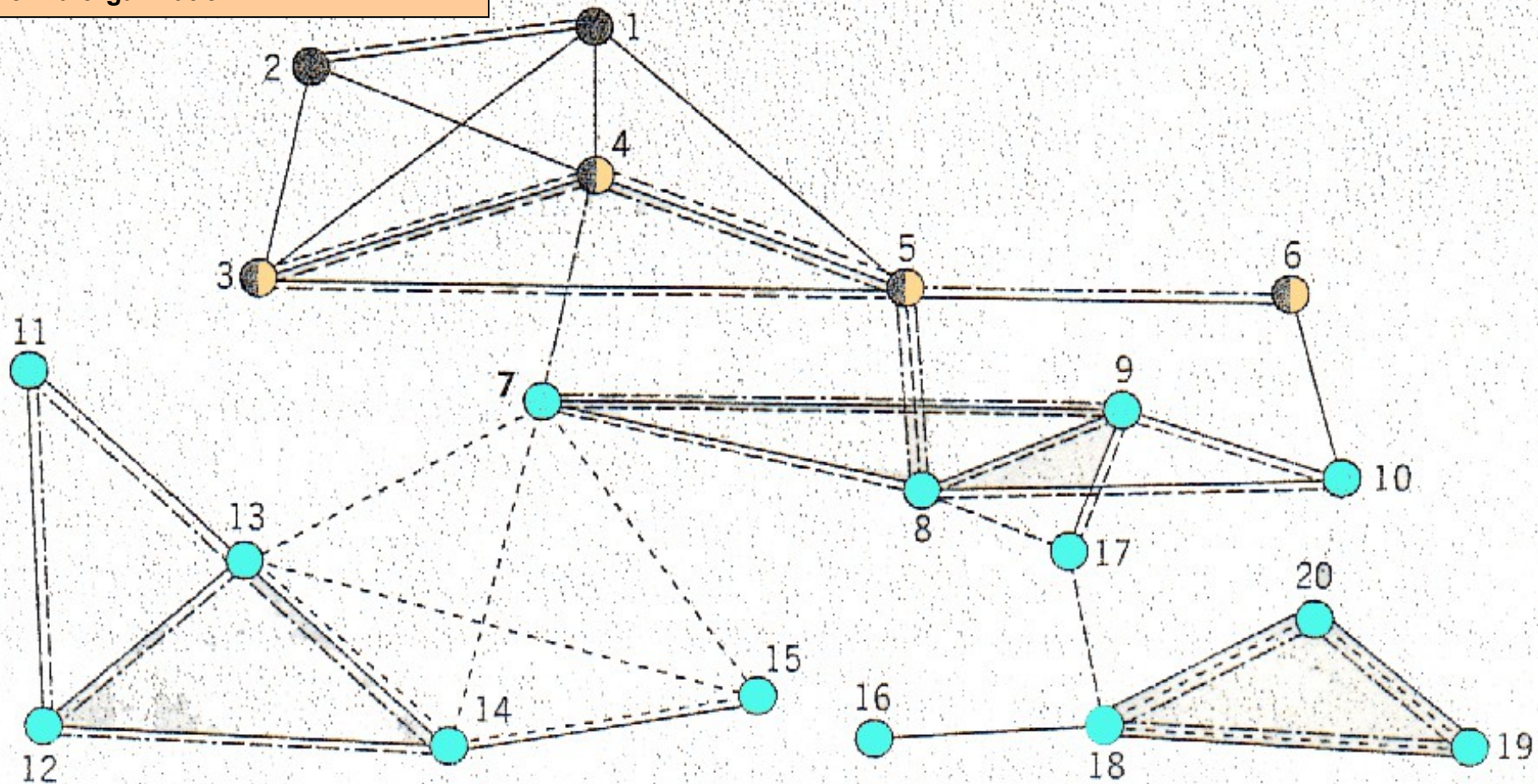supervisors   supervisors

workers   workers

Formal and Informal Organizations

Informal Organizations

- It refers to the pattern of activity interactions and human relationship which emerge spontaneously due to social and psychological forces operating at the work place.

- It arises naturally on the basis of friendship or some common interest which may or may not be related with work.

- According to Chester Bernard, " Informal organization is joint personal activity without conscious common purpose though contributing to joint result."

top management
managers and superintendents
specialists and supervisors
clerical office workers

lunch together
car pool
play bridge
cocktail bunch
recreation

[Buchanan, 2000, p. 463]

Formal and Informal Organizations

Nature	Formal Organisations	Informal Organisations
1. Structure	Formally structured authority-responsibility relationships.	Spontaneous reaction to formally structured organisation. No formal structure.
2. Emphasis	Official authority-responsibility structure.	People and their relationships.
3. Power	It is attached to position.	It is attached to person
4. Chain of command	The chain is respected and authority is delegated by the top management.	The authority comes from personal knowledge and skills of group leaders and is given by the group itself.
5. Goals	Organisational goals are considered important.	Individual goals may clash with organisational goals.
6. Stability	They are stable; not affected by incomings and outgoings of organisational members.	Change in members can lead to instability.
7. Flexibility	Not flexible; cannot be easily changed. Members interact with each other on the basis of their job positions.	Highly flexible.
8. Social acceptance	They arise out of formal authority-responsibility structure	They arise out of social norms of acceptance and recognition.
9. Formation	They are deliberately created by managers.	They are created by members to achieve their personal goals.
10. Objective (Purpose)	They are formed to achieve formal organisational goals	Their objective is to achieve social satisfaction.

Formal and Informal Organizations

| Nature	Formal Organisations	Informal Organisations
11. Flow of authority	Authority vests with managers. It flows from top to bottom.	Authority vests with the elected leaders. Leaders may be senior or junior to the members. Authority flows from leaders to followers.
12. Behaviour of members	Behaviour of members is governed by norms and standards framed by managers.	Behaviour of members is governed by norms and standards framed by group members.
13. Leadership	Managers act as leaders by virtue of their official positions.	Leaders are voluntarily chosen by members.
14. Govern-ance	Its working is governed by rules and regulations.	There are no fixed rules. Group norms govern their functioning.
15. Control	They are subject to strict measures of control.	Group norms and values are the controlling measures.
16. Commun-ication	Official communication channel. It is vertical in direction.	Unofficial communication channel. It flows in vertical and horizontal directions.
17. Intera-ctions	People interact with each other on the basis of their authority, responsibility and accountability.	People interact with each other on the basis of their power and social status.
18. Winding up	It winds up according to legal procedures.	It winds up at the will of members.

Organizational Levels and Span of Management
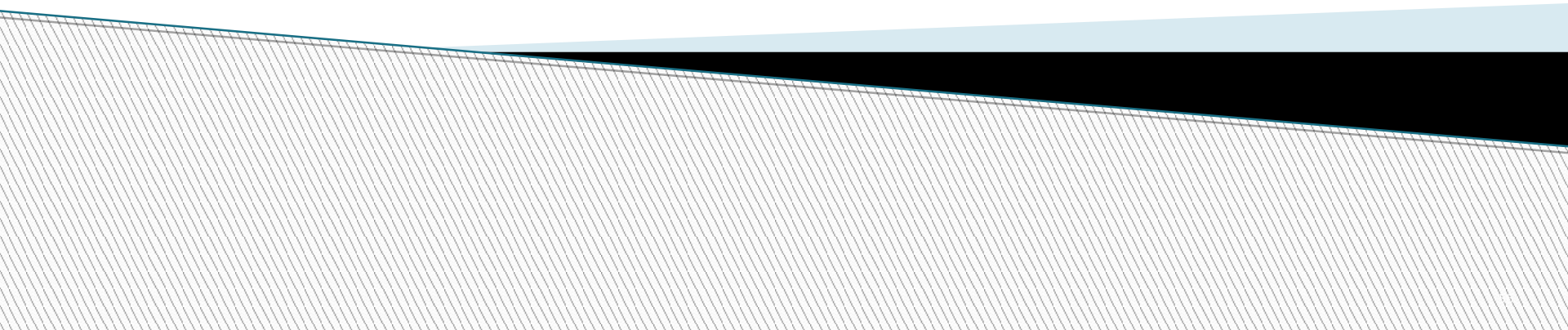
Span of Management

- The number of employees reporting to a supervisor.

- Traditional view, seven or so per manager.

- Many organizations today, 30 or more per manager.

- Also known as Span of Control, Span of Supervision, Span of authority and Span of Responsibility

Span of Management: Wide Span and Narrow Span
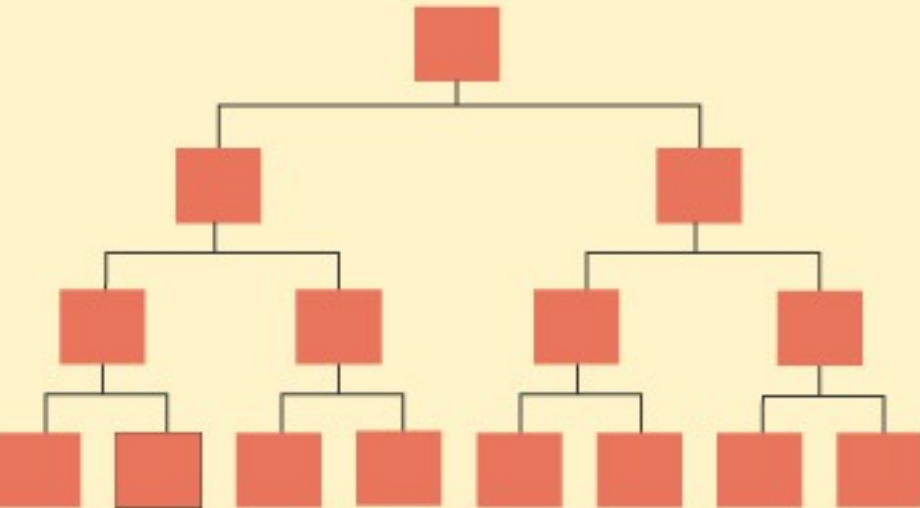
Wide Span: Flat Organization
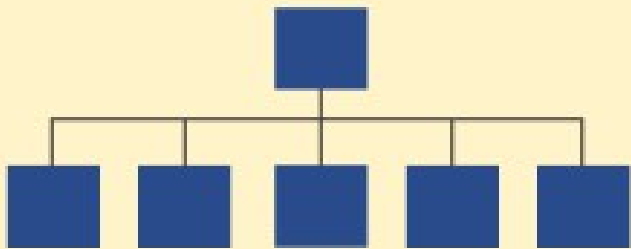
Advantages

- Superiors are forced to delegate
- Clear policies must be made
- Subordinates must be carefully selected

Disadvantages

- Decision bottlenecks due to overloaded superiors
- Danger of superior's loss of control
- Requires exceptional quality of managers

Narrow Span: Tall Organization

Advantages

- Close supervision
- Close control
- Fast communication

Disadvantages

- Superiors tend to get too involved in subordinate's work
- Many levels of management leading to higher costs
- Excessive distance between lowest level and top level

Factors that Influence Span of Management

▶ Job Complexity
  ○ More complex jobs = More managerial input
▶ Job similarity
  ○ Similar jobs = more employees per manager
▶ Geographic proximity of employees
  ○ Dispersed locations = More supervision
▶ Amount of coordination required to complete tasks
  ○ High coordination = more supervision
▶ Employee abilities
  ○ Knowledgeable and trained staff = less supervision
▶ Employee empowerment
  ○ Trusted and empowered employees = less supervision
▶ Ability of management
  ○ More capable management = More employees per manager

Organization Structure: Departmentation
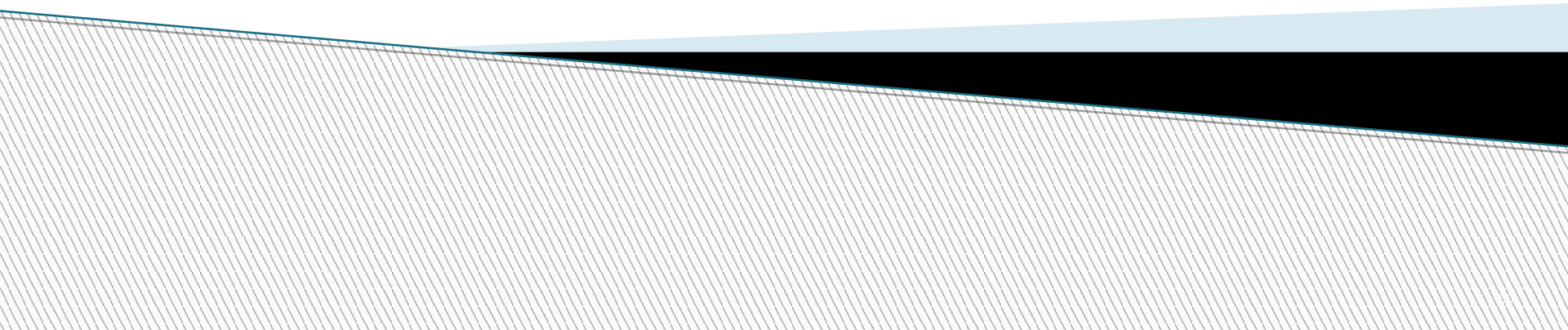
Designing Organizational Structure

▶ **Organizing**

- The process by which managers establish working relationships among employees to achieve goals.
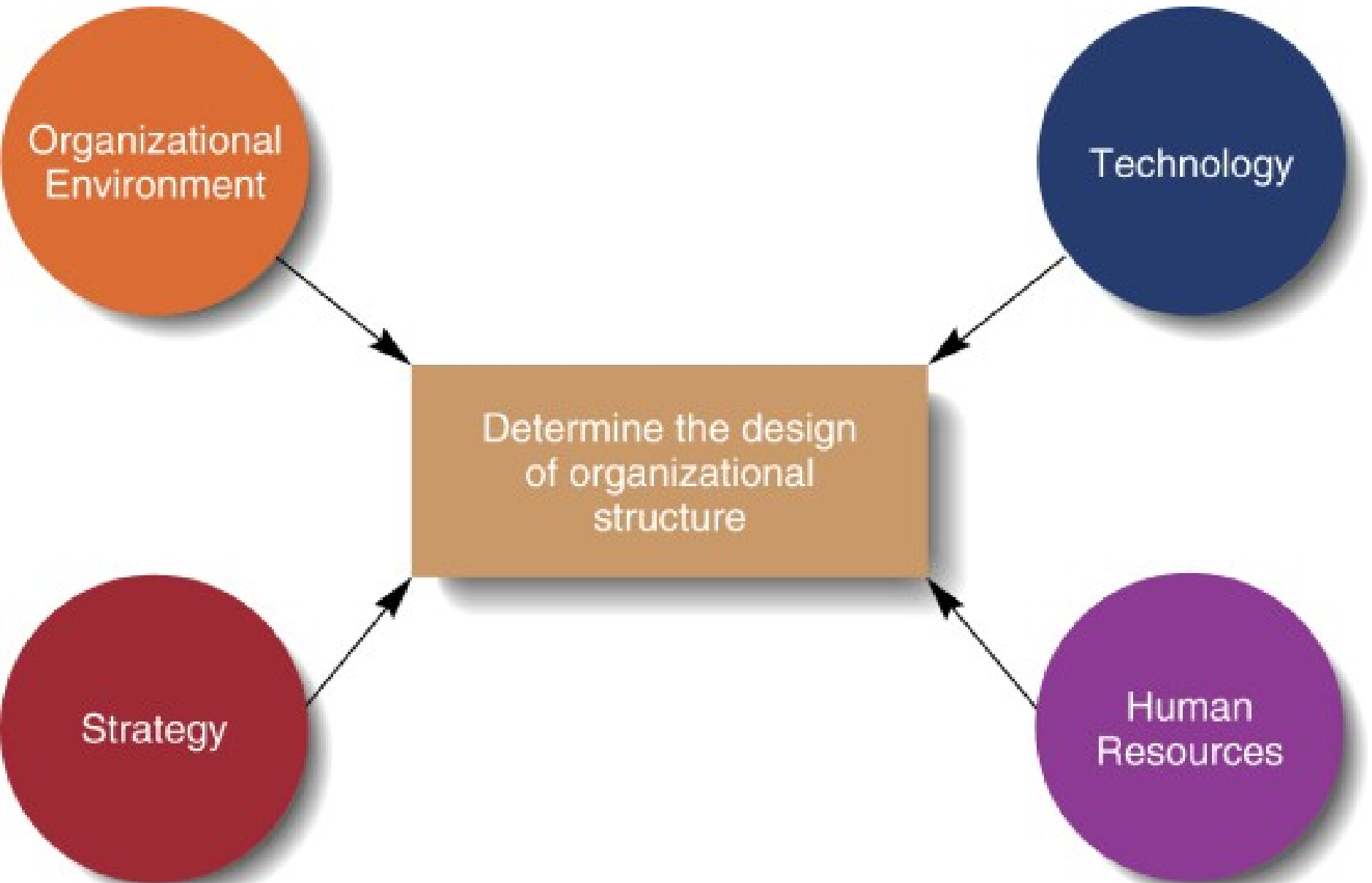
▶ **Organizational Structure**

- Formal system of task and reporting relationships showing how workers use resources.

▶ **Organizational design**

- The process by which managers make specific choices that result in a particular kind of organizational structure.
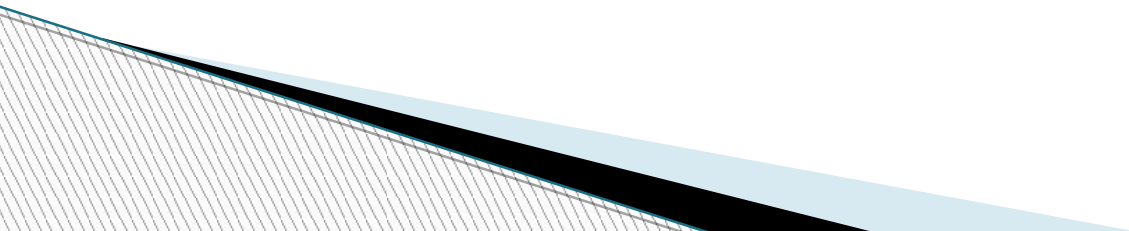
Factors Affecting Organizational Structure

Determinants of Structure

Organizational Environment

- The quicker the environment changes, the moreproblems faced by managers.

- Structure must be more flexible (i.e., decentralized authority) when environmental change is rapid.

Strategy

- Different strategies require the use of different structures.
- A differentiation strategy needs a flexible structure
- Increased vertical integration or diversification also requires a more flexible structure

Determinants of Structure

Technology

- Organizations utilizing complex technology require a flexible structure to be managed efficiently.
- Organizations utilizing routine technology can be more readily managed using a formal structure.
- Organizations with high employee interaction requirements need a flexible structure.

Human Resources

- Highly skilled workers whose jobs require working in teams usually need a more flexible structure.

Departmentation
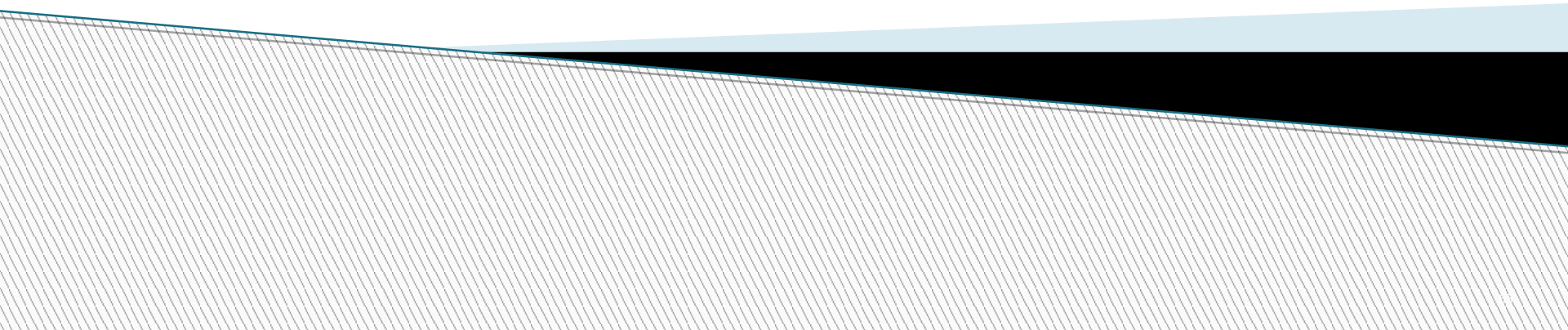
Why do we need Departmentation

▶ Need for Departmentation arises because of

  ○ Specialization of work

  ○ Simplification of managerial tasks

  ○ Limitation on the number of subordinates that can be directly controlled by the superiors

Departmentation by Enterprise Function

▶ Grouping of activities in accordance with the functions of the enterprise
  ○ Production (creating or adding utility to a product/ service
  ○ Sales (finding customers/ patients/ clients/ students who agree to accept the product/ service at a price or for a cost)
  ○ Finance (raising, collecting, safeguarding and expending the funds of the enterprise)

▶ No generally accepted terminology
  ○ Manufacturing company may use production/ sales/ finance
  ○ Wholesaler may use buying/ selling/ finance
  ○ Rail road company may use Operations/ Traffic/ Finance
  ○ Reason for variance is because basic activities differ in importance in different enterprises
    • Churches have no production department while hospitals don't have Sales departments

▶ Functional Departmentation most widely used basis for organizing activities

Departmentation by Enterprise Function
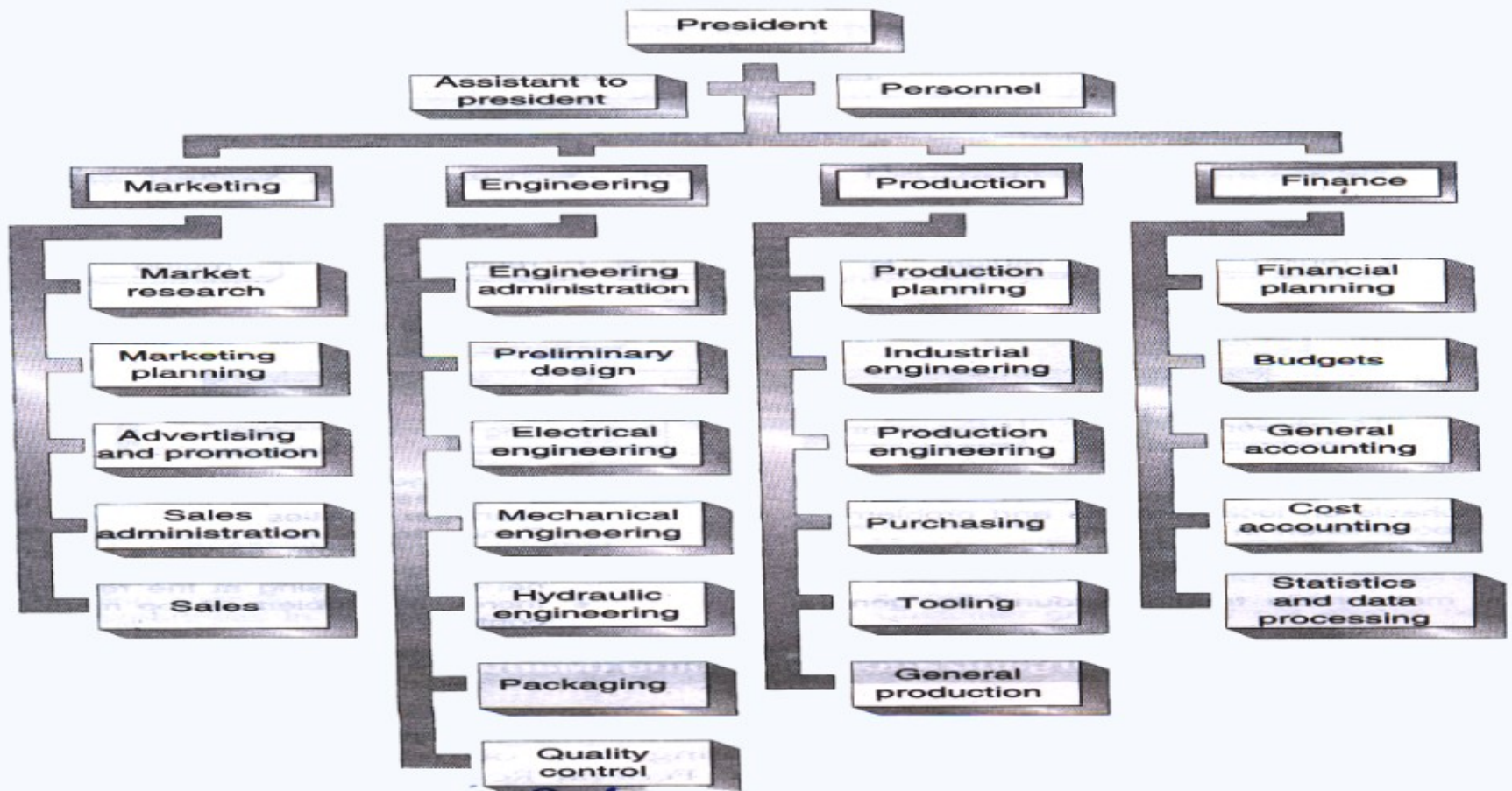
Advantages

- logicalreflection of functions
- Maintains power and prestige of majorfunctions
- Follows principle of occupational specialization
- Simplifiestraining
- Furnishes means of tight control at top

Disadvantages

- Overspecialization and narrows viewpoints of key personnel
- Reduces coordination between functions
- Responsibility for profits is at the top only
- Slow adaptation to changes in environment
- Limitsdevelopment of general managers

Departmentation by Territory/ Geography

▶ Commonly done in enterprises operating over wide geographic areas

▶ Firms resort to this method when similar operations are undertaken in different geographic areas

▶ Territorialdepartmentationis most often used in sales and production

  ○ Not usually used in finance which is generally concentrated at the HQ

Departmentation by Territory/ Geography
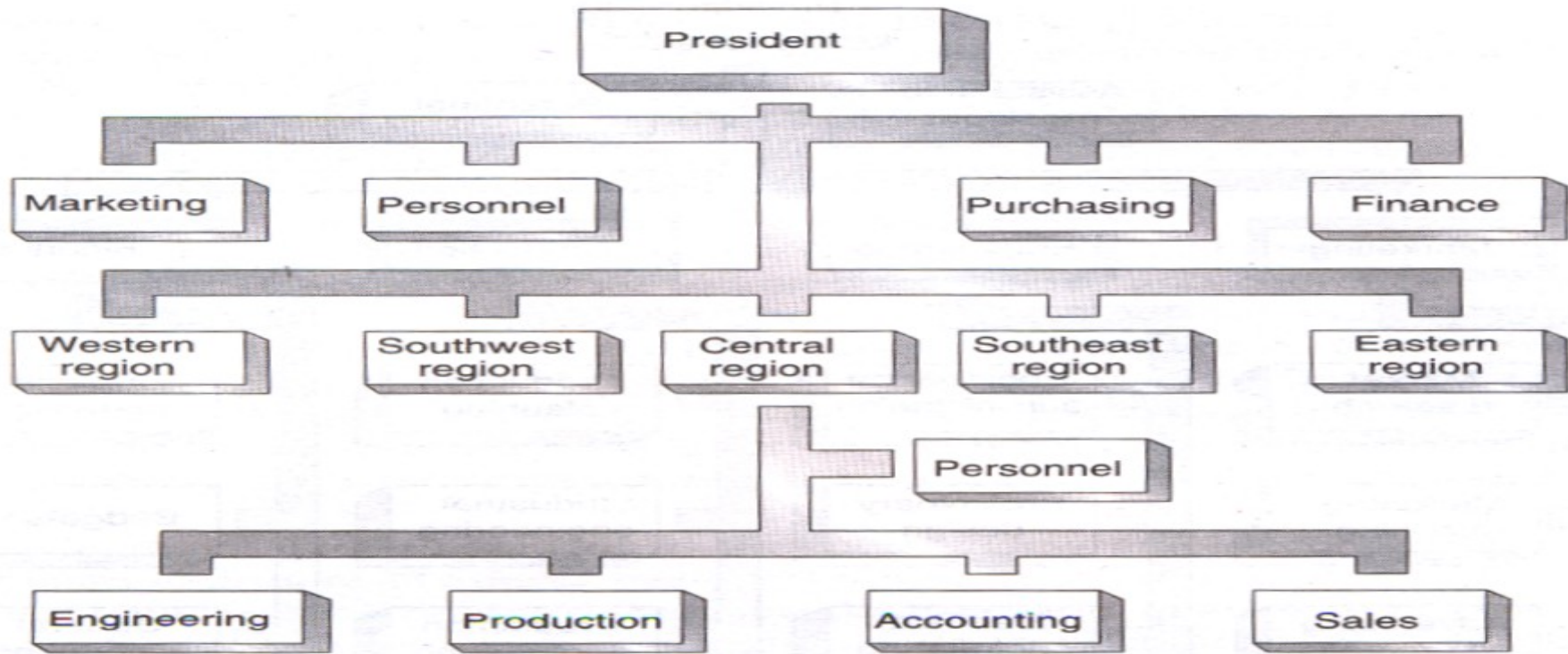
Advantages

- Places responsibility at a lower level
- Emphasis on local markets and problems
- Improves coordination in a region
- Takes advantage of economies of local cooperation
- Better face to face communication with local interest

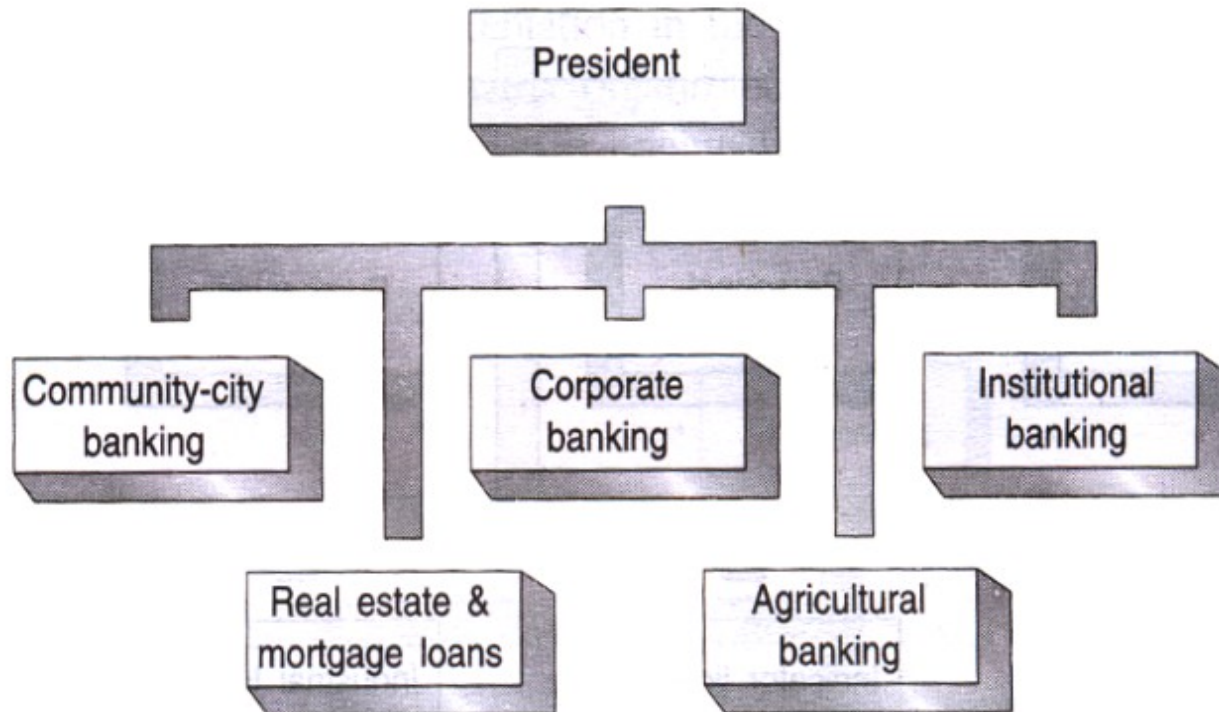**Disadvantages**

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

Departmentation by Customer Group

▶ Grouping of activities that reflects a primary interest in customers

▶ Usually done to cater to the requirements of clearly defined customer groups

   ○ Eg., in large banks

Departmentation by Customer Group

Advantages

- Encourages concentration on customer needs
- Gives customers feeling that they have an understanding supplier (banker)
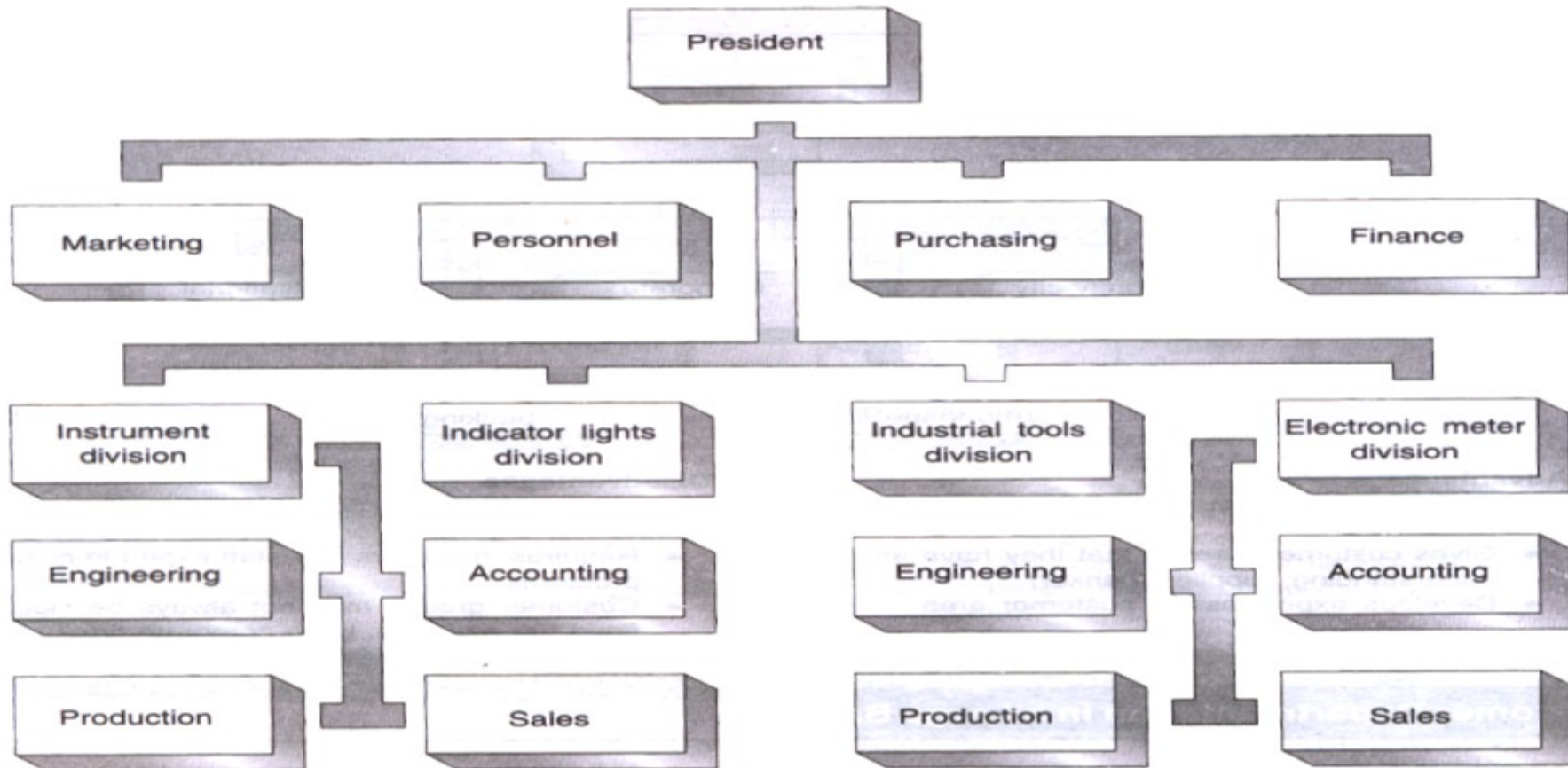- Develops expertness in customer area

Disadvantages

- May be difficult to coordinate operations between competing customer demands
- Requires managers and staff expert in customers' problems
- Customer groups may not always be clearly defined (for example, large corporate firms vs. other corporate businesses)

Departmentation by Product

- Grouping of activities according to products or product lines
  - Especially in multiline large enterprises
- Typically companies following this structure were earlier organized by Functions
- As the firm grew, problems of size were encountered
- At this point, reorganization by product division became necessary
- Structure permits top management to delegate to a division functions that relate to a given product or product line
  - And to exact a considerable degree of profit responsibility from each of the product division heads

Departmentation by Product

President

Marketing | Personnel | Purchasing | Finance

Instrument division — Engineering — Production

Indicator lights division — Accounting — Sales

Industrial tools division — Engineering — Production

Electronic meter division — Accounting — Sales

Advantages
- Places attention and effort on product line
- Facilitates use of specialized capital, facilities, skills, and knowledge
- Permits growth and diversity of products and services
- Improves coordination of functional activities
- Places responsibility for profits at the division level
- Furnishes measurable training ground for general managers

Disadvantages
- Requires more persons with general manager abilities
- Tends to make maintenance of economical central services difficult
- Presents increased problem of top management control

Matrix Organization

▶ An organizational structure that simultaneously groups people and resources by function and product.

- Results in a complex network of superior-subordinate reporting relationships.

- The structure is very flexible and can respond rapidly to the need for change.

- Each employee has two bosses (functional manager and product manager) and possibly cannot satisfy both.

A. MATRIX STRUCTURE
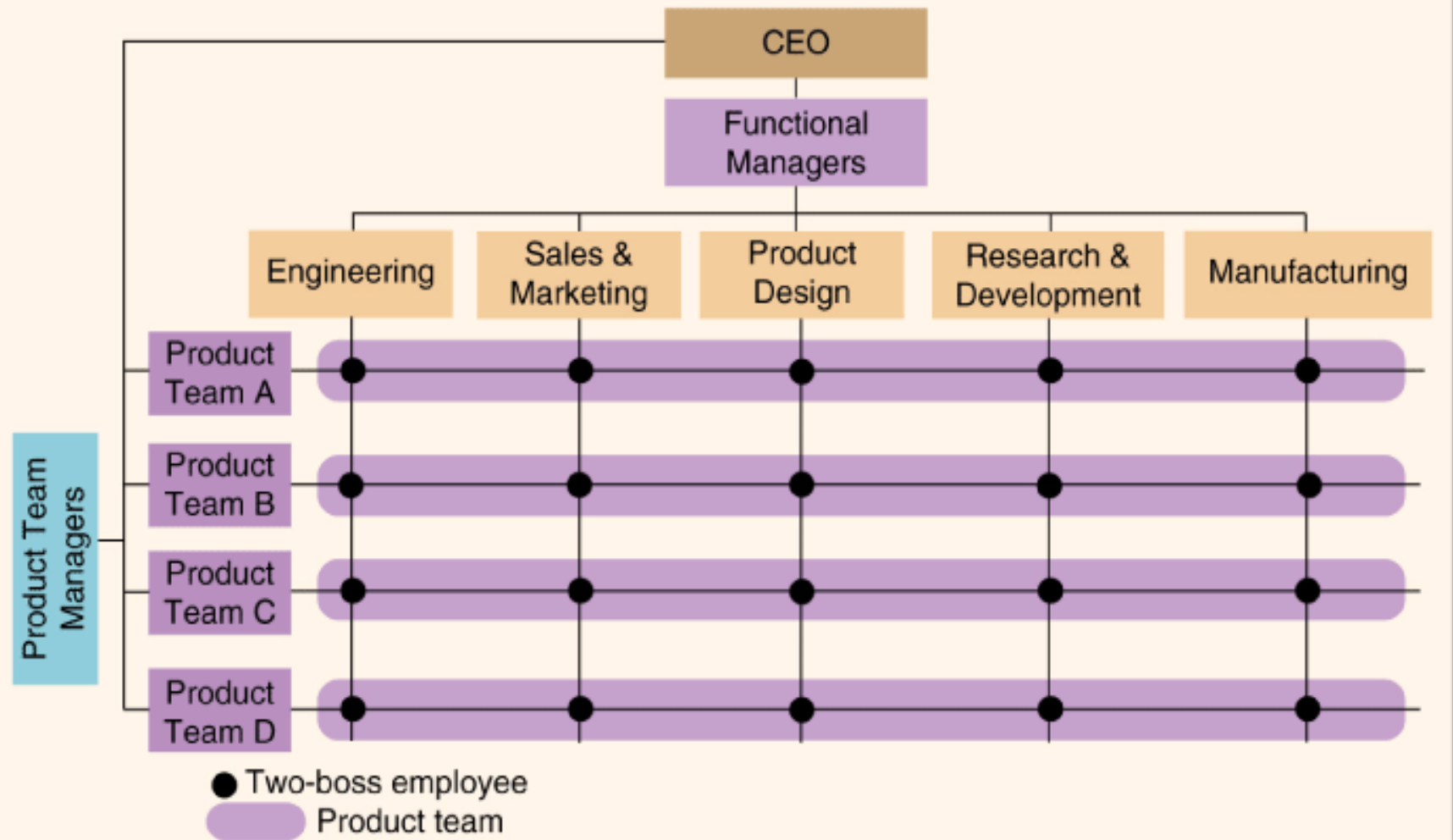
Advantages

- Oriented towards end results
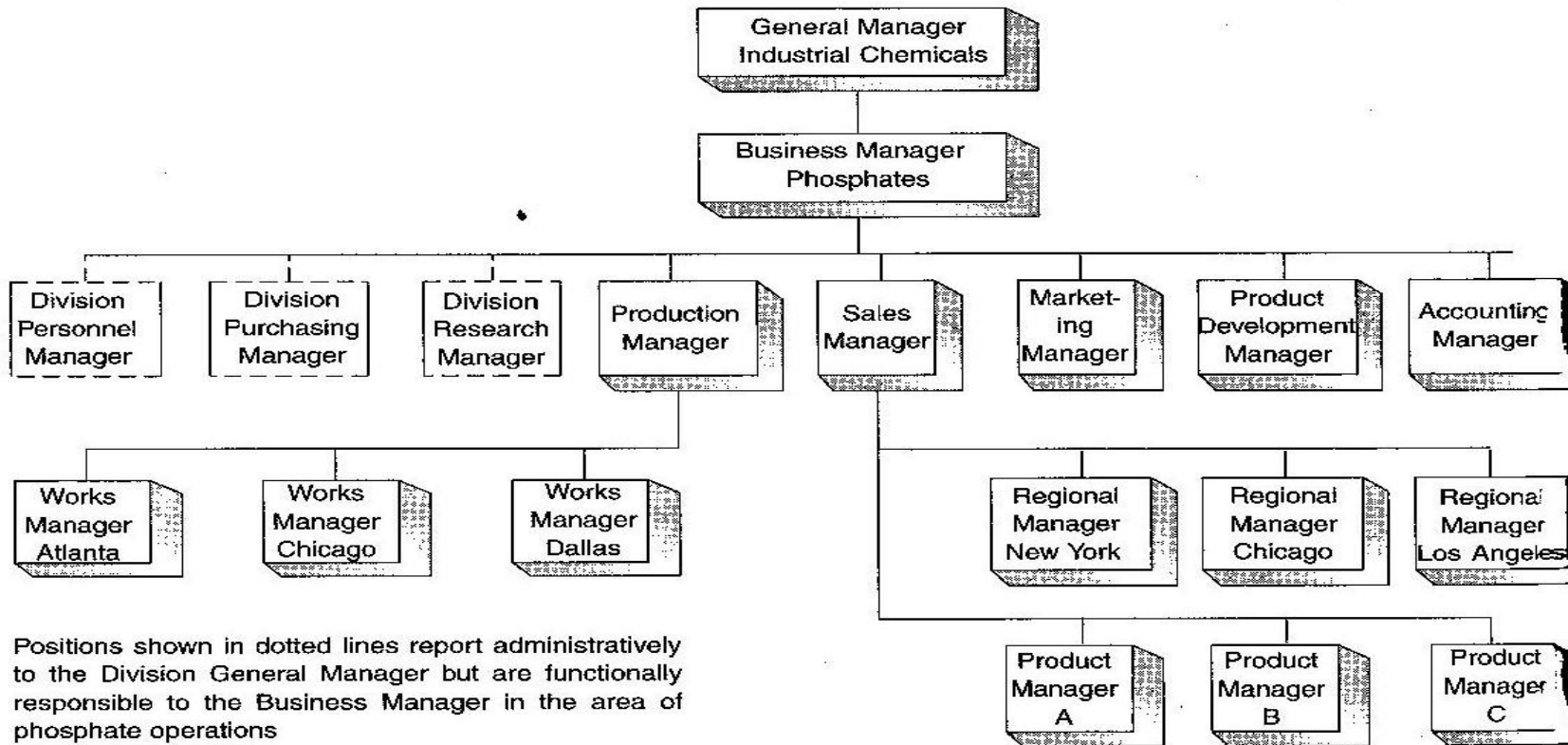- Pinpoints product profit responsibility

Disadvantages

- Conflict in organizational authority exists
- Possibility of disunity of command
- Requires managers to be effective in human relations

Strategic Business Units

▶ Distinct businesses set up as units in a larger company
- To ensure that certain products or product lines are promoted and handled as they each were an independent business

▶ To be called an SBU, a businessuntimust meet specific criteria
- It must have its own mission, distinct from mission of other SBUs
- Have definable groups of competitors
- Prepare its own plans and manage its resources
- Be of an appropriate size – neither too large nor too small

Strategic Business Units

Typical Strategic Business Unit Organization (in a Large Industrial Chemical Company).

General Manager Industrial Chemicals

Business Manager Phosphates

- Division Personnel Manager
- Division Purchasing Manager
- Division Research Manager
- Production Manager
- Sales Manager
- Marketing Manager
- Product Development Manager
- Accounting Manager

Production Manager:
- Works Manager Atlanta
- Works Manager Chicago
- Works Manager Dallas

Sales Manager:
- Regional Manager New York
- Regional Manager Chicago
- Regional Manager Los Angeles
  - Product Manager A
  - Product Manager B
  - Product Manager C

Positions shown in dotted lines report administratively to the Division General Manager but are functionally responsible to the Business Manager in the area of phosphate operations
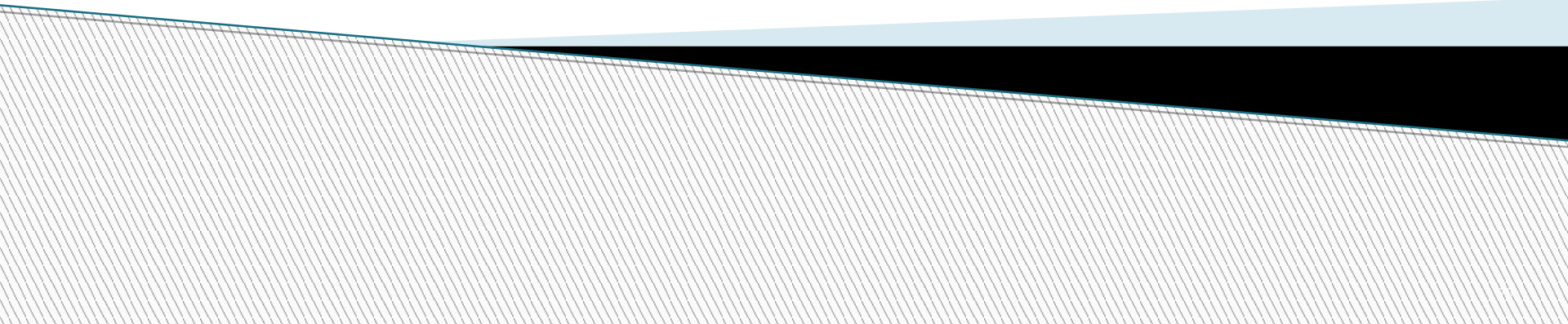
Advantages

- Assurance that a product line will not get "lost" amongst other products
- Preserves the attention and energies of the manager and staff whose job is to promote that product

Disadvantages

- Allocation of resources to individual SBUs may result in underinvestment in core competencies
- SBU managers may not share resources like talented people

Organizational Structures for the Global Environment

Making Boundaries More Permeable

Modular type of organization

▶ Outsources non-vitalfunctions, tapping

into knowledge and expertise of "best in class" suppliers but retains strategic control

▶ Threeadvantages
  ○ Decrease overall costs, leverage capital
  ○ Enables company to focus scarce resources on areas where it holds competitive advantage
  ○ Adds critical skills and accelerates organizational learning

Making Boundaries More Permeable

▶ Continuallyevolving network ofindependent companies linked together to share skills, costs, and access to one another's markets
  - ○ Suppliers
  - ○ Customers
  - ○ Competitors
▶ Each gains from resulting individual and organizational learning
▶ May not be permanent

Virtual type of organization

The Virtual Organization

▶ Not physically existing but made and connected by software

  ○ Business without walls

▶ A rather loose concept of a group of independent firms or people who are connected through information technology

  ○ May be suppliers, customers or even competing companies

  ○ Aim of the virtual organization is to gain flexibility, reduce risks or to respond rapidly to market needs.

▶ Eg., The Open University in UK

  ○ Has a home base with administrative body but students spread all over the world

  ○ So are the professors

▶ Many unanswered questions surround the virtual organization

Power and Authority
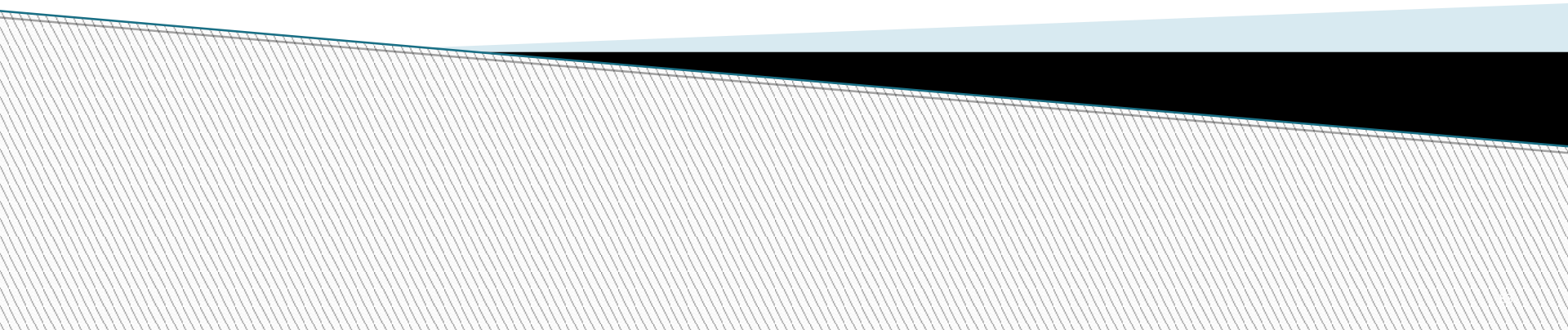
ConceptsofPower of Authority

Power

The ability to influence another person

Influence

The process of affecting the thoughts, behavior and feelings of another person

Authority

The right to influence another person

Sources of Organizational Power: Interpersonal

Reward Power–agent's ability to control the rewards that the target wants

Coercive Power–agent's ability to cause an unpleasant experience for a target

Legitimate Power–agent and target agree that agent has influential rights, based on position and mutual agreement

Referent Power–based on interpersonalattraction –eg., Gandhi/ Martin Luther King

Expert Power–agent has knowledge target needs

Which Power is Most Effective?

Expert Power!

- Strong relationship to performance & satisfaction
- Transfers vital skills, abilities, and knowledge within the organization
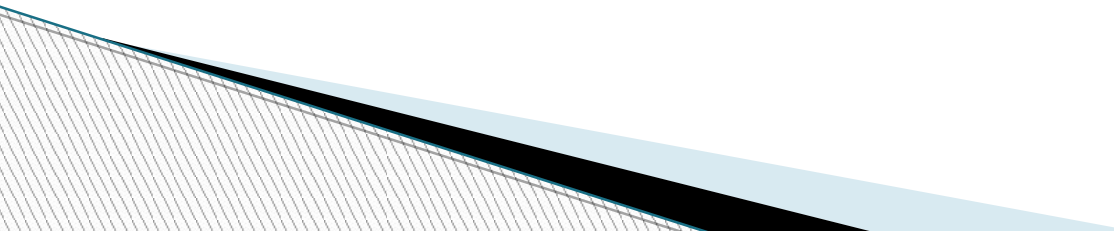- Employees internalize what they observe & learn from managers they consider "experts"

Sharing Power: Empowerment

Empowerment:

Sharingpower in such a way that individuals learn to believe

in their ability to do the job!

This also means that Employees at all levels in the

organization are given the power to make decisions without

asking their superiors for permission

Guidelines for Empowering

- Express confidence in employees

- Sethigh performance expectations

- Createopportunities for participative decision making

- Removebureaucratic constraints that stifle autonomy

- Setinspirational and meaningful goals

Authority

▶ It is the formal right in a position to exercise discretion in making decisions affecting others

▶ Authority is given to a manager to achieve the objectives of the organization

▶ It is a right to get things done through others

▶ It is a right to take decisions

▶ IT IS POWER BUT IN AN ORGANIZATIONAL SETTING

Authority

▶ Formal Authority (or Structure)

- The organizationally-sanctioned way of getting the job done.

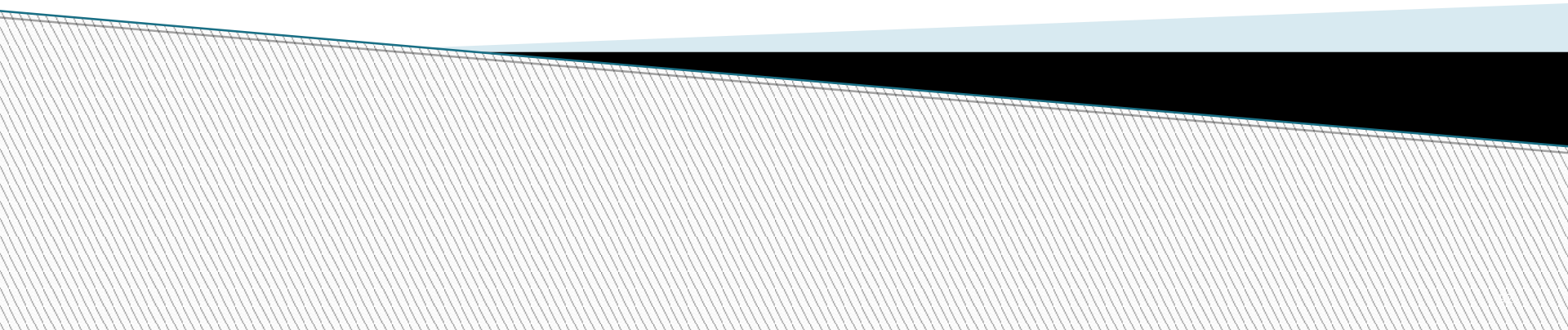- Organizational charts illustrate formal lines of authority in firms.

▶ InformalAuthority

- The patterns of relationships and communication that evolve as employees interact and communicate that is not sanctioned by the organization.

Authority

- Scope of Authority
  - A hierarchy as it flows down the organization.
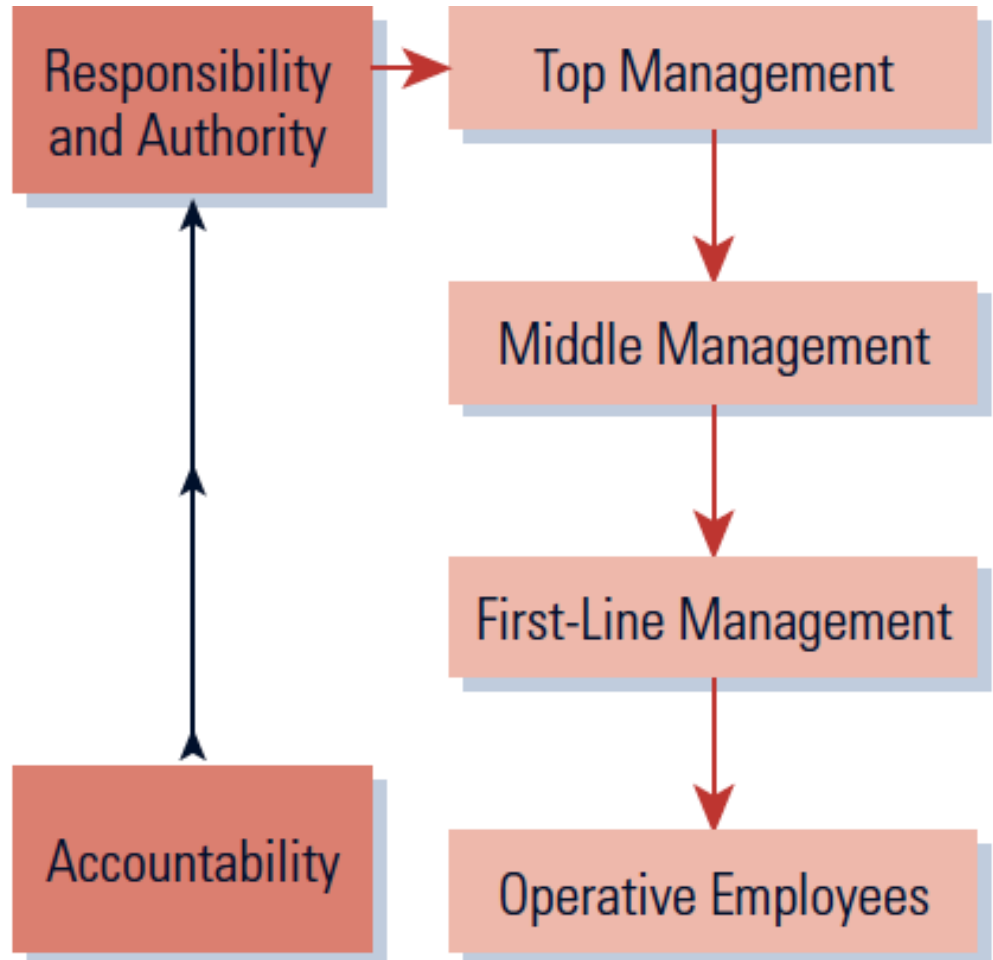
Line and Staff Concepts

Line and Staff

▶ Line functions are those which have direct responsibility for accomplishing the objectives of the enterprise.

▶ Staff refers to those elements of the organization that help the line to work most effectively in accomplishing the primary objectives of an enterprise.

Functional Authority

▶ The right delegated to an individual or a department to control specified processes, practices, policies or other matters relating to activities undertaken by persons in other departments

- If the principle of unity of command were followed without exception, authority over these activities would be exercised only by relevant line superiors
- However due to certain reasons, the line manager may not be allowed to exercise this authority
  - Lack of specialized knowledge
  - Lack of ability to supervise specialized processes
- Eg., a company controller may be given functional authority to prescribe a system of accounting throughout the company
  - This specialized authority is really a delegation from the CEO

## Centralized and Decentralized Authority

▶ Centralized Authority
- Important decisions are made by top managers.

▶ Different kinds of centralization
- Centralization of performance
  - Geographic concentration–Eg., a company operating in a single location
- Departmental centralization
  - Concentration of specific activities in one departmentEg., maintenance of all plants to be carried out by a single department
- Centralization of management
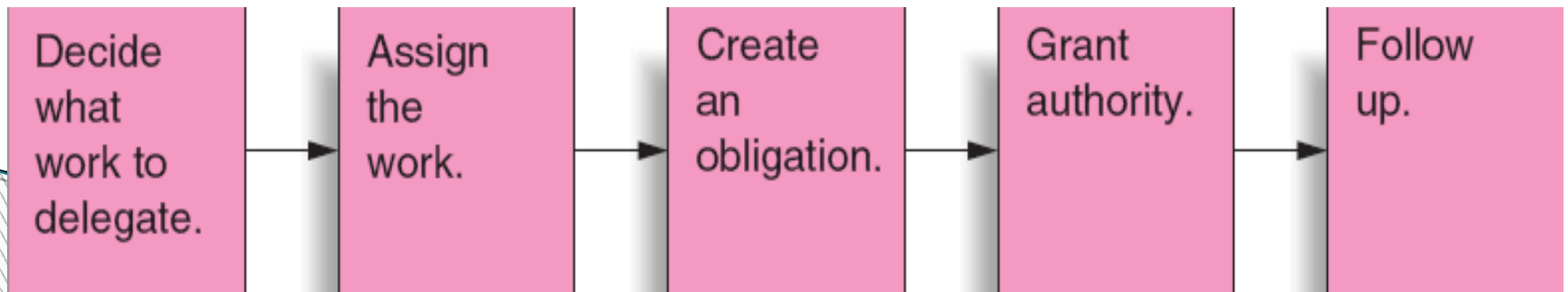 - Tendency to restrict delegation of decision making

▶ Decentralization
- The tendency to disperse decision making authority in an organized structure
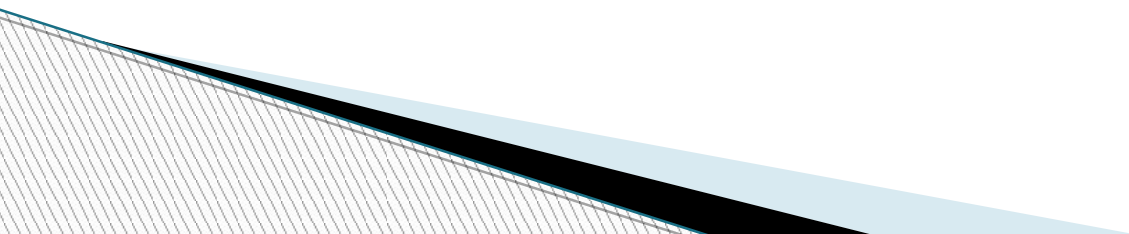
Delegation of Authority

▶ Delegating
  ○ Giving another person the authority and responsibility to carry out a task
  ○ Enables decision making
  ○ Effective supervision

▶ How is Authority delegated
  ○ When decision making power is vested in subordinate by a superior
  ○ Superiors cannot delegate authority which they do not
have
▶ Process of Delegation

Decide what work to delegate.	→	Assign the work.	→	Create an obligation.	→	Grant authority.	→	Follow up.

Principles of Delegation

Principle of Delegation by Results Expected

Authority delegated to an individual manager should be adequate to ensure the ability to accomplish results expected.

Principle of Functional Delegation

The more a position or a department has clear definitions of results expected and activities to be undertaken, the more adequately the responsible individuals can contribute towards accomplishing enterprise objectives.

Scalar Principle

The clearer the line of authority from the ultimate authority for management in an enterprise to every subordinate position , the more effective will be responsible decision making and communication.

Principles of Delegation

Authority Level Principle

Maintenance of intended delegation requires that decisions within the authority competence of individuals be made by them and not be referred upward in the organization structure

Principle of Unity of Command

The more completely an individual has a reporting relationship to a single superior , the less the problem of conflict in instructions and the greater the feeling of personal responsibility for results.

Principle of absoluteness of Responsibility

The responsibility of subordinates to their superiors for performance is absolute , once they have accepted an assignment and the power to carry it out, and the superiors cannot escape responsibility for the activities of their subordinates.

Principles of Delegation

Principle of Parity of
Authority and
Responsibility

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

Advantages of Delegation

Relieves top management of some burden of decision making and forces upper level managers to let go

Encourages decision making and assumption of authority and responsibility

Gives managers more freedom and independence in decision making

Promotes establishment and use of broad controls that may increase motivation

Makes comparison of performance of different organizational units possible

Advantages of Delegation

Facilitates setting up of profitcentres

Facilitates product diversification

Promotes development of general managers

Aids in adaptation to fast changing environment

Limitations of Delegation

Makes it more difficult to have a uniform policy

Increases complexity of coordination of decentralized organizational units

May result in loss of some control by upper level managers

May be limited by inadequate control techniques

May be constrained by inadequate planning and control systems

Can be limited by the lack of qualified managers