

Principles of Management

Unit 3: Organizing



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- Organization structure
- Line and staff authority
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- Span of control
- Centralization and decentralization
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- Training
- Performance appraisal

Think of Organizing

1. Identification and classification of required activities
2. The group of activities necessary for **attaining objectives**
3. Assignment of each group to a manager with the authority (**delegation**)
4. The **provision for coordination** horizontally and vertically

Purpose of Organizing

1. Organization structure should be designed to clarify the roles and responsibilities
2. To remove obstacles to performance caused by confusion and uncertainty
3. To furnish decision making
4. Communication networks reflecting

Organization – Definition

- Organization – A formalized intentional structure of roles or position

Types of organization: 1. Formal organization and 2. Informal organization

1. **Formal Organization:** structure must furnish environment for individual performance to contributes group and organizational goals
 - Must be flexible
 - Individual effort – channeled toward group and organizational goals

Informal organization

- A network of interpersonal relationships that arise when people associate with each other
- Relationship not on organizational charts
- Machine shop group, Friday evening cricket game and alike

Organization Division – Department

- Department – designates a distinct area, division or branch of an organization over which a manager has authority for the performance of specified activities
- It is emphasized – no best single form of departmentation solution for all organization or to all situations
- So the pattern used will depend on the given situations and the manager's belief of yielding result structure

Classification of departments

I. Departmentation by enterprise function:

Grouping of activities according to the functions of an enterprise such as production, sales and financing

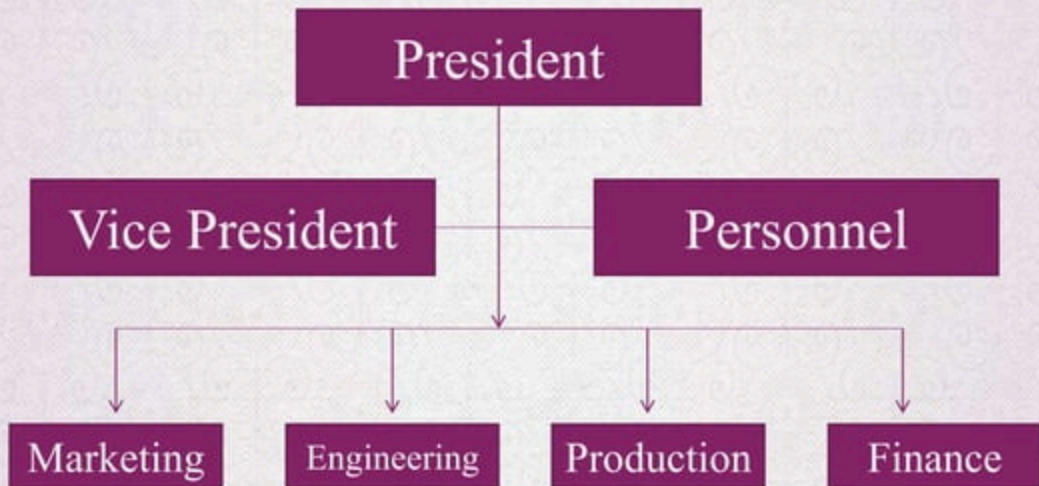
The activities are grouped according to functions

Functional departmentation – most widely used basis for organizing activities

Recognized and thoroughly understood

Coordination of activities among departments – achieved through rules and procedures, various aspects of planning and so on.

Illustration of Functional Department



Advantages of Functional department

1. Logical reflection of functions
2. Maintains power and prestige of major functions
3. Follows principle of occupational hazard
4. Simplifies training
5. Furnishes means of tight control at top

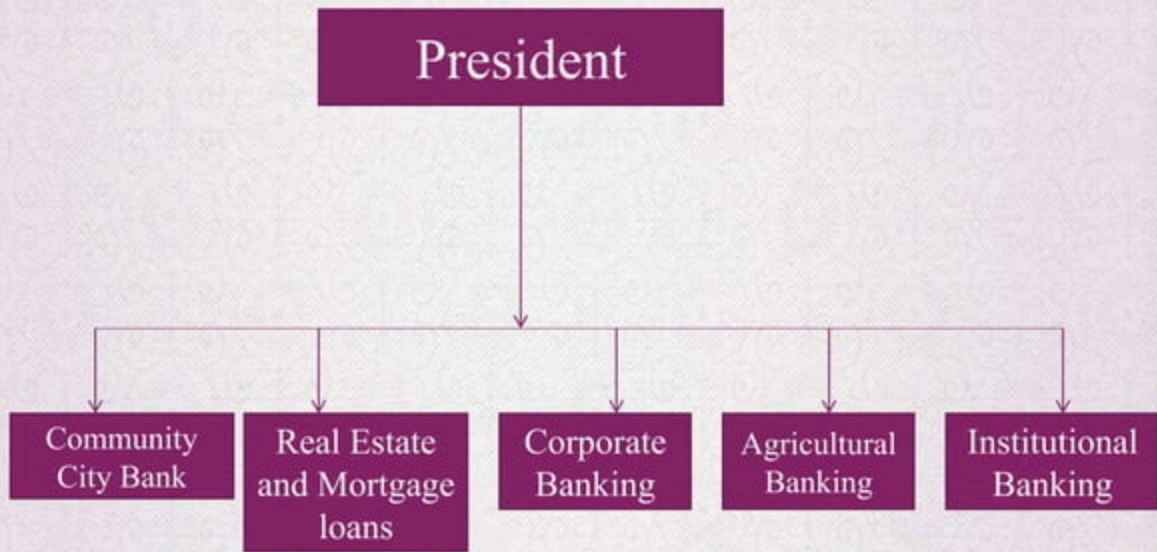
Disadvantages of Functional departments

1. De-emphasis of overall company objectives
2. Over specializes and narrows view points
3. Reduces coordination between functions
4. Slow adaptation to changes
5. Limits development to general manager

II. Departmentation by customer group

- Grouping of activities that reflects a primary interest with customers
- Customers – key to the way activities are grouped
- (e.g.) retail customer group, wholesale customer group

Illustration chart of customer departmentation



Advantages of Customer departmentation

1. Concentrates on customer needs
2. Gives feeling to customer
(understanding them)
3. Develops expertness in customer area

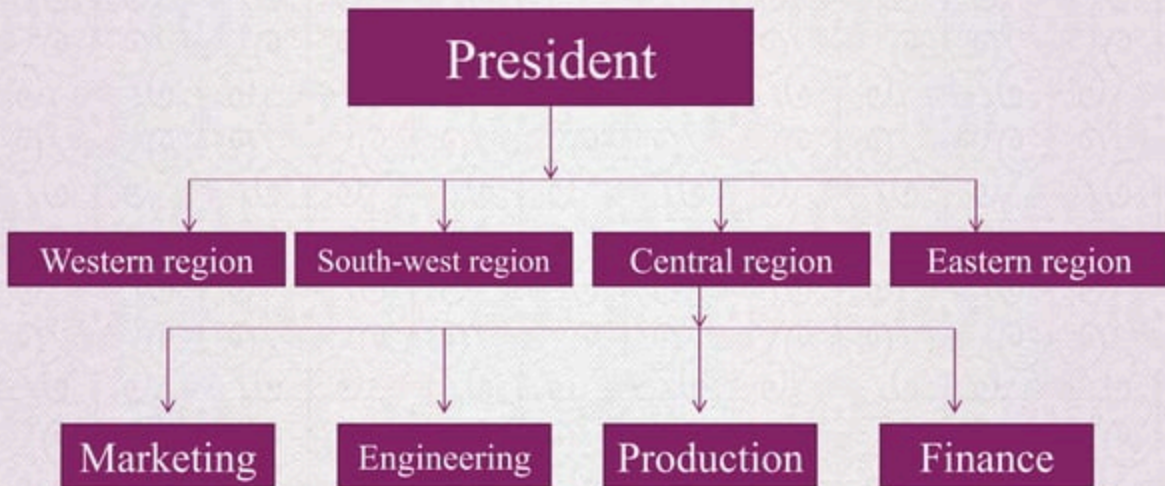
Disadvantages of Customer departmentation

1. Difficult to coordinate operations
2. Requires managers and staff expertise in customer problem only
3. Customer groups may not always be clearly defined

III. Departmentation by territory or geography

- Grouping of activities by area or territory is common in enterprises operating over wide geographic areas

Illustration chart of Territorial or Geographical organization grouping



Advantages of Territorial organization

1. Places responsibility at a lower level
2. Places emphasis on local markets and problems
3. Improves coordination in a region
4. Better communication with customers

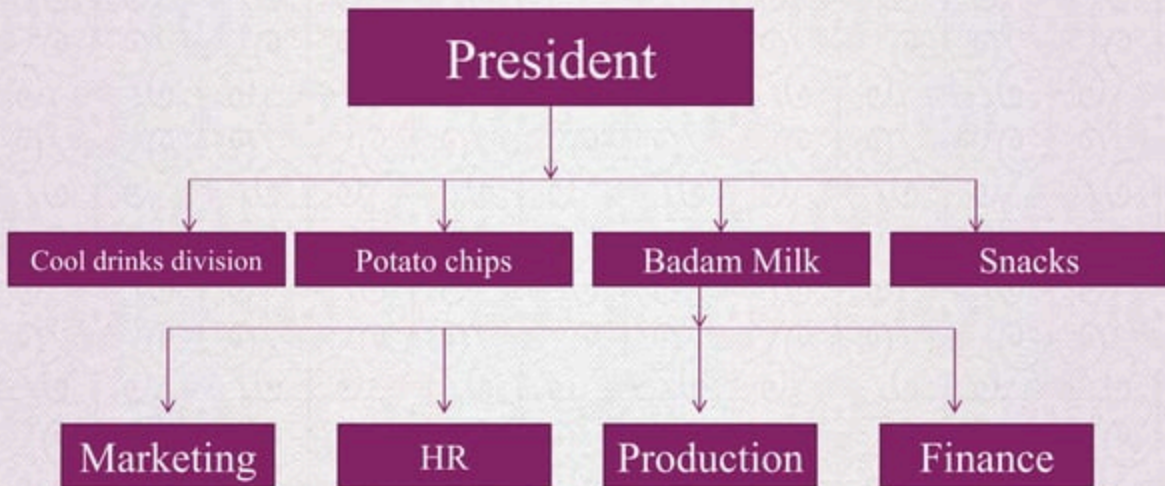
Disadvantages of Territorial departmentation

1. Requires more persons with general manager activities
2. Decentralization of power
3. Increases problem of top management control

IV. Departmentation by product

- Grouping of activities according to products or product lines, (especially present in large enterprise) multi product lines.
- (e.g.) A company having cool-drink beverages with different flavors is an example for product line departmentation

Illustration chart of Product line departmentation



Advantages of product line departmentation

1. Places attention and effort on product line
2. Permits growth and diversity of products and services
3. Improves coordination of functional activities
4. Places responsibility for profits at the division level

Disadvantages of Product line departmentation

1. Requires more persons with general manager abilities
2. Tends to make maintenance of central services difficult
3. Increased problem to top management control

V. Matrix organization

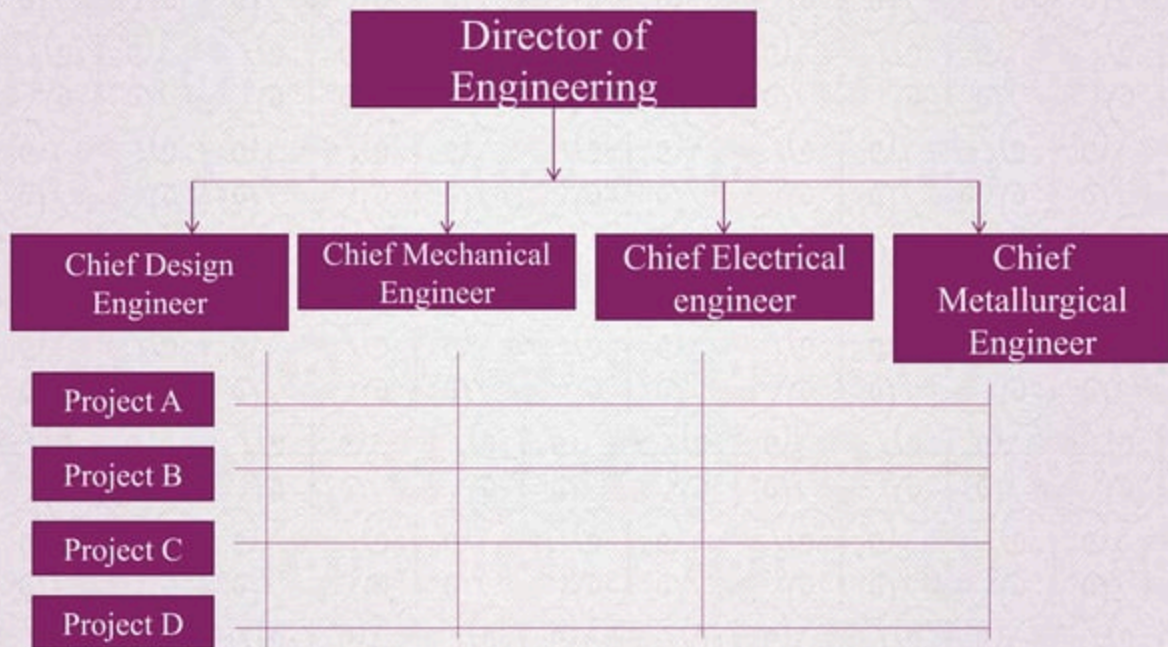
- Combining functional and projects or product patterns of departmentation in the same organization structure

Guidelines for making matrix management effective:

1. Define the objectives of the project or task
2. Clarify the roles, authority and responsibilities of managers and team members
3. Ensure – Influence is based on knowledge and information rather than rank
4. Balance the power of functional and project managers

5. Select an experienced manager for the project
6. Undertake organizational and team development
7. Install appropriate cost, time and quality controls that reports deviation in timely manner
8. Rewards projects managers and team members fairly

Illustration of Matrix organization (Engineering)



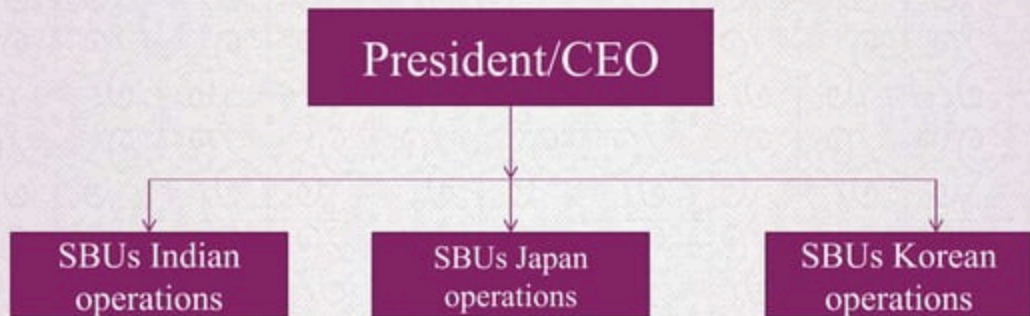
Advantages of Matrix Organization

1. Oriented towards end result
2. Professional identification is maintained
3. Pin points product profits responsibility

VI. Strategic Business Units (SBUs)

- Distinct business set up as units in a larger company to ensure that certain products or product lines are promoted and handled as though each were an independent business
- Each SBUs – a manager (business manager) is appointed with the responsibility of guiding and promoting the product from the research laboratory through product engineering, market research, production, packaging, marketing and with bottom line responsibility for its profitability

Illustration of SBUs



Core competency

- Collective learning, coordination and integration of skills to obtain “streams of technology”.
- The allocation of resources to individual SBU's can result in the under investment in core competencies that benefit the total organization

Organization structures for global Environment

1. Organization structures – differs greatly – operating in global environment
2. Kind of structure – depends on variety of factors – such as degree of orientation and commitment.
3. MNC's chooses – geographic departmentation combined with any of product or customer departmentation – as per need

Virtual organization

- A rather loose concept of a large group of independent firms or people that are connected through IT (Information Technology)

Choosing the pattern of departmentation

- No best pattern - applicable to all organization
- Managers must determine – based on many internal and external environmental factors in the situation
- Ultimate objective – organizing – achieving organizational goals

Authority and power

- **Power** – The ability of individuals or group to induce or influence the beliefs or actions of other person or groups
- **Authority** – The right in a position to exercise discretion in decision making affecting others

Types of power

1. **Legitimate power** – normally arises from position and drives from our culture system of rights, obligations and duties
2. **Referent power** - may also come from expertness of a person or a group
3. **Reward power** – power arises from the ability of some people to grant rewards
4. **Coercive power** – power to punish, whether by firing a subordinate or by withholding a merit pay increase

Empowerment

- Employees at all levels in the organization are given the power to make decisions without asking their superior for permission

Application of Scalar Principle

- The clearer the line of authority – clearer will be the responsibility for decision making and the more effective will be organizational communication
1. **Line Authority** – The relationship in which a superior exercises direct supervision over a subordinate
 2. **Functional Authority** – The right delegated to an individual or a department to control specified, processes, practices, policies or so on.

Decentralization of Authority

- Decentralization – the tendency to disperse decision making authority in an organized structure
- Fundamental aspect of delegation, to the extent of authority that is delegated is decentralized

Illustration of Delegation of Authority

Complete Centralization

Complete decentralization



Different kinds of Centralization

1. Centralization of performance – pertains to geographical concentration
2. Centralization of department – centralization of specialized activities – one department
3. Centralization of Management – tendency to restrict delegation of decision making

Delegation of Authority

- Superiors can't delegate authority, that they do not have

Step 1.

- Determining the result expected from a position

Step 2.

- Assigning tasks to a position

Step 3.

- Delegating Authority to accomplish it

Step 4.

- Holding the person in that position

Art of Delegation

- Failures in delegation – mostly as result of managers unwilling to apply them
- Personal attitudes affects delegation greatly.

Personal attitudes towards delegation

1. Receptiveness
2. Willingness to let go
3. Willingness to allow mistakes by subordinates
4. Willingness to trust subordinates
5. Willingness to establish and use broad controls

Overcoming weak delegation

1. Define assignments and delegate authority in light of result expected
2. Select person – job to be done
3. Maintain open lines of communication
4. Establish proper controls
5. Reward effective delegation and successful assumption of authority

Recentralization

- Centralization of authority that was once decentralized, normally not a complete reversal of decentralization as the authority delegated is not wholly withdrawn

Organizational levels and the span of management

- Purpose of organizing – to make human co-operation effective

1. Narrow span of organization:

There are many levels of organization exists

Advantages:

1. Close supervision
2. Close control
3. Fast communication

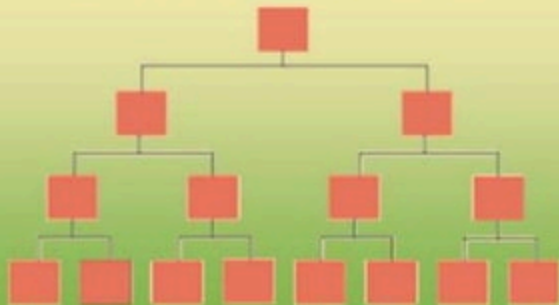
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Disadvantages of Narrow span of organization

- Superiors – too involved in subordinates' work
- Many levels of management
- Distance between top and low level management of hierarchy increased

Illustration of Narrow span of organization

Narrow Span: Tall Organization



Wide span of organization

- There are less no. of organization exists

Advantages:

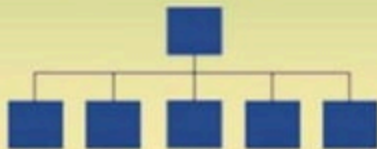
1. Superiors are forced to delegate
2. Clear policies must be made
3. Subordinates must be carefully selected

Disadvantages of wide span of organization

1. Tendency of overload superiors to become decision bottle necks
2. Danger of superior's loss of control
3. Requires exceptional quality of managers

Illustration of Wide span of Organization

Wide Span: Flat Organization



Staffing

Definition: The management function of staffing is defined as filling and keeping filled, positions in the organization structure.

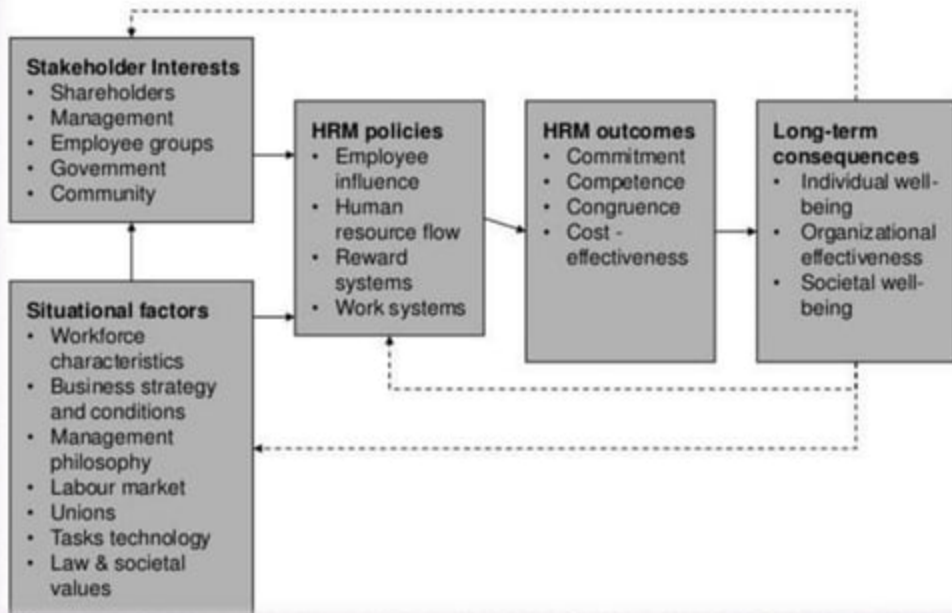
Staffing involves identifying work for force requirements, inventorying the people available, recruiting, selecting, placing, promoting, appraising, planning the careers

Staffing – closely linked to organizing – the setting up of intentional structure of roles and positions

Systems approach in HRM

- The present and projected organization structures determine the number and kinds of managers required.
- 2 types of sources 1. Internal 2. External
- Staffing requires an open system approach
- carried out within the enterprise, which in turn is linked to external environment

Illustration : system approach to HRM



Situational factors affecting staffing

- The actual process of staffing –
affected by many environmental
factors
1. Internal Environmental forces
 2. External Environmental forces

1. External Environment

- Factors in external environment do affect staffing – Influences grouped into educational, socio-cultural, legal – political and economic constraints
1. Equal Employment opportunity (EEO)
 2. Women in Management
 3. Diversity in Workplace

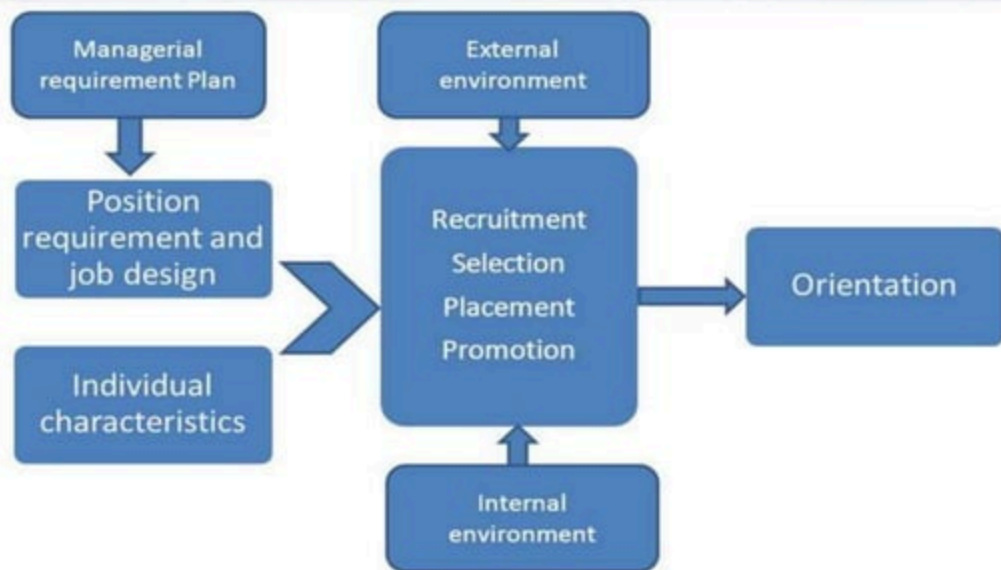
2. Internal environment

- Staffing managerial positions – from outside and within firm
 1. Promotion from within
 2. Promotion – large corporations
 3. The principle of open competition
 4. Responsibility for staffing

Selection : Matching the person with Job

- Selection – Process of choosing from among candidates, from within organization or from outside, the most suitable person for the current position or for future positions

Illustration of System approach of selection



Position requirement and Job design

- An objective analysis of position requirements must be made – the job must be designed to meet organizational and individual needs



Job design

- Requires an appropriate job structure in terms of content, function and relationships
- Skills and personal characteristics needed in managers – Analytical and problem solving abilities (skills)
- Personal characteristics:
 1. Desire to manage
 2. Communication skills and empathy
 3. Integrity and honesty
 4. Past performance as manger (Experience)

Recruitment

- Attracting candidates to fill positions in the organization structure

Selection process, techniques and instruments

- The validity and reliability of selection techniques – should be verified before administration
- **Validity** – the degree to which the data predict the candidate's success as a manager
- **Reliability** – the accuracy and consistency of the measurement

The selection process



Interviews

- Traditional and common method used

3 types of interviews –

1. Structured

2. Semi structured

3. Unstructured

- Improve selection is to conduct multiple interviews utilizing different interviewers
- Interview – one aspect of the selection process.

Tests

- The primary aim of testing is to obtain data about applicants that help predict their probable success as manager
1. **Intelligence test** – designed to measure mental capability and to test memory, speed of thought and ability to see relationship in complex situations
 2. **Proficiency and aptitude test** – constructed to discover interests, existing skills and potential for acquiring skills
 3. **Vocational tests** – designed to indicate a candidate's most suitable occupation or the area in which candidate's interests match the organizational interest area
 4. **Personality tests** – designed to reveal a candidate's personal characteristics and the way the candidate may interact with others, thereby giving a measure of leadership potential

Assessment centers

- Not a location, but a technique for selecting and promoting managers
- Intended to measure how a potential manager will act in typical managerial situations
- Measure and promote managerial skills

Problems in Assessment centers

1. Costly in terms of time
2. Training assessors problem (line manager not fit) – psychologist needed
3. Different exercises are available – but are these best criteria for evaluation
4. Motivation – difficult quality to measure

Selection process: Limitations

1. Diverse selection process available – no one perfect way to select managers
2. Experience shows that even carefully chosen selection criteria are still imperfect
3. Psychological testing – limitations
4. Some tests unfairly discriminate against women or members of minority group
5. Selecting and hiring are time and costs involved

Orienting and socializing new employees

- Selecting of the best person for job – **first step in effective management team**

Orientation – involves the introduction of new employees to the enterprise – its functions, tasks and people

Company provide details on ‘history, product, services, general policies and practices, organizational details and benefits as well as safety and regulatory measures’

The orientation meeting provides new employees with an opportunity to ask questions

Socialization

- Acquisition of work skills and abilities and adoption of appropriate role behaviors and adjustment to the norms and values of the work group
- Orientation and socialization – reduces the employees anxiety on uncertainties

Performance appraisal

- Managerial appraisal – difficult to measure
 - an appraisal program must be reliable and valid
- Effective performance appraisal should also recognize the legitimate desire of employees for progress in their professions

Choosing performance criteria

- The appraisal should measure – performance in accomplishing goals and plans as well as performance as a manager

1. Performance in accomplishing goals:

- system of appraising against verifiable pre-selected goals
- Consistent, integrated and understood planning designed to reach specific objectives

2. Performance as managers:

The system of measuring performance against pre established objectives should be supplemented by an appraisal of the manager as manager

Different views on appraisal issues

1. Subjective Vs objective evaluation:

Subjective rating – Essay type appraisal (Qualitative)

Objective rating – Rating scale appraisal (Quantitative)

2. Judging Vs Self-appraisal:

Manager judge the performance of coordinates

Employees given to appraise himself on criteria

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3. Assessing past performance Vs Future development

One should learn from past mistakes and translate these insights into development plans for the future

Kinds of reviews

1. **A comprehensive review:**

Should be conducted at least once a year, but some people suggest that such discussion take place more frequently.

2. **Progress or periodic reviews:**

Formal comprehensive review should be supplemented by frequent progress or periodic reviews

help identify problems or barriers that hinder effective performance

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3. **Continuous monitoring of performance**

If plan deviate from standard, should not wait, act quickly

Strengths of appraisal against verifiable objectives

1. Appraisal based on performance
2. The goals accomplished or not will be known
3. Reasonable and expected target may be set by the company and individual

Weaknesses of appraisal against verifiable objectives

- Uncertainty in performance of an individual
- Difficult to take uncontrollable or unexpected factors into account
- Outstanding performers – rated highly – as long as they perform
- Goal attainment is short term

Appraising Manager as Manager

- The most appropriate standards – to appraise managers as manager – fundamental of management
- Managers are rated on how well they perform the activities
- The scale from “0” – Inadequate to “5” – superior

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- To further reduce subjectivity and to increase the discrimination between the performance levels
 1. Incident examples given to support rating – comprehensive annual appraisal
 2. The ratings be reviewed by the superior's superior
 3. Raters informed about the discrimination in rating

1. Advantages of the program:

Effective tool to measure
tool for management development

2. Weaknesses of the program:

Applies only to managerial aspects of a
position

Time consuming process

Career stages

- **Definition** – the career stages refers to the stages of career development that an individual passes through 5 stages basically – undergo during his lifetime
- According to Keith Davis, a career is all the jobs that are held during ones working life

1. **Career path** – A career path – a career path is the sequential pattern of jobs that for a career
2. **Career planning** – career planning is the process by which one selects career goals and path to these goals
3. **Career goals** - career goals are the future position one strives as a part of career
4. **Career management** – According to French and Bell, Career Management is the process of designing and implementing goals, plans and strategies to enable the organization to satisfy employee needs and also allowing individuals to achieve their career goals

Stages in Career development

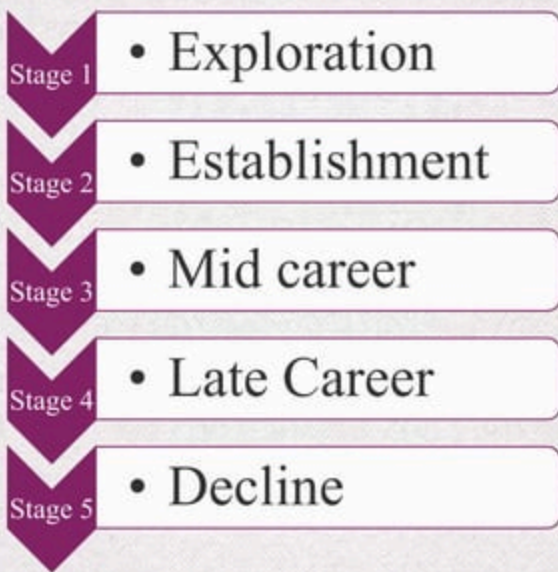
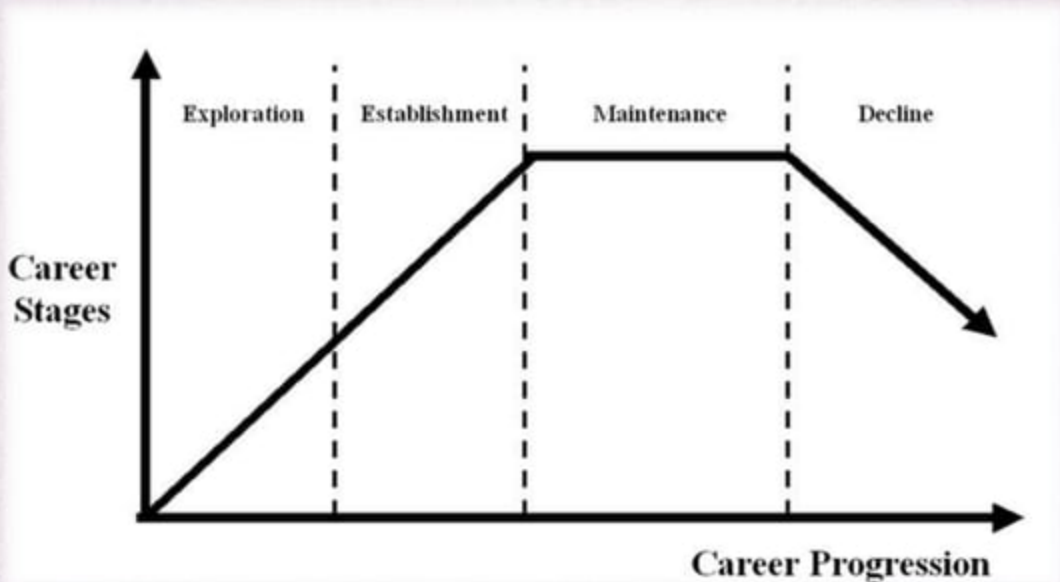


Illustration of career stages chart



Formulating the career strategy

- It is considered personal strategy that is conceptually similar to an organization strategy
1. Preparation of a personal profile
 2. Development of Long range personal and professional goals
 3. Analysis of Environment, threats and opportunities
 4. Analysis of personal strengths and weaknesses
 5. Development of short range career objectives and action plans

6. Consistency testing and strategic choices
7. Development of short range career objectives and action plans
8. Development of contingency plans
9. Implementation of the career plan
10. Monitoring progress

Strategy for dual career couples

- **Dual career couples** – both partners working – facing some problem of relocation process, maternity leave and so on
- **Large number of married women in the workforce** – companies have recognized the stressful situation of dual career couples – incorporate flexibilities in their policies

Managerial training :

The use of programs (mostly short term) that facilitate the learning process to help managers do their jobs better

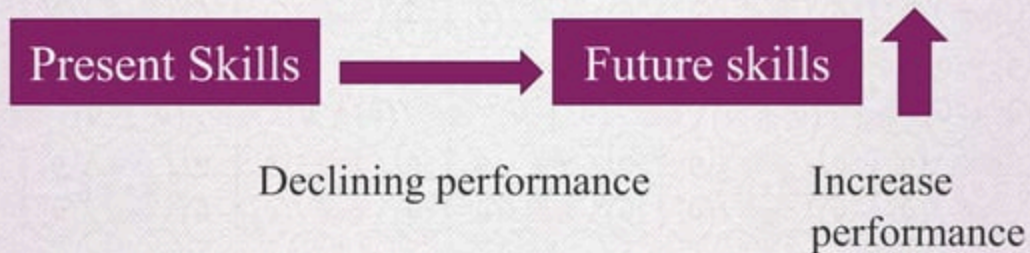
Manager development:

The use of long term future oriented programs to develop a person's ability in managing

Organizational development:

A systematic, integrated and planned approach to improving the effectiveness of people and of the whole organization or a major organization unit

Training needs



Approaches to Manager Development

- Trainees can learn as they contribute to the aims of the enterprises

1. **Planned progression:**

gives manager a clear idea of their path of development

2. **Job rotation:**

is intended to broaden the knowledge of managers or potential managers in different enterprise functions

3. **Creation of “Assistant-to” position:**

are often created to broaden the viewpoints of trainees through working closely with experienced managers

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4. Temporary promotions:

To acting manager is used to cover the responsibilities of the absent manager

5. Committees and Junior Boards:

also know as multiple management, give trainees the opportunity to interact with experienced managers

6. Coaching:

Must be done in a climate of confidence and trust, with the aim of developing subordinates' strengths and overcoming weaknesses

Approaches to management development : Internal and External training

1. Conference programs - expose managers or potential managers to the ideas of speakers who are experts in their field
2. University management programs: expose managers to theories, principles and new developments in management
3. In house universities – Companies setup their own training institutions

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4. Readings, Television, Video Instruction and online Education
5. Business Simulation and Experiential exercises
6. E-training
7. Special training programs

Evaluation of training programs

- Determining the effectiveness of training programs require measurements against standards and a systematic identification of training needs and objectives

Development objectives include:

1. An increase in knowledge
2. Development of attitudes conducive to goods managing
3. Acquisition skills
4. Improvement of management performance
5. Achievement of enterprise objectives

The Learning organization

- An organization that can adopt to changes in the external environment through continuous renewal of the structure and practices

5 techniques

1. System thinking
2. Personal thinking
3. Mental models
4. A shared vision
5. Team learning

THE END