UNIT 3: Organizing

3A: Meaning, Importance and Principles

3B: Departmentalization, Span of Control

3C: Types of Organization, Authority, Delegation of Authority

ORGANIZING:

- Organizing is the process of ***arranging and structuring work*** to accomplish an organization's goal.
- It is a process of designing organization's structure.

Organization involves :

1) identification and grouping the activities to be performed;

2) dividing them among the individuals;

3) creating authority and responsibility relationships among them for the accomplishment of organization's objectives.

FUNDAMENTALS

Meaning of Organizing

Unit 3 / Section A

nal Definition

"The managerial function of arranging people, activities, and resources into a structured system of roles and relationships to achieve objectives."

Key Components

Identify & Group

Breaking down work into tasks and grouping them into logical jobs and units.

Allocate Resources

Assigning necessary tools, budget, and personnel to specific roles.

Define Authority

Establishing clear authority, responsibility, and reporting relationships.

Coordination

Creating mechanisms and communication lines to integrate efforts.

KEY OUTPUTS: ✓ Organization Structure ✓ Job Descriptions ✓ Authority Matrix ✓ Procedures

Definitions of ORGANIZING and ORGANIZING SKILL

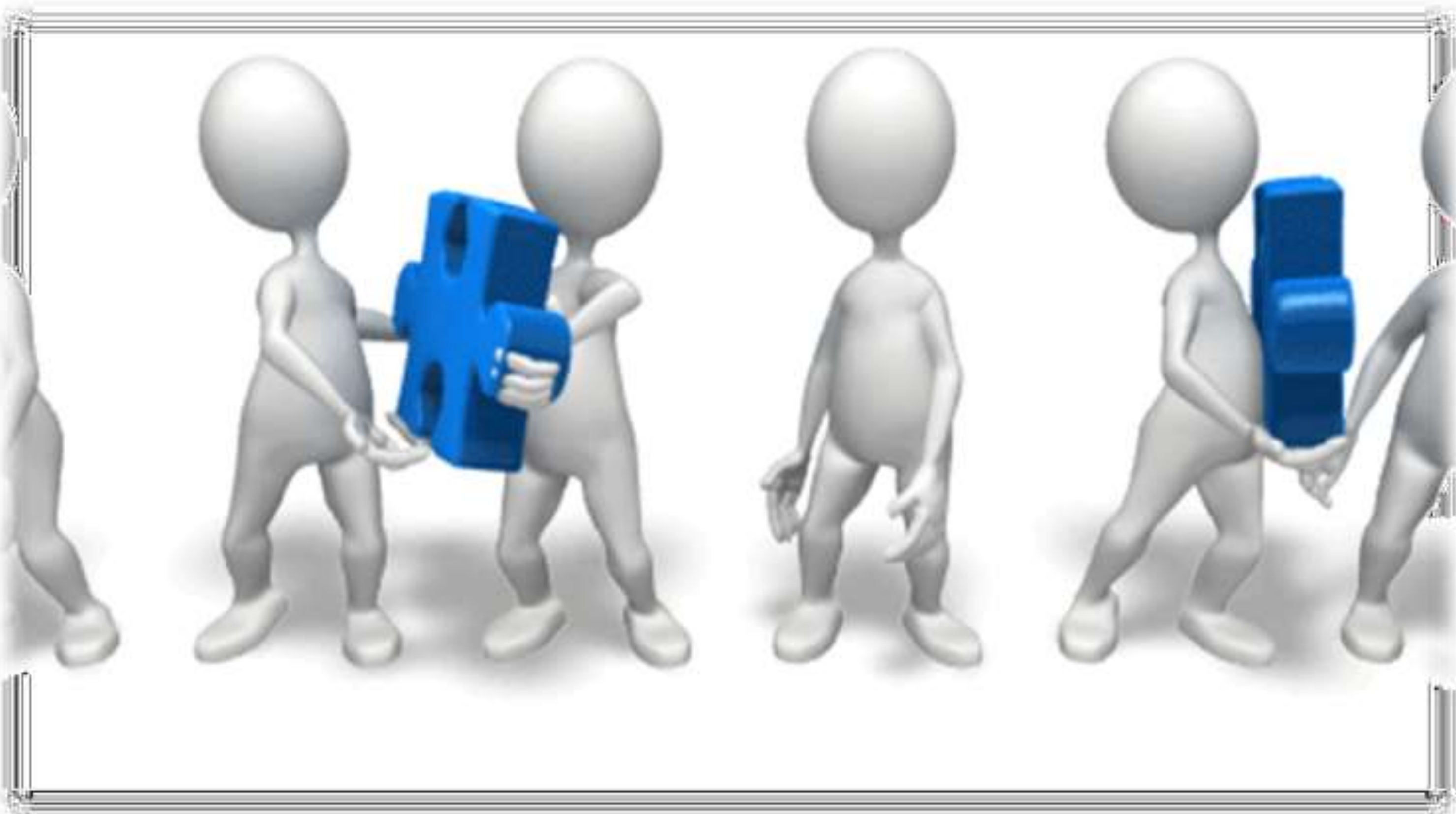
- **Organizing** – is the process of establishing orderly uses for resources within the management system.
- **Organizing Skill** – is the ability to establish orderly uses for resources within the management system.
- **Organization** – refers to the result of the organizing process.

ORGANIZING:

- According to Haimann, "Organizing is the process of ***defining and grouping the activities of the enterprise and establishing the authority relationships among them".***

ORGANIZING:

- According to Chester Bernard, "Organization is the ***system of consciously coordinated activities or forces of two or more persons".***



Organizing

- Organizing requires the manager to determine how he or she will distribute resources and organize employees according to a designated plan aimed at some organizational goal.

- The manager will need to identify different roles and responsibilities, assign work, and coordinate the right amount and mix of employees across departments to carry out the plan.

- Each employee must be aware of his or her responsibilities to avoid frustration, confusion, and loss of efficiency.

Purpose of organizing

- Divides work to be done into specific jobs and departments.
- Assigns task and responsibility associated with individual jobs.
- Coordinates diverse organizational tasks.
- Clusters jobs into units
- Establishing relationship among individuals, groups, and departments.
- Establishes formal line of authority.
- Allocates and deploy organizational resources.

The Importance of Organizing

- It is the primary mechanism managers use to activate plans.
- It creates and maintains relationships between all organizational resources.
- Helps managers minimize costly weakness.

MANAGEMENT FUNDAMENTALS

Importance of Organizing

Why structured systems are critical for engineering success

Role Clarity & Focus

Defines who does what, eliminating confusion and reducing duplication of effort among team members.

Specialization Benefits

Systematic division of work allows employees to build deep expertise, improving quality and efficiency.

Effective Coordination

Establishes channels for diverse functions (e.g., Design, Ops, QA) to collaborate seamlessly.

Accountability & Control

Creates clear reporting lines, making it easier to track performance and take corrective action.

"Organization is the foundation of management."

Importance of Organizing

Three Primary Responsibilities

- First:

The department should periodically formulate reorganization plans that make the management system more effective and efficient.

- Second:

The department should foster and support an advantageous organizational climate within the management system.

- Third:

The department should develop plans to improve managerial skills to fit current management system needs.

Principles of Organizing

Core Guidelines

Key management principles based on Fayol and classical theory to ensure structural efficiency.

01
DIVISION OF WORK
Specialize tasks to improve proficiency, accuracy, and output speed.

02
PARITY
Authority granted must be equal to the assigned responsibility.

03
UNITY OF COMMAND
Each subordinate should report to only one superior to avoid conflict.

04
UNITY OF DIRECTION
One head and one plan for a group of activities with the same objective.

05
SCALAR CHAIN
Clear, unbroken line of authority from the highest to the lowest rank.

06
SPAN OF CONTROL
Ideally limit the number of direct reports a manager supervises.

07
DELEGATION
Push decision-making authority down to the lowest competent level.

08
BALANCE
Maintain equilibrium between centralization and decentralization.

09
COORDINATION
Integrate activities and departments to ensure harmony of action.

10
SIMPLICITY
Keep structures simple to minimize overhead and maximize clarity.

Keys to organization: Fayol's guidlines

1. Judiciously prepare and execute the operating plan.
2. Organize the human and material facets so that they are consistent with objectives, resources and requirements of the concern.
3. Establish a single competent, energetic guiding authority (formal management structure).
4. Coordinate all activities and efforts.
5. Formulate clear, distinct and precise decisions.
6. Arrange for efficient selection so that each departments is headed by a competent, energetic manager, and all employees are placed where they can render the greatest duties.
7. Define duties.
8. Encourage initiative and responsibility.
9. Offer fair and suitable rewards for services rendered.
10. Make use of sanctions against faults and errors.
11. Maintain discipline.
12. Ensure that individual interests are consistent with the general interests of the organization.
13. Recognize the unity of command.
14. Promote both material and human coordination.
15. Institute and effect controls.
16. Avoid regulations, red tape, and paper work.

Process of Organizing

Steps in organizing process

- Divide the total workload into tasks- division of labour.
- Combine tasks in a logical and efficient manner- Departmentalization
- Creating authority and responsibility relationship and Specify who reports to whom- hierarchy
- Set up mechanism for integrating departmental activities- coordination

The Organizing Process

Step 1:
Reflect on Plans and Objectives

Step 2:
Establish major tasks

Step 3:
Divide major task into subtasks

Step 4:
Allocate resources and directives for subtasks

Step 5:
Evaluate results of organizing survey

Points	Planning	Organizing
1. Meaning	Planning is deciding in advance what to do how to do it, when to do it and who is to do it.	Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them.
2. Objective	To set goals and choosing the means to achieve these goals.	To identify and bring together all the required resources.
3. Area of function	It includes setting objectives by identifying the ways of attaining the goal and selecting the best plan.	It includes identification and grouping of activities, assigning the work, and establishing the authority relationship.
4. Factors	Internal and External factors are considered in the planning process.	Internal and external factors are considered in the arrangement of resources.
5. Order	It is the basic first function of the management process.	It is based on planning.
6. Resources	Planning is done as per the requirement and availability of resources.	All available resources i.e. men, money, material, machine, and method are arranged in a systematic manner.
7. Nature	It is continuous in nature. It exists in the whole life of an organization.	It takes place till the time all the resources are collected and arranged.
8. level of Management	Top management is concerned with planning the activities.	Top and middle-level management are related to organizing the required resources.

Basis of Difference	Planning	Organising
Meaning	Planning is a psychological process of thinking and deciding in advance what it is to be done and how it is to be done.	Organising refers to the procedure of aligning activities in a certain order.
Objective	Its objective is to set goals and choose the means to achieve them.	Its objective is to bring together all resources like people and materials
Order	It is the first function of management.	It comes after planning.
Targets	The targets are first analysed and then chosen.	Resources are arranged to achieve the target.
Nature	It is continuous in nature.	It continues till the time all the resources are collected.

NATURE AND PURPOSE OF ORGANIZING:

NATURE OF ORGANIZING:

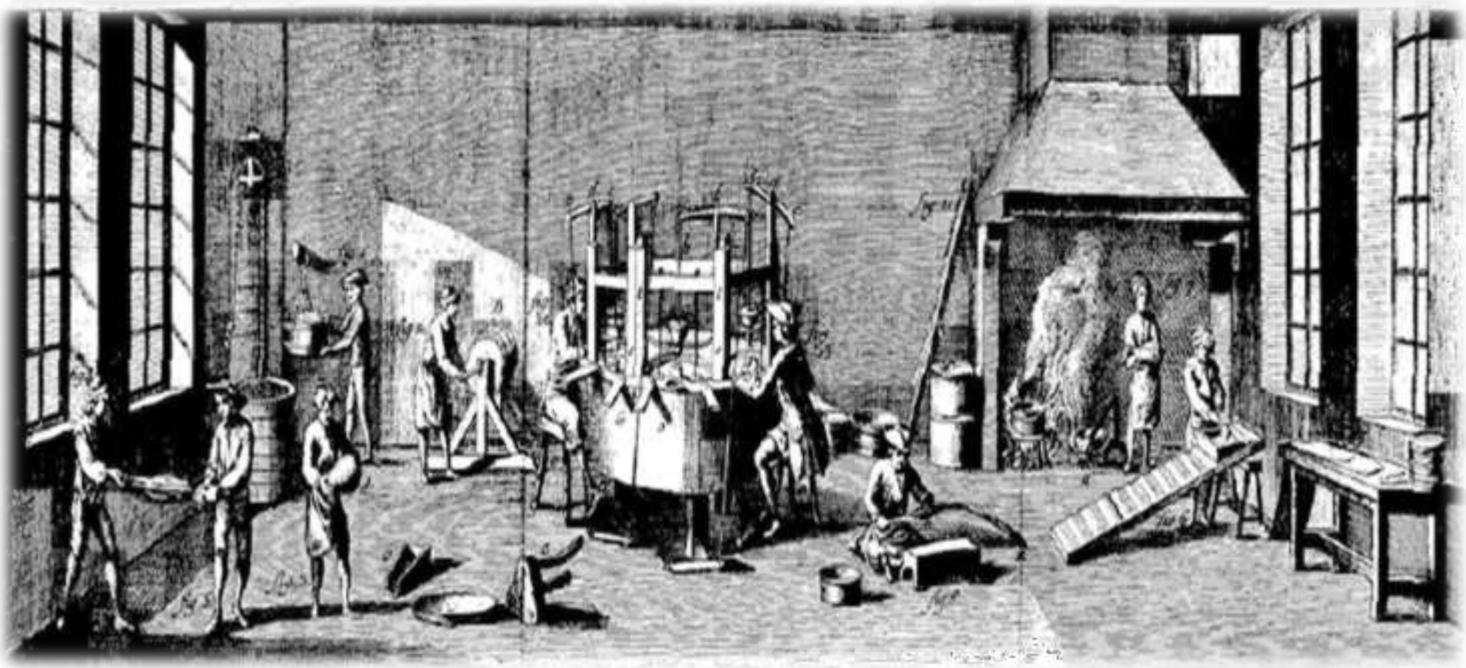
1. Common objectives:

- Every organization exists to achieve some ***common goals or targets of the organization.***

NATURE OF ORGANIZING:

2. Division of labour:

- Overall function of an organization is ***sub – divided into number of sub – functions*** (various departments)***.***
- Each department is ***headed by a manager***, who is sole responsible for function of the department.



NATURE OF ORGANIZING:

3. Authority structure:

- Graded series of arrangement in an organization, creates a series of superior and subordinate relationships called ***chain of command.***
- ***Responsibility*** associated with various positions ***are defined.***

NATURE OF ORGANIZING:

4. Group of persons:

- ***Work force*** of an organization constitute ***active environment in an organization.***

NATURE OF ORGANIZING:

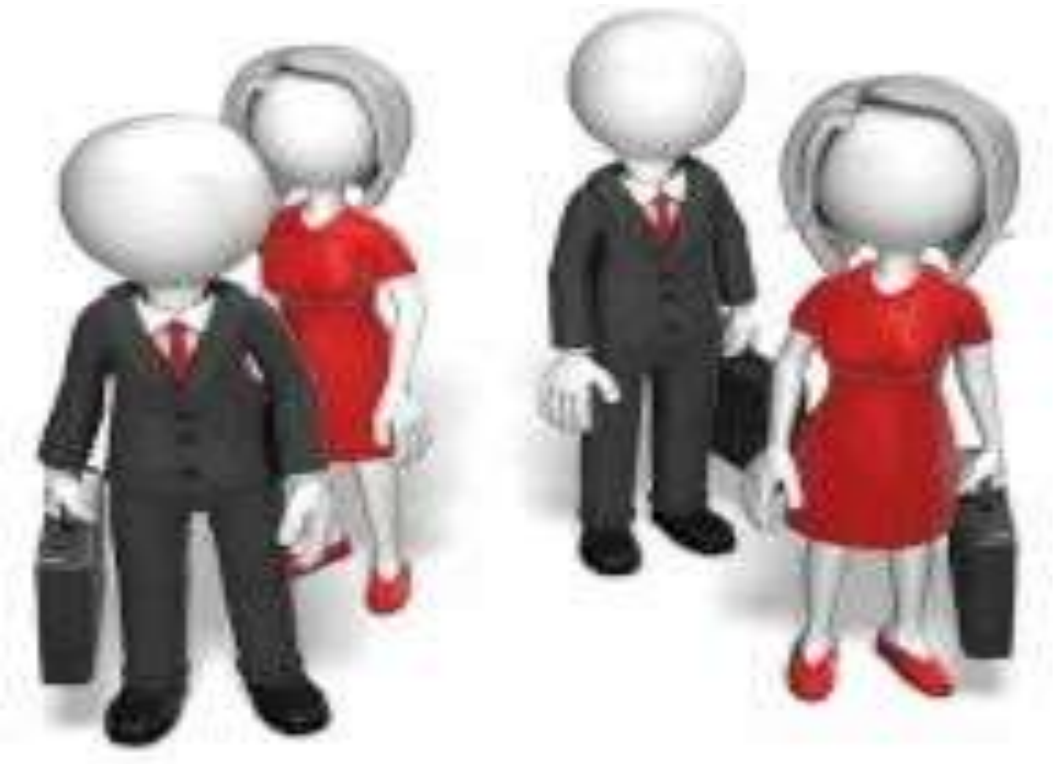
5. Communication:

- Every organization have ***free flow of communication.***
- These channels of communication are ***necessary for mutual understanding and cooperation*** among members of an organization.

NATURE OF ORGANIZING:

6. Co-ordination:

- Diverse efforts of various functional departments are ***integrated towards the common goal*** through the process of coordination.



NATURE OF ORGANIZING:

7. Environment:

- No organization works in a vacuum. ***Social, political, economic and legal factors*** exert influence on the environment.
- Beside it is influenced by internal factors like ***materials, machines, level of technology, economic measures, HR, etc.***

NATURE OF ORGANIZING:

8. Rules and regulations:

- Every organization is governed by a set of ***rules and regulations*** for orderly functioning of people.

NATURE AND PURPOSE OF ORGANIZING:

PURPOSE OF ORGANIZING:

1. To facilitate organization:

- Helps to earn ***highest profit.***
- A properly designed organization facilitates both ***management and operation of enterprise.***

PURPOSE OF ORGANIZING:

2. Increase efficiency of management:

- A good organization will extract ***efficient work from an organization.***
- Eliminates redundancy and motivates every employee.

PURPOSE OF ORGANIZING:

3. To facilitate growth and diversification:

- Growth deals with expanding the ***scale of operation.***
- Diversification means ***start of production of new type of products.***

PURPOSE OF ORGANIZING:

4. Optimistic use of resources:

- Detailed job specifications are prepared in order to match the job with the men.
- ***Right persons are placed in right job.***

PURPOSE OF ORGANIZING:

5. Facilitate coordination and communication:

- Grouping of activity.

PURPOSE OF ORGANIZING:

6. Permit optimum use of technological innovations:

- ***Modifying authority relationship*** in wake of new developments.
- ***Provides adequate scope for innovation.***

PURPOSE OF ORGANIZING:

7. Stimulate creativity and initiative:

- Provides the opportunity for the employees to show their hidden talent

PURPOSE OF ORGANIZING:

8. Facilitate the development of managerial ability:

- Trained to acquire a wide and variety experience in diverse activities through job rotation.

IMPORTANCE

Benefits of Specialisation:

Under organising all the activities are subdivided into various works or jobs. For all the sub works, competent people are appointed who become experts by doing a particular job time and again. In this way, maximum work is accomplished in the minimum span of time and the organisation gets the benefit of specialisation.

Clarity in Working Relationship:

Organising clarifies the working relations among employees. It specifies who is to report to whom. Therefore, communication becomes effective. It also helps in fixing accountability.

Optimum Utilisation of Resources:

Under the process of organising the entire work is divided into various small activities. There is a different employee performing every different job. Consequently, there is optimum utilisation of all the available resources (e.g., material, machine, financial, human resource, etc.) in the organisation.

Adaptation to Change:

Organising process makes the organisation capable of adapting to any change connected with the post of the employees. This becomes possible only because of the fact that there is a clear scalar chain of authority for the manager's right from the top to the lower level.

Effective Administration:

It has generally been observed that there is always a condition of doubt about the authority of the managers among themselves. The process of organising makes a clear mention of each and every activity of every manager and also of their extent of authority.

Development of Personnel:

Under the process of organising, delegation of authority is practiced. This is done not because of the limited capacity of any individual, but also to discover new techniques of work.

Expansion and Growth:

The process of organising allows the employees the freedom to take decisions which helps them to grow. They are always ready to face new challenges. This situation can help in the development of the enterprise. This helps in increasing the earning capacity of the enterprise which in turn helps its development.

PRINCIPLES

1. **Principle of unity of objectives**: Organizational goals, departmental goals, and individual goals must be clearly defined. All goals and objectives must have uniformity. When there is contradiction among different level of goals desired goals can't be achieved. Therefore, unity of objectives is necessary

2. **Principle of specialization**: Sound and effective organization believes on organization. The term specialization is related to work and employees. When an employee takes special type of knowledge and skill in any area, it is known as specialization. Modern business organization needs the specialization, skill and knowledge by this desired sector of economy and thus, efficiency would be established.

3. **Principle of coordination**: In an organization many equipment, tools are used. Coordination can be obtained by group effort that emphasize on unity of action. Therefore, coordination facilitates in several management concepts.

4. **Principle of authority**: Authority is the kind of right and power through which it guides and directs the actions of others so that the organizational goals can be achieved. It is also related with decision making. It is vested in particular position, not to the person because authority is given by an institution and therefore it is legal. It generally flows from higher level to lowest level of management. There should be unbroken line of authority.

5. **Principle of responsibility**: Authentic body of an organization is top level management, top level management direct the subordinates. Departmental managers and other personnel take the direction from top level management to perform the task. Authority is necessary to perform the work .only authority is not provided to the people but obligation is also provided. So the obligation to perform the duties and task is known as responsibility. Responsibility can't be delegated. It can't be avoided.

6. **Principle of delegation**: Process of transferring authority and creation of responsibility between superior and subordinates to accomplish a certain task is called delegation of authority. Authority is only delegated, not responsibilities in all levels of management. The authority delegated should be equal to responsibility.

7. **Principle of efficiency**: In enterprise different resources are used. Therese resources must be used in effective manner. When the organization fulfill the objectives with minimum cost, it is effective. Organization must always concentrate on efficiency.

8. **Principle of unity of command**: subordinates should receive orders from single superior at a time and all subordinates should be accountable to that superior. More superior leads to confusion, delay and so on.

9. **Principle of span of control**: unlimited subordinates cant be supervised by manager, this principle thus helps to determine numerical limit if subordinates to be supervised by a manager. This improves efficiency.

10. **Principle of balance**: the functional activities their establishment and other performances should be balanced properly. Authority, centralization, decentralization must be balance equally. This is very challenging job but efficient management must keep it.

11. **Principle of communication**: Communication is the process of transformation of information from one person to another of different levels. It involves the systematic and continuous process of telling, listening and understanding opinions ideas, feelings, information, views etc, in flow of information. Effective communication is important.

12. **Principle of personal ability**: for sound organization, human resources is important. Employees must be capable. Able employees can perform higher. Mainly training and development programs must be encouraged to develop the skill in the employees.

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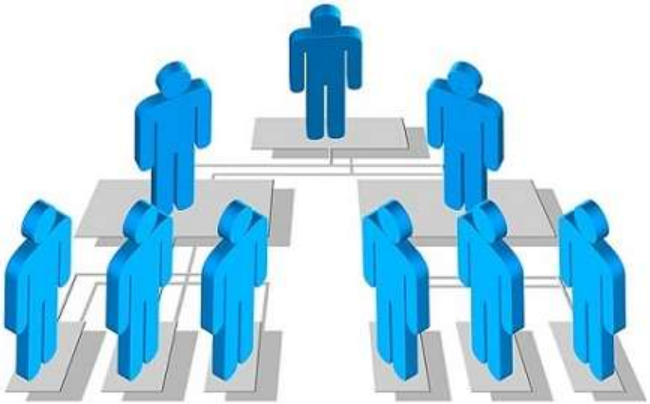


DEPARTMENTATION

Departmentation

- Departmentalization means dividing a company into departments so work becomes organized and manageable.
- Each department handles a specific type of work, such as marketing, finance, production, or customer service.
- Departmentation of enterprise means grouping of activities according to the functions of an enterprise, such as production , selling and financing.
- Departmentation is a means of dividing a large organization into smaller , flexible units
- A department may be defined as a work group brought together for performing certain functions of similar nature.
- Departmentation helps in simplifying the task of top management.

Advantages of Departmentation

- Departmentation enables an organization to avail the benefits of specialization.
- It increases the efficiency of the organization as various activities are grouped together and everyone knows his duties and authority.
- Furnishes means of tight control at the top.
- Simplifies training.
- It provides for fixation of standards of performance and ensures effective control
- Creates opportunities for the departmental heads to take initiative for growth.
- Appraisal becomes easier when specific tasks are assigned to departmental personnel.

Disadvantages of Departmentation

- Reduces coordination between functions as the organization is divided into various parts.
- Responsibilities for profits is at top only.
- Slow adaptation to change in environment.
- It increases the levels of management which is expensive and thus increases the gap between the top management and the workers
- Departmentation creates difficulties of communication among the various departments of the organization

Forms of departmentalization:

- Functional departmentalization
- Product departmentalization
- Geographical departmentalization
- Process departmentalization
- Customer departmentalization

- Large organization often combine more than one form of departmentalization. Exp. A firm can use functional in its divisions, process in its manufacturing, sales into geographical, sales region into customer departmentalization.

Types of Departmentalization

Organizing jobs into departments based on logical groupings improves efficiency and coordination. Six common approaches include:

Functional

Grouped by expertise (e.g., Engineering, HR). Promotes specialization but risks silos.

Product / Service

Grouped by product lines. Improves accountability but duplicates resources.

Geographic / Territory

Grouped by location. Ensures local responsiveness but increases coordination cost.

Customer / Market

Grouped by customer type (e.g., Gov, Retail). Tailored service but uneven resource usage.

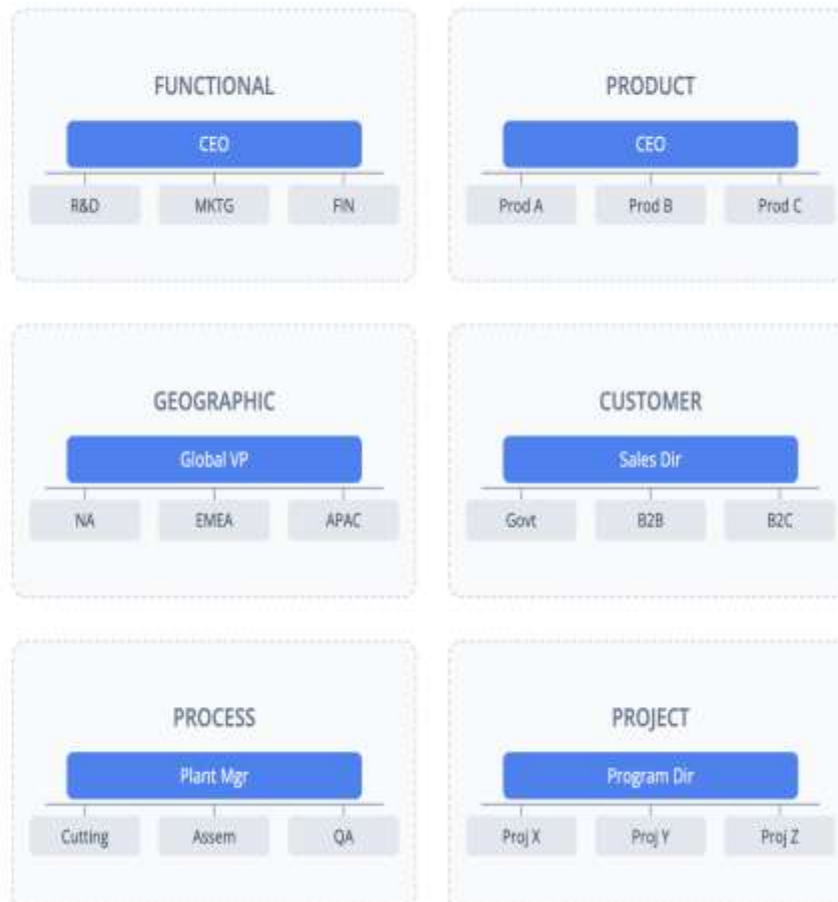
Process / Equipment

Grouped by workflow phase (e.g., Assembly). Efficient flow but narrow focus.

Project / Team

Grouped by specific initiatives. High agility but potential resource contention.

STRUCTURAL EXAMPLES



Diagrams show the primary basis for grouping at the first level below the manager.

1. Functional departmentalization

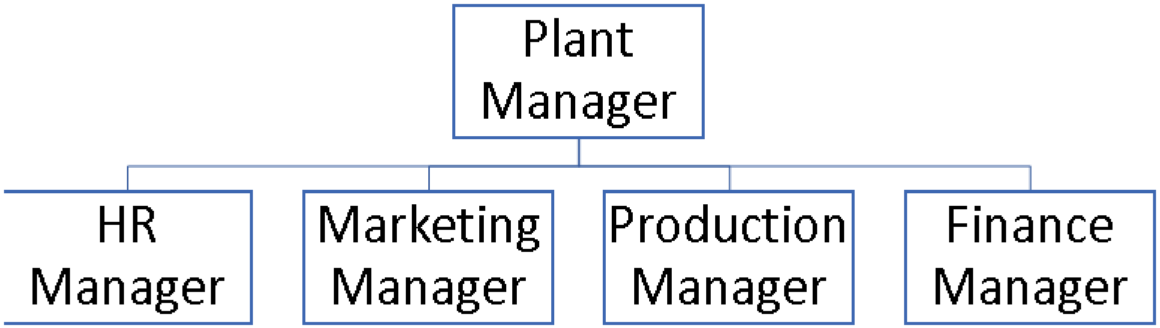
Grouping similar activities to form a department.

Advantages:

- Efficiency from putting together similar specialties and people with common skills, knowledge and orientation
- Coordination within functional areas.
- In-depth specialization

Disadvantages:

- Poor communication across departments
- limited view of organizational goals.



Jobs are grouped based on **functions**—what people do or the skills they have.

Detailed Real-Life Example: Google

Google uses functional departmentalization because it develops many digital products and requires specialization.

How Google is structured:

- **Engineering Department**

  Creates software like Maps, YouTube, Gmail; handles coding, testing, and system security.

- **Marketing Department**

  Promotes products, handles advertising campaigns, gathers market data.

- **Finance Department**

  Manages budgets, revenue analysis, investments.

- **HR Department**

  Recruits engineers globally, conducts training, manages workplace culture.

Why this structure works for Google

- Engineering experts focus purely on technology.
- Marketing specialists focus on branding and promotions.
- Each functional area has deep expertise → increases innovation and efficiency.

2. Geographical departmentalization

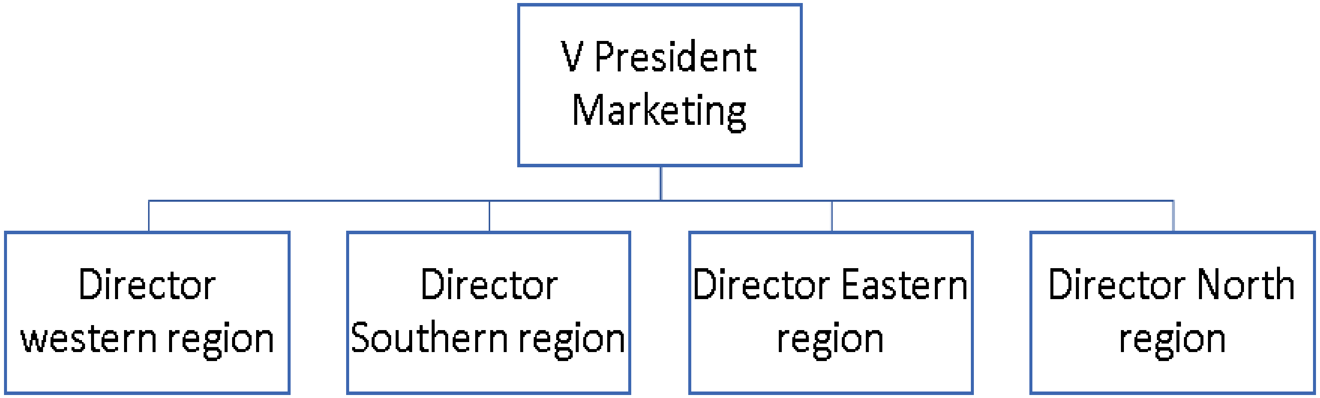
Groups jobs on the basis of geographical region. (Indian Railways, LIC)

Advantages:

- More effective and efficient handling of specific region.
- Serves needs of unique geographic markets better

Disadvantages:

- Duplication of functions
- Can feel isolated from other organizational areas.



Company is divided according to **locations or regions** when serving different geographic markets.

Detailed Real-Life Example: Walmart

Walmart operates in many countries with different customer habits.

Walmart's geographic structure includes:

- **Walmart U.S.**
- **Walmart Canada**
- **Walmart Mexico (Walmart de México y Centroamérica)**
- **Walmart India**

Why Walmart uses geographic departments

- Cultural preferences differ (e.g., food products vary by region).
- Prices, regulations, and competitors change across countries.
- Each region gets autonomy to make decisions quickly.

3. Product Departmentalization

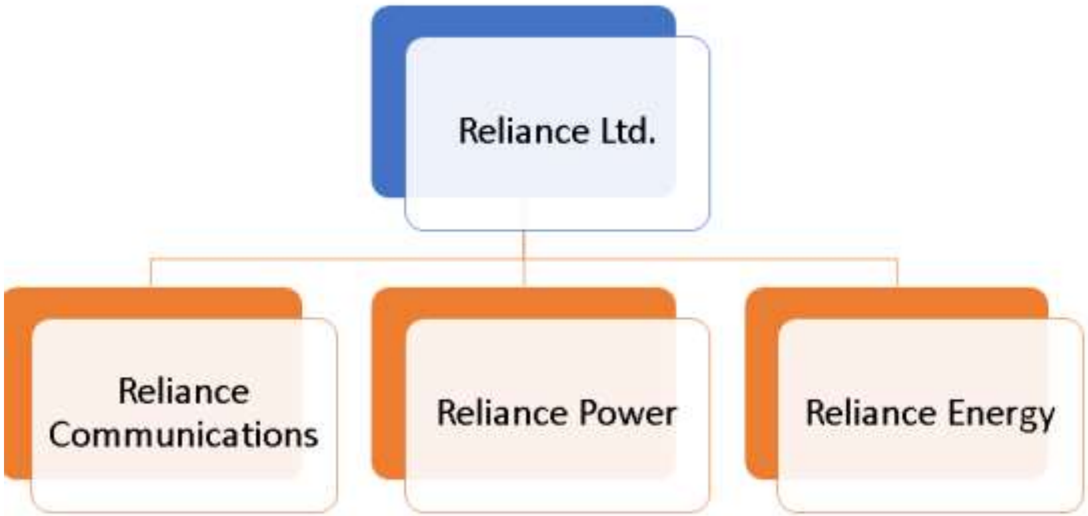
Group jobs by product lines.

Advantages:

- Allows specialization in particular products
- Managers can become expert in particular industry
- closer to customers

Disadvantages:

- Duplication of functions
- Limited view of organizational goals



Company is divided based on **products or product lines**.

Each product unit works almost like a mini-company.

Detailed Real-Life Example: Toyota

Toyota makes many different types of vehicles, so organizing by product line makes operations smoother.

Toyota's product-based divisions:

- **Sedan Division**

  Designs and markets cars like Camry and Corolla.

- **SUV Division**

  Develops vehicles like RAV4 and Land Cruiser.

- **Truck Division**

  Handles pickup trucks like the Hilux and Tacoma.

- **Hybrid/Electric Vehicle Division**

  Focuses on Prius, bZ4X, and other eco-friendly cars.

Why this works for Toyota

- Each product team customizes vehicles based on customer needs.
- Innovation is faster—Hybrid division can focus only on electric technology.
- Each division handles its own marketing, engineering, and budgeting.

4. Process departmentalization

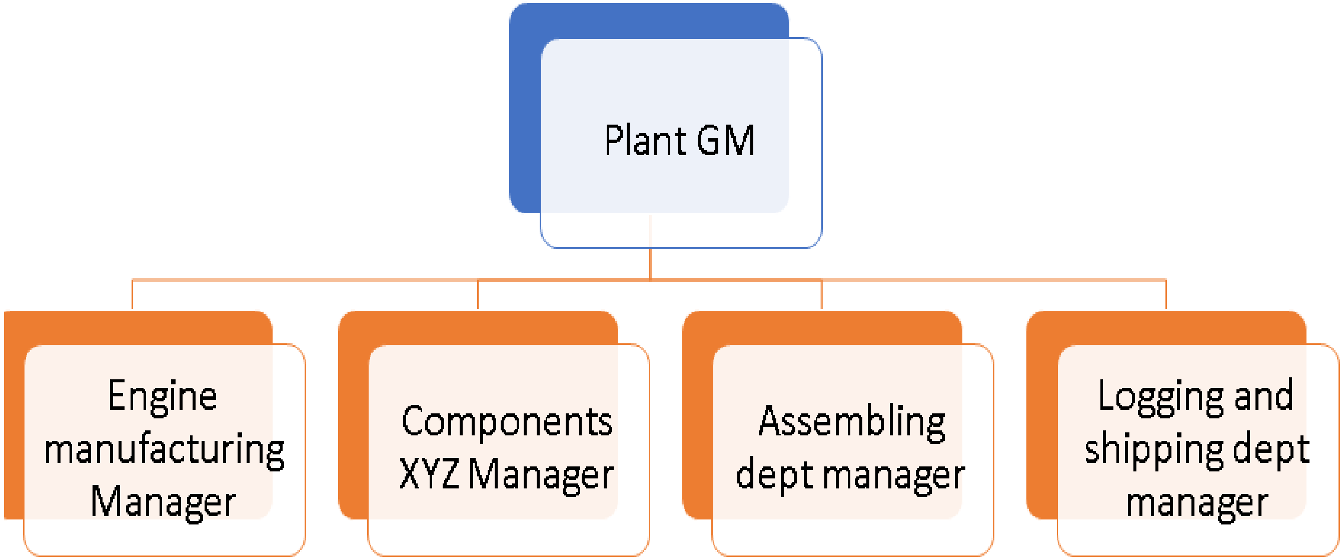
Groups jobs on the basis of product or product flow.

Advantages:

- More efficient flow of work activities

Disadvantages:

- Can only be used with certain type of products.



Grouping work based on **the stages in a production or service process**.

Detailed Real-Life Example: Ford Motor Company

Ford Motor Company uses processes to build vehicles in assembly plants.

Ford's manufacturing process departments:

- **Body Assembly** → Car body is built
- **Painting Section** → Painting and finishing
- **Engine Assembly** → Engines produced and tested
- **Final Assembly** → Interior, electronics, tires, quality testing

Why this works for Ford

- Each process is complex and requires specialized workers.
- Increases efficiency through streamlined production.
- Helps maintain quality control at every stage.

5. Customer departmentalization

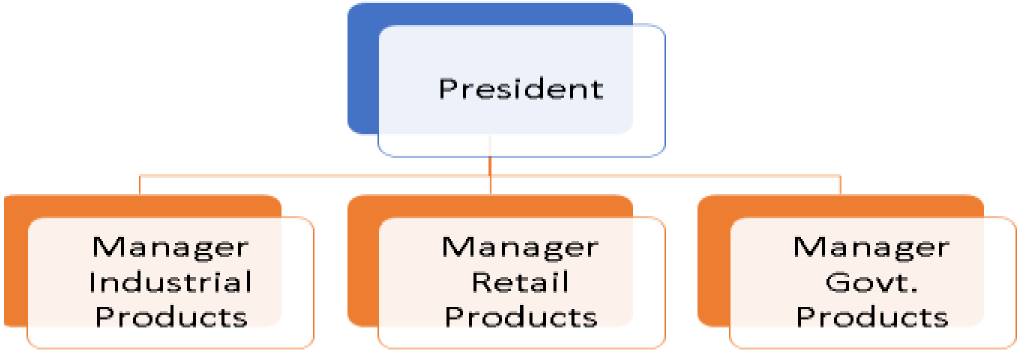
Groups jobs on the basis of specified and unique customers who have common needs.

Advantages:

- Customers needs can be met by specialists

Disadvantages:

- Duplications of functions
- Limited view of organizational goals.



Meaning

Departments are created based on **customer categories**.

Detailed Real-Life Example: Bank of America

Bank of America serves many different types of customers with unique financial needs.

Customer-based departments include:

- **Retail Banking** → For everyday consumers
- **Small Business Banking** → For small companies
- **Corporate Banking** → For large international firms
- **Wealth Management** → For high-income clients

Why this helps Bank of America

- Each customer group gets services tailored to their needs.
- Wealthy clients need investment advice; small businesses need loans.
- Improves customer satisfaction and service quality.

SPAN OF CONTROL

- Span of control or supervision means the number of workers reporting directly to a supervisor.
- It is the number of subordinates that a manager or supervisor can directly control. This number varies with the type of work.
- Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization.
- It suggests how the relations are designed between a superior and a subordinate in an organization.

Span of Control

:ept Definition

"The number of subordinates that a manager can effectively and efficiently supervise directly. It determines the number of levels in the organizational hierarchy."

Key Determinants (Factors Influencing Span)

Task Complexity

Complex or variable tasks require closer supervision, leading to a **Narrow Span**.

Standardization

Standardized procedures and routine work allow for a **Wide Span** of control.

Competence

Experienced managers and skilled subordinates facilitate a **Wide Span**.

Technology

Good communication systems and IT support enable managing a **Wide Span**.

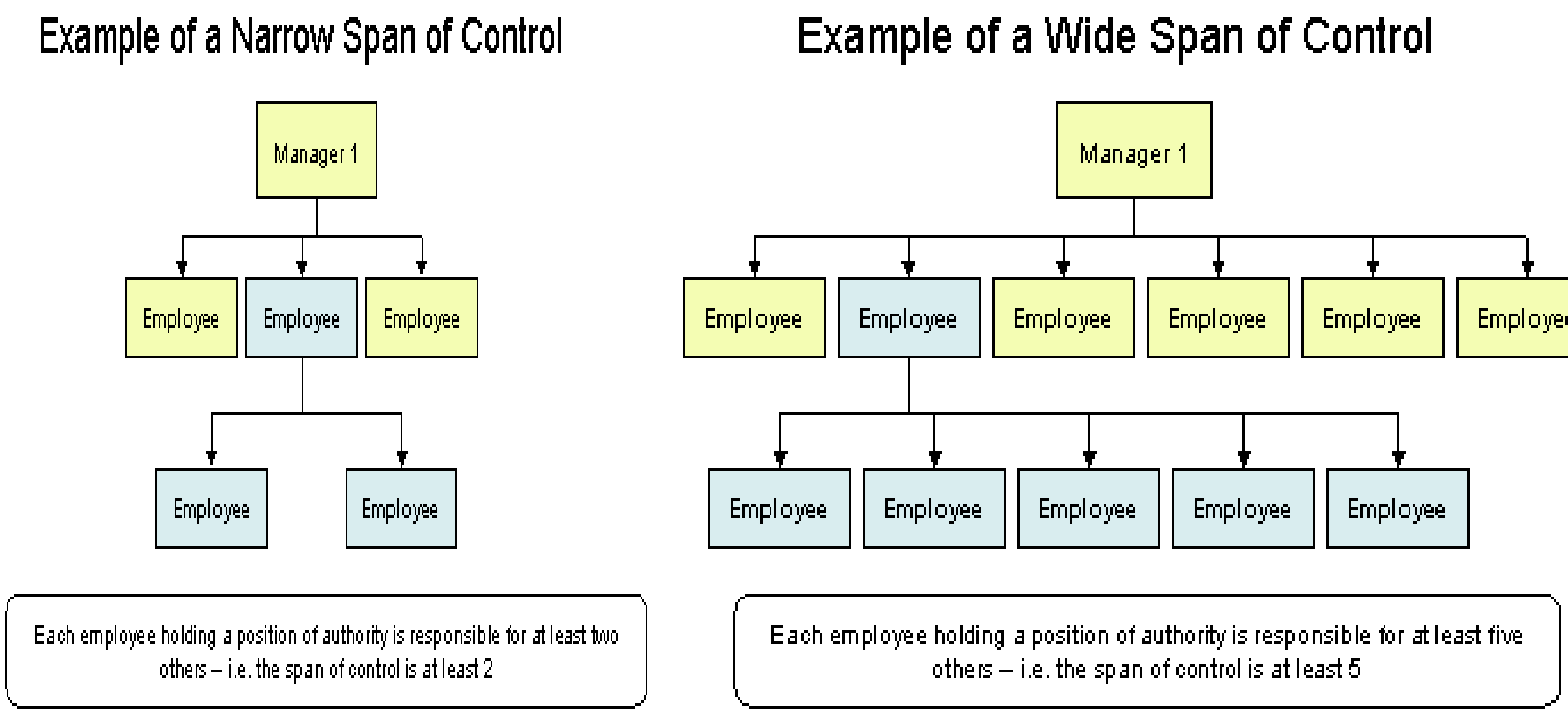
STRUCTURAL IMPACT: Narrow Span = Tall Structure (Many Levels) ↔ Wide Span = Flat Structure (Few Levels)

Span of control is of two types:

- **Narrow span of control:** Narrow Span of control means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure.

- **Wide span of control:** Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure.

SPAN OF CONTROL



The comparison….

Narrow Span of Control

Advantages:

a. Close supervision

b. Close control

c. Fast Communication between subordinates & superiors

Disadvantages:

a. Superiors tend to get too involved in subordinate work

b. Many levels of Management

c. High cost due to many levels

d. Excessive distance between lowest level and top level

Wide Span of Control

Advantages:

a. A wide span of control is less expensive because the business employs fewer managers

b. Less supervision and control can create a more positive attitude among employees, who appreciate the extra trust and freedom.

Disadvantages:

a. Tendency of overloaded superiors to become decision bottlenecks

b. Danger of superiors loss of control

c. Requires exceptional quality of managers

Narrow vs. Wide Span Comparison

Narrow Span

Tall Organizational Structure

ADVANTAGES

- Closer supervision and tighter control
- Clear promotion path (many levels)
- Better for complex tasks needing guidance

DISADVANTAGES

- High management overhead costs
- Slow decision-making (many layers)
- Communication distortion up the chain

BEST USE CASE

High-risk environments, inexperienced teams, or complex non-standard work.

Wide Span

Flat Organizational Structure

ADVANTAGES

- Faster communication and decisions
- Lower administrative costs
- Empowers employees (autonomy)

DISADVANTAGES

- Risk of manager overload
- Less time for individual coaching
- Requires self-sufficient staff

BEST USE CASE

Standardized operations, highly skilled experts, or cost-sensitive startups.

SPAN OF CONTROL

An ideal span of control according to modern authors is around 15 to 20 subordinates per manager, while according to the traditional authors the ideal number is around 6 subordinates per manager.

In reality, the ideal span of control depends upon various factors, such as:

✓Nature of an organization

✓Nature of work

✓Skills and competencies of manager

✓Employees skills and abilities

✓Availability of time

✓Availability of staff assistance

✓Degree of decentralization

✓The kind of interaction that takes happens between superiors and subordinates, etc

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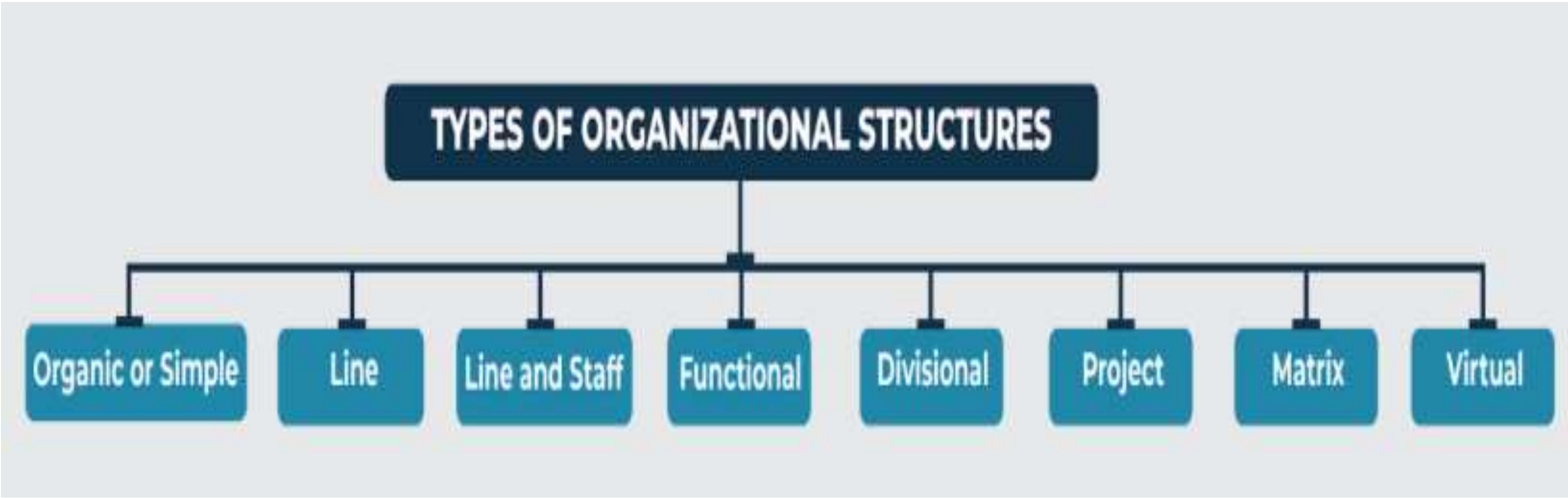

TYPES OF ORGANIZATIONAL STRUCTURES
Organic or Simple
Line
Line and Staff
Functional
Divisional
Project
Matrix
Virtual

Types of Organization

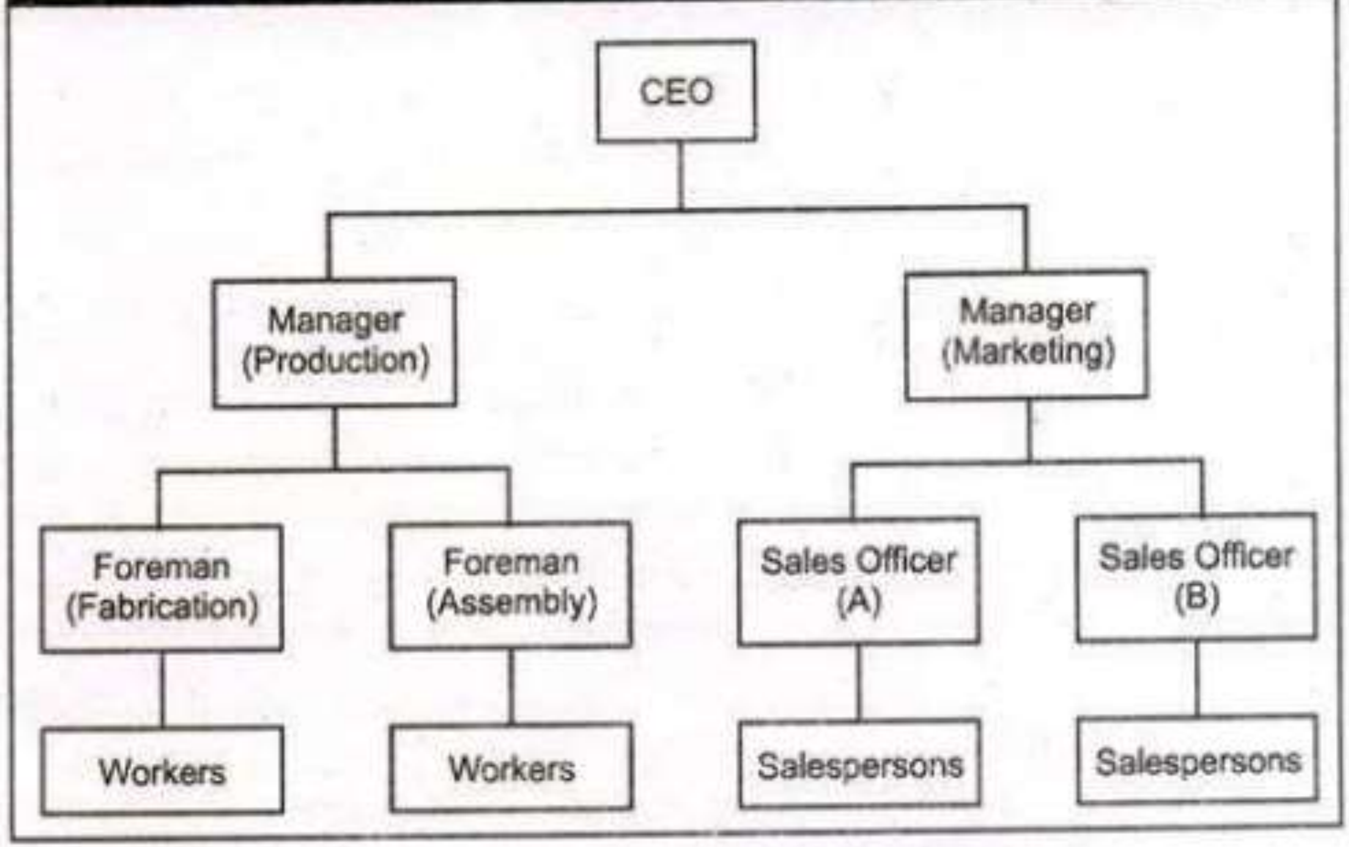
- Line Organizational Structure
- Staff or Functional Authority Organisational Structure
- Line and Staff Organisational Structure
- Divisional Organisational Structure
- Project Organisational Structure
- Matrix Organisational Structure

LINE ORGANIZATION

A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments- departments directly involved in accomplishing the primary goal of the organisation.

For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.

Exhibit 10.3 : Line Organisational Structure



Advantages:

1. Tends to simplify and clarify authority, responsibility and accountability relationships

2. Promotes fast decision making

3. Simple to understand.

Disadvantages:

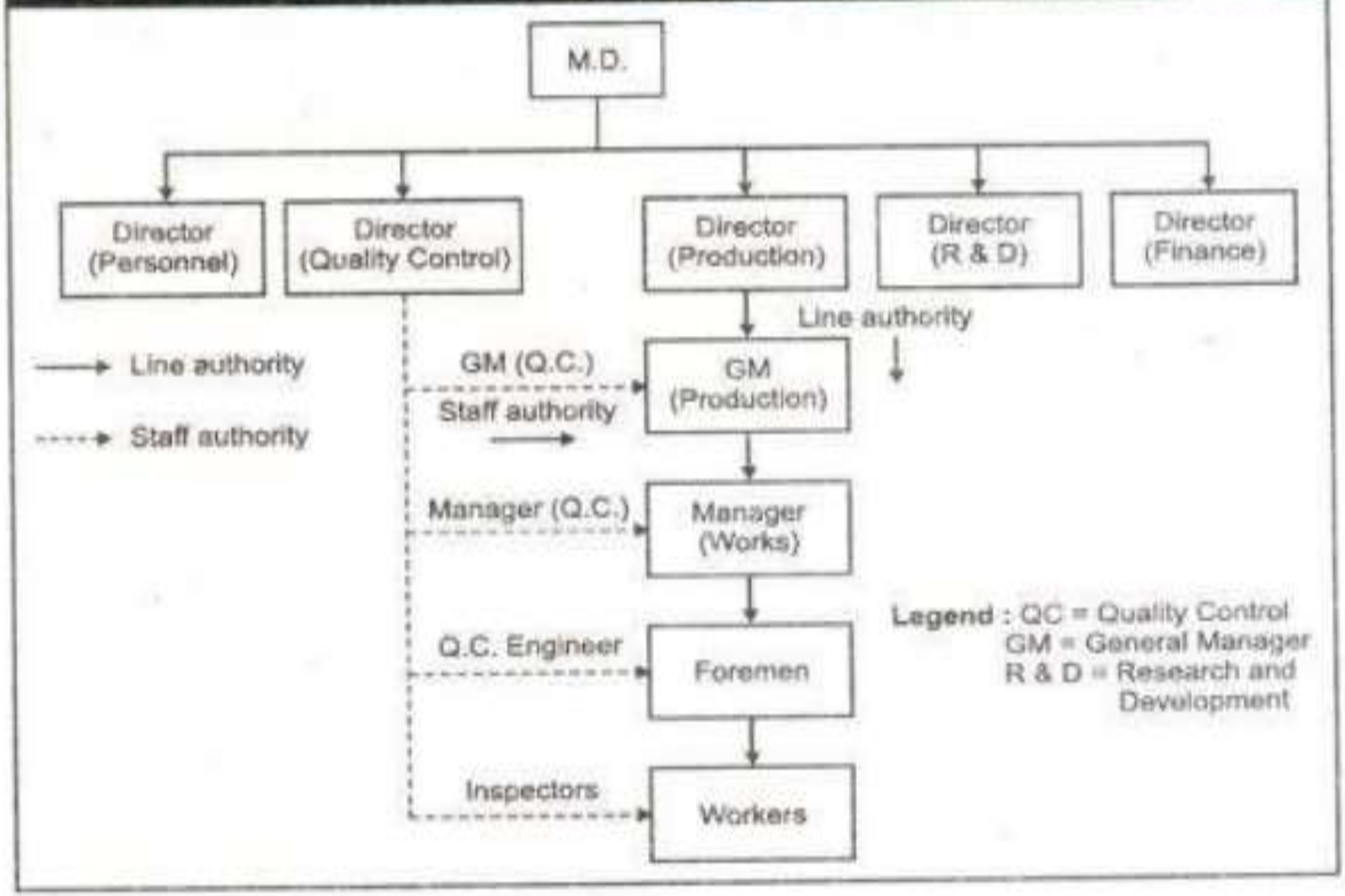
1. Neglects specialists in planning

2. Overloads key persons.

STAFF OR FUNCTIONAL AUTHORITY ORGANIZATION

- The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advice the line) over the line. This is also known as functional authority.
- An organisation where staff departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation. a staff or functional authority organisational structure.
- In the line organisation, the line managers cannot be experts in all the functions they are required to perform. But in the functional authority organisation, staff personnel who are specialists in some fields are given functional authority (The right of staff specialists to issue orders in their own names in designated areas).

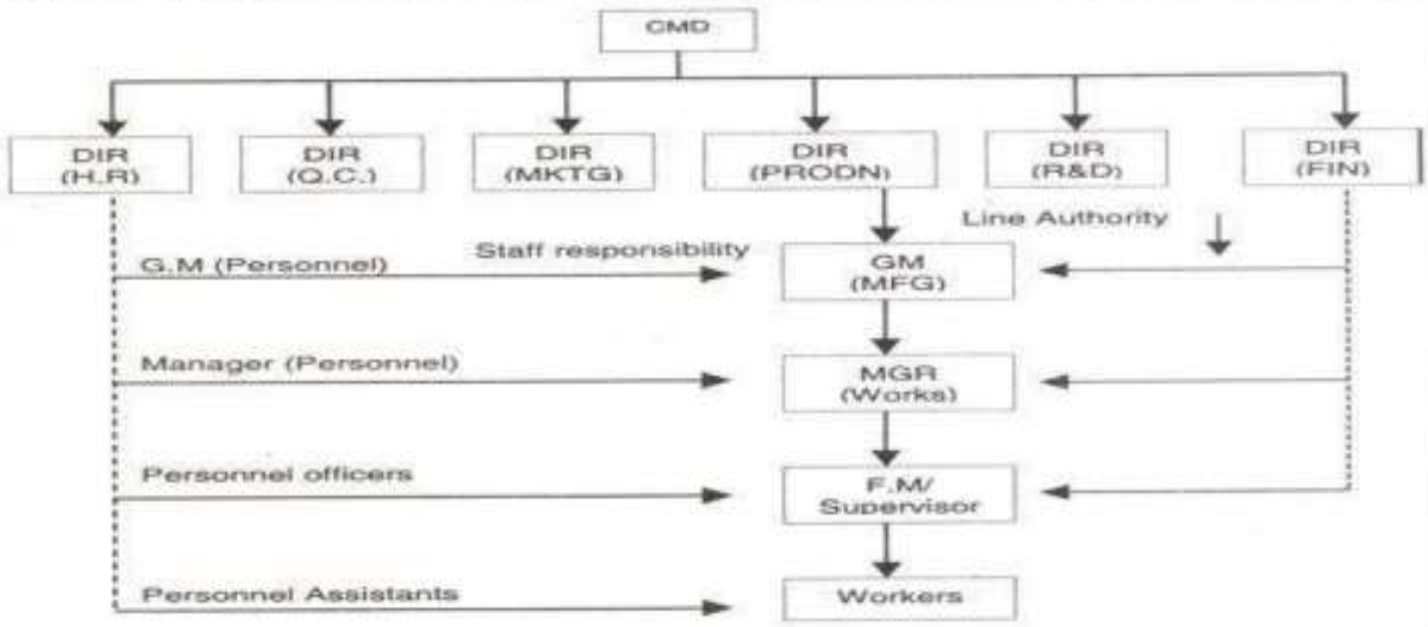
Exhibit 10.4 : Staff or Functional Authority Organisational Structure



LINE AND STAFF ORGANIZATION

- Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).

Exhibit 10.5 : Line and Staff Organisational Structure

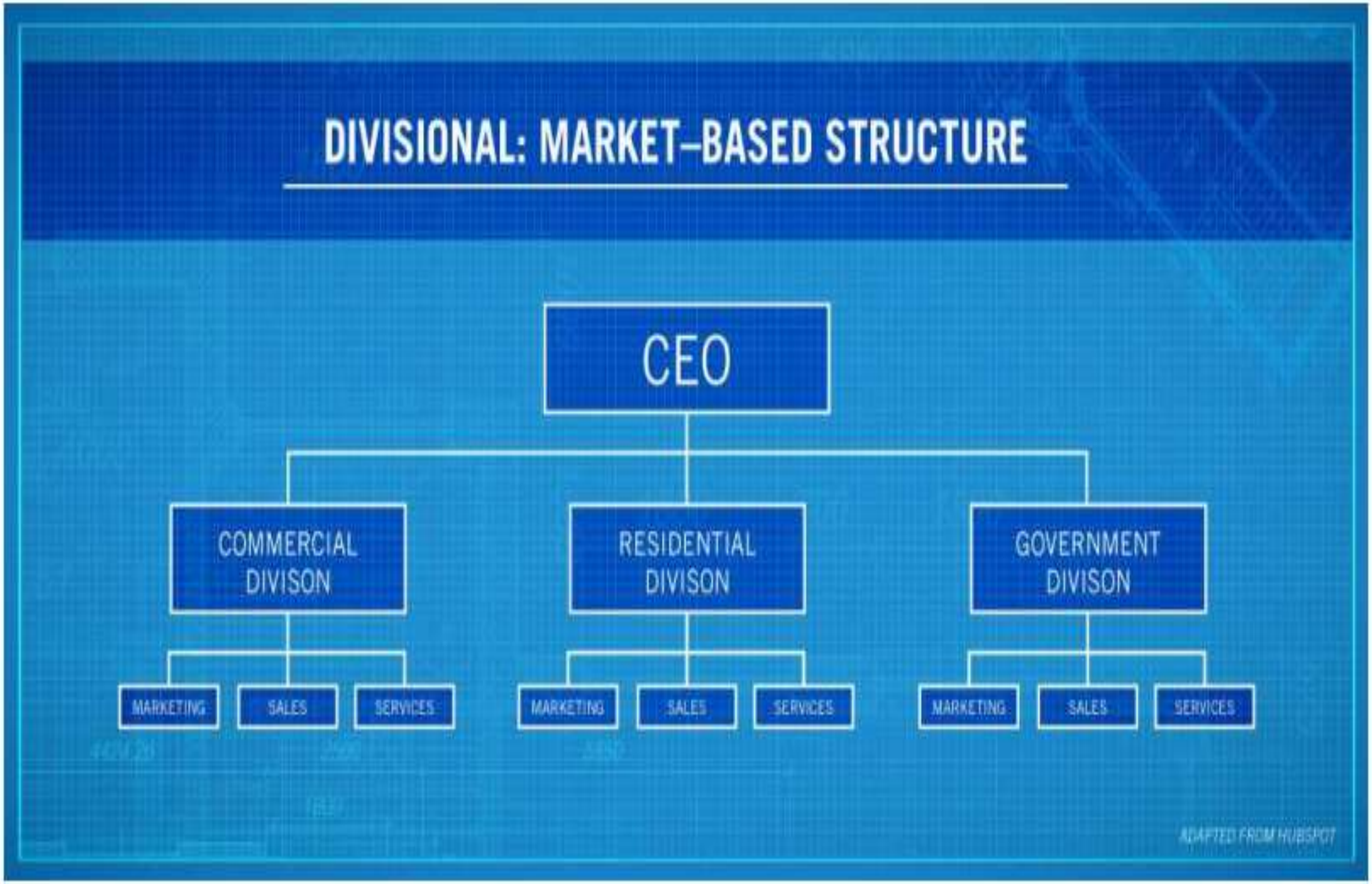


Legend:

HR – Human Resources
MKTG – Marketing
R & D – Research and Development
MFG – Manufacturing
MGR – Manager
DIR – Director
QC – Quality Control
PRODN – Production
FIN – Finance
GM – General Manager
FM - Foreman

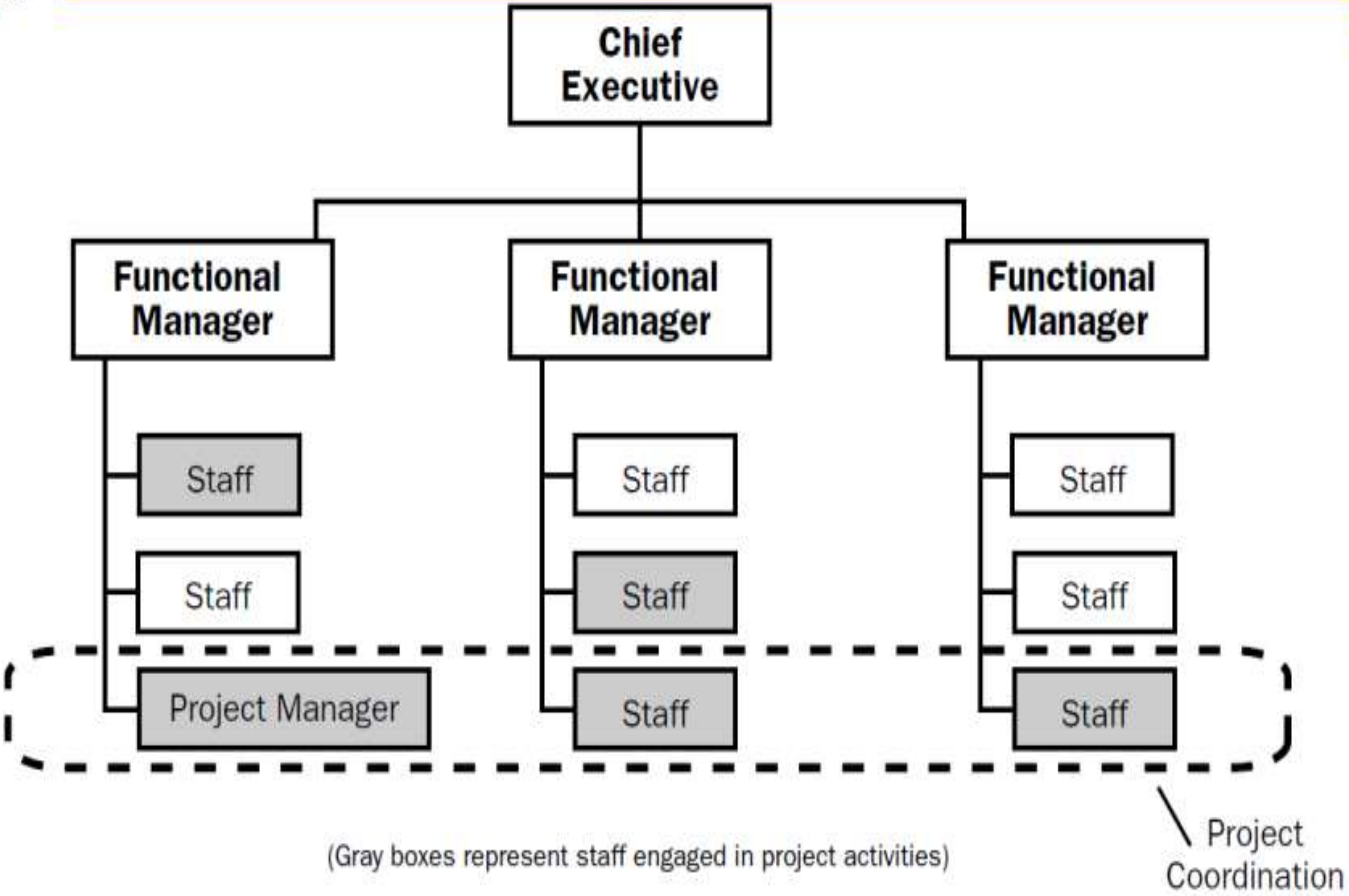
DIVISIONAL ORGANIZATION

- Within a divisional structure, each organizational function has its own division which corresponds to either products or geographies. Each division contains the necessary resources and functions needed to support the product line and geography.
- Another form of divisional org chart structure is the multi-divisional structure. It's also known as M-form. It's a legit structure in which one parent company owns several subsidiary companies, each of which uses the parent company's brand and name.
- The main advantage of the divisional structure is the independent operational flow, that failure of one company does not threaten the existence of the others.


DIVISIONAL: MARKET–BASED STRUCTURE
CEO
COMMERCIAL DIVISON
RESIDENTIAL DIVISON
GOVERNMENT DIVISON
MARKETING
SALES
SERVICES
MARKETING
SALES
SERVICES
MARKETING
SALES
SERVICES
ADAPTED FROM HUBSPOT

PROJECT ORGANIZATION

- A project organization is a structure that facilitates the coordination and implementation of project activities. Its main reason is to create an environment that fosters interactions among the team members with a minimum amount of disruptions, overlaps and conflict.
- One of the important decisions of project management is the form of organizational structure that will be used for the project. Each project has its unique characteristics and the design of an organizational structure should consider the organizational environment, the project characteristics in which it will operate, and the level of authority the project manager is given.
- A project structure can take on various forms with each form having its own advantages and disadvantages. One of the main objectives of the structure is to reduce uncertainty and confusion that typically occurs at the project initiation phase. The structure defines the relationships among members of the project management and the relationships with the external environment. The structure defines the authority by means of a graphical illustration called an organization chart.


Chief Executive
Functional Manager
Functional Manager
Functional Manager
Staff
Staff
Project Manager
Staff
Staff
Staff
Staff
Staff
Staff
(Gray boxes represent staff engaged in project activities)
Project Coordination

MATRIX ORGANIZATION

- A hybrid organizational structure, the matrix structure is a blend of the functional organizational structure and the projectized organizational structure.
- In the matrix structure, employees may report to two or more bosses depending on the situation or project. For example, under normal functional circumstances, an engineer at a large engineering firm could work for one boss, but a new project may arise where that engineer's expertise is needed. For the duration of that project, the employee would also report to that project's manager, as well as his or her boss for all other daily tasks.
- The matrix structure is challenging because it can be tough reporting to multiple bosses and knowing what to communicate to them. That's why it's very important for the employees to know their roles, responsibilities and work priorities.

DEPARTMENTATION:

- Departmentation is a process of ***dividing the large monolithic functional organization into small and flexible administrative group.***

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IMPORTANCE OF DEPARTMENTATION:

- Provides autonomous.
- Increases ***operating efficiency.***
- Helps in ***fixing the responsibilities*** to various executives.
- Easier for ***appraisal identification.***
- Facilitates ***budget preparation, control over expenditure.***

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DEPARTMENTATION TYPES:

1. Departmentation by numbers:

- Departments are created on the ***basis of strength of employees.***
- Same activities will be performed by small groups.
- e.g.: Military

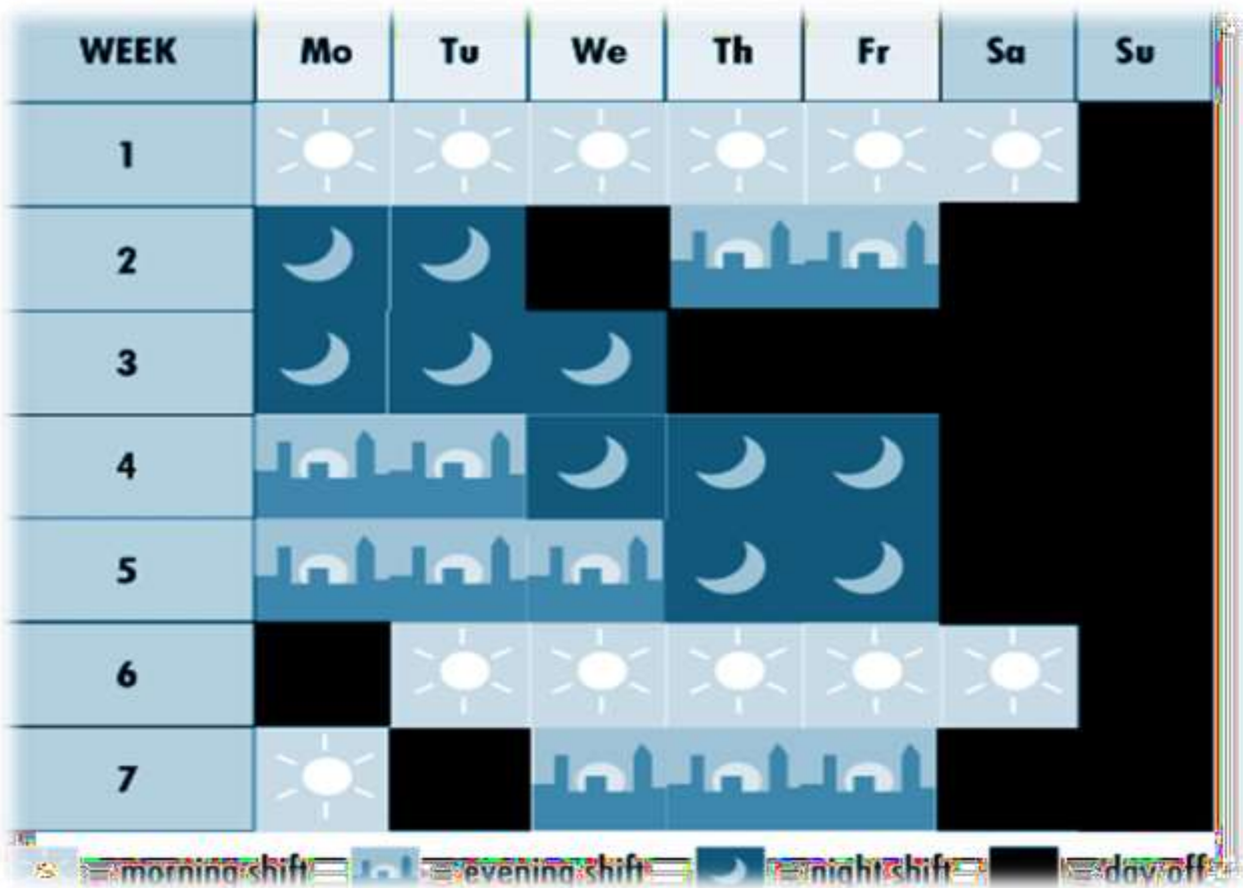
Number Departmentalization

- Division "**A**" Department
- Division "**B**" Department
- Division "**C**" Department
- Division "**D**" Department

DEPARTMENTATION TYPES:

2. Departmentation by time:

- Departments are formed on the ***basis of time of performance.***
- e.g.: Shift work



DEPARTMENTATION TYPES:

2. Departmentation by time:

Advantages:

- ***24 × 7*** service.
- May provide ***part time work***.

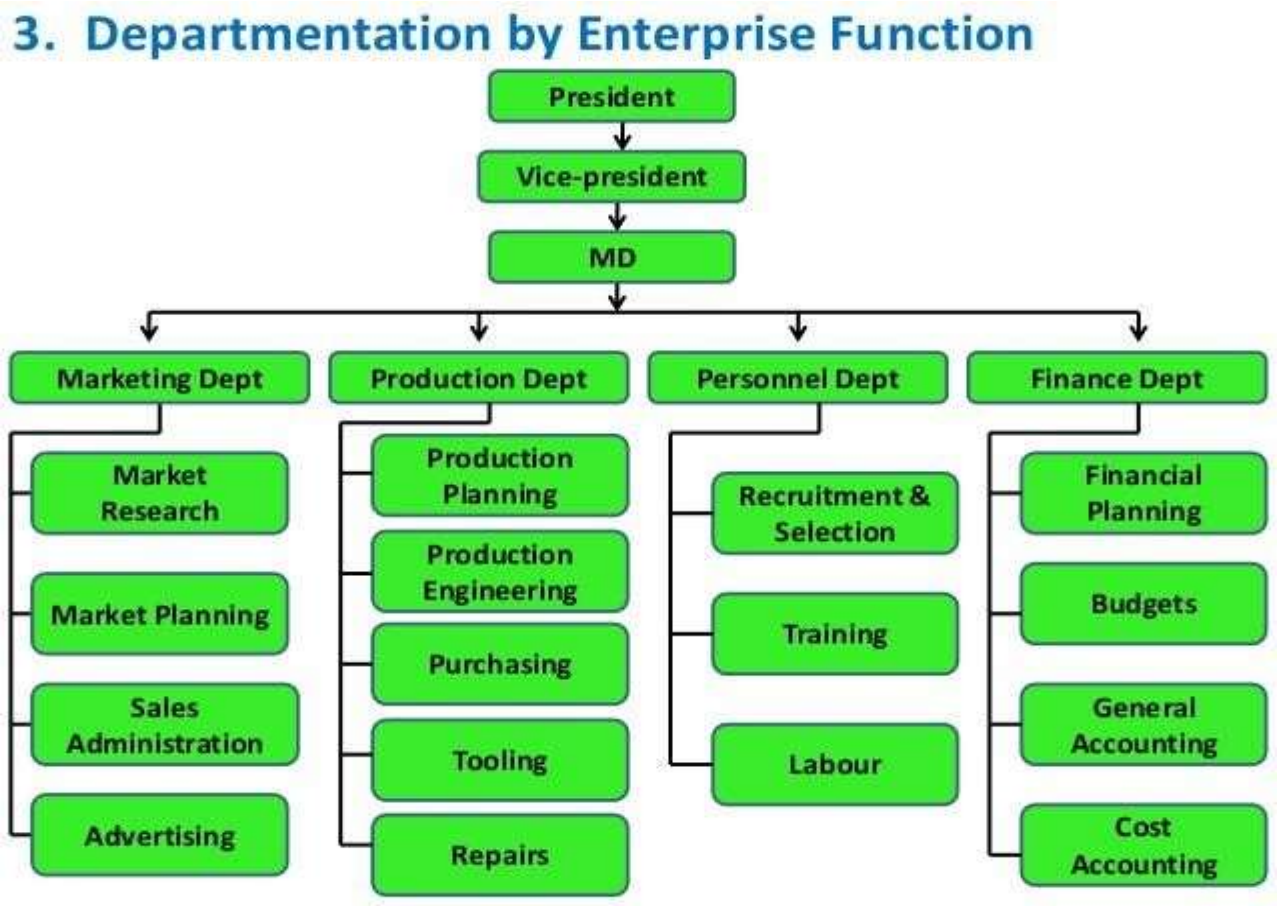
Disadvantages:

- Night time ***supervision.***
- ***Lack of coordination.***

DEPARTMENTATION TYPES:

3. Departmentation by function:

- Departments are formed on the ***basis of work nature.***
- Large scale enterprise follows this method.



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DEPARTMENTATION TYPES:

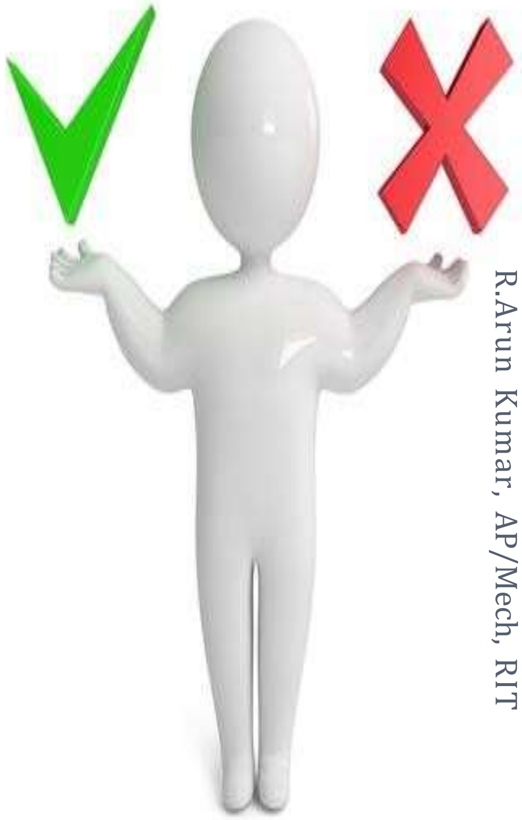
3. Departmentation by function:

Advantages:

- Ensures ***performance control.***
- Facilitates ***delegation of authority.***
- Ensures ***coordination.***

Disadvantages:

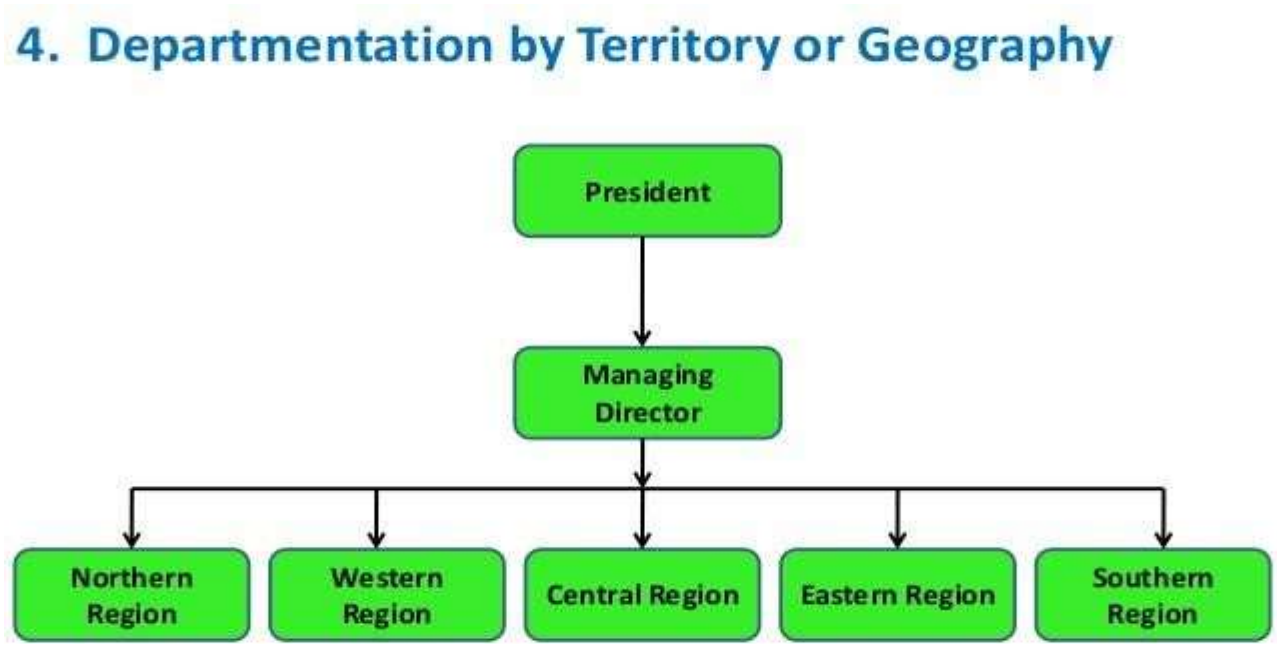
- Lack of interdepartmental ***communication.***



DEPARTMENTATION TYPES:

4. Departmentation by territory:

- Departments are formed on the ***basis of geographical function*** of organization.



DEPARTMENTATION TYPES:

4. Departmentation by territory:

Advantages:

- Helps the organization to ***improve sales.***
- ***Reduces*** operation ***cost.***
- Expands ***business.***

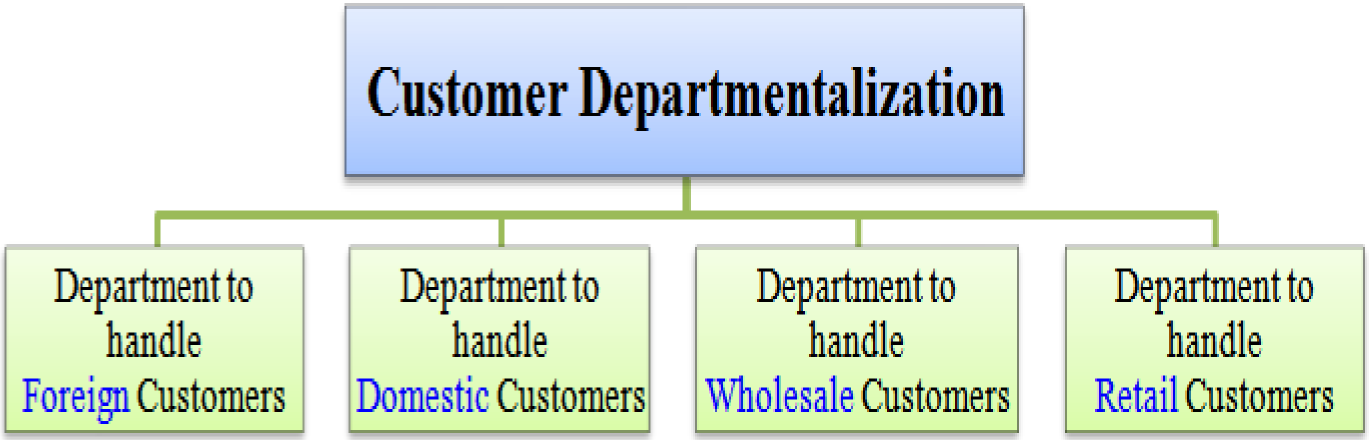
Disadvantages:

- Lack of communication among branch organization.
- Friction between regional managers.

DEPARTMENTATION TYPES:

5. Departmentation by customers:

- Departments are formed on the basis ***of needs of customer.***
- Each expert will ***serve a specific group of customer.***



DEPARTMENTATION TYPES:

5. Departmentation by customers:

Advantages:

- Facilitates concentration on ***customer satisfaction.***
- Helps to analyze the ***market requirement.***

Disadvantages:

- ***Need experts*** in specific problems.
- ***Production*** activities ***cannot be organized*** effectively.

DEPARTMENTATION TYPES:

6. Departmentation by process:

- Departments are formed on the ***basis of equipments and process.***
- e.g. Ginning, spinning, weaving, etc. in a textile industry.

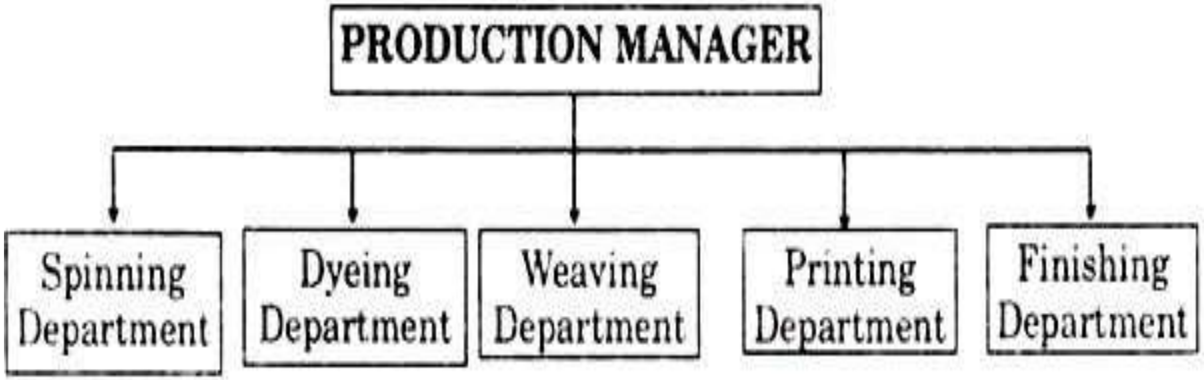


Fig. 6.10. Departmentation by process (Textile mill)

DEPARTMENTATION TYPES:

6. Departmentation by process:

Advantages:

- Focuses on optimistic ***technology.***
- Effective ***utilization of resources.***

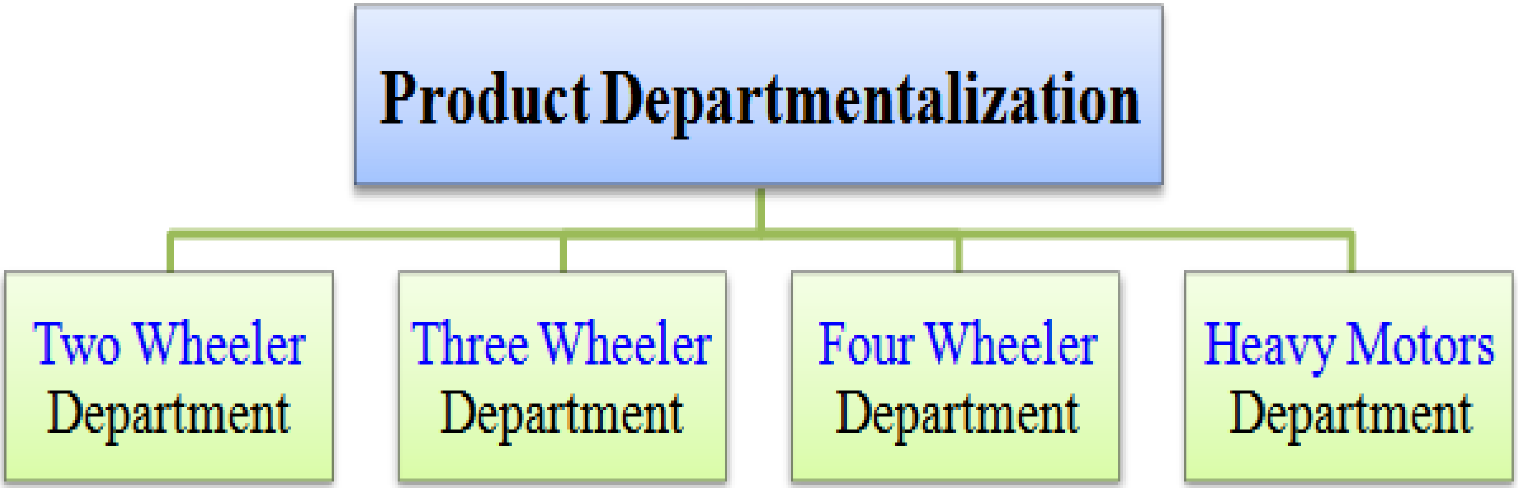
Disadvantages:

- Lack of ***coordination.***
- ***Experts are required.***
- ***Conflicts.***

DEPARTMENTATION TYPES:

7. Departmentation by product:

- Departments are formed on the ***basis of type of service and product***.
- Each department will have ***individual functional departments.***
- e.g. Kirloskar, Honda



DEPARTMENTATION TYPES:

8. Matrix organization

9. Strategic Business Unit.

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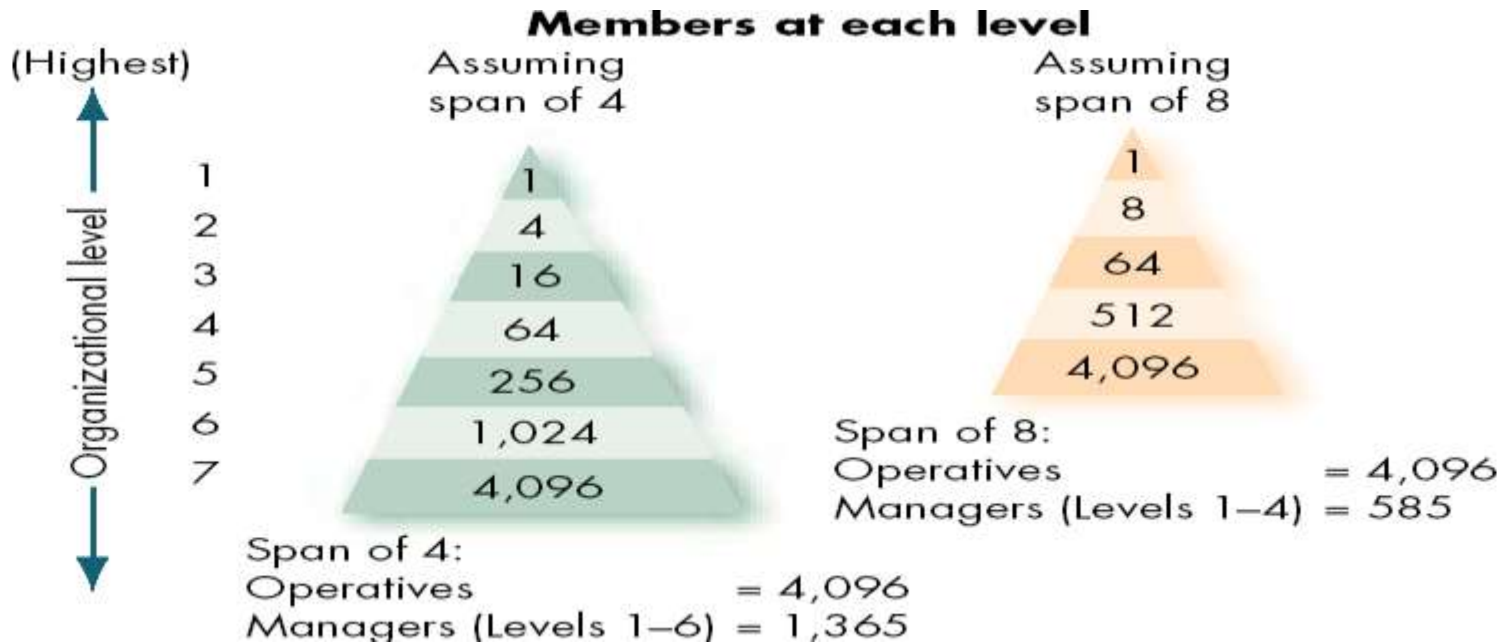
SPAN OF CONTROL:

- Span of control is defined as the ***number of employees a manager can effectively manage.***
- If span of control increases, it ***reduces the operational cost*** of an organization.
- But sometimes, ***wider the span lesser will be the effectiveness*** of control.



DELEGATION OF AUTHORITY:

- Delegation is the process of ***granting authority or right to decision making*** in certain defined areas and charging the subordinate with responsibility for carrying through assigned task.

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DELEGATION OF AUTHORITY:

- It is common knowledge that there is a ***limit to the number of subordinates a superior can effectively manage,*** however talented he may be.
- Once a man's job grows beyond his personal ability, ***he succeeds when he delegates his authority.***

Process of Delegation:

Process of Delegation:

1. Sizing up the work:

- Superior has to ***assess his/her workload*** in terms of activities and task to be assigned to him/her and result expected of him.
- He/she should analyze ***which part of work has to be delegated.***

Process of Delegation:

2. Assignment of duties to subordinates:

- Subordinates must explained about the ***nature of work, limitation of authority, target expected.***

Process of Delegation:

3. Granting of authority to perform duty:

- In this process ***official authority*** will be given to the subordinate.
- Work force below the delegate will be ***instructed to follow the commands of delegate.***

Process of Delegation:

4. Creation of obligation:

- Delegate will be ***taking in charge.***
- He/she will be ***responsible for all the activities performed.***

Advantages of Delegation:

- ***Reduction of*** executive ***burden.***
- Facility of ***expansion /multiplicity of skill.***
- Efficient running of ***branch organizations.***
- Identification of ***talents.***

Disadvantages of delegation:

- ***Dependence*** on managers.
- ***Failure in completion*** of duty, due to lack of skill.
- ***Conflict*** among workers.