ORGANISING:

- **Organizing** is arranging and structuring work to accomplish organizational goals. It's an important process during which managers design an organization's structure.
- **Organizational structure** is the formal arrangement of jobs within an organization.
- When managers create or change the structure, they're engaged in **organizational design**, a process that involves decisions about six key elements: work specialization, departmentalization, chain of command, span of control, centralization and decentralization, and formalization.

Departmentalization:

After deciding what job tasks will be done by whom, common work activities need to be grouped back together so work gets done in a coordinated and integrated way.

FUNCTIONAL DEPARTMENALIZATION—Groups Jobs According to Function

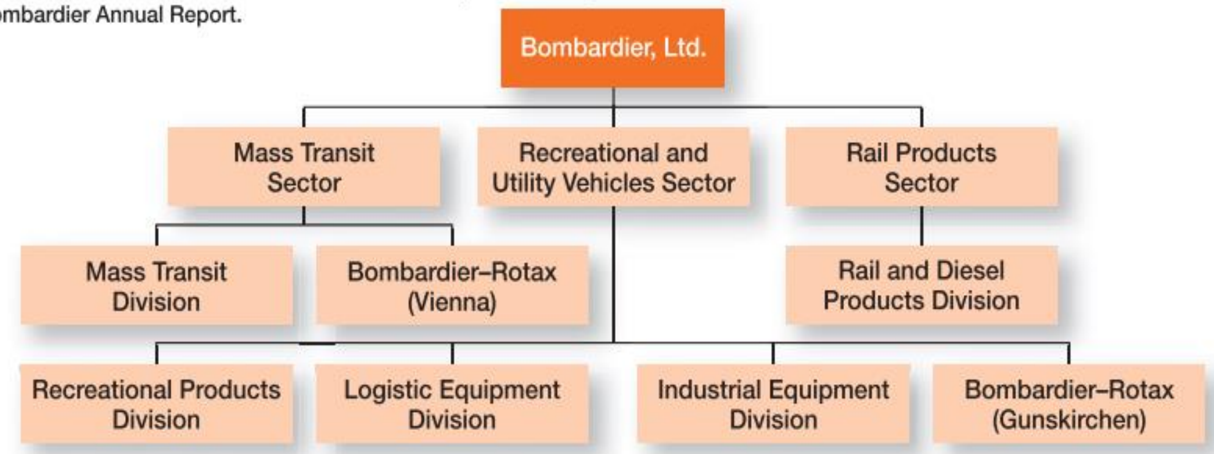
+ Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations
+ Coordination within functional area
+ In-depth specialization
– Poor communication across functional areas
– Limited view of organizational goals

GEOGRAPHICAL DEPARTMENTALIZATION—Groups Jobs According to Geographic Region

+ More effective and efficient handling of specific regional issues that arise
+ Serve needs of unique geographic markets better
– Duplication of functions
– Can feel isolated from other organizational areas

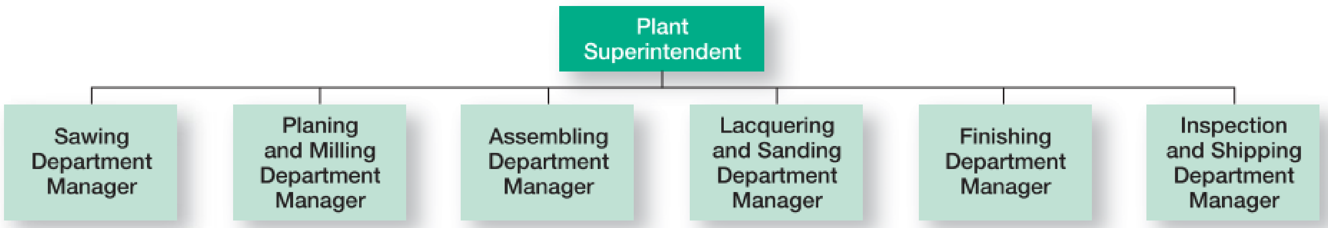
PRODUCT DEPARTMENTALIZATION—Groups Jobs by Product Line

Source: Bombardier Annual Report.



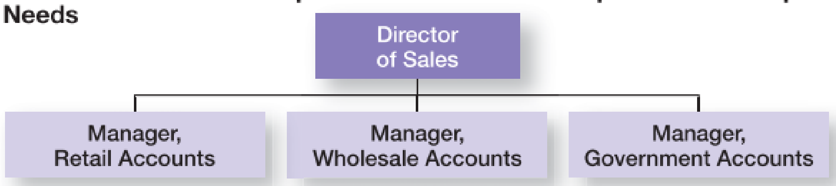
+ Allows specialization in particular products and services
+ Managers can become experts in their industry
+ Closer to customers
– Duplication of functions
– Limited view of organizational goals

PROCESS DEPARTMENTALIZATION—Groups Jobs on the Basis of Product or Customer Flow



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

CUSTOMER DEPARTMENTALIZATION—Groups Jobs on the Basis of Specific and Unique Customers Who Have Common Needs



+ Customers' needs and problems can be met by specialists
– Duplication of functions
– Limited view of organizational goals

CHAIN OF COMMAND:

The chain of command is the line of authority extending from upper organizational levels to lower levels, which clarifies who reports to whom. Managers need to consider it when organizing work because it helps employees with questions such as "Who do I report to?" or "Who do I go to if I have a problem?"

- AUTHORITY:

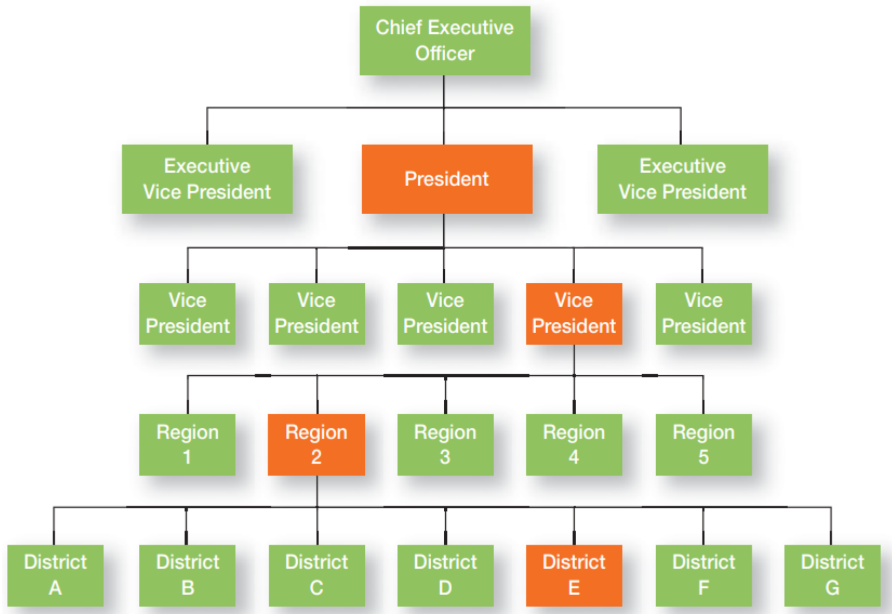
  Authority refers to the rights inherent in a managerial position to tell people what to do and to expect them to do it.8 Managers in the chain of command had authority to do their job of coordinating and overseeing the work of others. Authority could be delegated downward to lower-level managers, giving them certain rights while also prescribing certain limits within which to operate.

  acceptance theory of authority, says that authority comes from the willingness of subordinates to accept it.9 If an employee didn't accept a manager's order, there was no authority.

  Line authority entitles a manager to direct the work of an employee. It is the employer–employee authority relationship that extends from the top of the organization to the lowest echelon, according to the chain of command, a manager with line authority has the right to direct the work of employees and to make certain decisions without consulting anyone. Of course, in the chain of command, every manager is also subject to the authority or direction of his or her superior. In a manufacturing firm, line managers are typically in the production and sales functions, whereas managers in human resources and payroll are considered staff managers with staff authority. Whether a manager's function is classified as line or staff depends on the organization's objectives.

  As organizations get larger and more complex, line managers find that they do not have the time, expertise, or resources to get their jobs done effectively. In response, they create **staff authority** functions to support, assist, advise, and generally reduce some of their informational burdens. For instance, a hospital administrator who cannot effectively handle the purchasing of all the supplies the hospital needs create a purchasing department, which is a staff function.

Chain of Command and Line Authority



Functional authority is the type of authority or power held by senior employees, wherein they assign an employee for a particular period to accomplish a given task. Most of the time functional authority is given for the temporary tasks or projects and then the employee is sent back to his/her original nature of work. It is given to a line or staff manager to do a specific job.

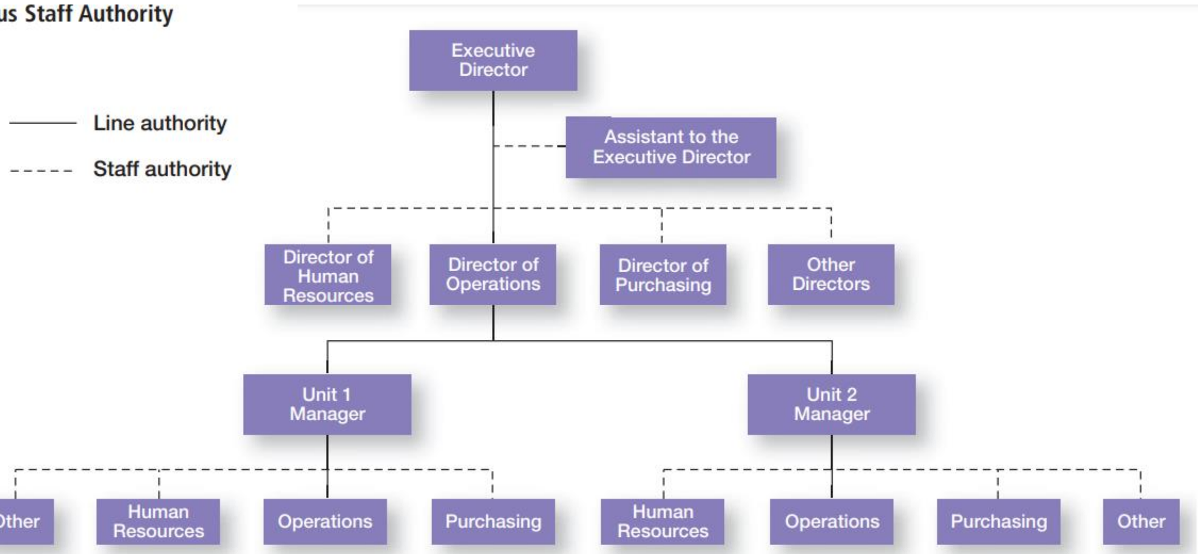
RESPONSIBILITY:

When managers use their authority to assign work to employees, those employees take on an obligation to perform those assigned duties. This obligation or expectation to perform is known as responsibility. And employees should be held accountable for their performance! Assigning work authority without responsibility and accountability can create opportunities for abuse.

ACCOUNTABILITY:

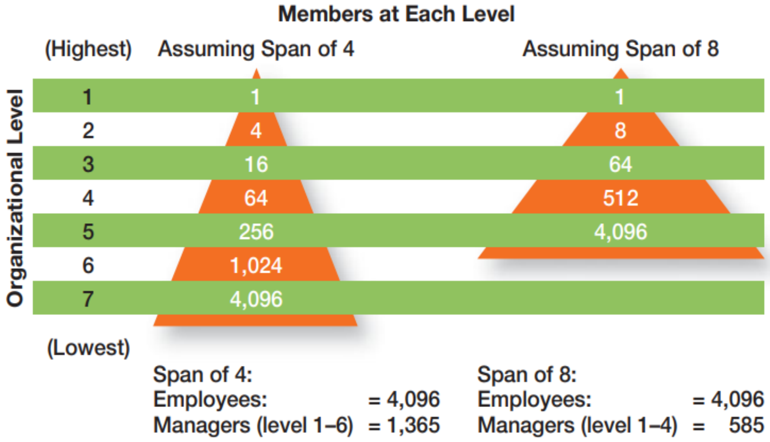
Accountability implies being answerable for the final outcome. Once authority has been delegated and responsibility accepted, one cannot deny accountability. It cannot be delegated and flows upwards, i.e., a subordinate will be accountable to a superior for satisfactory performance of work. It indicates that the manager has to ensure the proper discharge of duties by his subordinates. It is generally enforced through regular feedback on the extent of work accomplished. The subordinate will be expected to explain the consequences of his actions or omissions.

Line Versus Staff Authority



SPAN OF CONTROL:

To a large degree, it determines the number of levels and managers in an organization—an important consideration in how efficient an organization will be. All other things being equal, the wider or larger the span, the more efficient an organization is. Wider spans are more efficient in terms of cost. However, at some point, wider spans may reduce effectiveness if employee performance worsens because managers no longer have the time to lead effectively. Many factors influence the number of employees that a manager can efficiently and effectively manage. These factors include the skills and abilities of the manager and the employees, and the characteristics of the work being done. For instance, managers with well-trained and experienced employees can function well with a wider span. The trend in recent years has been toward larger spans of control, which is consistent with managers' efforts to speed up decision making, increase flexibility, get closer to customers, empower employees, and reduce costs. Managers are beginning to recognize that they can handle a wider span when employees know their jobs well and when those employees understand organizational processes.



Contrasting Spans of Control

Centralization and Decentralization:

Centralization is the degree to which decision making takes place at upper levels of the organization. If top managers make key decisions with little input from below, then the organization is more centralized. On the other hand, the more that lower-level employees provide input or actually make decisions, the more **decentralization** there is. Centralization-decentralization is not an either-or concept, an organization is never completely centralized or decentralized. What works in one organization, however, won't necessarily work in another, so managers must determine the appropriate amount of decentralization for each organization and work units within it. As organizations have become more flexible and responsive to environmental trends, there's been a distinct shift toward decentralized decision making. This trend, also known as **employee empowerment**, gives employees more authority (power) to make decisions. In large companies especially, lower-level managers are "closer to the action" and typically have more detailed knowledge about problems and how best to solve them than do top managers.

FACTORS DETERMINING DECENTRALIZATION:

More Centralization	More Decentralization
• Environment is stable. • Lower-level managers are not as capable or experienced at making decisions as upper-level managers. • Lower-level managers do not want a say in decisions. • Decisions are relatively minor. • Organization is facing a crisis or the risk of company failure. • Company is large. • Effective implementation of company strategies depends on managers retaining say over what happens.	• Environment is complex, uncertain. • Lower-level managers are capable and experienced at making decisions. • Lower-level managers want a voice in decisions. • Decisions are significant. • Corporate culture is open to allowing managers a say in what happens. • Company is geographically dispersed. • Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

ORGANISATIONAL STRUCTURES:

TRADITIONAL:

- **Simple Structure**: Most companies start as entrepreneurial ventures using a simple structure, which is an organizational design with low departmentalization, wide spans of control, authority centralized in a single person, and little formalization. As employees are added the structure tends to become more specialized and formalized. Rules and regulations are introduced, work becomes specialized, departments are created, levels of management are added, and the organization becomes increasingly bureaucratic. At this point, managers might choose a functional structure or a divisional structure.
- A **functional structure** is an organizational design that groups similar or related occupational specialties together. You can think of this structure as functional departmentalization applied to the entire organization.
- The **divisional structure** is an organizational structure made up of separate business units or divisions.40 In this structure, each division has limited autonomy, with a division manager who has authority over his or her unit and is responsible for performance. The parent corporation typically acts as an external overseer to coordinate and control the various divisions, and often provides support services such as financial and legal.

Simple Structure

- Strengths: Fast; flexible; inexpensive to maintain; clear accountability.
- Weaknesses: Not appropriate as organization grows; reliance on one person is risky.

Functional Structure

- Strengths: Cost-saving advantages from specialization (economies of scale, minimal duplication of people and equipment); employees are grouped with others who have similar tasks.
- Weaknesses: Pursuit of functional goals can cause managers to lose sight of what's best for the overall organization; functional specialists become insulated and have little understanding of what other units are doing.

Divisional Structure

- Strengths: Focuses on results—division managers are responsible for what happens to their products and services.
- Weaknesses: Duplication of activities and resources increases costs and reduces efficiency.

CONTEMPORARY:

Many managers are finding that the traditional designs often aren't appropriate for today's increasingly dynamic and complex environment. Instead, organizations need to be lean, flexible, and innovative; that is, they need to be more organic. So managers are finding creative ways to structure and organize work. These contemporary designs include team structures, matrix and project structures, boundaryless organizations, and learning organizations.

TEAM STRUCTURES:

Team structure is one in which the entire organization is made up of work teams that do the organization's work.4 In this structure, employee empowerment is crucial because no line of managerial authority flows from top to bottom. Rather, employee teams design and do work in the way they think is best, but the teams are also held responsible for all work performance results in their respective areas. In large organizations, the team structure complements what is typically a functional or divisional structure and allows the organization to have the efficiency of a bureaucracy and the flexibility that teams provide.

Team Structure

• What it is:	A structure in which the entire organization is made up of work groups or teams.
• Advantages:	Employees are more involved and empowered. Reduced barriers among functional areas.
• Disadvantages:	No clear chain of command. Pressure on teams to perform.

Matrix-Project Structure

• What it is:	Matrix is a structure that assigns specialists from different functional areas to work on projects who then return to their areas when the project is completed. Project is a structure in which employees continuously work on projects. As one project is completed, employees move on to the next project.
• Advantages:	Fluid and flexible design that can respond to environmental changes. Faster decision making.
• Disadvantages:	Complexity of assigning people to projects. Task and personality conflicts.

Boundaryless Structure

• What it is:	A structure that is not defined by or limited to artificial horizontal, vertical, or external boundaries; includes *virtual* and *network* types of organizations.
• Advantages:	Highly flexible and responsive. Utilizes talent wherever it's found.
• Disadvantages:	Lack of control. Communication difficulties.

Learning Structure

• What it is:	A structure in which employees continually acquire and share new knowledge and apply that knowledge.
• Advantages:	Sharing of knowledge throughout organization. Sustainable source of competitive advantage.
• Disadvantages:	Reluctance on part of employees to share knowledge for fear of losing their power. Large numbers of experienced employees on the verge of retiring.

Matrix and Project Structures:

Matrix structure assigns specialists from different functional departments to work on projects being led by a project manager. One unique aspect of this design is that it creates a dual chain of command because employees in a matrix organization have two managers: their functional area manager and their product or project manager, who share authority. The project manager has authority over the functional members who are part of his or her project team in areas related to the project's goals. Any decisions about promotions, salary recommendations, and annual reviews typically remain the functional manager's responsibility. The matrix design "violates" the unity of command principle, which says that each person should report to only one boss. Despite that, it can, and does, work effectively if both managers communicate regularly, coordinate work demands on employees, and resolve conflicts together.

Project structure, is in which employees continuously work on projects. Unlike the matrix structure, a project structure has no formal departments where employees return at the completion of a project. Instead, employees take their specific skills, abilities, and experiences to other projects. Also, all work in project structures is performed by teams of employees. Project structures tend to be more flexible organizational designs, without the departmentalization or rigid organizational hierarchy that can slow down making decisions or taking action. In this structure, managers serve as facilitators, mentors, and coaches.

They eliminate or minimize organizational obstacles and ensure that teams have the resources they need to effectively and efficiently complete their work.

The Boundaryless Organization:

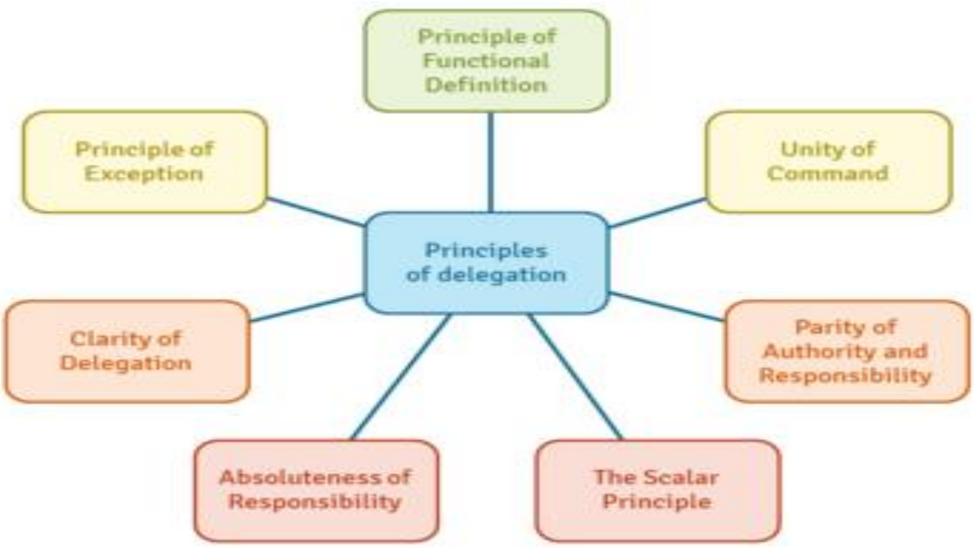
Boundaryless organization, which is an organization whose design is not defined by, or limited to, the horizontal, vertical, or external boundaries imposed by a predefined structure. Although the idea of eliminating boundaries may seem odd, many of today's most successful organizations are finding that they can operate most effectively by remaining flexible and unstructured: that the ideal structure for them is not having a rigid, bounded, and predefined structure. There are two types of boundaries: (1) internal—the horizontal ones imposed by work specialization and departmentalization and the vertical ones that separate employees into organizational levels and hierarchies; and (2) external—the boundaries that separate the organization from its customers, suppliers, and other stakeholders. To minimize or eliminate these boundaries, managers might use virtual or network structural designs.

- VIRTUAL ORGANIZATION: A virtual organization typically consists of a small core of full-time employees and outside specialists temporarily hired as needed to work on projects. By relying on these virtual employees, the company enjoys a network of talent without all the unnecessary overhead and structural complexity.
- NETWORK ORGANIZATION: Smart Balance's structural approach is one that also eliminates organizational boundaries and can be described as a network organization, which uses its own employees to do some work activities and networks of outside suppliers to provide other needed product components or work processes. This organizational form is sometimes called a modular organization by manufacturing firms. Such an approach allows organizations to concentrate on what they do best by contracting out other activities to companies that do those activities best.

LEARNING ORGANIZATION:

learning organization, an organization that has developed the capacity to continuously learn, adapt, and change. In a learning organization, employees continually acquire and share new knowledge and apply that knowledge in making decisions or doing their work. Employees throughout the entire organization—across different functional specialties and even at different organizational levels—must share information and collaborate on work activities. Such an environment requires minimal structural and physical barriers, which allows employees to work together in doing the organization's work the best way they can and, in the process, learn from each other. Finally, empowered work teams tend to be an important feature of a learning organization's structural design. These teams make decisions about doing whatever work needs to be done or resolving issues. With empowered employees and teams, there's little need for "bosses" to direct and control. Instead, managers serve as facilitators, supporters, and advocates.

DELEGATION:



Delegation is the assignment of authority to another person to carry out specific duties. It allows an employee to make decisions. Delegation should not be confused with participation. In participative decision making, authority is shared. In delegation, employees make decisions on their own.

STEPS:

- Clarify the assignment: Determine what is to be delegated and to whom. You need to identify the person who's most capable of doing the task and then determine whether he or she has the time and motivation to do the task. If you have a willing and able employee, it's your responsibility to provide clear information on what is being delegated, the results you expect, and any time or performance expectations you may have.
- Specify the employee's range of discretion: Every situation of delegation comes with constraints. Although you're delegating to an employee the authority to perform some task or tasks, you're not delegating unlimited authority. You are delegating authority to act on certain issues within certain parameters.
- Allow the employee to participate: One of the best ways to decide how much authority will be necessary to accomplish a task is to allow the employee who will be held accountable for that task to participate in that decision.
- Inform others that delegation has occurred: Delegation shouldn't take place behind the scenes. Not only do the manager and employee need to know specifically what has been delegated and how much authority has been given, but so does anyone else who's likely to be affected by the employee's decisions and actions.
- Establish feedback channels: To delegate without establishing feedback controls is inviting problems. The establishment of controls to monitor the employee's performance increases the likelihood that important problems will be identified and that the task will be completed on time and to the desired specifications. Ideally, these controls should be determined at the time of the initial assignment. Agree on a specific time for the completion of the task and then set progress dates when the employee will report back on how well he or she is doing and any major problems that may have arisen.

CONTROLLING:

It's the process of monitoring, comparing, and correcting work performance. All managers should control even if their units are performing as planned because they can't really know that unless they've evaluated what activities have been done and compared actual performance against the desired standard. Effective controls ensure that activities are completed in ways that lead to the attainment of goals. Whether controls are effective, then, is determined by how well they help employees and managers achieve their goals.

IMPORTANCE:

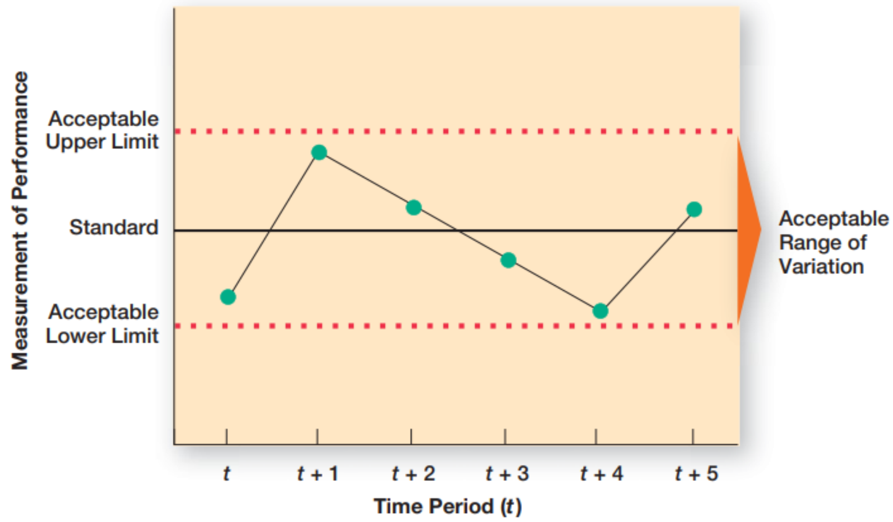
- There's no assurance that activities are going as planned and that the goals employees and managers are working toward are, in fact, being attained. Control is important, therefore, because it's the only way that managers know whether organizational goals are being met and if not, the reasons why.
- Second reason controlling is important is because of employee empowerment. Many managers are reluctant to empower their employees because they fear something will go wrong for which they would be held responsible. But an effective control system can provide information and feedback on employee performance and minimize the chance of potential problems.
- The final reason that managers control is to protect the organization and its assets. Today's environment brings heightened threats from natural disasters, financial scandals, workplace violence, supply chain disruptions, security breaches, and even possible terrorist attacks. Managers must protect organizational assets in the event that any of these things should happen. Comprehensive controls and backup plans will help assure minimal work disruptions.

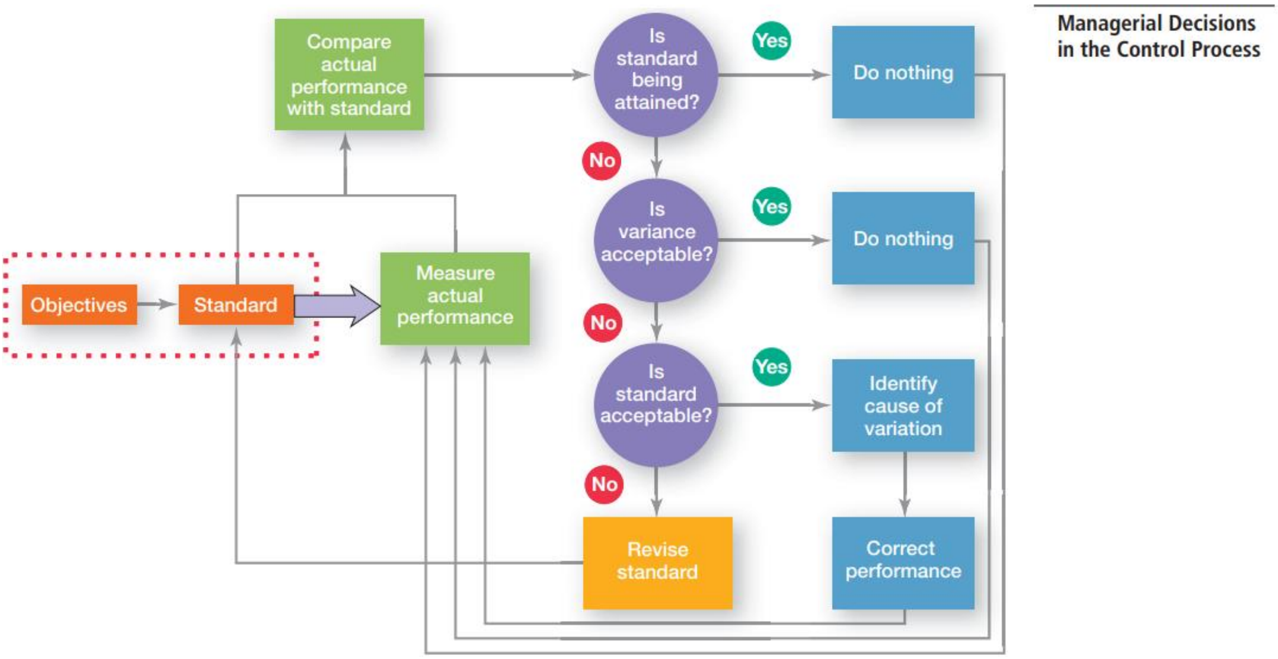
NATURE:

- Controlling is a goal-oriented function of management: It aims at ensuring that the resources of the organization are used effectively and efficiently for the achievement of pre-determined organizational goals.
- Controlling is a continuous process: It means that once the actual performance and standard performance of a business are compared and corrective actions are taken, the controlling process does not end. Instead, the firms have to continuously review the performance and revise the standards.
- Controlling is all-pervasive: It means that the controlling function is exercised by the firms at all levels of management. The extent of control and nature of the function may vary at every level. Also, a controlling process is required in both non-business and business organizations.
- Controlling process is both a forward-looking and backward-looking function: As a forward-looking function, it aims at improving the future performance of an organization on the basis of its past experiences. However, as a backward-looking function, it measures and compares the actual performance and planned performance (fixed in past) of the organization.

The Control Process

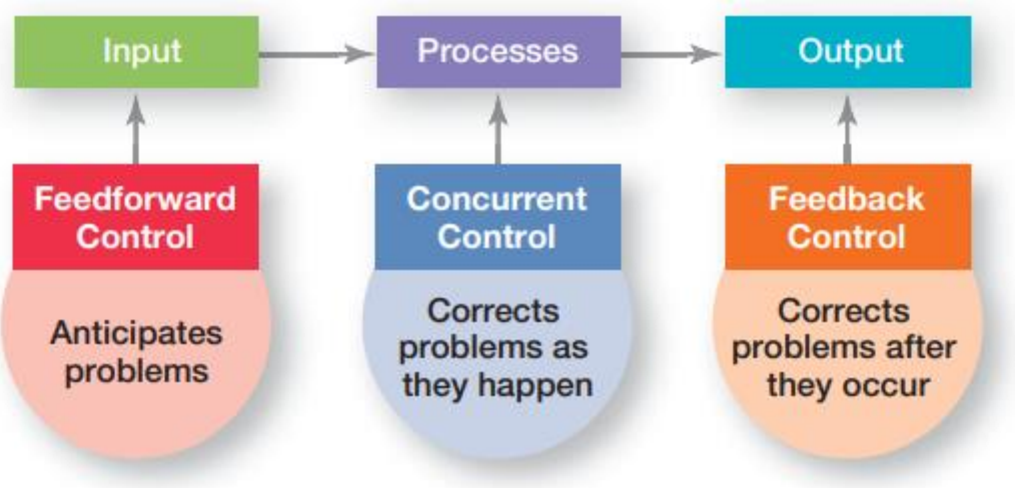
Acceptable Range of Variation





TOOLS FOR MEASURING ORGANIZATIONAL PERFORMANCE:

All managers need appropriate tools for monitoring and measuring organizational performance. Before describing some specific types of control tools, let's look at the concept of feedforward, concurrent, and feedback control.



Managers can implement controls before an activity begins, during the time the activity is going on, and after the activity has been completed. The first type is called feedforward control; the second, concurrent control; and the last, feedback control.

- The most desirable type of control—feedforward control—prevents problems because it takes place before the actual activity. The key to feedforward controls is taking managerial action before a problem occurs. That way, problems can be prevented rather than having to correct them after any damage has already been done. However, these controls require timely and accurate information that isn't always easy to get.
- Concurrent control, as its name implies, takes place while a work activity is in progress. The best-known form of concurrent control is direct supervision. Another term for it is management by walking around, which is when a manager is in the work area interacting directly with the employees. All managers can benefit from using concurrent control because they can correct problems before they become too costly.
- The most popular type of control relies on feedback. In feedback control, the control takes place after the activity is done. the major problem with this type of control. By the time a manager has the information, the problems have already occurred, leading to waste or damage. However, in

many work areas, financial being one example, feedback is the only viable type of control. Feedback controls do have two advantages:

- gives managers meaningful information on how effective their planning efforts were.
- feedback can enhance motivation. People want to know how well they're doing and feedback provides that information

Let's look at some specific control tools that managers can use:

Financial Controls:

Every business wants to earn a profit. To achieve this goal, managers need financial controls. They might analyse quarterly income statements for excessive expenses. They might also calculate financial ratios to ensure that sufficient cash is available to pay ongoing expenses, that debt levels haven't become too high, or that assets are being used productively. Managers might use traditional financial measures such as ratio analysis and budget analysis. Budgets are planning and controlling tools. But budgets are also used for controlling because they provide managers with quantitative standards against which to measure and compare resource consumption. If deviations are significant enough to require action, the manager examines what has happened and tries to uncover why. With this information, necessary action can be taken.

Balanced Scorecard:

A balanced scorecard typically looks at four areas that contribute to a company's performance: financial, customer, internal processes, and people/innovation/growth assets. According to this approach, managers should develop goals in each of the four areas and then measure whether the goals are being met. Although a balanced scorecard makes sense, managers will tend to focus on areas that drive their organization's success and use scorecards that reflect those strategies.

Information Controls:

Managers deal with information controls in two ways:

- a tool to help them control other organizational activities
- as an organizational area they need to control

Managers need the right information at the right time and in the right amount to monitor and measure organizational activities and performance. A management information system (MIS) is a system used to provide managers with needed information on a regular basis. MIS focuses specifically on providing managers with information (processed and analysed data), not merely data (raw, unanalysed facts). The issue is not a lack of data; instead, the issue is whether an organization has the ability to process that data so that the right information is available to the right person when he or she needs it. An MIS collects data and turns them into relevant information for managers to use. Because information is critically important to everything an organization does, managers must have comprehensive and secure controls in place to protect that information. Such controls can range from data encryption to system firewalls to data backups, and other techniques as well. Needless to say, information controls should be monitored regularly to ensure that all possible precautions are in place to protect important information.

Benchmarking of Best Practices:

Benchmarking, which is the search for the best practices among competitors or noncompetitors that lead to their superior performance. Benchmarking should identify various benchmarks, which are the standards of excellence against which to measure and compare. At its most basic, benchmarking means learning from others. As a tool for monitoring and measuring organizational performance, benchmarking can be used to identify specific performance gaps and potential areas of improvement Sometimes those best practices can be found inside the organization and just need to be shared.

DIRECTING:

Directing refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives.

NATURE:

- Directing initiates action: Directing is a key managerial function. While other functions prepare a setting for action, directing initiates action in the organisation.
- Directing takes place at every level of management: Every manager, from top executive to supervisor performs the function of directing. The directing takes place wherever superior – subordinate relations exist.
- Directing is a continuous process: Directing is a continuous activity. It takes place throughout the life of the organisation irrespective of people occupying managerial positions. The managers may change but the directing process continues because without direction the organisational activities cannot continue further.
- Directing flows from top to bottom: Directing is first initiated at top level and flows to the bottom through organisational hierarchy. It means that every manager can direct his immediate subordinate.

IMPORTANCE:

- Directing helps to initiate action by people in the organisation towards attainment of desired objectives.
- Directing integrates employees efforts in the organisation in such a way that every individual effort contributes to the organisational performance. Thus, it ensures that the individuals work for organisational goals.
- Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. A good leader can always identify the potential of his employees and motivate them to extract work up to their full potential.
- Directing facilitates introduction of needed changes in the organisation. Generally, people have a tendency to resist changes in the organisation. Effective directing through motivation, communication and leadership helps to reduce such resistance and develop required cooperation in introducing changes in the organisation
- Effective directing helps to bring stability and balance in the organisation since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments.

PRINCIPLES:

- Maximum individual contribution: This principle emphasises that directing techniques must help every individual in the organisation to contribute to his maximum potential for achievement of organisational objectives. It should bring out untapped energies of employees for the efficiency of organisation.
- Harmony of objectives: Very often, we find that individual objectives of employees and the organisational objectives as understood are conflicting to each other. But, good directing should provide harmony by convincing that employee rewards and work efficiency are complimentary to each other.
- Unity of Command: This principle insists that a person in the organisation should receive instructions from one superior only. If instructions are received from more than one, it creates confusion, conflict and disorder in the organisation.
- Appropriateness of direction technique: According to this principle, appropriate motivational and leadership technique should be used while directing the people based on subordinate needs, capabilities, attitudes and other situational variables.
- Managerial communication: Effective managerial communication across all the levels in the organisation makes direction effective. Directing should convey clear instructions to create total understanding to subordinates.

- Use of informal organisation: A manager should realise that informal groups or organisations exist within every formal organisation. He should spot and make use of such organisations for effective directing.
- Leadership: While directing the subordinates, managers should exercise good leadership as it can influence the subordinates positively without causing dissatisfaction among them.
- Follow through: Mere giving of an order is not sufficient. Managers should follow it up by reviewing continuously whether orders are being implemented accordingly or any problems are being encountered. If necessary, suitable modifications should be made in the directions.