

Lecture 8 Basics of Organizing and Organizational Design

-Definition of organizing:

- Dividing works into units
- Allocate those units of tasks to specific indiv & dept.

-Organizing functions serves four purposes:

- Dividing the tasks into jobs
- Delegation of authority
- Bases for departments
- Sizes of each department

-Formalization

- Expectations from a job and how to accomplish the job is specified, written, and enforced.
- Rules and regulations are clear and precise
- E.g. Passport office

-Centralization

- Refers to the location of decision making authority in the hierarchy

-Complexity

- Refers to the differences among jobs and units/differentiations
- The more types of jobs and functions, the more complex the org will be

-Division of labor

- Also known as specialization
- Refers to dividing the actual work into specific tasks that have specific activities
- A good manager knows how to break down a job into smaller parts
- Employees will perform right tasks at the right time
- Purpose of division of labor is to achieve efficiency

-Advantages of division of labor

- When job consists of fewer tasks, cost of training goes down
- Learning curve goes down
- Specialization of labor at the job level

Assuming job is a collection of tasks

- Work pace
 - The faster an individual works, the lesser is the degree of specialization
- Job repetitiveness
 - The greater the number of tasks(that are different) to perform, the less the job will be specialized
- Skill requirement
 - A skilled employee don't need the job to be very specialized
- Level of supervision
 - The more supervision a job needs the less it will be specialized

- Horizontal differentiation:
 - Refer to the number of jobs at the same

- Vertical differentiation:
 - Refers to the number of levels within an organization
 - E.g. a firm may have 6 levels from CEO to downward

- Highly specialized jobs are more formal, complex, and centralized
- Highly specialized jobs have predictable outcomes
- Highly specialized jobs should be standardized with written procedure

- Delegation of authority
 - It's the right given to an individual to make a decision
 - Person with authority don't need permission from upper mgmt

- Why to delegate authority
 - It gives managers a chance to deal with wide range of issues
 - It encourages professional development
 - Promotes creativity, problem solving skills, & motivation

- Empowerment
 - Employees are cross-trained
 - They deal with unspecialized jobs
 - E.g. an accountant is learning how to deal with dept. of taxation

-Bases of departmentalization

- As the number of jobs increases, the need for a dept. comes in

-Functional dept.

- Jobs are combined according to the functions of the org.

 - E.g. Finance-Mktg-Mgmt-HR-Legal

- The purpose is to achieve efficiency by having separate depts.

- Sometimes org's goal is sacrificed in favor of dept. goals

 - E.g. a manager becomes obsessed with cost saving

-Process dept.

- Usually they are manufacturers of limited products. E.g. a poultry firm

- Functional and process depts. they both look for their internal operation

- They enhance skills and efficiency

-Product dept.

- Usually large diversified companies offering various products
- Jobs are grouped on the basis of a particular product
 - E.g. Toyota has Corolla, Camry, Carina, Echo etc

-Customer dept.

- Jobs are grouped on the basis of customers/clients
- E.g. a brokerage firm
- These types of orgs are usually decentralized

-Geographical dept.

- Here activities of a given region are assigned to a territorial manager

-Multiple dept. bases:

- A large firm may have multiple systems
 - E.g. Matrix org
 - Matrix tries to maximize strengths and minimize weakness
 - Usually applicable for companies that

products and functional depts..

E.g. Ford motors

-Companies that are very large/highly technical/operates in uncertainty are the matrix org.

-Span of control

-Its about how many people a manager can oversee

-It can be formal or informal

-Determinants of optimal span of control:

-Required contact

-A manager of R&D might want to have few scientist in his team

-The more direct contact and supervision needed the less should be the span of control

-Degree of specialization

-The more specialized a job is, the more will be the span of control

-Ability to communicate

-Downsizing:

- Companies around the world are cutting middle levels managers
- When a company lays off a large number of employees