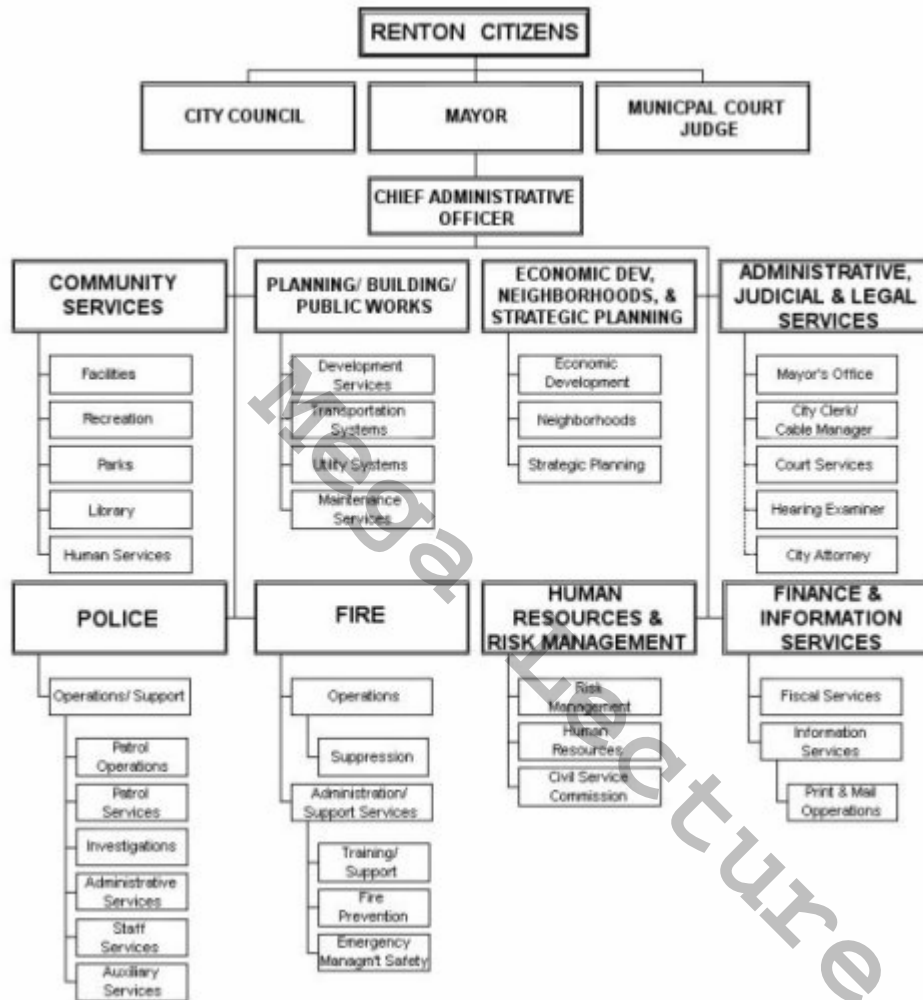# *PEOPLE IN ORGANISATIONS*

a) Organizational Structure
It is the internal framework (formal) of a business that shows the way in which management is linked together and how authority is transmitted. This structure is either created first or developed afterwards.

b) Needs for organization
1) To spot the formal channels of communication within an organization.
2) to find out any communication problem.
3) to help employees to see and understand then positions in organizational structure.
4) to show chain of command and span of control.
5) to pinpoint areas where specialists are needed.
6) to show how different sections and department are related to each other.
7) to minimize the confusions which might occur due to the lack of a good and established organizational structure.

c) <u>Organizational chart</u>
It is a diagram or a chart that records the format structures and relationship within an organization.

d) <u>Hierarchy</u>
It is the orders of level of management in a firm from the highest to the lowest ranks.

e) <u>Chain of command</u>
It is the route through which authority is passed down an organization
long chain of command – several levels
short chain of command – less levels

f) <u>Span of control</u>
It is a number of subordinates working directly under a supervision or a manager
narrow spam of control → Tall organization
wide span of control → Short organization

SPAN OF CONTROL

Q. Compare or differentiate narrow and wide span of control.

Ans. Span of control is the number of subordinates working directly under a manager or director.

NARROW SPAN OF CONTROL	**WIDE SPAN OF CONTROL**
• Manager is responsible for a few subordinates.	• Manager is responsible for large number of subordinates
• Less chance of delegation since manager can easily keep control over subordinates.	• Greater delegation necessary as difficult to keep control over all subordinates
• Less trust fill by employees as greater direct control	• Greater motivation as more trust placed on employees
• Greater supervision of workers	• Less supervision of employees
• Better co-ordination of subordinates activities	• Lower costs involved in supervision
• Good communication with subordinates.	• Communication problems as decision to be conveyed to many persons
• Centralized authority	• Decentralized authority
• There is a long chain of control	• Usually results in a short chain of control
• Maintenance of quality	• Quality maintenance difficult

g) <u>Downsizing or deleyering</u>
The process of taking out layers or levels of middle management is known as delayering. It affects the organizational chart, chain of command and span of control of a business.

h) <u>Responsibility</u>
It involves being required to justify an action, perform the given duties and accept the consequences.

i)   Authority
     Authority is the legitimate exercise of power which in turn is the ability to exercise
     influence over objects, people and situations.
     Three types of authority:

1.   line authority
     line authority is a direct authority as it involves a right to give orders and
     have decisions implemented.

2.   staff authority
     It is auxiliary authority it does not provide a right to command. It is for the
     advisory and supportive purposes e.g. legal department of a business.

3.   functional authority
     It is a right to give orders in a department other than your own e.g. on
     specific projects some specialists can be hired e.g. calling a finance
     person to supervise a project.

j)   Delegation
     Delegation means passing down the authority to perform tasks and take
     decisions from the higher to the lower levels in an organization.

k)   Centralization
     Centralization means keeping all the important decision making powers within
     the head office or the centre of the organization. There will be minimum
     delegation to managers in other areas department or divisions of the business.

l)   De-centralization
     It means passing the decision – making authority to managers in other areas,
     department or divisions of the business. A lot of delegation is involved in this
     which generally increases the level of motivation.

Centralization & Decentralization

Q.1 Compare the advantages and disadvantages of centralization and de-
     centralization

CENTRALISATION
Advantages
- Greater control
- Economics in staffing
- Economics of specialization
- Easier communications

Disadvantages
- Excessively bureaucratic
- Rigidity
- Delays in decision - making
- Loss of initiative
- Stifles personal development

DECENTRALISATION
Advantages
- Decisions made where action
- Recognition of local condition
- Improved morale
- Personal Development
- More responsive to the environment

Disadvantages
- Loss of control
- Loss of some economies of scale
- Development of a narrow departmental view

Delegation

Q.1   Explain why managers sometimes fell reluctant to delegate?

Ans.   Delegation is the passing down of authority by the manager to the subordinate while the final responsibility of the tasks done remain with the manager. This is the major reason that managers feel reluctant to delegate. As the responsibility lies with the manager, this means that if the subordinate fails to perform the task efficiently and gives a poor result then the blame would lay with the manager. After all it was the manager who had authorized the subordinate. It may also be the case that managers don't have enough trust in the abilities of their subordinate. They may think the subordinates would definitely not be able to perform the task properly while he, the manager would do it successfully. It may also be that the costs to the organization involved in the task being delegated are very high. So poor performance by the subordinate could cost the manager his job or at least his position. The reason for reluctance could also be a sense of losing then importance by delegation authority to juniors. It could be a sense of insecurity that subordinates may be able to dot he task more efficiently which would lower the status of the manager amongst his colleagues. It could simply be that the manager isn't a good delegator.

Make 2 – 3 paragraphs to make the points clearer

m)   Formal Organization
It refers to the deliberately plan structured of roles within and organisation. It is formal because it is official and planned.

n)   Informal Organization
It is a network of personal and social relationships. It is not planned or official but arises spontaneously as people associate with each other.
→   the power of the group leader is personal and is given by the group
→   behavior is guided by nouns rather than rules laid down
→   the group cannot be controlled by means of financial rewards and penalties.
→   Some of the needs of an individual for example belonging needs are satisfied by informal organizations e.g. of informal organization – employees of different department sitting together in canteen or in any other party. They might be the members of any club and society outside the organization. They might live in one residential area.
→   Types of relationship or network that occurred in an information organization.
    1.   advice network
    2.   communication network

3.   trust network (people from whom we shared our drawbacks
        are come under trust network)

Types of formal organizational structure or approaches to formal organizations structure:

1.   entrepreneurial structure
2.   pyramid structure / bureaucratic structure
3.   functional structure
4.   produce based structure
5.   market segment based structure
6.   geographic based structure
7.   matrix structure
8.   independence structure

Entrepreneurial structure

→   this structure is organized around owner / manager
→   decision making is centralized and quick
→   subordinates understand clearly to whom they are accountable
→   very little consultation is there
→   very few collective decisions
→   flexible and responsible for the entrepreneur
→   rigid for the employees
→   it is only suitable for small organizations
→   lack of specialization

2)   Pyramid structure / bureaucratic structure
→   It is a traditional structure for most medium sized and large scale organizations. This is that kind of structure where there are different layers of manager with fewer and fever worker on each higher level.

Refferal system
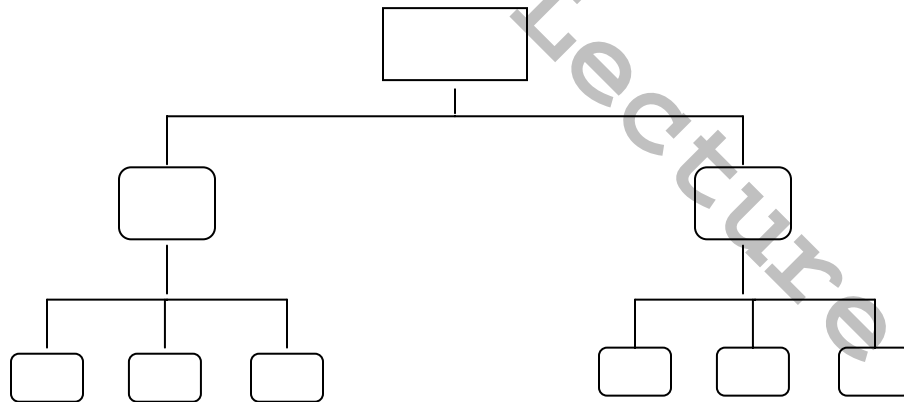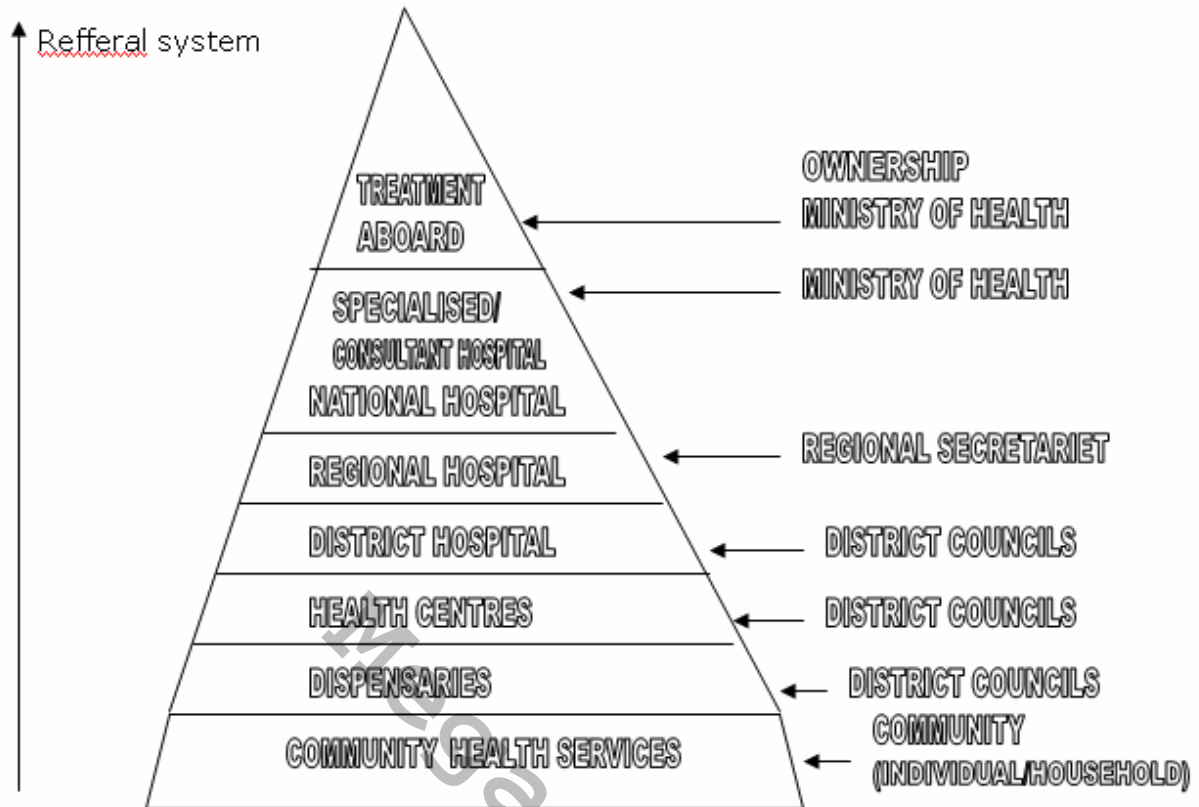
the vertical divisions can be made on the basis of function, products, areas and market segments
→ the role of each individual is clear and is well defined
→ clearly identifiable chain of command
→ it is a most common form of organizational structure
→ decision making is shared
→ employees are given responsibilities, proper roles to perform and procedures to follow
→ specialization and economics of scale can be achieved
→ it is a proper departmental structure
→ one way communication is a noun.

→ Lack of co-ordination can occur because of fewer horizontal links.
→ Managers are generally accused of having a tunnel vision (narrow vision) because you can not see broad vision
→ Inflexible and changed versions tend to meet new demands

3) Functional Structure
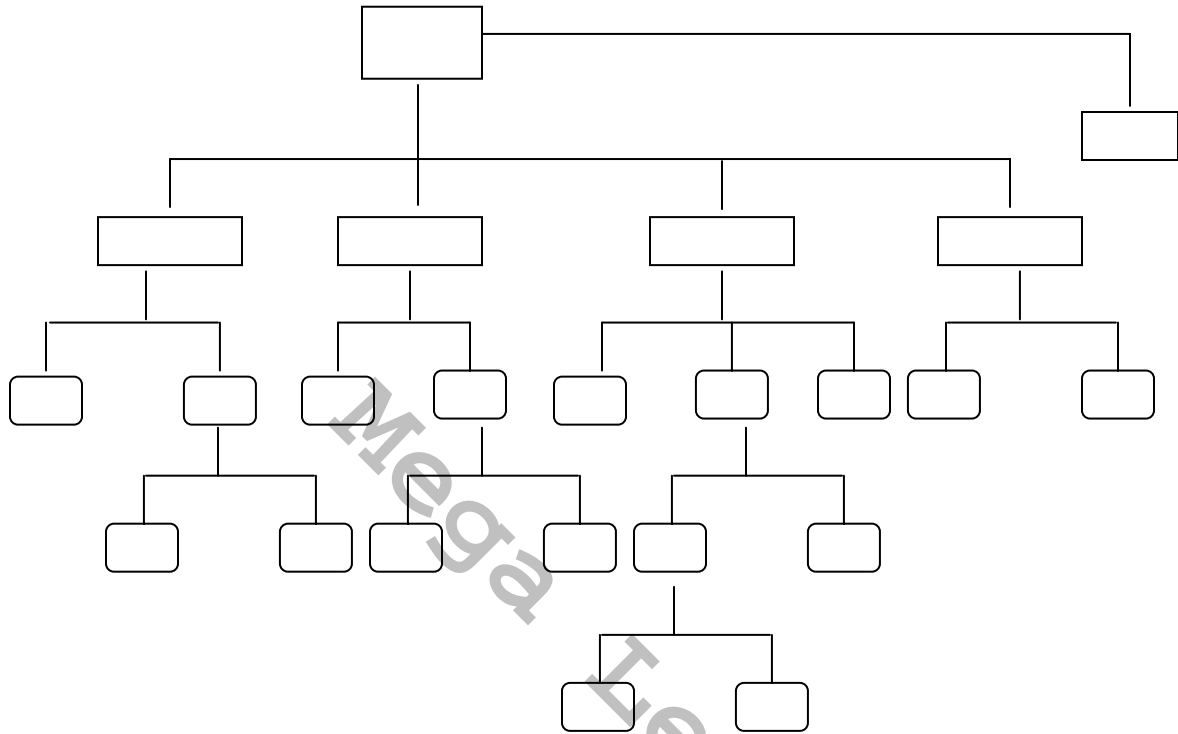
→ It is organized in terms of functional areas of the business e.g. marketing, finance, production etc.
→ Planned structures roles within the organisation
→ flexibility in the nature of organsiation
→ efficient performance and specialization
→ clear chain of command and span of control
→ simple lines of control
→ horizontal communication problem
→ slow to respond to the changes co-ordination problems
→ over-specialisations
→ decisions are concentrated at the top which in turn damages the motivation level.

4) Matrix Structure
→ The emphasis of this structure is on getting people with particular specialists skills from different department together into project teams. Individuals within a team have their own responsibilities. This is not made for a whole
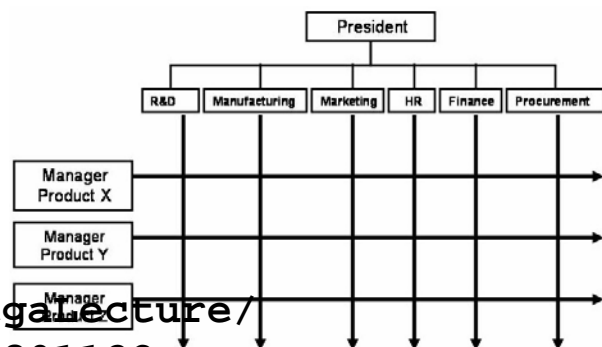
organisation. It is
only made for a
certain project.

→ task or project focus is there
→ teamwork is encouraged
→ flexible structure
→ inter-disciplinary
→ co-operation and co-ordination is encouraged
→ motivating and challenging
→ develop manager skills
→ creativity is encouraged
→ releases the top management from the burden of detail planning
→ encourage decentralisation
→ quick response to change in market and technological changes
→ power of view of all the members of the structure becomes broader

Disadvantages
→ less direct contact so resistance can be there from the top management
→ conflict of interest
→ overlapping authority
→ power struggle
→ costly to implement
→ encourages discussions rather than action so decision making process
   may be slow
→ routine work of the department might be disturbed

5)   Independence / Individual Structure

→ This emphasis the individual and is almost a non-organisation e.g.
   barristers chambers / office, doctor's clinic
→ decision – making process is smooth and clear
→ efforts are properly co-ordinated around the individuals
→ it is very attractive to independent people who are confident of their ability
   to be successful individually.

Disadvantages
→ over-burden of work
→ unsuitable for most types of business because of there lack of control and
   co-ordination with others

6) Product bases structure
→ It is when different department of a business or different businesses work together if they are working same product liens or activities.
→ Each division is likely to operate as a profit centre. This will help to measure the performances of each division.
→ Healthy competition may take place between each division.
→ There may be scope for reorganization. An organization by product provides some flexibility for the future loss making divisions may be closed down.
→ Co-operation may improve because each division is pursuing the same goal.

Disadvantages
→ There may be duplication of functions in different department.
→ Competition between divisions may become counter-productive. This is likely to occur when the divisions compete for the organization resources.
→ Senior management might lose control over each individual division.

7) Geographic or area – based structure
→ It is when business has a large number of very similar operations which are widely dispersed. They are operating in a very similar or sometimes identical way.
→ It is able to serve needs of local people more easily.
→ Improved communication.
→ It may be possible to encourage healthy internal competition between different regions in the organization.
→ Duplication of resources.
→ It is possible that local manager may begin to introduce then own policies.

8) Market segment based structure
→ It is when business divides the market into different segments e.g. by age, by region, by income, by lifestyle etc.
→ It enable to fulfill the needs of local people.
→ It may allow to sell more products overall.
→ Ti would help to gain greater knowledge about its customers.
→ It enable to target particular groups with particular products.
→ It prevents product being promoted to wrong people.
→ Wide range of differentiated products.

Consequences of poor Organizational Structure
→ low motivation and morale
→ ineffective decision making
→ lack of coordination and control
→ poor communication
→ lack of co-operation
→ poor adherence to organizational objectives
→ inability to respond to changing conditions
→ duplication of activities
→ failure to provide opportunities for the development of future managers