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B.Com Honours

Semester I

Calicut University

Management Principles and Application

Course Code: COM1CJ101 • Module 2 Notes

1. Organizing Process and Organizational Structure

Organizing is a foundational function of management that translates plans into a structured framework for action. It involves identifying and grouping activities, allocating resources, establishing authority relationships, and designing organizational structures. This module covers the essential principles of organizational design, including the factors that shape structures, departmentalization methods, responsibility-authority dynamics, and the mechanisms of delegation, decentralization, and span of management, equipping students with the tools to build efficient and responsive organizations.

Concept and Significance of Organizing

The organizing process turns plans into concrete action. It systematically divides work and maps relationships to achieve maximum coordination and efficiency across the enterprise. Historically, Henri Fayol defined organizing as providing the business with everything useful for its functioning: raw materials, tools, capital, and personnel. Without a structured organizing phase, even the most brilliant plans fail due to lack of coordination and role confusion.

- **Concept of Organizing:** The process of structuring physical, financial, and human resources to achieve organizational goals.
- **Specialization of Work:** Dividing tasks into manageable units to increase employee efficiency and output quality.
- **Role Clarity:** Defining duties and reporting lines clearly to prevent overlapping responsibilities.
- **Coordination:** Aligning different departments and units to work harmoniously toward common objectives.
- **Resource Optimization:** Avoiding duplication of activities to ensure efficient utilization of materials and human talent.

Steps in the Organizing Process

The organizing process is executed through four sequential management steps:

- **Identification of Work:** Identifying and dividing total activities to avoid duplication and overlap of effort.

- **Grouping of Activities:** Classifying and departmentalizing related jobs together to promote specialization.
- **Assignment of Duties:** Defining specific roles and matching work to personnel based on their skills and capabilities.
- **Establishing Reporting Relationships:** Defining who reports to whom, creating a clear hierarchy of authority.

Organizational Structure and Types

Organizational structure is the formal system of task and reporting relationships that coordinates employees.

Functional Structure

Groups employees based on business functions (e.g., Marketing, Finance). Highly efficient for stable environments but can create departmental silos and slow decision-making.

Divisional Structure

Organizes units around products, projects, or geographic locations. Offers high flexibility and clear accountability, though it duplicates resources and overhead costs.

Comparison of Formal and Informal Organizations

Feature	Formal Organization	Informal Organization
Origin	Deliberately created by management to achieve goals.	Emerges spontaneously from social interactions.
Structure	Rigid, documented, and based on official hierarchy.	Flexible, undocumented, and based on personal relations.
Communication	Follows official channels (scalar chain).	Follows unofficial channels (grapevine).

2. Organizational Design and Contemporary

Designs

Organizational design is a continuous process of choosing and implementing structures. It adapts to internal capabilities and external market dynamics.

Factors Affecting Organizational Design

- **Strategy and Structure:** Structure must follow strategy; innovative strategies require organic designs, cost-efficiency requires mechanistic ones.
- **Size and Design:** Large organizations tend to have higher specialization, formalization, and red tape.
- **Technology Impact:** Routine technology favors mechanistic design; complex, custom, or non-routine work requires organic design.
- **Environmental Uncertainty:** Stable environments suit mechanistic structures; volatile ones require flexible, organic designs.
- **Organizational Culture:** Values, beliefs, and norms shape employee expectations and define appropriate structural relationships.

Mechanistic vs. Organic Designs

Dimension	Mechanistic Design	Organic Design
Formalization	High; strict rules and standardized processes.	Low; flexible guidelines and adaptable tasks.
Centralization	High; decision-making rests with top management.	Low; decision-making is highly decentralized.
Collaboration	Vertical; follows formal chain of command.	Horizontal; relies on cross-functional teams.

Contemporary Organizational Designs

Modern structures focus on flexibility, rapid communication, and breaking down traditional barriers.

Team-Based Structure

Relies on cross-functional teams to make decisions. Eliminates departmental barriers and improves speed of response.

Boundaryless Structure

Minimizes vertical and horizontal boundaries. Uses alliances and flat structures to foster maximum collaboration.

Network/Virtual Structure

Outsources core business functions (e.g., manufacturing, logistics) to external partners, maintaining a small, central hub.

The Matrix Structure

The Matrix structure is a hybrid design that overlays a project or product team structure onto a traditional functional hierarchy. It creates a dual chain of command where employees report to both a functional manager (who oversees technical development) and a project manager (who oversees task execution). While it maximizes resource sharing and flexibility, it frequently causes role conflict and power struggles between managers.

3. Departmentalization, Authority, and Responsibility

Departmentalization groups activities logically, while authority and responsibility define the command chain that drives execution.

Departmentalization Methods

Functional & Product

Grouping by tasks (e.g., Sales) or product lines (e.g., Electronics). Optimizes specialized skills and product focus.

Geographic & Customer

Grouping by territory (e.g., Europe) or target audience (e.g., Corporate). Aligns activities with client and regional needs.

Process Departmentalization

Grouping by workflow stages (e.g., Assembly, Packaging). Enhances specialized flow and reduces delays.

Responsibility-Authority Dynamics

Authority is the right to give orders and expect obedience, whereas responsibility is the obligation to perform assigned tasks. For effective management, there must be a balance between authority and responsibility. If authority exceeds responsibility, it leads to misuse of power. If responsibility exceeds authority, it leads to frustration and execution failure.

4. Delegation, Decentralization, and Span of Management

Delegation and decentralization determine how power is distributed, while the span of management determines structural width.

Delegation and its Core Elements

Delegation is the downward transfer of authority from a manager to a subordinate. It has three core elements:

- **Authority:** The power delegated to a subordinate to make decisions and direct resources.
- **Responsibility:** The duty or obligation to perform the assigned tasks.
- **Accountability:** The answerability for the final outcome. *Note:* While authority and responsibility are shared, accountability remains absolute with the delegator and cannot be passed down.

Decentralization vs. Delegation

Decentralization is the systematic delegation of authority across all levels and departments of the organization. Delegation is an individual process of task transfer, whereas decentralization is an organization-wide structural policy. In a decentralized firm, lower-level managers have significant autonomy to make decisions, improving operational speed.

Span of Management (Span of Control)

The span of management refers to the number of subordinates a manager can effectively supervise. It determines whether an organization has a tall or flat structure:

- **Tall Structure (Narrow Span):** A manager oversees few subordinates, creating many hierarchical levels. Promotes close supervision but slows communication.

- **Flat Structure (Wide Span):** A manager oversees many subordinates, creating few hierarchical levels. Promotes autonomy and faster communication but can overload supervisors.
- **Graicunas Theory:** V.A. Graicunas mathematically demonstrated that as the number of subordinates increases arithmetically, the complexity of relationships increases geometrically, limiting the practical span of control.

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