

Principles of Management
Prof. Usha Lenka
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture - 30
Organizing and Directing - II

So, in organizing we will discuss about how to define an organizational structure, as a sequel from what we discussed in the previous section of organizing tasks? I discussed about the various definitions of organization and formal and informal organization, then further we defined what is the organizing process and then organizational structure and design.

And, then in organizational structure we came up with a formal definition of structure, and certain elements of organizational design like work specialization, departmentalization, chain of commands, span of control, centralization, decentralization and formalization. So, these 6 elements they form the organizational design. And in the first part of the lecture, I covered work specialization, departmentalization and chain of command.


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ORGANIZATIONAL STRUCTURE & DESIGN

❖ **Organizational structure** is defined as how job tasks are formally divided, grouped, and coordinated. The visual representation of organizational structure is defined as an **organizational chart**.

❖ **Organizational design** is a process that involves decisions about six key elements listed below:

1. Work specialization
2. Departmentalization
3. Chain of command
4. Span of control
5. Centralization and decentralization
6. Formalization



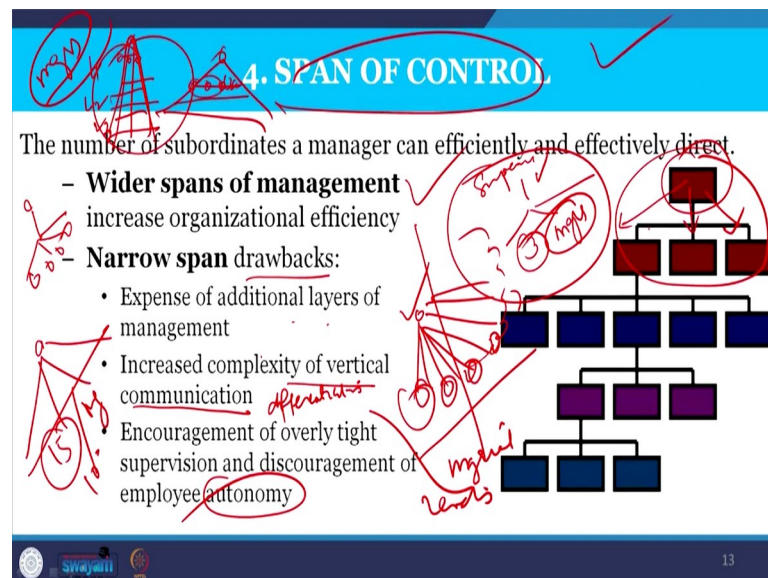
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In this lecture I will cover span of control, centralization, decentralization and formalization. So, what is chain of command, what is span of control? In this lecture I

will define what is span of control. Span of control is the number of subordinates, a manager can efficiently and effectively direct.

So, what does span of control mean, what is the relevance of span of control? How many managers one supervisor can see or can oversee the work of number of subordinates? So, which will decide whether the span of organization would be wider or narrow.

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Say if one manager is able to oversee the work of three subordinates. So, it will have a kind of span; that means, one manager can at a time oversee the work of three subordinates or three managers. So, one supervisor is effectively able to see. In some organizations one manager can at a time see 15 managers can supervise the work of 15 different people so, this can also happen.

So, under what conditions will this situation prevail and under what condition will one manager be able to see only or to be able to supervise only 3 managers. So, this define the span in terms of wider and narrow span of control. The number of subordinates a manager can efficiently and effectively direct. So, time and again we have been discussing that a manager has to take care of efficiency and effectiveness, while executing his task.

So, it depends on the task of the organization, it depends varies from organization to organization. Whether, what is the goal of the organization, what are the objectives of the

organization, what are the various activities to be executed by the manager based on that, this span is decided? Wider span of control, wider span of management means, large number of employees an individual can oversee, can supervise.

It increases organizational efficiency, narrow span expense of additional layers of management, increase complexity of vertical communication, encourage discouragement of overly tight supervision and discouragement of employee autonomy. I will discuss about what is wider and how the spans are decided. If a manager is able to effectively and efficiently see, a large number of employees. Large number of employees so; that means, there would be less number of managerial levels.

There would be say 1 manager supervising 15 managers or 10 managers at a time. So, there would be less number of managerial levels whereas, if 1 manager is able to supervise only limited number of managers at a time. So, there would be larger number of managerial levels in the organization, which will lead to one organization being taller and another being wider, wider span.

Wider span with less managerial levels and taller span with more managerial levels so, that is a point of differentiation. There again we will see that in a taller organization one manager can oversee the work of limited number of subordinates at one time. And, another manager can see can supervise large number of managers at a time so; that means, why the difference is arise. When the subordinates are more efficient, subordinates are more skilled their level of competency is too high.

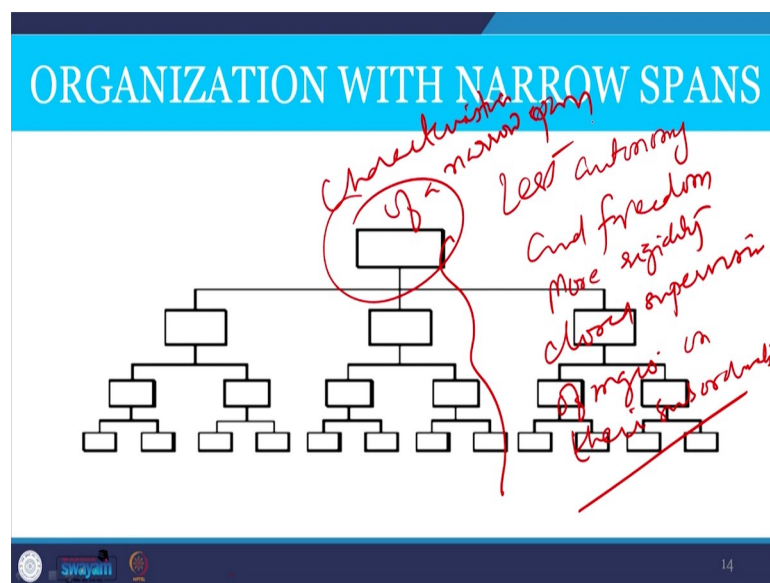
So, they can and they have authority, they have more power. So, they need not require close supervision. On the other hand, if there is an organization, where the employees are less skilled they need or the nature of task is so, which needs close scrutiny or supervision. So, there would be more levels and less employees would be supervised at a time.

So, there are which results in a wider span and a narrow span. Wider span increases organizational efficiency. And a narrow span will have some drawbacks like expense of additional layers of management like here, in this example we have more levels of management. That means, there are more employees more managers to be recruited in a narrow span.

So, it increases complexity of vertical communication or vertical more vertical differentiation, or more managerial levels would be there, encouragement of overly tight supervision and discouragement of employee autonomy. So, in a wider span there is a no need of close supervision and more autonomy and freedom is given to the employee, to the subordinates.

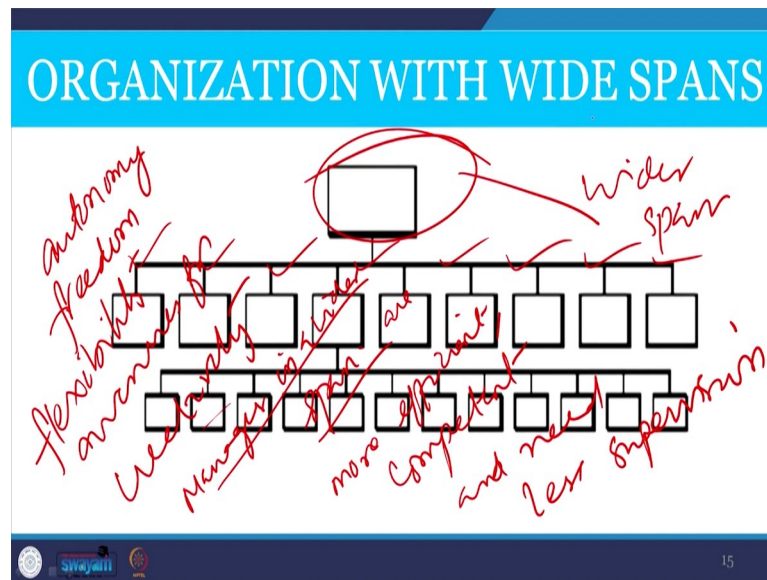
So, there is more flexibility where as in narrow span, there is more rigidity close supervision less of autonomy being given and less flexibility.

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So, organizations with narrow span, appears to be like this with a narrow span close supervision is required.

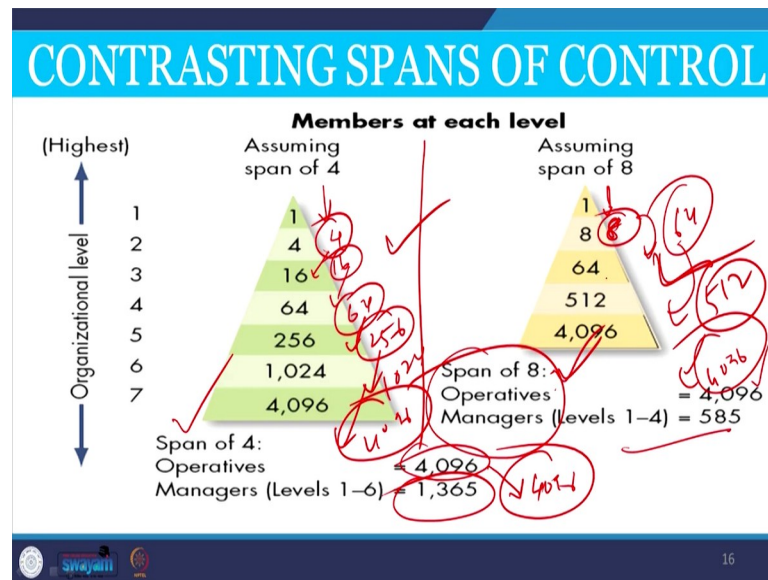
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With a wider span as I discussed more number of employees can be supervised by one manager at a time. Wider span will have more autonomy of managers, autonomy, freedom, flexibility, avenues for creativity, individuals or managers.

Managers in a wider span are more efficient competent and need less supervision. Whereas, in case of a narrow span characteristics are less autonomy and freedom more rigidity close supervision of managers on their subordinates. So, these are characteristics of a narrow span. So, what we understood is either the organization will have a wider span or a narrow span.

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Contrasting span of control. So, how does an organization? So, in a larger what is the effect on organization? When we contrast a narrow span with a wider span, in a wider span. There a span of 8, when 1 manager is supervising 8 managers at a time compare to a narrow span where, 1 manager is supervising work of 4 subordinates.

So, those 4 people again will supervise work of 16 subordinates, again 64 subordinates again 256 subordinates, again in the next level 1024 subordinates and 4096 managers. So, how many managerial levels are there? There are 6 managerial levels and number of managers are for 4096.

Span is 4, as compare to the wider span which has a span of 8; that means, 1 manager will supervise 8 subordinates. Those 8 subordinates will again supervise 64 subordinates, further 512, say in the next rank 4096. So, 4096 managers and levels are only 4 and a span is 8.

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WHAT DETERMINES AN EFFECTIVE SPAN OF MANAGEMENT?	
Narrow spans (a great deal of time spent with subordinates) related to:	Wide spans (very little time spent with subordinates) related to:
<ul style="list-style-type: none"> Little or no training Inadequate or unclear authority delegation Unclear plans for nonrepetitive operations Nonverifiable objectives and standards Fast changes in external and internal environments Use of poor or inappropriate communication techniques, including vague instructions Ineffective interaction of superior and subordinate Ineffective meetings Greater number of specialties at lower and middle levels Incompetent and untrained manager Complex task Subordinates' unwillingness to assume responsibility and reasonable risks Immature subordinates 	<ul style="list-style-type: none"> Thorough training of subordinates Clear delegation to undertake well-defined tasks Well-defined plans for repetitive operations Verifiable objectives used as standards Slow changes in external and internal environments Use of appropriate techniques such as proper organization structure, written and oral communication Effective interaction between superior and subordinate Effective meetings Greater number of specialties at upper levels (top managers concerned with external environment) Competent and trained manager Simple task Subordinates' willingness to assume responsibility and reasonable risks Mature subordinates

So, this is how the span of control is decided. Now, we will discuss what determines the effectiveness, effective span of management. What is an effective span of management? Whether the tall or the wider span of management, whether the tall or narrow or wider span of management out of those these two which is effective.

Narrow span a great deal of time spent with subordinates, it is related to little or no training in a narrow span, there is no training, little or no training inadequate or unclear authority delegation. In a narrow span unclear plans for non repetitive operations, non verifiable objectives and standards, fast changes in external and internal environment, use of poor or inappropriate communication techniques, including vague instructions.

Ineffective meetings, ineffective interaction of subordinates, and superior greater number of specialties at lower and middle level in competent and untrained managers, as because the managers have less competency their untrained and the task is complex. So, there is a requirement for closer supervision in a narrow span of control.

So, managers give autonomy and freedom to the employees who are working under them, assuming that the task is complex, assuming that they are less competent, they have lesser skill levels. Then, there is also subordinates some times are unwilling to take initiative to assume responsibility, and a reasonable risk immature subordinates.

So, what happens at large in a narrow span? There is more scrutiny more rigidity executed by the manager, who is supervising the work of others. Or the supervisor is having more autonomy and less freedom is given to the subordinates, assuming that they have lesser levels of competency. Whereas, a contrast if you look at the wider span, there is a thorough training of subordinates. Wider span very little time is spent with subordinates.

Because, assuming that subordinates are more efficient their level of competence is very high. So, they require less training and there is a clear line of delegation to undertake well defined task. The task is well defined a line of authority or a delegation of power is also given, well defined plans for repetitive operations for repeat orders or repetitive behavior or repetitive assignments. Where, the persons also do not need to have a close scrutiny.

Verifiable objectives used as standards certain well defined standards are used in such situations also there is a wider span. Slow changes in external and internal environment, when there is less change in internal as well as external environment. Also there is a wider span where as in contrast, when you look at the fast changing business environment external as well as internal environment. Then, there is a close scrutiny of subordinates required and the structure would be taller or with a narrow span of control.

Use of appropriate techniques; such as proper organizational structure, written and oral communication, when there is a proper organizational structure with written and oral communication so, there would be a wider span. But, when there is say ineffective interaction or improper communication, inappropriate communication, technique including vague instructions.

When instructions are not very clear, not well defined. So, in that case the structure has to be narrow or close scrutiny of subordinate is required. Effective interaction between superior and subordinate there are frequent meetings. So, there is a wider span of control. When, there is less frequency of meeting there is a need for more supervision or a narrow span of control.

Greater number of specialties at top greater number of specialties at upper level, when the top management, top managers concerned with or when the greater number of specialties at top management level. The top managers concerned with external

environment then, there is a wider span of control competent and trained managers. When managers, the subordinates are well trained so, there would be a wider span.

When the task is simple there is less of supervision required, subordinates are willing to assume responsibility on their own able to take risk reasonable risk and when they are more mature. So, all these attributes define the level of supervision required or not required in either of the cases.


So, on the basis of the training, on the basis, of the clear lines of command, on the basis of the communication, and the rules well defined or the complexity and simplicity of the task. So, organization can define whether the span of control will be narrow or wider.




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5. CENTRALIZATION AND DECENTRALIZATION

Where does decision making authority lie?

- Centralization
 - The degree to which decision making is concentrated at a single point in the organization. Formal decision making authority is held by a few people, usually at the top.
- Decentralization
 - The degree to which decision making is spread throughout organization.



18

Further, we will discuss about what is centralization and decentralization. Centralization, decentralization means how much of power is lying with the top management. So, centralization means the degree of power being given to the top management is centralization. In contrast decentralization is a degree to which power is disseminated two different managers or managers at different hierarchical positions.

So, where does the decision making authority lie? This discuss is about the centralization and decentralization. The degree to which decision making is concentrated at a single point in the organization, formal decision making authority is held by a few people

usually at the top. Decentralization in contrast is the degree to which decision making power is spread throughout the organization with different people at different levels.

So, degree of decentralization decides that the power is given to different individuals or we say it is employee empowerment, when the formal authority lies with the top management then we call it power is centralized. Then, the next point next element in organizational design element is formalization.

Formalization is basically how much rules and regulations are adhere to in an organization to what degree will the rules and regulations, guide employees and managers. We generally come across organizations were too for too much formalization is implemented, which means that people follow the rules and regulations. That behavior is guided by the rules and regulations, the degree to which jobs within the organization are standardized.


Standardization and non standardization standardize jobs are those where there is a high degree of formalization?

































































































































































































































































































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6. FORMALIZATION

To what degree will there be rules and regulations to direct employees and managers?

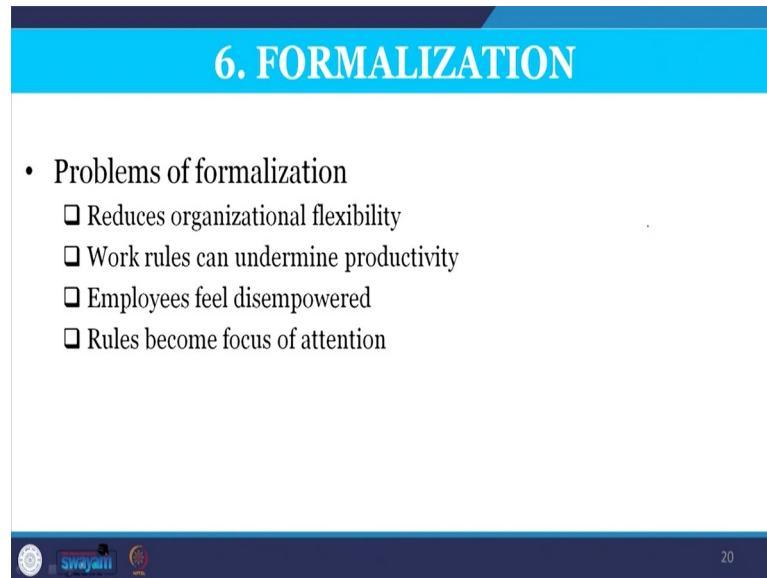
- The degree to which jobs within the organization are standardized.
 - High formalization
 - Minimum worker discretion in how to get the job done
 - Many rules and procedures to follow
 - Low formalization
 - Job behaviors are non-programmed
 - Employees have maximum discretion





So, many roles and procedures are defining the series or sequence of steps to be followed the goals are attained by following abiding by the rules and regulations. Low formalization means job behaviors are non programmed, where there is less use of rules and regulations employees have maximum discretion, they can select and choose what to do and what not to do.

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The slide features a blue header with the title '6. FORMALIZATION' in white. Below the header, on a white background, is a bulleted list of problems of formalization. Each item in the list is preceded by a blue square icon. At the bottom of the slide, there is a dark blue footer containing logos on the left and the number '20' on the right.

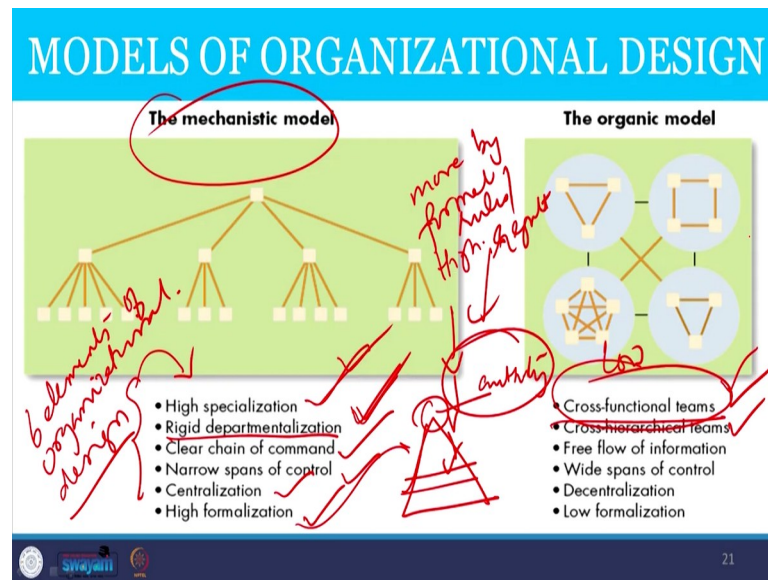
6. FORMALIZATION

- Problems of formalization
 - ❑ Reduces organizational flexibility
 - ❑ Work rules can undermine productivity
 - ❑ Employees feel disempowered
 - ❑ Rules become focus of attention

20

Formalization there are some problems, reduces organizational flexibility, work rules can undermine productivity, employees will have disempowered rules become focus of attention.

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So, what are the models of organizational design? Based on the 6 characteristics of the organizational design elements, that is departmentalization span of controls chain of command, formalization, centralization and the division of labor. So, there are like 6 elements of organizational design.

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1. WORK SPECIALIZATION


- The degree to which tasks in the organization are subdivided into separate jobs.
- Division of Labor
 - Makes efficient use of employee skills
 - Increases employee skills through repetition
 - Less between-job downtime increases productivity
 - Specialized training is more efficient
 - Allows use of specialized equipment

Like work specialization, departmentalization, span of control, chain of command, narrow and wide span of control, and then centralization formalization.

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2. DEPARTMENTALIZATION

- The basis by which jobs are grouped together
- Grouping Activities by:
 - Function
 - Product
 - Geography
 - Process
 - Customer

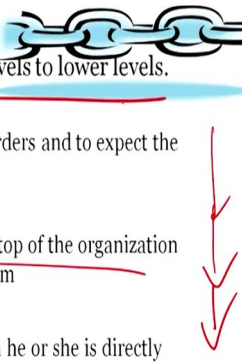


10

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3. CHAIN OF COMMAND

To whom do individuals and groups report? It is the line of authority extending from upper organizational levels to lower levels.



- Authority
✓ The rights inherent in a managerial position to give orders and to expect the orders to be obeyed
- Chain of Command
– ✓ The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom
- Unity of Command
✓ A subordinate should have only one superior to whom he or she is directly responsible

12

The organizations structure or models of organizational designs are being developed. So, there are two broad categorizations defined by the management practitioners, one is called the mechanistic model, the other is called organic model. So, there are broad definitions of organizational design, mechanistic model and organic model. What are these and what is the role of the 6 elements of organizational design?

Organizational design elements, work specialization, departmentalization, span of control, centralization and formalization. These are the 6 elements which help in defining

mechanistic and organic models of organizational designs. So, mechanistic model is one, where there is higher specialization rigid departmentalization, there is rigidity in departmentalization. And a clear chain of command narrow span of control more centralization and a high degree of formalization.

So, what we have discussed now in a mechanistic model? Based on the 6 elements of organizational design, organizational design based on the 6 elements of organizational design. We have come to differentiate between the mechanistic and the organic model. The mechanistic model is one where there is high specialization, rigid departmentalization clear chain of command, narrow span of control.

There is a narrow span of control high degree of centralization; that means, authority with the top management. And, there is a high formalization which means higher obedience of rule and regulations or the structure is guided more by formal rules and regulations. Whereas, on the other hand organic model is the one, where there are more cross functional teams and unlike the mechanistic model, there is low degree of specialization.

More cross functional teams there is no high specialization, but there is a lower specialization. Then the second aspect is cross hierarchical team's cross functions. That means, people move beyond their organizational boundaries or the departments to work for a common, work for them to accomplish or to work for a common objective of the group or the committee, or the team for which they have been allocated roles.

So, what are the characteristics of organic model? Organic model is one where there is emphasis on cross functional teams, managers are not bound by the departmental rigidity, they can move from one department to another department.

They can work for the collective purpose of our accomplishment of the goals or objective of a group, or a task, or a committee. And, there are cross hierarchical teams, they also move beyond the hierarchical boundaries. The hierarchy or the vertical differentiation is also not there.

Then there is a free flow of information rather than chain of command to be followed. Their information can pass on from the top to the bottom; there is a free flow of information dissemination with wider span of control. One manager can supervise larger

number of subordinates at one time. An also there is decentralization of power; power is not bestowed with the top management and there is a lower degree of formalization.

The organic model is bound or organic model is lesser bound by formal rules and regulations. So, with this what we have discussed here? We have discussed about the models of organizational design, mechanistic and organic models, we have differentiated them on the basis of 6 elements of organizational design.

That is departmentalization, work specialization, chain of command, span of control, centralization, decentralization and formalization.

(Refer Slide Time: 28:27)

FACTORS INFLUENCING CHOICE OF TWO MODELS

- 2. Organizational Size
 - As organizations grow, they become more mechanistic, more specialized, with more rules and regulations
- 3. Technology
 - How an organization transfers its inputs into outputs
 - The more routine the activities, the more mechanistic the structure with greater formalization
 - Custom activities need an organic structure
- 4. Environment
 - Institutions or forces outside the organization that potentially affect the organization's performance
 - Next slide shows how external environment influences org. structure.

23

So, what are the factors influencing choice of these two models mechanistic and organic model. Strategy is one factor which influences, the second factor being organizational size technology and environment. So, these factors decide what type of structure and organization will have? Strategy or we can say the business strategy guides structure of an organization, innovation, cost to minimization or imitations strategy.

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FACTORS INFLUENCING CHOICE OF TWO MODELS

1. **Strategy**
 - **Innovation Strategy**
 - A strategy that emphasizes the introduction of major new products and services
 - Organic structure best
 - **Cost-minimization Strategy**
 - A strategy that emphasizes tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting
 - Mechanistic model best
 - **Imitation Strategy**
 - A strategy that seeks to move into new products or new markets only after their viability has already been proven
 - Mixture of the two types of structure

22

So, with an innovation strategy when the firm emphasizes on coming up with innovation, new products every now and then. So, a strategy that emphasizes the introduction of new products and services, the most suitable form of structure is organic structure. The most suitable form of organizational structure is organic model.

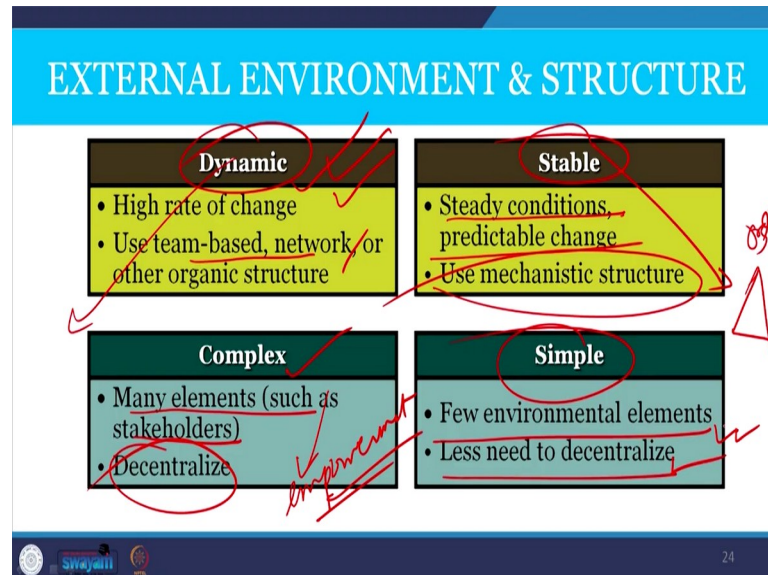
Cost minimization strategy, when the emphasis is on minimizing cost, a strategy that emphasizes tight cost control avoidance of uncertainty innovation of marketing expenses, avoidance of unnecessary innovation or marketing expenses and price cutting or cost cutting. So, the most suitable form of structure is mechanistic model.

Imitations strategy, a strategy that seeks to move into new product or new market only after their viability has already been proven. So, mix of two types of structure that is both mechanistic or organic structure. How does organizational size influence the choice of organic and mechanistic structure? As organizations grow they become more mechanistic, more specialized with more rules and regulations.

So, next is technology how an organization, transfers its inputs into output? What is the process of transformation? What is the technology being used? The more routine the activities, the more mechanistic the structure is, with greater formalization. Customized activities need an organic structure; the last point is environment.

Institutions or force outside the organization that potentially affect the organizational performance. So, how external environment influences organizational structure.

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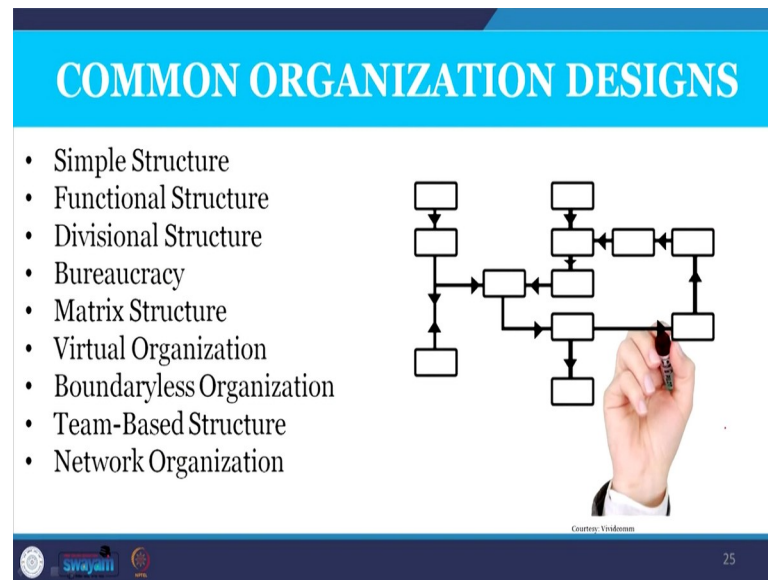
External environment has been a crucial factor in defining the structure. Dynamic stable complex and simple so, external environment and its effect on organizational structure. We will discuss about this in more detail a dynamic environment. Environment can be categorized as dynamic and stable.

So, what is the impact of dynamic environment on organization and what is the impact of stable environment on organizational structure we will discuss in details? Dynamic environment is one where there is a high rate of change use team based network or organic form of structure.

A stable environment which is study with study conditions predictable change, use mechanistic structure. Complexity when the environment is highly complex and dynamic, many elements such as many stakeholders there is decentralization. The focus is on decentralization or empowerment, empowerment of managers.

When the environment is simple few environmental elements, few challenges which will not have a sudden impact on the structure. So, less need to decentralize there is more of centralization.

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Common organizational designs are simple structure, functional structure, divisional structure, bureaucracy, metric type and a virtual organization, boundary less organizations, team base structures and network structures. So, we will discuss about all these in the next session, next lecture.

So, what we have discussed in this section? We discussed about the elements of organizational design. We discussed about two broad categories of organizational design, organizational forms structural, two broad models of organizational structure, mechanistic and organic structure and what are the factors that influence deciding the type of structure.

With this I would like to conclude the session here, we have learnt about how a structure is being developed, whether it is mechanistic or organic structure.

Thank you.