

Session Objectives:

- To familiarize the traditional views of organizing
- To study the closed and open system view of organizing
- To understand the process of developing an open system
- To understand the formal and informal views of organizing
- To familiarize with span of management
- To determine the factors determining an effective span
- To identify the process and prerequisites for effective organizing

Definitions of Organizing

L.A. Allen offered an holistic view on organizing

"Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives."

Another interesting perspective on organizing:

"Organizing is the process of allocating and arranging human and non-human resources, so that planned goals are achieved"

To sum up, organizing is the process of grouping activities and resources in a logical manner.

Example: When Hewlett-Packard fell behind its competitors in the race for developing a workstation, the CEO reorganized the way in which the company did business. He laid off dozens of committees that had been formed to evaluate decisions, sped up product development, and streamlined the computer division into two groups: one for products sold through dealers and the other one for products sold directly to big customers.

The Hewlett-Packard workstation was then developed quickly, and was offered at a competitive price. Consequently, it was able to compete in the market, along with its competitors

Benefits of Organizing

The benefits of organizing are as follows:

- Provides clarity in work
- Supports plans and controls activities
- Supports decision-making
- Makes it easier to achieve the task, as they are organized logically
- Advantages of division of labor
- Avoids duplication of efforts and resources
- Cultivates harmonious relationship among members in diversified activities

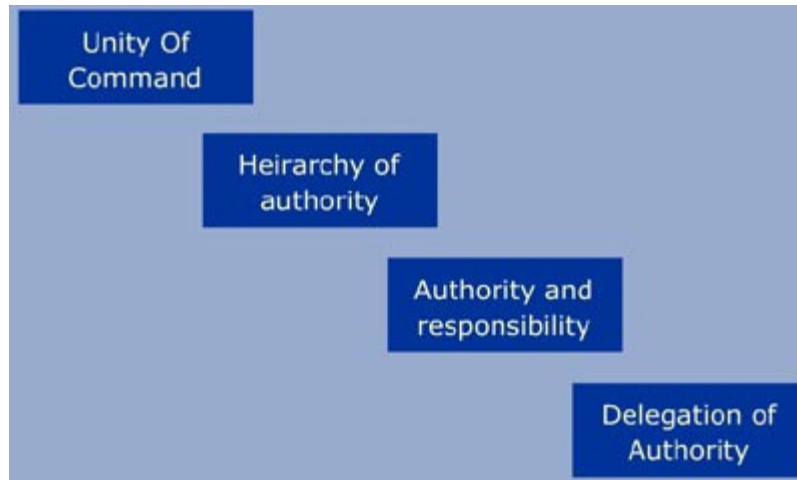
Traditional perspective on organizing

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Scientific thinkers like Frederick W Taylor, made attempts to devise the best possible ways to divide work, allocate resources, and coordinate activities; that could be applied in any situation. But classical thinkers (Henry Fayol) opposed this thought, as they felt that it was not possible to apply the same solution for every situation.

However, traditional theorists (classical and scientific) came to a conclusion and advocated the following principles of organization



- **Unity of command:** To avoid conflicts and maintain a smooth flow of authority in the organization, each individual (subordinate) should report to only one boss (superior).

For instance, worker A reports to Manager I, worker B reports to Manager II etc., and managers review their subordinates' performance individually, i.e., Manager I reviews the work of worker A only.

- **Authority:** If an organization contains a well-defined line of authority, it becomes easier for the employees to coordinate and contribute their efforts, in achieving organizational goals.
- **Responsibility:** Responsibility (obligation to accomplish the work) follows, when managers delegate the authority.
- **Downward delegation:** A superior can get the work done by subordinates, while retaining authority.

For instance, the top-level can delegate research activity (data collection) to the marketing department, but the authority (data analysis, interpretation and final decision) shall continue to rest with the top level only.

Challenges to the Traditional View of Organization

The traditional view of organizing has certain drawbacks – a single solution cannot be applied for every situation. This criticism led to the evolution of bottom-up approach. As per this approach, subordinates become the active controllers of authority instead of remaining as passive recipients of authority.

To support this view, Chester I. Barnard proposed 'Acceptance theory of authority'. According to the acceptance theory of authority, organizations are cooperative systems, where the authority (that a leader has, over his subordinates), is determined by the subordinate's willingness to comply with it. A subordinate can identify the nature of communication from his superior (whether it is authoritative or not) and can comply with it, if he or she:

- Understands the message

- Believes that the given information matches with the organization's purpose
- Feels that, it serves their interest
- Finally, compiles the information

Closed-system View of Organization

Supported by the classical thinkers, this view is based on two assumptions:

- **Organizations are rational and realistic:** The primary goal of any organization is to achieve its objectives in the most economic and efficient manner. To achieve their goals, organizations should be realistic.
- **Closed-system:** It implies that the organizations, do not get into contact with the external environment.

This view (close system), was being criticized by some experts. They felt that organizations invariably get in touch with the external environment, in some form or the other.

Take the case of vegetable oil. Inputs required for producing oil, are groundnuts. Inputs are refined (processed) in the mill, and the output is extracted in the form of oil. In the process of producing oil, there is an interaction with the external environment i.e., inputs are gathered from natural resources, and the product ultimately reaches the customer or the external entity.

The criticisms leveled against the closed- system, in turn laid the foundation, to open system

Open system view of organization

Open system, highlighted the importance of interaction with the external environment. This is based on the assumption that no system is totally deterministic or predictable, and views an organization as a set of sub-systems, where frequent interaction with external environment takes place.

Sub-systems within an organization, interact with other systems. For instance, movement of capital (corporate borrowing) movement of goods and services (international trade), utilization of human resources (out sourcing or contract) etc. are considered as sub-systems within a large system.

Open-system Characteristics

The common characteristics of an open system are:

- **Cyclical:** Organization receives inputs from the environment, processes them and produces the output, required by individuals and organizations.
- **Negative entropy:** Negative entropy is said to exist, when the system breaks down and turns into a disintegrated entity. Most organizations import resources (material, machinery, human resources etc.), to avoid/resolve such situations.

For instance, attending to the breakdown of a large generator, requires specialized technical personnel, besides tools, spare parts etc., required to run the machinery.

- **Feedback:** Feedback enables the comparison of projected performance with the actuals. If deviations occur, necessary adjustments can be made.
- **Dynamic homeostasis:** Homeostasis implies the organization making adjustments according to the environment. Take the case of a motorist, who drives fast, when the traffic is less, and slows down or adjusts accordingly, when the traffic is high.
- **Differentiation:** It implies the tendency of a system to move towards acquiring increased levels of specialization in various tasks.

For instance, to facilitate quick and easy transactions, many banks are now installing, ATM's and promoting internet banking.

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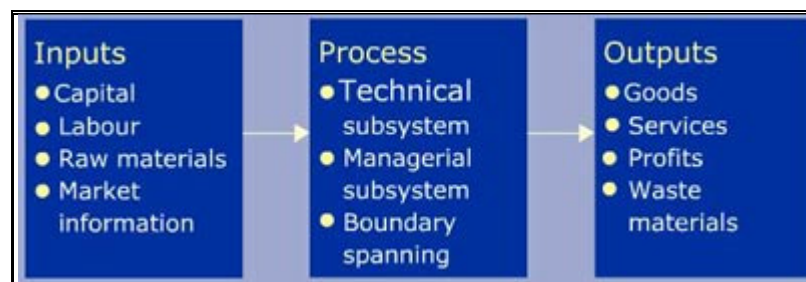
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- **Equifinality:** Equifinality, implies the achievement of goal, by using different means. For instance, one of the organizational goals, could be to increase the market share. It is possible to achieve these goals, either by opting for mergers, diversification, new product introduction or entering new markets.

Developing an Open System

An open system receives inputs from the environment, processes or transforms them into finished products or outputs (ref figure 1). Transformation process is crucial and it requires three elements (technical, boundary spanning and managerial), to transform inputs into outputs.

Open system



- **Technical subsystem** : Also known as the production function, it transforms raw materials into finished goods.
- **Boundary spanning** : Commonly referred to as interface function, it involves interaction with the external environment. Every job under boundary spanning, has a title, such as purchase agents (responsible for a continuous, timely and reliable flow of raw materials), strategic planners (conduct surveys to identify or predict opportunities and threats).
- **Managerial subsystem** : It acts as an interface between technical and boundary spanning subsystems. It controls and directs the other sub-systems to act in coordination and work effectively.

Formal Vs informal organization

Formal organization

A group of people working together, under a higher authority; with cooperation between themselves, for achieving goals, that are of mutual benefit to the participants and the organization.

The characteristics of formal organization are given below:

- Clearly stated operating principles
- Special mechanisms to coordinate the activities of their members
- Clear lines of authority and communication
- Identifiable leaders and unambiguous boundaries

Informal organization

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Informal organization describes the pattern of behavior and interaction, that stems from personal, rather than official relationships. In other words, informal organizations are created by the group members themselves, with the purpose of accomplishing goals that may or may not be relevant to the organization.

Employees join informal groups for the following reasons.

- Probably the main reason being, people's liking to be in the company of like-minded people.
- The goals of the group are appealing to the individual.
- Some people feel the need to work with their associates and be accepted by them.
- Informal groups can be powerful forces in an organization. Managers who decide to fight against an informal organization system, will have to overcome the major obstacle of informal groups.

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Formal Vs Informal organization

Basis	Formal organization	Informal organization
Nature	Official	Unofficial
Major concepts	Authority and responsibility	Power and politics
Source of leader power	Position Management	Person Group
Guidelines for behavior	Rules	Norms

Span of Management



Number of subordinates a superior can manage

Span of management or control refers to the number of subordinates, that a superior can supervise, efficiently and effectively. In other words, this indicates the number of subordinates, who report directly to a specific manager.

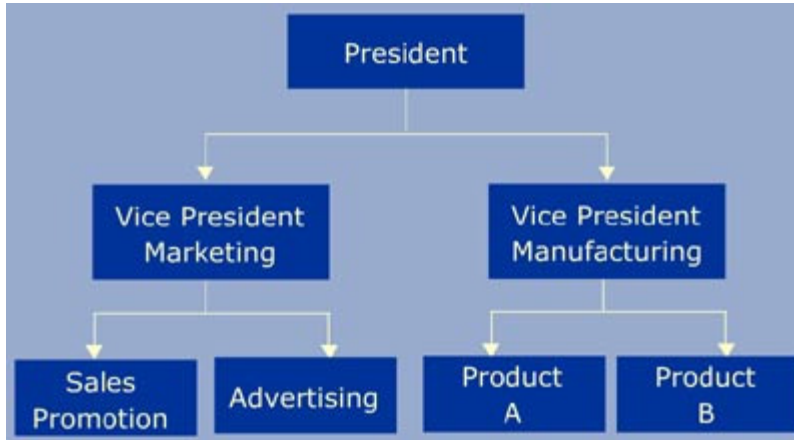
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There was a debate on the ideal number of persons, who should be reporting to a superior. Students of management were of the opinion that, ideally, at an upper level, four to eight subordinates, and at the lower level eight to fifteen sub-ordinates, can report to a superior.

The British Consultant, Lyndall Urwick however viewed that, reporting of four persons at a top-level and eight to twelve at a bottom level, would be the ideal numbers. Though different groups made different suggestions, the ideal number of persons reporting at a top-level was four and around eight, at a bottom level.

Tall Vs Flat Organizational Structure



An organizational hierarchy can be either tall or flat. A tall organization structure comprises of many hierarchies, working with a narrow span of control. This structure is found to be common, when an organization contains many departments, has more than one business and is widely diversified.

Example: GE is the classic example of a tall structure, since it consists of several hierarchal levels.

Advantages	Disadvantages
Close supervision	Superiors tend to get more involved in subordinate's work
Close control	High cost
Quick communication between superiors and subordinates	Excessive distance between lower and higher levels

Factors Determining an Effective Span

Some experts were of the opinion that, there is no need for a limit on the number of subordinates; that a superior can manage. This number also depends on a manager's personal traits. Personal traits vary from person to person. If a manager is more efficient, he can manage a large number of sub-ordinates, or vice-versa.

Personal traits, is a crucial factor, for a manager; in managing his subordinates effectively. Let us now understand the other factors, that determine the effectiveness of the span of management.

- **Training:** Training enables subordinates in discharging their work effectively and efficiently. Managers, will have to only give instructions, and leave the job to their subordinates.
- **Clarity and delegation of authority:** If there is clarity in the delegation of authority, a task is better performed, with few instructions. If the line of authority is not clear, subordinates require considerable amount of consultations and clarifications from their superiors, and this process is time consuming.

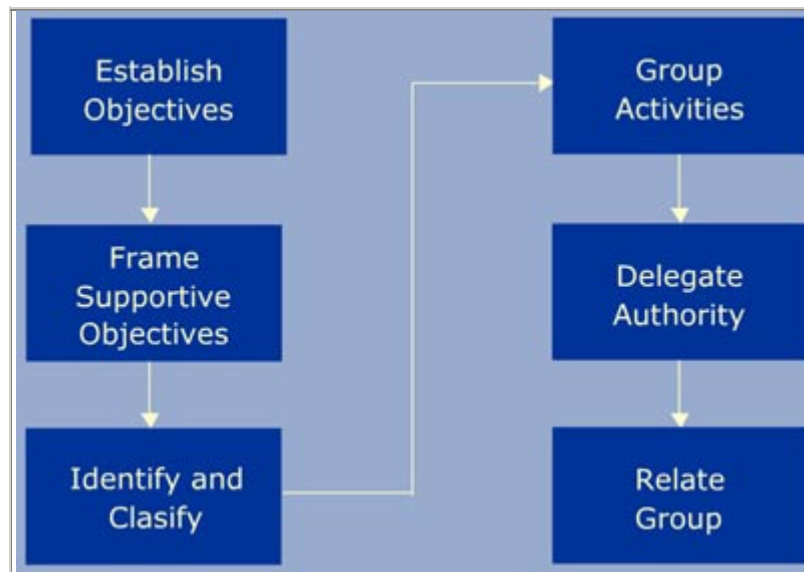
- **Clarity of plans:** A well defined plan contributes to an effective implementation. Both the superiors and the subordinates are clear in their minds. For ensuring effective implementation, superiors must frame clear-cut policies, and guide decision making. They should also ensure that plans are consistent with the set objectives and goals.
- **Use objective standards:** Managers obtain feedback about the work performed. This feedback is obtained through a personal observation or by the setting of objective standards. The benefit of having objective standards, is its assistance in knowing about deviations from the actuals. Managers can pay more attention to those aspects that show a greater deviation, and turn them into consistency goals that can be successfully implemented.
- **Rate of change:** Alterations in policies are done, based on (impact) changes.
For instance, an increase in the demand for diesel cars, influences many car manufacturers to bring out newer diesel versions.
- **Communication techniques:** The aim of a good communication technique, is to save time, and speed up the decision-making process. For this purpose, a manager has different options, such as written recommendations etc. They can ask their subordinates to give their written recommendations and present the same to superiors.

Another way of speeding up the communication process is, to utilize modern devices such as internet, tele-fax, tele-conference etc. They not only save time, but also enable in interacting with people who are located ,far away.

- **Personal contact:** Introduction of modern equipment, no doubt has improved the communication process. It cannot however replace the benefits of face-to-face meeting. Employees feel motivated, when they meet personally and discuss their problems with their superiors. Organizations must ensure that meetings (face-to-face) should preferably be conducted at least once in a month.
- **Organizational levels :** Various studies on organizational levels suggest that, the degree of specialization is the most prominent variable that effects the span of management.
- **Use of staff assistance:** To save their own time, managers can delegate a certain amount of work to their staff assistants; whose job is to gather information, process, and communicate the same to subordinates. This process helps managers to widen their span of control.
- **Other factors:** A well-trained manager can effectively manage a wider span, exercise a closer supervision, if tasks are complex. He can also delegate authority and responsibilities to subordinates.

Process of Organizing

The following steps are involved in organizing process.



- Establish the objectives of the organization
- Frame supportive objectives and policies
- Identify and classify the objectives as per the organizational requirements
- Group the activities, based on human resources, materials etc.
- Delegate authority to groups
- Organize the groups, both vertically and horizontally

Prerequisites for Effective Organizing

The following are the prerequisites for effective planning:

- Clarity in all levels of organization
- Analyzing organizational strengths and weaknesses, before determining the basis for departmentation.
- A clear understanding of the authority and responsibility (that exists in the organization), helps in organizing effectively
- Understand the kind of authority that is prevailing in the organization
- Study the manager's capabilities, his way of functioning, and how he delegates and implements things.

Summary

- Organizing is grouping of activities in a logical manner
- Traditional perspective of organizing - Unity of command, hierarchy of authority, responsibility and delegation
- Bottom up approach and acceptance theory of authority
- Close Vs open systems
- Open system model – inputs, process and outputs
- Formal Vs informal organization

Organizing

- Span of management – top level 4, bottom level 8-12
- Tall Vs flat organization structure
- Factors determining an effective span
- Process of organizing
- Prerequisites of effective organizing

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