

Chapter 2: **THE NEED FOR ORGANIZATION**

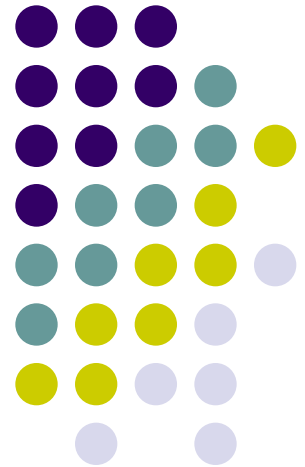
Week 10th August 2009

Introduction To Management

ND/BNF/29,30

ND/SCR/06

Ms. Hj Rh Rozie Hj Ariff



Lecture Outline



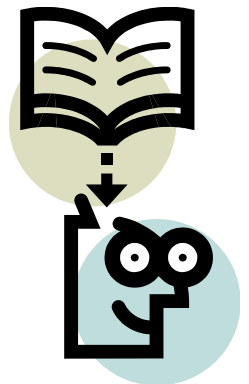
- Definition
- Organization Process
- Departmentalization
 - Functional Organization Structure
 - Divisional Organization Structure
 - Matrix Organization Structure

DEFINITION



What is Organizing?

- It is the process of creating a structure of relationships that enable employees to carry out management's plan and meet organizational goals.
- It is presented as one of the four general managerial functions.



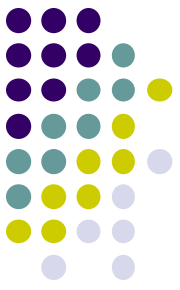
Organizations' Characteristics



- 1) The number of people working in the organization
- 2) Their common objectives
- 3) The structure they develop to help them achieve these objectives.



ORGANIZATION DESIGN



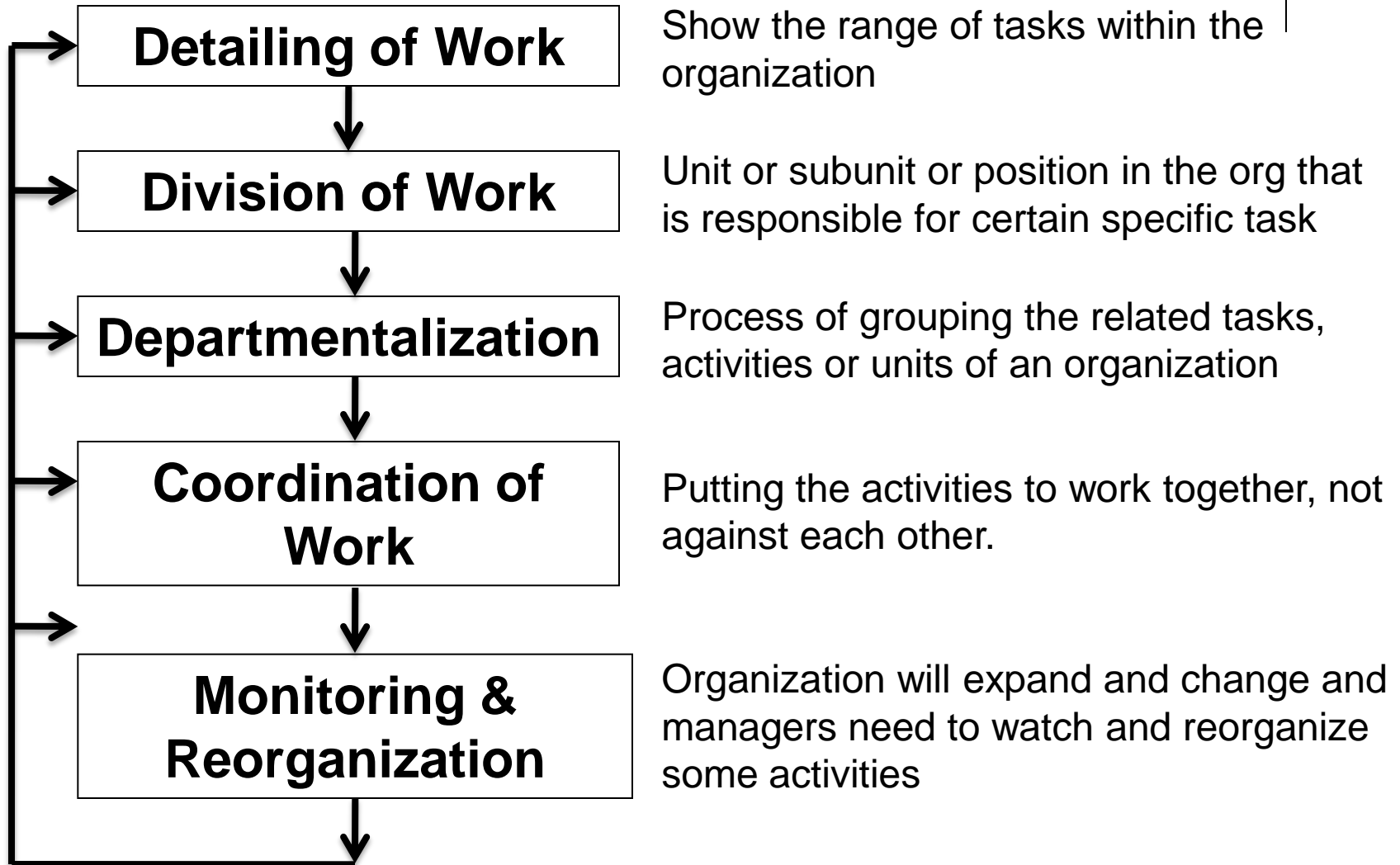
- Refers to the formal and logical way that an organization is managed.
- The foundation for efficient business operations is good organizational design.
- This includes the elements of the organization function, their alignment and interrelationships with the planning, leading and control functions; and the complex trade-offs that must be considered in achieving a “fit” among these functions and other aspects of the organization.
- To present organization design, many business produce organization charts.

ORGANIZATION CHART

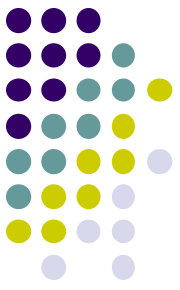


- It is a diagram that illustrates the relation of reporting relationships, functions, departments, divisions and even individual positions within the organization.
- It is a “skeleton” representation of the organization’s structure.

ORGANIZATION PROCESS



ADVANTAGES OF ORGANIZING



- 1) Provides some insight on how the pieces of the entire organization fit together
- 2) Everyone presumably knows who reports to whom and where to go with a particular problem
- 3) Help management detect gaps in authority and duplication of activities

DISADVANTAGES OF ORGANIZING

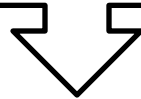


- 1) Cannot show everything about an organization's structure or much about the way things often really get done.

DEPARTMENTALIZATION



What is Departmentation?



It is the method of grouping the related tasks, activities or units of an organization.

DEPARTMENTALIZATION



- It is the subdivision of work into jobs and tasks and assigns them to specialized units within an organization.
- One key to effective departmentalization lies in organizing people, jobs and tasks in such a way that decisions flow easily throughout the organization.

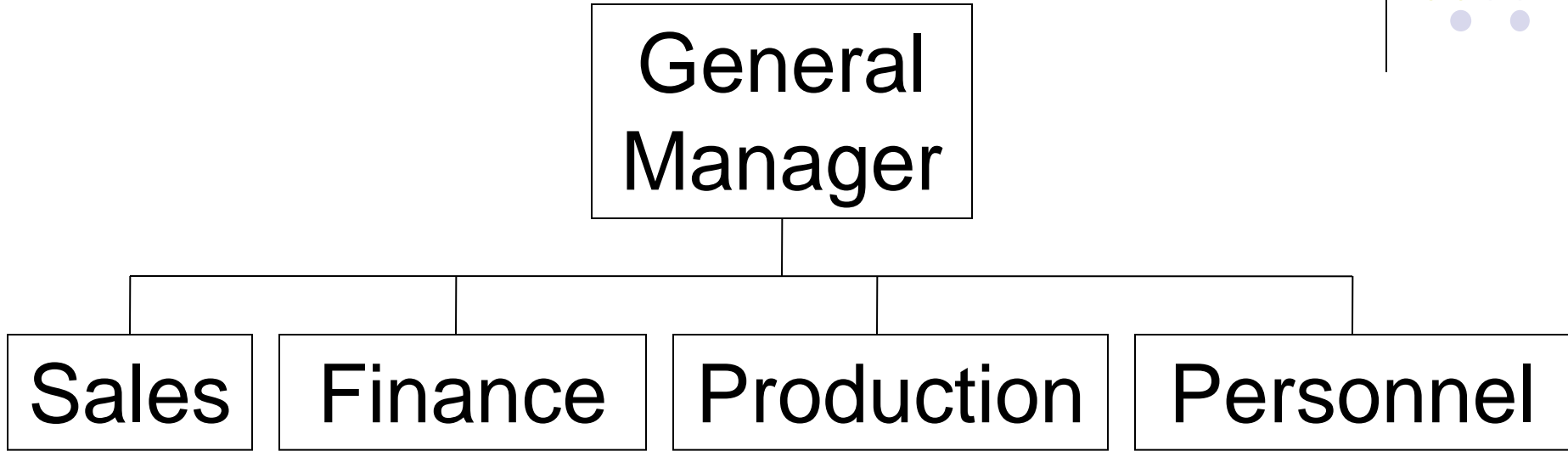
DEPARTMENTALIZATION



2 main methods of departmentalization:

- 1) By Function
- 2) By Division:
 - Product
 - Region/Geography
 - Customer

Departmentation by Function



Advantages of Functional Organization Structure:



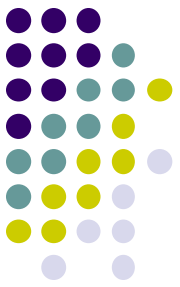
- 1) The method is logical, easy to understand and effective in practice.
- 2) Specialization is allowed full play and economies of scale can be enjoyed.
- 3) It facilitates centralized direction and control.
- 4) There is littler need for internal coordination within each department.
- 5) Professional expertise has a chance to build up.

Disadvantages of Functional Organization Structure:



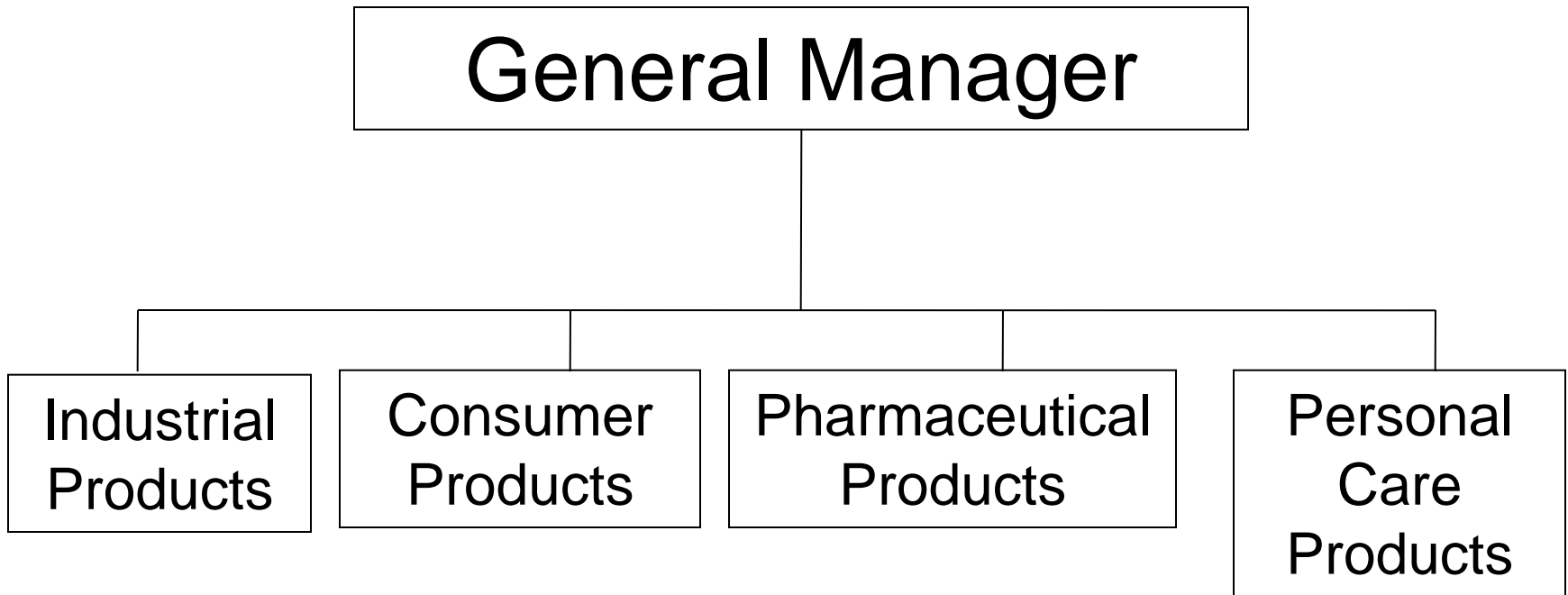
- 1) Inadequate communication between departments.
- 2) Difficulties in co-operation among departments.
- 3) Focus on departmental issues rather than organizational goals and matters.
- 4) Development of managers who are experts only in narrow fields.

Divisional Organization Structure



- Focuses primarily on the operations of his or her division.
- Still reports to central headquarters
- Divisional organization structure can be divided into three patterns:
 - i) Division by product
 - ii) Division by region / geography
 - iii) Division by customer

i) Departmentation by Product



Departmentation by Product:



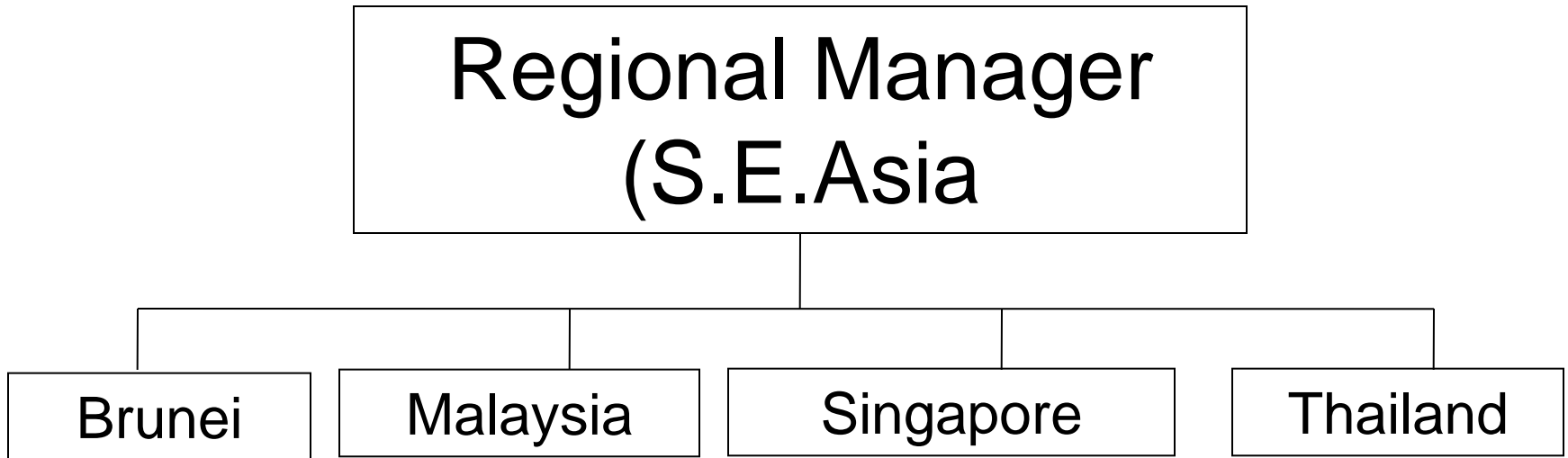
Advantage:

- Each department can concentrate its effort in its specialized area. The product(s) get the full attention needed to perform well.

Disadvantage:

- Limited career mobility for personnel outside their own product lines.

ii) Departmentation by Region/Geography





Departmentation by Region/Geography:

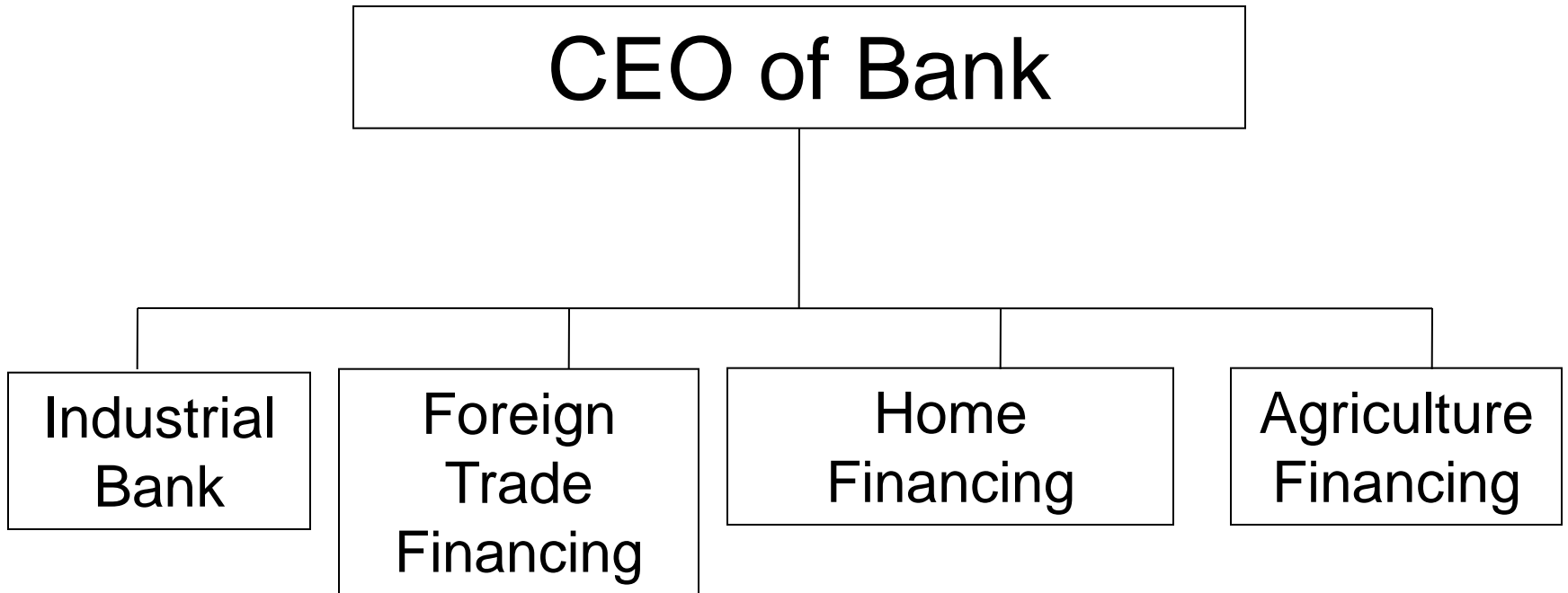
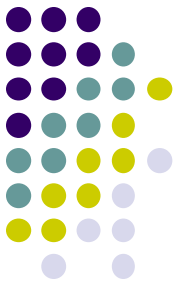
Advantage:

- Low transportation cost of raw materials and labour to markets.

Disadvantage:

- May focus more in one than the others.

iii) Departmentation by Customer



Departmentation by Customer:



Advantage:

- Encourage greater customer focus and enabling understanding of customer needs.

Disadvantage:

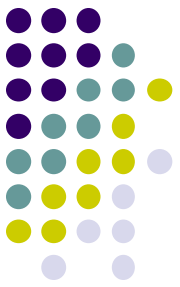
- Customer orientated encourages politics and conflicts of favoritism.

Matrix Organization Structure



- One of the contemporary organization design.
- Combines some features of the functional and product organization designs to increase the ability of managers and employees to process information.

Advantages and Disadvantages



Advantage:

- A matrix design permits the flexible sharing of employees across product lines.

Disadvantages:

- Matrix design include the reality that the maintenance of two management hierarchies (functional and product) is expensive.
- Trying to decide who to listen to may create confusion and ambiguity for the employees.