

UNIT - 3 IN 5 MINUTES

TYPES OF ORGANIZATION	TYPES OF DEPARTMENTALIZATION	CENTRALIZATION AND DECENTRALIZATION
<p>“Organization is a system of co-operative activities of two or more persons.” Organization is the process of dividing up of the activities.</p> <p>1) LINE ORGANIZATION : In this type of organization, authority flows from top to bottom and responsibility flows from bottom to top.</p> <p>2) FUNCTIONAL ORGANIZATION : The main feature of functional organization is the division of work and specialization. In each department, there is one expert. An expert is not only a counselor but also an administrator. He advises his subordinates. An Expert does not only bear responsibility of his department but also bear responsibility of all departments.</p> <p>3) LINE AND STAFF ORGANIZATION : Line and staff organization is that in which the line heads are assisted by specialist staff. In each department, there is one expert and some line personnels / line officials. Line official will do all managerial work and expert will give advice to line official or line personnel.</p>	<p>Departmentalization is the process of breaking down an enterprise into various departments.</p> <p>(1) FUNCTIONAL DEPARTMENTALIZATION : Functional departmentalization defines departments by the functions like accounting or purchasing.</p> <p>(2) GEOGRAPHICAL DEPARTMENTALIZATION : Geographical departmentalization is an arrangement of departments according to geographic area or territory.</p> <p>(3) PRODUCT DEPARTMENTALIZATION : Companies may have multiple products. . All common activities required to produce and market a product are grouped together.</p> <p>(4) PROCESS DEPARTMENTALIZATION : Departmentalization is done on the basis of processing.</p> <p>(5) CUSTOMER DEPARTMENTALIZATION : Customer divisions are divisions set up to service particular types of clients or customers</p>	<p>CENTRALIZATION is the degree to which decision making takes place at upper levels of the organization.</p> <p>(1) Environment is stable. (2) Lower-level managers are not as capable or experienced. (3) Decisions are relatively minor. (4) Company is large. (5) Lower-level managers do not want a say in decisions.</p> <p>DECENTRALIZATION is the degree to which decision making takes place at lower-level</p> <p>(1) Environment is complex, uncertain. (2) Lower-level managers are capable or experienced at making decisions. (3) Decisions are significant. (5) Company is geographically dispersed. (6) Lower-level managers want a voice in decisions.</p> <p><i>Dictatorship is an example of centralized structure and democracy is an example of decentralization.</i></p>
SPAN OF CONTROL	VERTICAL AND HORIZONTAL DIMENSIONS	TALL AND FLAT STRUCTURE OF ORGANIZATION
<p>Span of Control states that how many employees can a manager efficiently & effectively manage ? OR The number of persons who are directly responsible to the executive is called the span of control.</p> <p>The numbers of persons which can be effectively supervised by single executive is 6 to 8 in an average firm. However when activities are routine then executive can supervise 20 to 30.</p> <p>If span is small, an executive may tend to over supervise & may even do span leading to his subordinates.</p> <p>If span is large, executive may not be able to supervise his subordinates effectively & they may become careless or feel neglected.</p>	<p>The horizontal dimension defines the basic departmentation i.e. production, marketing etc. Departmentation is the process of diving an enterprise into different parts i.e. smaller, flexible administrative units or sections.</p> <p>The Vertical dimension of the structure relate to the creation of hierarchy of superiors and subordinates, leading to the establishment of a managerial structure. It clearly defines that who will report to whom.</p> <p>Importance of Vertical and Horizontal Dimensions</p> <ol style="list-style-type: none"> To establish “Superior-Subordinate” relationship To define chain of command To define span of control To establish flow of information To get advantage of specialization 	<p>If the span of control is narrow, then there will be many management levels. That is, there will be many managers. This organization structure is called "Tall Organization Structure".</p> <p>If the span of control is wide, then there will be fewer management levels. That is, there will be fewer managers. This organization structure is called "Flat Organization Structure".</p> <p>In Tall Organisation Structure, a manager has to manage only a few subordinates. Thus very good in terms of Control, Close Supervision.</p> <p>In Flat Organisation Structure, a manager has to manage many subordinates. Thus, there is loose control and poor supervision.</p>
FORMALIZATION	MATRIX AND VIRTUAL ORGANIZATION	TYPES OF ORGANIZATIONAL STRUCTURE
<p>Formalization refers to how standardized an organization’s jobs are and the extent to which employee behavior is guide by rules and procedures.</p> <p>WORK SPECIALIZATION</p> <p>It is also known as division of labor. An organization is composed of man power of different specialization or skills. So there should be proper division of work among different workers.</p> <p>CHAIN OF COMMAND</p> <p>It is the line of authority extending from upper organizational levels to lower levels, which clarifies who reports to whom. Mangers need to consider it when organizing work because it helps employees with questions such as “Who do I report to?” and “Who do I go to if I have a problem?”</p>	<p>Matrix organization is a hybrid structure. Matrix Organization is a combination of two or more organization structures. For example, Functional Organization and Project Organization. The employee has to work under two authorities (bosses).</p> <p>A Virtual org. is a network of firm held together by the product. A Virtual Org. might not have even have a permanent office. A virtual organization consists a group of companies, acting as one company to fulfill a need in the marketplace.</p> <p>Self-organizing systems are to put in simple manner – the system whose parts are separate, independent of each other, and then these parts acts in such a way that they form connections with each other. Thus, this system is a system that emerges from “independent parts” to interdependent parts” of the system.</p>	<p>There are three main types of organizational structure: functional, divisional and matrix structure.</p> <p>FUNCTIONAL STRUCTURE : Functional structure is set up so that each portion of the organization is grouped according to its purpose. In this type of organization, for example, there may be a marketing department, a sales department and a production department.</p> <p>DIVISIONAL STRUCTURE : Divisional structure typically is used in larger companies that operate in a wide geographic area or that have separate smaller organizations within the umbrella group to cover different types of products or market areas</p> <p>MATRIX STRUCTURE : The third main type of organizational structure, called the matrix structure, is a hybrid of divisional and functional structure.</p>

Unit - 3 : Organizational Structure and Design

Que : Define "Organization." Explain types of organization.

"Organization is a system of co-operative activities of two or more persons." Organization is essentially a matter of relationship of man to man, job to job and department to department. Organization is the process of dividing up of the activities which are necessary to any purpose and arranging them in groups which are assigned to individuals. Organization is necessary for attaining maximum efficiency with minimum of resources.

There are three main types of organization structure.

- 1) **Line organization**
- 2) **Functional organization**
- 3) **Line and Staff organization.**

Line Organization (Oldest and Simplest Style)

In this type of organization, the line of authority flows directly from top to bottom and the line of responsibility flows from bottom to top in opposite direction. Each departmental head has complete control over his section and he is fully authorized to select his labor, staff, purchases of raw materials, stores and to set the standards of output etc. The responsibility of each departmental head is clearly defined. Each department works as a self-supporting unit.

Advantages

1. **Simplicity** : It is easy to establish and simple to understand. The entire activities are broadly grouped into departments. Each departmental head having complete command over his department.
2. **Strong in discipline** : Due to unity of command and unified control it is possible to maintain strict discipline. The duties and responsibilities of each individual are clearly defined.
3. **Unity of command** : It establishes clear cut superior subordinate relationships. Each subordinate is responsible to only one superior. This develops a sense of responsibility and loyalty.

Disadvantages

1. **Undue reliance** : Loss of one or two capable men may put the organization in difficulties.
2. **Personal limitations** : In this type of organization an individual executive cannot do justice to all different activities, because cannot be specialized in all trades.
3. **Overload of work** : Departmental heads are overloaded with various routine jobs hence they can not spend time for important managerial functions like planning, development, budgeting etc.

Functional Organization

F.W. Taylor suggested functional organization, because it was difficult to find all-round persons qualified to work at middle management levels in the line organizations. In this type of organizations specialists like production engineer, design engineer, maintenance engineer, purchase officer etc. are employed.

Each specialist is supposed to give his functional advice to all other foremen and workers. Each specialist is authorized to give orders to workers, but only in regard of his field of specialization.

The main feature of functional organization is the division of work and specialization. In each department, there is one expert. An expert is not only a counselor but also an administrator. He advises his subordinates. An Expert does not only bear responsibility of his department but also bear responsibility of all departments. For example, Purchase Manager will take responsibility of purchasing items for all departments. HR Manager will take responsibility of recruitment of all departments.

Advantages

1. **Separation of work** : In functional organization mental work has been separated from routine work. Specialized and skilled supervisory attention is given to workers. The result is increase in rate of production and improved quality of work.
2. **Ease of selection and training** : Functional organization is based upon expert knowledge. The availability of guidance through experts make it possible to train the workers properly in comparatively short span of time.
3. It helps in mass production by standardization and specialization.

Disadvantages

1. **Indiscipline** : Since the workers receive instructions from number of specialists it leads to confusion to whom they should follow.
2. **Shifting of Responsibility** : It is difficult from the top management to locate responsibility for the satisfactory work. Everybody tries to shift responsibilities on others for the faults and failures.
3. **Increase in Cost** : High salary is paid to the experts employed. This increases the total cost of the job.

Line and Staff Organization

The line and staff organization combines the line organization with staff departments that support and advise line department. In each department, there is one expert and some line personnels / line officials. Line official will do all managerial work and expert will give advice to line official or line personnel.

Line and staff organization is that in which the line heads are assisted by specialist staff. The line maintains discipline and stability, staff provides experts information and helps to improve overall efficiency. Thus the staff are thinkers while the line are doers.

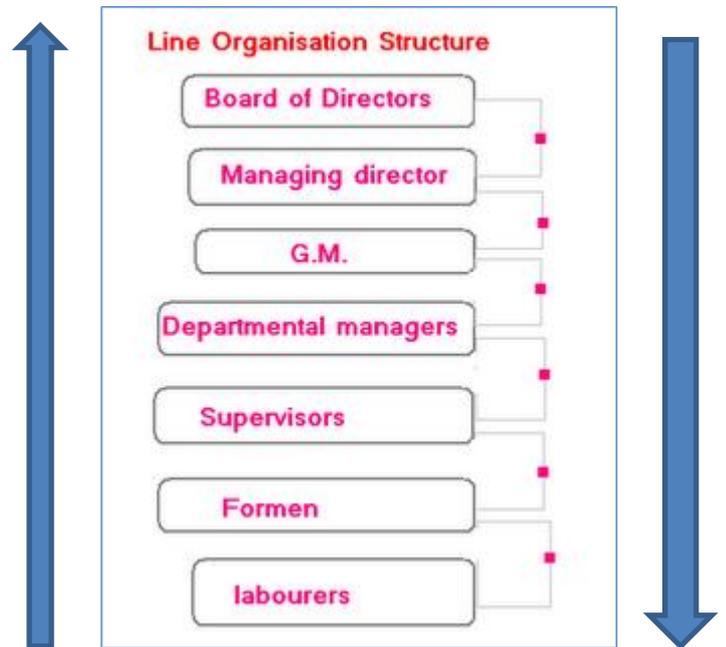
Advantages

- 1. Planned Specialization** : The line and staff is a duplex organization, dividing the whole work into creative plan and action plan. The creative plan is concerned with original thinking and the action plan takes care of the execution of work.
- 2. Availability of specialized knowledge** : The staff with expert knowledge provides opportunities to the line officers for adopting rational multidimensional views towards a problem. Therefore it helps to take sound decisions.
- 3. Adaptability to progressive business.** This type of organization contains good features of both line as well as functional organization. Specialized staff can devoted their time for planning, method study research, collection of data etc.,
- 4. Less wastage & Improved Quality.**

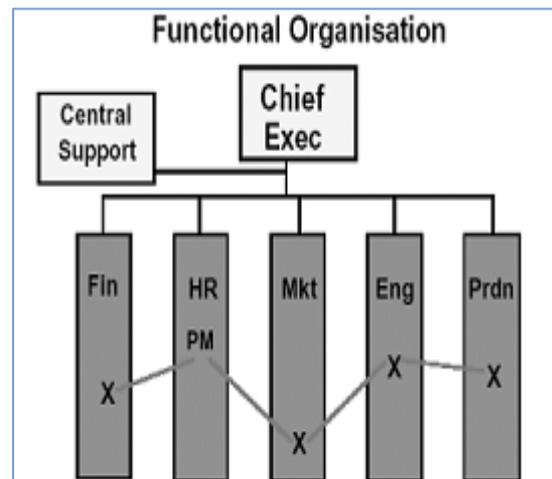
Disadvantages

- 1. Chances of Misinterpretation** : Although the expert's advice is available, yet it reaches the workers through line supervisors. The line officers may fail to understand the meaning of advice and there is always a risk of misunderstanding and misinterpretation.
- 2. Expensive** : The overhead cost of the product increases because of high salaried specialized staff.
- 3. Loss of initiative by line executives** : If is they start depending too much on staff may lose their initiative drive and ingenuity.

Line Organization



Functional Organization



Unit - 3 : Organizational Structure and Design

Que – Define ‘Departmentalization.’ List different types of departmentalization.

Departmentalization is the process of breaking down an enterprise into various departments. How jobs are grouped together is called departmentalization. A Department is an organization unit that is headed by a manager who is responsible for its activities. Departmentation and Division of labour are same things. However technically both are different. Both emphasize on the use of the specialized knowledge, but departmentation has higher management level strategic considerations while the division of labour has a lower level operating considerations.

Aim : To group activities and personnel to make manageable units.

Types / Methods/Basis of Departmentalization

There are five common forms of departmentalization

- (1) Functional Departmentalization
- (2) Geographical Departmentalization
- (3) Product Departmentalization
- (4) Process Departmentalization
- (5) Customer Departmentalization

FUNCTIONAL DEPARTMENTALIZATION

It groups jobs according to function.

Functional departmentalization defines departments by the functions each one performs such as accounting or purchasing. Every Organization must perform certain jobs in order to do its work. For example, Manufacturing, Production, R & D, Purchasing etc. Same kinds of jobs are grouped together in departments. This kind of departmentalization includes persons with same knowledge or skills (like Accounting Department having persons of commerce, Marketing Department having MBA persons). As in department people with same skill and knowledge are there. Their focus becomes narrow and they cannot appreciate each other's work in the same department.

Advantages :-

- Efficiencies from putting together similar specialist and people with common skills, knowledge, and orientations.
- In-depth specialization.
- Co-ordination within functional area.

Limitations :-

- Poor communication across functional areas.
- Limited view of organizational goals.

GEOGRAPHICAL DEPARTMENTALIZATION

It groups jobs according to geographic region.

Geographical departmentalization is an arrangement of departments according to geographic area or territory. It divides works well for international business. Geographical Departmentalization is beneficial when Organization are spread over a wide area. Even each part or areas have different requirement or interests. For example, marketing a product in Western Europe may have different requirements than marketing the same product in Southeast Asia. Market area is broken up into sales territories like Northern, Southern, West, East. The Salesman appointed for each territory report to their regional or territorial manager. These manager again reports to the sales manager who is head of the sales department.

Advantages :-

- More effective and efficient handling of specific regional issues that arise.
- Serve needs of unique geographic markets better.

Limitations :-

- Duplication of functions.
- Can feel isolated from other organizational areas.

PRODUCT DEPARTMENTALIZATION

It groups jobs by product line.

Companies may have multiple products. Like Maruti is producing Alto, Zen, Swift. Large companies are often organized according to the product. All common activities required to produce and market a product are grouped together. Major disadvantages are duplication of resources. Each product requires most of the same functional areas such as finance, marketing, production etc. For example, Samsung manufactures Phones, T.V., Tablet etc. For each product, they have same functional department like marketing, production etc. Thus, it is duplication of functions.

Product Departmentalization has become important for large complex organization.

Advantages :-

- Allows specialization in particular products and services.
- Managers can become experts in their industry.
- Closer to customers.

Limitations :-

- Duplication of functions.
- Limited view of organizational goals.
-

PROCESS DEPARTMENTALIZATION

It groups Jobs On The Basis Of Product Or Customer Flow.

Departmentalization is done on the basis of processing. In manufacturing organizations, the location of manufacturing plant or department can be at different location due to cost of raw material and even labour charges. Even departmentalization can be done depending on the types of machines required. The similar types of machines can be kept at one place e.g. all lathes, all drilling machines, all shapers etc. Activities are grouped into separate sections, each kept at one place.

Advantages :-

- More efficient flow of work activities.

Limitations :-

- Can only be used with certain types of products.

CUSTOMER DEPARTMENTALIZATION

It groups Jobs On The Basis of specific And Unique Customers

Customer divisions are divisions set up to service particular types of clients or customers. Some companies or organization divides the different units based on customers or markets. For example, any PC manufacturing company like HP has different divisions like Consumer PC, Commercial PC, and Workstations etc. Nokia previously had three divisions like Consumer Phone, Business Phone & Smart Phone. Recently Nokia had changed their departmentalization from customer to process base. Now there are only two divisions : Hardware and Software base departmentalization. They will also sell their software to other mobile company. Another example is an educational institution offers regular and extension courses to cater to the needs of different students groups.

Advantages :-

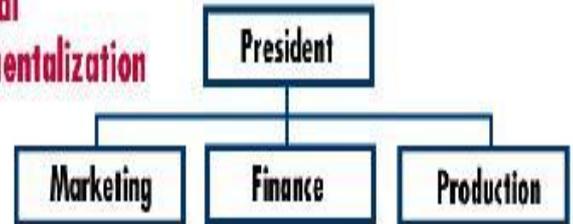
- Customers' needs and problems can be met by specialists

Limitations :-

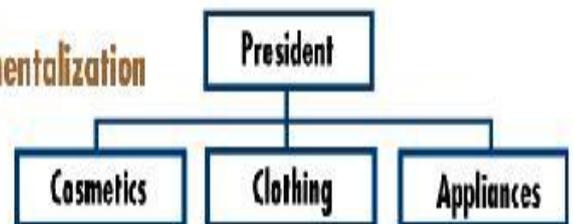
- Duplication of functions.
- Limited view of organizational goals.

This figure is necessary to get good marks

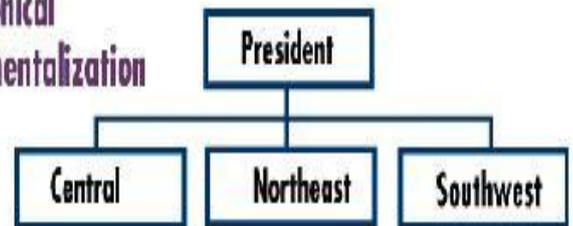
Functional Departmentalization



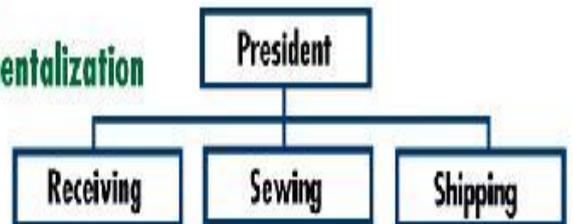
Product Departmentalization



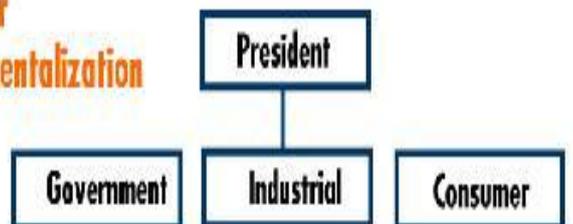
Geographical Departmentalization



Process Departmentalization



Customer Departmentalization



Unit - 3 : Organizational Structure and Design

Que – Explain centralization and decentralization of authority in detail.

The Process of delegation of authority primarily refers to the centralization or decentralization of authority.

Centralization is the degree to which decision making takes place at upper levels of the organization. If top managers make key decisions with little input from below, then the organization is more centralized. With a centralized structure, line and staff employees have limited authority to carry something out without prior approval. Centralized organizations are known for decreased span of control – a limited number of employees report to a manager, who then report to the next management level.

Decentralization is the degree to which decision making takes place at lower-level employees provide input or actually make decisions, the more decentralization is there. Decentralization seeks to eliminate the unnecessary levels of management and to place authority in the hands of first line managers and staff – thus increasing the span of control with more employees reporting to one manager.

Centralization

- (1) Environment is stable.
- (2) Lower-level managers are not as capable or experienced at making decisions as upper level managers
- (3) Decisions are relatively minor.
- (4) Organization is facing a crisis or the risk of company failure.
- (5) Company is large.
- (6) Lower-level managers do not want a say in decisions.

Decentralization

- (1) Environment is complex, uncertain.
- (2) Lower-level managers are capable or experienced at making decisions.
- (3) Decisions are significant.
- (4) Corporate culture is open to allowing managers a say in what happens.
- (5) Company is geographically dispersed.
- (6) Lower-level managers want a voice in decisions.

Dictatorship is an example of centralized structure and democracy is an example of decentralization.

Advantages of Centralization :

1. Uniformity of decision can be maintained.
2. Quality of decision is better since each and every decision comes from top.
3. Duplication of resource utilization can be prevented.
4. Better integration of planning, directing and control activities.
5. Better coordination of work and efforts of different departments.
6. Flexibility will be high.

Advantages of Decentralization

1. Higher level management can concentrate on work.
2. It develops lower level managers to be promoted to higher level responsibilities.
3. It develops creativity and innovativeness in lower level managers.
4. It increases the morale of the lower level employees.
5. It enables to use the opportunities and local level advantages.
6. It facilitates quick and spot decision making.
7. It helps in locating the responsibilities for wrong decisions.

The degree of centralization and decentralization will depend upon the amount of authority delegated to the lowest level. According to Allen, “Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points. Centralization” is the systematic and consistent reservation of authority at central points in the organization.”

Business owners should carefully consider which type of organizational structure to use in their company. Small organizations typically benefit from centralized organizational structures because owners often remain at the forefront of business operations. Larger organizations usually require a more decentralized structure since such companies can have several divisions or departments.

Unit - 3 : Organizational Structure and Design

Que : Explain 'Span of Control'. State merits and demerits of a limited span of control. Discuss the factors affecting the span of control.

It states that how many employees can a manager efficiently & effectively manage ? OR The number of persons who are directly responsible to the executive is called the span of control.

No single executive should have more people looking to him for controlling & guidance than he can reasonably manage because :-

Limited time

Limited available energy.

The numbers of persons which can be effectively supervised by single executive is 6 to 8 in an average firm. However when activities are routine then executive can supervise 20 to 30.

If span is small, an executive may tend to over supervise & may even do span leading to his subordinates.

If span is large, executive may not be able to supervise his subordinates effectively & they may become careless or feel neglected.

Suppose, you have 4000 workers in Organization. If you divide those workers in 4 groups then you need 1000 Managers. If a span is small, you need 1000 managers and will take large amount of money in terms of Annual Salary of Managers. But Workers will get proper supervision. Now, if we divide those workers in 8 groups then you need 500 Managers. If a span is big then you need 500 managers and will save company's money.

Determinants of Span of Control :

Colonel Urwick stated that the number of subordinates under one superior should range between 4 and 12 depending upon various determinants of the span of control.

(i) **Competence of Superior** : Competence of Superior is capable enough to handle more subordinates.

(ii) **Competence of the subordinates** : Competent subordinates disturb less to superior.

(iii) **Nature of work** : In case of repetitive work, more subordinates can be handled by one superior.

(iv) **Means of communication** : If subordinates use appropriate media then one superior can handle more number of supervisors.

(v) **Leadership Style** : In case of autocratic style, the frequency of meeting of subordinates with superior is high.

Merits of Span of Control :

1. Superior can supervise effectively and competently
2. Specialization is encouraged and utilized.
3. Superior can concentrate on limited area of operations.
4. Higher degree of disciplines can be exercised,
5. If results into all the advantages of tall structure.

Demerits of Span of Control :

1. It increases the scalar chain from top to bottom.
2. It demotivates the employees as the contacts between top and bottom is lengthened.
3. It results into all disadvantages of tall structure.

The advantages of a narrow span of control are :

A narrow span of control allows a manager to communicate quickly with the employees under them and control them more easily Feedback of ideas from the workers will be more effective. It requires a higher level of management skill to control a greater number of employees, so there is less management skill required

The advantages of wide span of control are :

There are less layers of management to pass a message through, so the message reaches more employees faster It costs less money to run a wider span of control because a business does not need to employ as many managers

MOST IMPORTANT

If any question like "key elements / characteristics of Org. Design / Org. Structure / Organization" will be asked, six below mentioned point should be added.

For example :

Describe the six key elements of the organization design ?

The elements are as follows :-

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

Then write down little about each point.

Unit - 3 : Organizational Structure and Design

Que : What is Organization Structure ? Why are both vertical and horizontal dimensions important to organization structure ?

The Organization structure is a skeleton or a framework that divides the total activities into related groups, develops superior and subordinate relationship among the persons by prescribing the authorities.

Thus, it indicates the hierarchy (Persons arranged according to rank), authority structure and reporting relationships.

The organizational structure differs from industry to industry. It usually depends upon,

1. **Size of the organization.**
2. **Nature of the product being manufactured.**
3. **Complexity of the problems being faced**

HORIZONTAL DIMENSION

The horizontal dimension defines the basic departmentation i.e. production, marketing etc. Departmentation is the process of dividing an enterprise into different parts i.e. smaller, flexible administrative units or sections.

VERTICAL DIMENSION

The Vertical dimension of the structure relate to the creation of hierarchy of superiors and subordinates, leading to the establishment of a managerial structure. It clearly defines that who will report to whom.

Considering both horizontal and vertical aspects the formal structure of the organization gets defined.

Importance of Vertical and Horizontal Dimensions

1. To establish "Superior-Subordinate" relationship
2. To define chain of command
3. To define span of control
4. To establish flow of information
5. To get advantage of specialization
6. To make the role of each individual clear
7. To prevent duplication of work
8. To ensure optimum utilization of resources at minimum possible cost.

Que : Discuss about the tall and flat structure of organization.

Tall Structure of Organization

Meaning : If the span of control is narrow, then there will be many management levels. That is, there will be many managers. This organization structure is called "Tall Organization Structure".

Formal : In Tall Organisation Structure, a manager has to manage only a few subordinates. Therefore, the relationship between them will be informal. Personal relationships are possible.

Control : In Tall Organisation Structure, there is a close control because there are few subordinates.

Mistakes : In Tall Organisation Structure, there are less mistakes because of close supervision and control.

Discipline : In Tall Organisation Structure, Good discipline can be maintained because there are few subordinates.

Cost : Tall Organisation Structure is costly because it has many managers

Process : In Tall Organisation Structure, Decision making and Communication is slow because there are many levels of management.

Flat Structure of Organization

Meaning : If the span of control is wide, then there will be fewer management levels. That is, there will be fewer managers. This organization structure is called "Flat Organization Structure".

Formal : In Flat Organisation Structure, a manager has to manage many subordinates. Therefore, the relationship between them will be formal.

Control : In Flat Organization Structure, there is a loose control because there are many subordinates.

Mistake : In Flat Organization Structure, many mistakes may occur because of loose supervision and control.

Discipline : In Flat Organization Structure, the possibility of indiscipline exists because there are many subordinates.

Cost : Flat Organization Structure is less costly because it has less managers.

Process : In Flat Organization Structure, Decision making and Communication is quick because there are few levels of management.

Unit - 3 : Organizational Structure and Design

Que : When a matrix structure can be used ? (Manager in matrix type of organization)

Matrix organization is a hybrid structure. Matrix Organization is a combination of two or more organization structures. For example, Functional Organization and Project Organization.

The organization is divided into different functions, e.g. Purchase, Production, R & D, etc. Each function has a Functional (Departmental) Manager, e.g. Purchase Manager, Production Manager, etc.

The organization is also divided on the basis of projects e.g. Project A, Project B, etc. Each project has a Project Manager e.g. Project A Manager, Project B Manager, etc. The employee has to work under two authorities (bosses). The authority of the Functional Manager flows downwards while the authority of the Project Manager flows across (side wards). So, the authority flows downwards and across. Therefore, it is called "Matrix Organization".

Functional Manager : The Functional Manager has authority over the technical (functional) aspects of the project.

Project Manager : The Project manager has authority over the administrative aspects of the project. He has full authority over the financial and physical resources which he can use for completing the project.

For example, all engineers may be in one engineering department and report to an engineering manager but these same engineers may be assigned to different projects and report to a project manager while working on that project. Therefore each engineer may have to work under several managers to get their job done.

Advantages of Matrix Organization

- Sound Decisions
- Development of Skills
- Top Management can concentrate on Strategic Planning : Responds to Changes in Environment
- Specialization
- Optimum Utilization of Resources
- Motivation

Limitations of Matrix Organization

- Increase in Work Load
- High Operational
- Absence of Unity of Command
- Difficulty of Balance
- Power Struggle
- Morale
- Complexity
- Shifting of Responsibility

Que : Explain New Forms of Organization Virtual and Self Organizing Systems.

Virtual Organization

You might ask yourself the question "Why do we need to go to a specific physical place to work?"

The answer often is that either "this is where the people that you work with are" or "that this is where you find the information you need as well as the means to process it"- in summary where your office is.

But what if you no longer had to go to this place to contact the people or get the information? Instead all this could be done electronically and you and everyone else would do their work from any location. In that case you can have taken the first few steps to a virtual organization.

A Virtual org. is a network of firm held together by the product. A Virtual Org. might not have even have a permanent office. For example, "**John Taylor**" is a renowned company. When you try to track down the John Taylor company, you find there are no John Tylor designers, no John Taylor manufactures. It is just 3 people in an office subcontracting out all functions.

A virtual organization consists a group of companies, acting as one company to fulfill a need in the marketplace. These companies collaborate, share skills, information, products, services etc in order to meet the goal of customer fulfillment. Indeed, a company can itself be a virtual enterprise consisting of interdependent departments. These companies operate independently of each other but work together to meet a common goal of meeting a need in the market.

A virtual organization or company is one whose members are geographically apart, usually working by computer e-mail and groupware while appearing to others to be a single, unified organization with a real physical location.

Self-Organizing Systems

Self-organizing systems are to put in simple manner – the system whose parts are separate, independent of each other, and then these parts acts in such a way that they form connections with each other. Thus, this system is a system that emerges from "independent parts" to interdependent parts" of the system.

In other words these systems can be considered as spontaneous interconnecting systems.

Unit - 3 : Organizational Structure and Design

Que : Explain Formalization, Work Specialization & Chain of Command

Formalization

Formalization refers to how standardized an organization's jobs are and the extent to which employee behavior is guided by rules and procedures.

In highly formalized organizations, there are explicit job descriptions, numerous organizational rules, and clearly defined procedures covering work processes.

Employees have little discretion over what's done, when it's done, and how it's done. However, where formalization is low, employees have more discretion in how they do their work.

Work Specialization

It is also known as division of labor. An organization is composed of man power of different specialization or skills. So there should be proper division of work among different workers.

Advantages :-

1. Increase in production rate.
2. Quality of product is better.

Disadvantages :-

1. Workers may lose interest due to repetition of jobs.
2. Workers may not get change for job enlargement.
3. Work becomes boredom & chances of absenteeism increased & reduced performance.

Chain of command

It is the line of authority extending from upper organizational levels to lower levels, which clarifies who reports to whom. Managers need to consider it when organizing work because it helps employees with questions such as "Who do I report to?" and "Who do I go to if I have a problem?"

1. **Authority** :- It refers to the rights inherent in a managerial position to tell people what to do and to expect them to do it. Authority empowers the superior to make a subordinate to do the work. Lines of authority should be clearly established in the structure of organization in order to avoid overlapping actions.

2. **Responsibility** :- A manager assigns work to employees & these employees have to perform the assigned duties. This obligation is known as responsibility.

3. **Unity of Command** :- It states that a person should report to only one manager, without unity of command it creates confusion & problems.

Que : Explain types of Organizational Structure.

If this question will be asked, Types of organization (Line, Functional, Staff etc) should be written to avoid confusion.

There are three main types of organizational structure: functional, divisional and matrix structure.

Functional Structure

Functional structure is set up so that each portion of the organization is grouped according to its purpose. In this type of organization, for example, there may be a marketing department, a sales department and a production department. The functional structure works very well for small businesses in which each department can rely on the talent and knowledge of its workers and support itself. However, one of the drawbacks to a functional structure is that the coordination and communication between departments can be restricted by the organizational boundaries of having the various departments working separately.

Divisional Structure

Divisional structure typically is used in larger companies that operate in a wide geographic area or that have separate smaller organizations within the umbrella group to cover different types of products or market areas. For example, the now-defunct Tecumseh Products Company was organized divisionally--with a small engine division, a compressor division, a parts division and divisions for each geographic area to handle specific needs. The benefit of this structure is that needs can be met more rapidly and more specifically; however, communication is inhibited because employees in different divisions are not working together. Divisional structure is costly because of its size and scope. Small businesses can use a divisional structure on a smaller scale, having different offices in different parts of the city, for example, or assigning different sales teams to handle different geographic areas.

Matrix Structure

The third main type of organizational structure, called the matrix structure, is a hybrid of divisional and functional structure. Typically used in large multinational companies, the matrix structure allows for the benefits of functional and divisional structures to exist in one organization. This can create power struggles because most areas of the company will have a dual management--a functional manager and a product or divisional manager working at the same level and covering some of the same managerial territory.