

# Chapter 4: Organizing

# Learning Objectives

At the end of the chapter, the students are expected to understand the following:

- ✓ Definition of Organizing
- ✓ Nature of Organizing
- ✓ Organizing as a Process
- ✓ The Nature and Development of Organization
- ✓ Types of Organization Structures
- ✓ The Nature of Line and Staff Relationship
- ✓ Organization Chart
- ✓ Results of Good Organization
- ✓ The Elements of Delegation
- ✓ Informal and Formal Organization
- ✓ Centralized and Decentralized Organization

# What is Organizing?

➤ The process of grouping together of men and establishing relationships among them, defining the authority and responsibility of personnel by using the company's other basic resources to attain predetermined goals and objectives.



➤ The identification of the grouping of work to be done, the delegation of authority and responsibility to the employees, and the establishment of relationships among the personnel in order to use to maximum advantage the company's basic material resources in the accomplishment of a common goal



# Organizing – Nature and Process

## **Nature of Organizing:**

- Some believe it includes the behavior of all member of the group.
- Others say it is the total system of social and cultural relationships.
- Generally, most managers think that the terms means a formalized design of intentional structures, roles and positions.



## **Organizing as a Process:**

- First, the structure must reflect objectives and plans because activities of the organization are based on them.
- Second, the structure must reflect authority given to top and middle management.
- Third, organization structure, like any other plan, should reflect their external environment (must be economic, technological, political, social or ethical)
- Fourth, the organization must be manned.



# What is an Organization?

➤ “Executive structure of a business” , Webster – It indicates that organization is the framework or backbone



➤ Connotes a “creative process”. – All the parts of a business do not come into existence spontaneously. They are the results of managerial efforts to carry out a predetermined course of action.

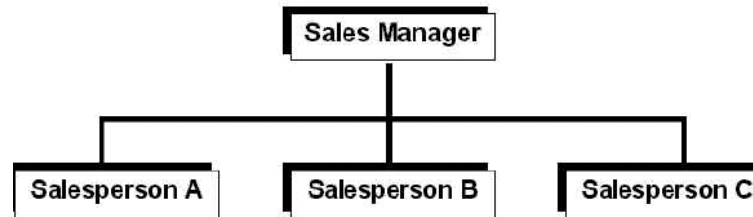


➤ Sometimes used to mean the “total business organization”, including facilities, materials, money, and manpower.

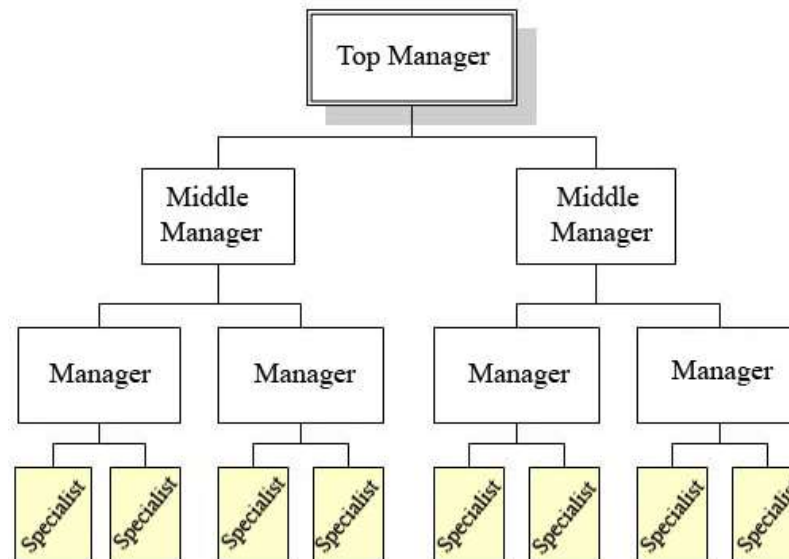
# Types of Organization Structures

**1. Line Organization** – simplest form of structure and refers to a direct straight-line responsibility and control from the top management to the middle management and to the lower level.

## The Line Organization

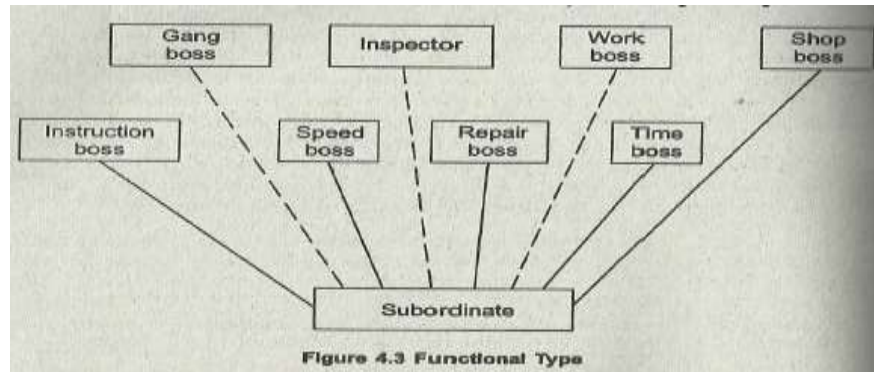


**2. Line and Staff Organization** – This utilizes the assistance of experts or specialists. Companies expand from single to complex by adding more people to the organization.

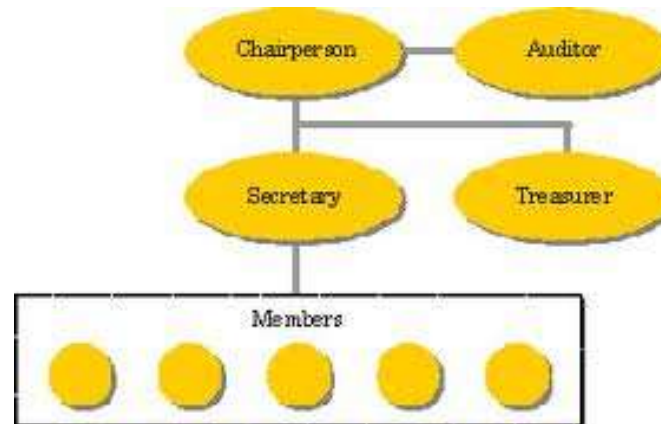


# Types of Organization Structures

**3. Functional Organization** – It utilizes the pure services of experts or specialists. This removed the staff specialist from his “assisting” capacity and gave him the pure authority and responsibility for supervision and administration of the function.



**3. Committees** – Used in situation where group participation and decision are required. These are created to undertake special activities rather than routinary activities.

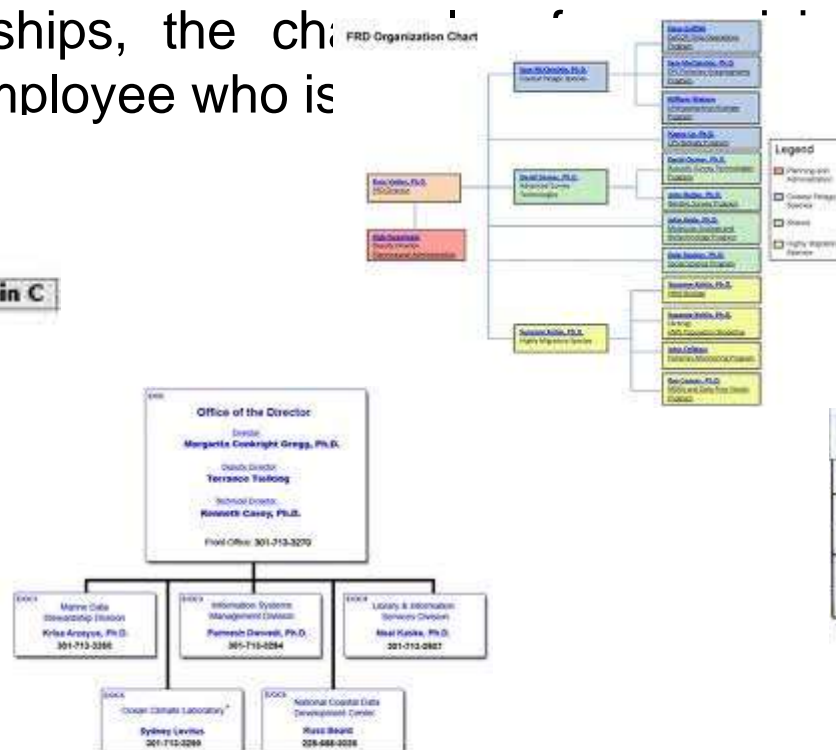




# Organization Chart

➤ is a diagram or drawing showing the important aspects of an organizational structure. It shows the relationship among positions as to authority, responsibility, and accountability and the people who occupy them.

➤ As defined by George Terry: “is a diagrammatical form which shows important aspects of an organization including the major functions and their respective relationships, the chain of command, and the relative authority of each employee who is in the organization.”





# Purpose and Types of Organization Chart

## ***Purpose:***

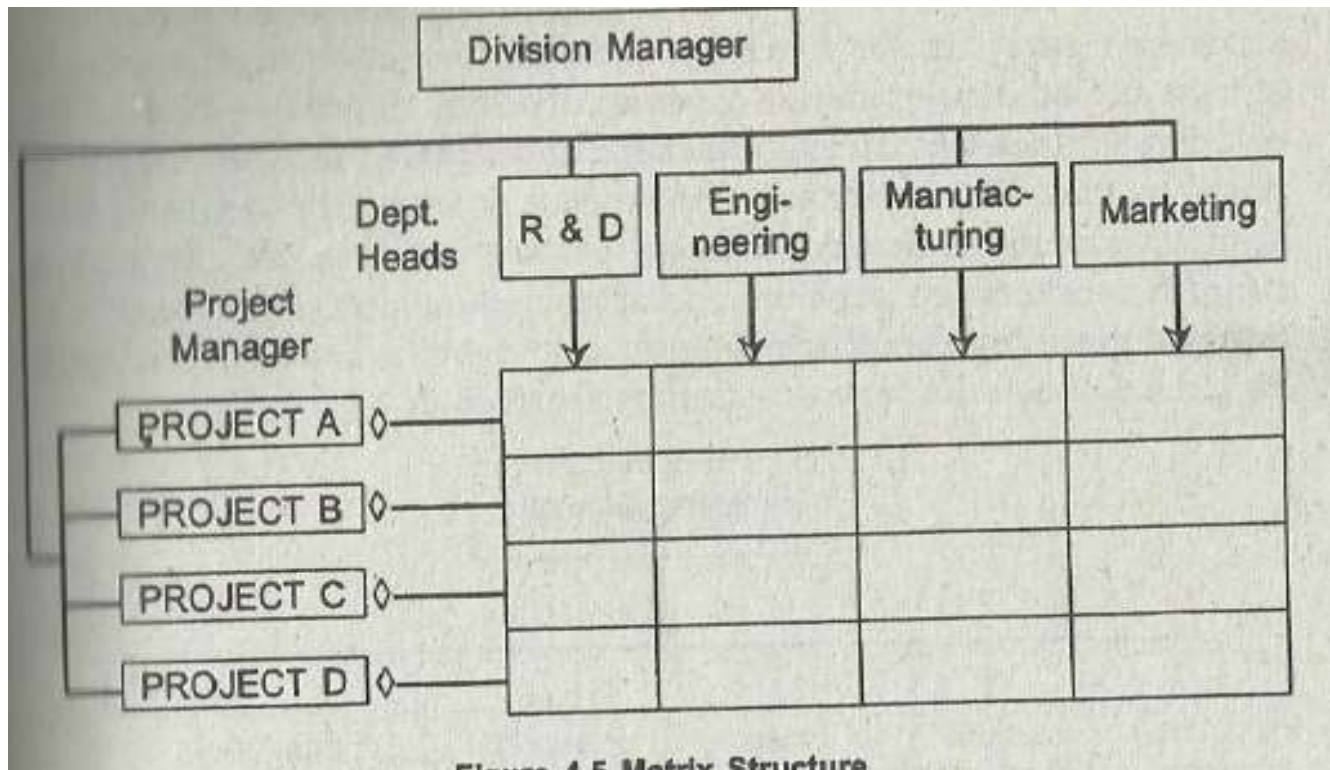
- assists one to view the firm's structure as a whole. It shows the principal divisions and lines of formal authority.
- assists management to divide the different duties or functions in the business establishment so that they will be performed effectively and efficiently.

## ***Types of Organization Chart***

- 1. Master Chart or Chart of Authority** – it shows the entire organizational structure.
- 2. Functional Chart** – Shows at a glance the functions and activities of the positions and/or departments. It shows the major responsibilities or departments or positions. Listed below each job title are brief statement of the responsibilities.
- 3. Personnel Chart** – same relative manner as the functional chart. Instead of listing the functions, the titles of the positions or the names of persons are indicated.

# Reorganization

➤ is the process by which an existing organization undergoes changes in the size and shape of the organization structure. The change may range from simple to complex.



# Departmentation

- Results from the grouping of work, the desire to obtain organization units of manageable size, and to utilize managerial ability.
- Four bases for departmentalizing an organization. Departmentation by function, product, process and geographical location.

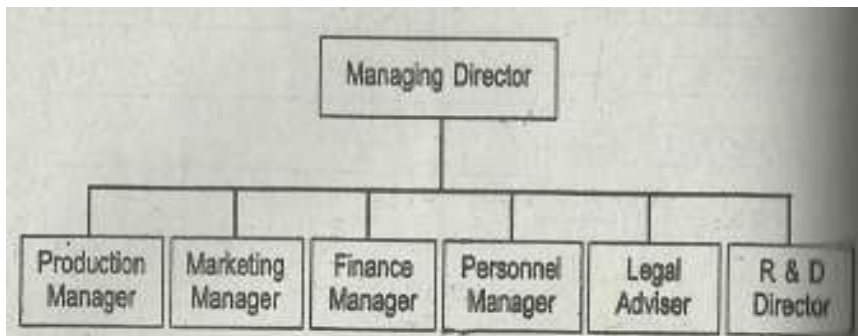


Figure 4.6 Departmentation by function

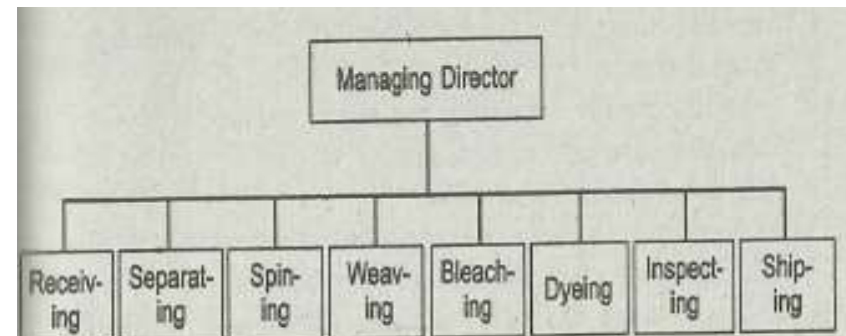


Figure 4.8 Departmentation by process



Figure 4.7 Departmentation by product

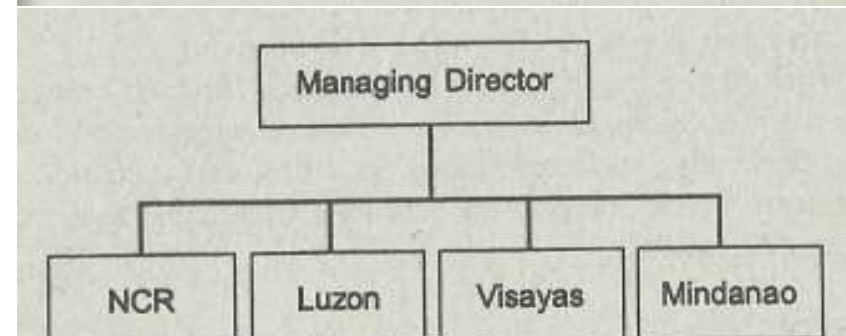


Figure 4.9 Departmentation by geographical location

# Results of Good Organization

A good organization would result in the following

1. Establishing responsibility and preventing “buck passing.”
2. Providing for easier communication
3. Eliminating jurisdictional disputes between individuals
4. Helping develop executive ability
5. Aiding in measuring a person’s performance against his charges and responsibilities
6. Aiding in equitable distribution of work, functions, and/or personnel supervision
7. Permitting expansion and contraction without seriously disrupting the structure.
8. Pointing out “dead-end” jobs.
9. Affording movement in the direction of the “ideal” organization, in times of change.
10. Establishing closer cooperation and higher morale.
11. Delineating avenues of promotion.
12. Preventing duplication of work.
13. Making growth possible with adequate control and without literally killing top executives through overwork and

# The Elements of Delegation

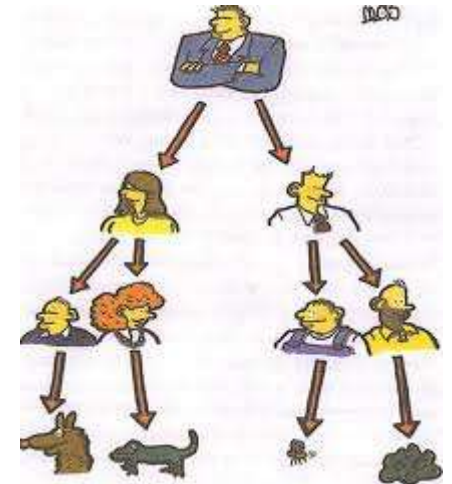
➤ Delegation is the process of entrusting and transferring responsibility and authority by the top management to the lowest level.

The elements of delegation are the following:

- 1. Responsibility** – the work or duty assigned to a particular position. Involves mental and physical activities which must be performed to carry out a task or duty. Two categories: management functions which covers POSDICON and operative functions which include all activities that have to do directly with their specialization.
- 2. Authority** – refers to the power or the right to be obeyed.
- 3. Accountability** – this is the answerability of the obligation to perform the delegated responsibility and to exercise the authority for the proper performance of the work. It cannot be delegated. It is given to the person who accepts the responsibility and is accountable only to the extent that he is given the authority to

# The Art of Delegation

- Delegation is considered an art and a science. It is an art because it is a skill that the manager performs effectively if he practices it.
- Delegation should first and foremost be tackled before the establishment of goals and objectives and a clear definition of responsibility and authority has been made.
- To be effective, the manager must motivate the subordinates to work on the delegated responsibility and authority. Positive motivation instead of negative, should be given.
- Positive motivation maybe described as psychological as well as monetary and other tangible benefits.





# The Exception Principle

- also known as management by exception is closely related to the parity principles.
- states that managers should concentrate their efforts on matters that deviate significantly from the normal and let subordinates handle routine matters.
- the idea here is that managers should concentrate on those matters that require their abilities and not become bogged down with duties that their subordinates should be doing.
- it can be hard to comply with when incompetent or insecure subordinates refer everything to their superiors because they are afraid to r

## Exception Principle

The small decisions may be made by the staff and subordinates but the big decisions are left to the big boss.



# Formal and Informal Organizations

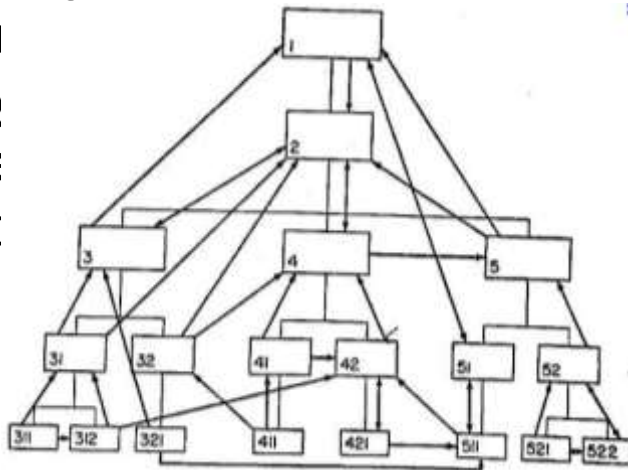
Every organization structure has two systems of operation: the formal and informal.

## Formal

- composed of recognized and formalized lines of communication, authority, and control
- have a rigid organization structure, showing the functional roles.
- all business, industrial organizations and educational institutions are formal organization.

## Informal

- much more subtle and invisible in the organization chart
- lack rigid structure
- form
- may
- independent
- club



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# Centralized and Decentralized Organizations

## Centralized Management

- major decisions are made by a few top executives, subordinates exercise little (if any) initiative in decision making.
- even when there are multiple branches, most decisions are made at the main office rather than the local branch.

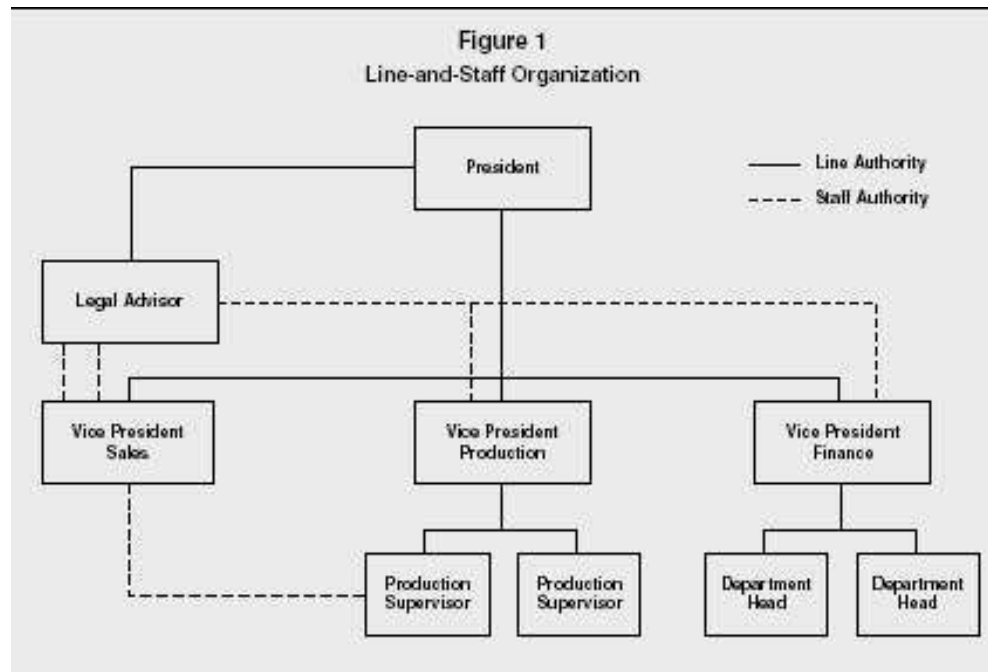
## Decentralized Management

- represents a systematic effort to delegate to lower levels all authority, except that which can only be exercised at the highest levels.
- authority is dispersed throughout and decision making is distributed throughout the organization



# Nature of Line and Staff Relationship

- Line personnel are those who contribute directly to the accomplishment of organizational objectives. Staff personnel advise and assist the line personnel
- One accepted concept of the line and staff is that which has direct responsibility for accomplishing the primary objective of the business
- Simply speaking, a department or a position is called a line if its objectives are directly in line with the company's objectives.
- On the other hand, a department or a position is called a staff if its objectives are indirectly in line with the company's objectives.



# “Flat” and “Tall” Structures

As the span of supervision or control increases (the number of subordinates being supervised), the organization develops a “flat” structure. On the other hand, the narrow spans lead to a “tall” structure. “Flat” structure permits general supervision while “Tall” leads

