Basic Management Functions

1. Planning
2. Staffing (HRM)
3. Organising
4. Directing
5. Coordinating
6. Controlling
Basic Management Functions

Areas to be covered

- Organising
- Directing
- Controlling
Required Reading
Organising

Organising is the function of creating the structure of working relationships, designing facility layout, balancing workloads, and scheduling work to be performed.

The aim of organisation is to develop a framework called “organisational structure”.
Organising

What does that mean?

Relating people and things to each other in such a way that they are combined into a unit capable of being directed toward the company’s objectives.

In short the basic premise of organisation is division of labour.
Fundamental Concepts of Organizing

- **Differentiation** means that the organization is composed of units that work on specialized tasks using different work methods and requiring employees with unique competencies.

- **Integration** means that the various units must be put back together so that work is coordinated.
Organising

When organising, a balance must be stricken between responsibility and authority.

Responsibility is the obligation to perform certain tasks.

Authority requires the ability to make commitment, use resources, and take whatever actions are necessary to perform those tasks.
Organising steps

1. Analyze the organisational setting
2. Identify the types of work that have to be done
3. List the skills of each member
4. Apply performance standards and standard times
5. Divide work to be performed into balanced job for individual worker
6. Schedule work
7. Coordinate work
Analyze the organisational setting

a. Review objectives
b. Establish performance standards
c. Develop structure of work relationships
d. Ensure that physical condition are safe and permit efficient operation
Analyze the organisational setting

a. Review objectives
What is to be accomplished by the supervisor’s group.
Objectives vary by importance --- prioritise
---Scheduling
Otherwise ---- confusion, conflict, and waste
Scheduling

It is the process of

Specifying the activity of a plan,
The sequence for performing tasks,
The time frame for completion of each phase of work,
Deadline for accomplishment work.
Scheduling

Forward Scheduling

Backward Scheduling
Analyze the organisational setting

B. Establish performance standards

You should specify quantity and quality of production, resources consumed, production method
Analyze the organisational setting

c. Develop structure of work relationships

Organisational structure is configuration of interpersonal and authority relationships within a work unit
Organizational Structure
Organization Structure

Defined as:
1. The set of formal tasks assigned to individuals and departments.
2. Formal reporting relationships.
3. The design of systems to ensure effective coordination of employees across departments.
The Elements of Structure

Organization design

- A process in which managers develop or change their organization’s structure.
Work specialization

A component of organization structure that involves having each discrete step of a job done by a different individual rather than having one individual do the whole job.
Chain of Command

- Unbroken line of authority that links all persons in an organization.

- Underlying principles
  - Unity of Command.
Organising

The maintenance of unity of command

*Each worker has only one boss*

Work assignment are logically derived

*Employee are assigned tasks based on their skills and work load*
Departmentalization
Departmentalization

Basis for grouping job positions into departments and departments into the total organization.

- **Internal Operations Oriented**
  - Functional
  - Network (Virtual)

- **Output Oriented**
  - Divisional
  - Team (Cluster)

- **Combinations**
  - Hybrid (different types at different places in an org.)
  - Matrix (different types at simultaneous at the same places in an org.)
Functional Design

- Functional design means grouping managers and employees according to their areas of expertise and the resources they use to perform their jobs.
Functional Structure

Plant Manager

- Manager, Engineering
- Manager, Accounting
- Manager, Information Systems
- Manager, Human Resources
- Manager, Purchasing
# Functional Design

## Potential Benefits
- Supports skill specialization
- Reduces duplication of resources & increases coordination
- Enhances career development & training within functional area
- Allows superiors and subordinates to share common expertise
- Promotes high-quality technical decision making

## Potential Pitfalls
- Inadequate communication
- Difficulties with interunit coordination
- Focus on departmental rather than organizational issues and goals
Divisional: Product Design

- Product design means that all functions that contribute to a product are organized under one manager.
Product Design
Product Design

Potential Benefits
- Permits fast changes in a product line
- Allows greater product line visibility
- Fosters a concern for customer demand
- Clearly defines responsibilities for each product line
- Develops managers who can think across functional lines

Potential Pitfalls
- Not allowing efficient utilization of skills and resources
- Not fostering coordination of activities across product lines
- Encourages politics and conflicts in resource allocation across product lines
- Limits career mobility for personnel outside their own product lines
Divisional: Geographical Design

- Geographical design organizes activities around location.
Geographical Structure for Apple Computer

- CEO
  - Steve Jobs
    - Apple Middle East
    - Apple America
      - Canada
        - Latin America/Caribbean
        - USA
    - Apple Europe
      - France
    - Apple Pacific
      - Australia
        - Japan
        - Asia
Geographical Design

Potential Benefits

- Has facilities and the equipment used for production and/or distribution all in one place, saving time and costs
- Able to develop expertise in solving problems unique to one location
- Gaining an understanding of customers’ problems and desires
- Getting production closer to raw materials and suppliers

Potential Pitfalls

- Duplication of functions, to varying degrees, at each regional or individual unit location
- Conflict between each location's goals and the organization's goals
- Adds levels of management and extensive use of rules and regulations to coordinate and ensure uniformity of quality among locations
Matrix, Team and Network

3. Horizontal Matrix

Product Division 1

Product Division 2

Human Resources
Manufacturing
Accounting

4. Team-Based

5. Network

Designer
Manufacturer
Central Hub
Human Resources Agency
Marketer
Matrix Design

- Functional and divisional chains of command simultaneously
- Dual lines of authority
- Functional hierarchy of authority runs vertically
- Divisional hierarchy runs laterally
- Violates the unity of command concept.
Matrix Design

Potential Benefits
- More efficient use of resources than single hierarchy
- Adaptable to changing environment
- Development of both general and specialists management skills
- Expertise available to all divisions
- Enlarged tasks for employees.

Potential Pitfalls
- Dual chain of command
- High conflict between two sides of matrix
- Many meetings to coordinate activities
- Need for human relations training
- Power domination by one side of matrix.
Team Approach

- **Cross-functional teams** consist of employees from various functional departments
- **Interdisciplinary** approach to management
- **Permanent team** = to solve ongoing problems
- **Reengineering** = radical redesign for improvements in cost, quality, service and speed.
Team Approach

Potential Benefits
- Same advantages as functional structure
- Reduced barriers among departments
- Quicker response time
- Better morale

Potential Pitfalls
- Dual loyalties and conflict
- Time and resources spent on meetings
- Unplanned decentralization.
Network Approach

- Organization divides major functions into separate companies brokered by a small headquarters organization
- Especially appropriate for international operations
- Held together with phones, faxes, and other electronic technology.
Network Approach

Potential Benefits
- Global competitiveness
- Work force flexibility
- Reduced administrative overhead.

Potential Pitfalls
- No hands-on control
- Loss of part of the organization severely impacts remainder of organization
- Employee loyalty weakened.
Determinants of Organizational Structure

- The environment
- The size of the organization
- Technology
- The organization’s strategy
Elements of Structure Design
Five Elements of Design

- Hierarchy
- Span of control
- Authority, Responsibility, and Accountability
- Centralization or Decentralization
- Delegation
Hierarchy is a pyramid showing relationships among levels.
The number of employees reporting to a supervisor.

Traditional view, seven or so per manager.

Many organizations today, 30 or more per manager.

Generally if supervisors must be closely involved with employees, span should be small.
Factors Determining Span of Control

- Subordinates’ location
- Support available for the manager
- Amount of non-supervisory tasks
- The competence of both the manager and the employee.
- The similarity or dissimilarity of tasks being supervised.
- The incidence of new problems in the manager’s department.
- The extent of clear operating standards and rules.
Tall Versus Flat Structure

- Tall structure has an overall narrow span of management and more levels in the hierarchy.

- Flat structure has a wide span, is horizontally dispersed, and has fewer hierarchical levels.

- The trend is toward larger spans of management as a way to facilitate delegation.
Tall vs. Flat Structure

a. Old, Tall Structure

Executive Vice President
- Staff Specialists (6)
- Operating Managers (5)
- Staff Specialists (3)

Executive Vice President
- Operating Managers (4)
- Staff Specialists (5)

Executive Vice President

Vice President
- Operating Managers (10)
- Staff Specialists (5)

b. New, Flat Structure

President

Operating Managers (10)

Staff Specialists (9)
Authority, Responsibility, and Accountability
Authority

• Formal and legitimate right of a manager to make decisions, issue orders, and to allocate resources to achieve organizationally desired outcomes.

Authority is distinguished by three characteristics:
• Authority is vested in organizational positions, not people.
• Authority is accepted by subordinates.
• Authority flows down the vertical hierarchy.
Responsibility

• The duty to perform the task or activity an employee has been assigned.

• Managers need authority commensurate with responsibility.
Accountability

- Mechanism through which authority and responsibility are brought into alignment.
- People are subject to reporting and justifying task outcomes to those above them in the chain of command.
- Can be built into the organization structure.
Power

An individual’s capacity to influence decisions.
Authority Versus Power:
Authority
## Types of Power

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coercive power</strong></td>
<td>Power based on fear.</td>
</tr>
<tr>
<td><strong>Reward power</strong></td>
<td>Power based on the ability to distribute something that others value.</td>
</tr>
<tr>
<td><strong>Legitimate power</strong></td>
<td>Power based on one’s position in the formal hierarchy.</td>
</tr>
<tr>
<td><strong>Expert power</strong></td>
<td>Power based on one’s expertise, special skill, or knowledge.</td>
</tr>
<tr>
<td><strong>Referent power</strong></td>
<td>Power based on identification with a person who has desirable resources or personal traits.</td>
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Centralization & Decentralization
Centralization

- Decision authority is located near the top of the organization.
Decentralization

- Decision authority is pushed down the chain of command to lower levels.
Decentralization Tends To

- Make greater use of human resources
- Reduce burdens of top managers
- Cause decisions to be made close to the action
- Permit rapid response to changes.
Centralization versus Decentralization

• Greater change and uncertainty in the environment are usually associated with decentralization.

• The amount of centralization or decentralization should fit the firm’s strategy.

• In times of crisis or risk of company failure, authority may be centralized at the top.
Factors That Influence Centralization/Decentralization

- Amount of change and uncertainty
- Availability of competent managers
- Corporate culture
- Geographical dispersion
- Size of organization
- Efficiency of communication and control systems
- Cost and risk of failure
DELEGATION
Delegation

- Process managers use to transfer authority.
- Organization encourage managers to delegate authority to lowest possible level.
Factor Affecting Delegation

- Love for Authority (Boss)
- Fear of losing position (Boss)
- Lack of Trust (Boss)
- Fear of Criticisms (Both)
- Low Self confidence (Subordinate)
- Absence of rewards (Subordinate)
Effective Delegation Techniques

- Give thorough instructions
- Maintain feedback
- Evaluate and reward performance
- Delegate the whole task
- Ensure that authority equals responsibility
- Select the right person
Effective Organizing

- **Spotting Inflexibility**
  - Missing Opportunity
  - Obsolete Products
  - Delay in decision making

- **Reorganizing**
  - New Product technologies
  - Consolidation
  - New government policies
  - Domino Effect

- **Bringing Clarification**
  - Organization Charts
  - Position Descriptions
  - Understanding Importance of grapevine
Directing
Directing is the process of preparing, instructing, and guiding others in a desired manner leading to the attainment of organizational goals.
Directing

Directing involves **five** elements:

1. **Ordering**: indicate what is to be done
2. **Supervising**: constant and consistent follow up to ensure timely and appropriate execution of orders
Directing

Ordering
Supervising
Leading
Motivation
Communicating
Directing

Ordering: indicate what is to be done
Supervising
Leading
Motivation
Communicating
3. **Leading**: ability to encourage and influence others to contribute to the achievement of the organisation objectives

4. **Motivation**: selection of methods to provide subordinate with a reason to carry out orders

5. **Communicating**: communicate what to be done, how to do it, and why it is to be done, and by whom.
Orders vs instructions

Order is a command to someone to do something or retrain from doing something.

Instructions are the transmission of information to a person performing work about the methods required for carrying an order.
Orders vs instructions

Orders can be started authoritatively or democratically.

Favourable and unfavourable attitude about order giving.
Orders vs instructions

Instructions consists of five stages

Planning
Communicating
Verification
Action
Follow up
Directing

Malicious obedience
Coordinating

It is the act of assembling and synchronising people and activity so they can act in harmony to achieve the organisation goals.

It is synonymous with the term effective management.

Management of conflict.
Controlling is the process of comparing results obtained to objectives and taking corrective actions when deviations occur.
Controlling

It involves three steps:

- Establishing standards
- Measuring performance and comparing actual results with standards
- Correcting deviation
Controlling

Common reason for controlling are to:

- achieve uniform performance and results,
- obtain uniformity of quality in production,
- measure employee performance,
- protect the organisation assets from misuse.