

OM ANAGEMENT

Unit 3. Organizational Management

Topics Covered :

- Departmentation

- Centralized and Decentralized

- Authority & Responsibility

- Span of Control

By : Naincy Priya
Guest lecturer

Departmentation :

- It means division of work into smaller units and their re-grouping into bigger units on the basis of similarity of features.
- As an organization grows in size, the work is divided into units and sub-units.
- Departments are created and activities of similar nature are grouped into one.
- Each department is headed by a person known as departmental manager.
- It can be divided on the basis of -
 - i) Product
 - ii) function
 - ~~iii) Product~~ iii) Time
 - iv) Territory
 - v) Process
 - vi) Customer etc.
 - ~~vii) Time etc.~~

i) Product departmentation :

- In this, every major product is organized as a separate department.

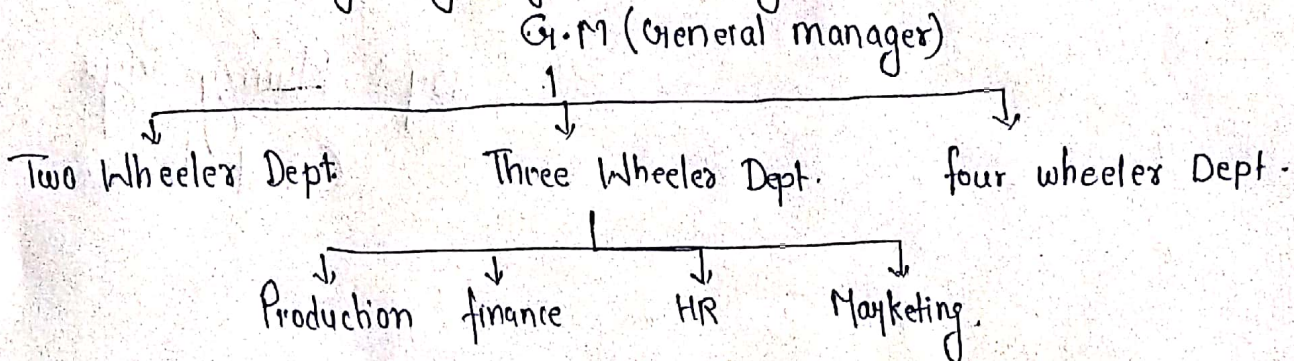


Fig: - Departmentation by product

(ii) Functional Departmentation.

- When organization is divided into departments on the basis of functions like production, purchasing, sales, finance, personnel etc.

- Merits :

- i) Most logical and natural form
- ii) Optimum utilization of manpower
- iii) Top managers have effective control over limited number of functions
- iv) Simplifies training

- Demerits:

- i) Conflicts between departments may arise.
- ii) Management development is limited.
- iii) Too much emphasis on specialization.
- iv) Co-ordination problem among departments.
- v) Inflexible and complex operation.

(iii) Territory Departmentation

- Also called geographical departmentation.

- eg: Banks, insurance companies, transport companies etc.

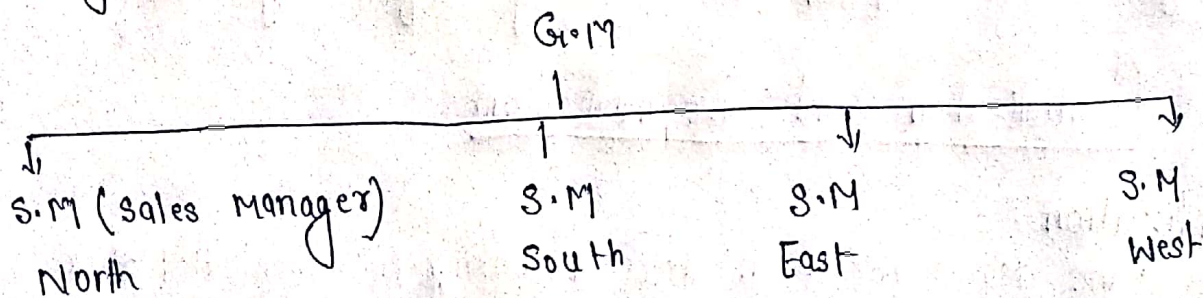


fig: - Departmentation by territory

(iv) Customer Departmentation

→ In this, activities are grouped according to the types of customers.

- eg: - Large cloth store may be divided as wholesale, retail, export division.

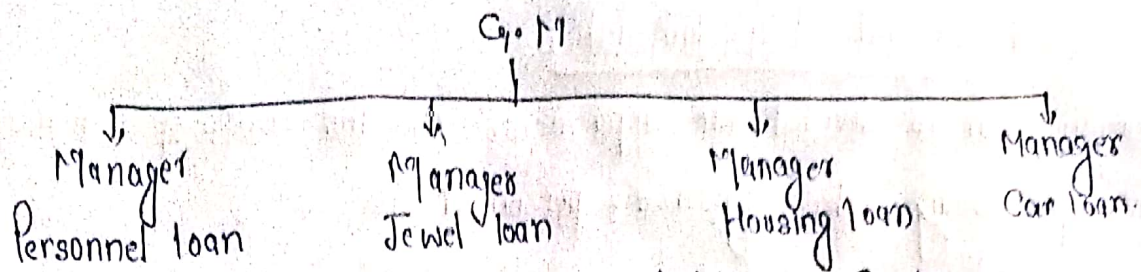


fig:- Departmentation by Customers.

(v) Process or Equipment Departmentation

- Activities are grouped on the basis of production processes or equipment used.
- Generally used in manufacturing and distribution enterprises.

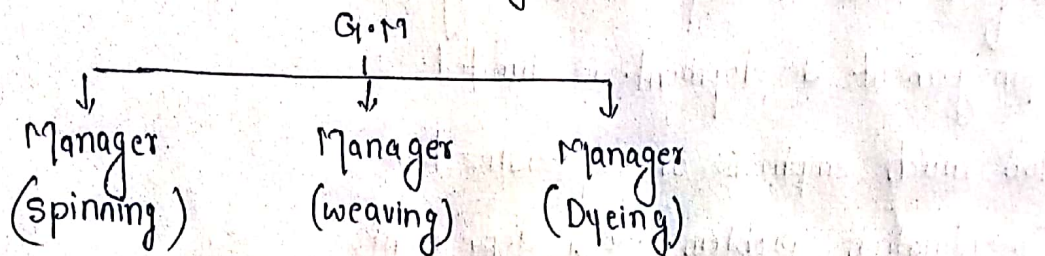


fig:- Departmentation by process or equipment.

(vi) Departmentation by Time or numbers

- Activities are grouped on the basis of time of their performance.
- eg:- Shifts in a company like morning shift, night shift.

Centralization and Decentralization

- Centralization :

- The degree to which decision making is concentrated at a single point in the organization.
- In this, top managers make all the decisions and lower level employees simply carry out those orders.
- (i) Environment is stable
- (ii) Lower-level managers are not as capable or experienced.

(iii) Decisions are relatively minor.

(iv) Company is large.

(v) Lower-level managers do not want a say in decisions.

— Decentralization:

• It is the degree to which decision-making takes place at lower-level.

(i) Environment is complex, uncertain

(ii) Lower-level managers are capable or experienced at making decisions.

(iii) Decisions are significant.

(iv) Company is geographically dispersed.

(v) Lower-level managers want a voice in decisions.

Authority and Responsibility

- Authority: Power to give orders and get it obeyed or power of taking decisions

- Responsibility: State of being accountable or answerable for any trust, debt, obligation or it is obligation to complete a job on assigned time and in best way.

Principle:

• These two are very closely related and go hand in hand.

• Relationship between two:

i) If a person is given some responsibility without sufficient authority he can't perform better.

(ii) If there is excess authority being given to an individual without matching responsibility then the authority will be misused.

• Merits: -

(i) No misuse of authority.

(ii) Helps to complete job effectively and efficiently.

(iii) Individual can be accountable.

- Demerits or consequences of violation:

(i) Misuse of authority

(ii) Responsibility can't be discharged effectively

(iii) No one will be accountable.

Span Of Control

- It states that how many employees can a manager efficiently and effectively manage? OR

- The number of persons who are directly responsible to the executive.

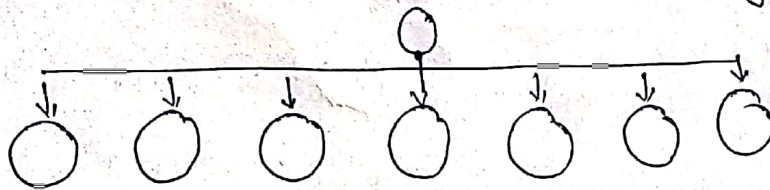


Fig: Span of Control

- Factors: on which it depends:

(i) Trained and experienced subordinates.

(ii) Type of work

(iii) Capacity of manager

(iv) Relationship between superior and subordinates.

(v) Judgement of executive.

- Merits:

(i) Superior can supervise effectively and efficiently.

(ii) Higher degree of discipline.

(iii) Superior can concentrate on limited area of operations

(iv) Specialization is encouraged and utilized.

- Demerits :

- i) Increases scalar chain from top to bottom.
- ii) Demotivates the employees

Assignment

Q.1) Write merits and demerits of:
(a) Product departmentation
(b) Customer departmentation

Q.2) Differentiate between:
(a) Product and functional departmentation
(b) Authority and Responsibility

Q.3) "Authority and Responsibility go hand in hand." Explain