

Key elements in organizational design



Management deals with the process that drives the organization towards its performance. The processes which are to be followed to initiate the organizational structure and to create strategies and the steps to be taken by managers are all about management. This assignment is based on two topics, which are; a) Critically analyze the six key elements in Organizational Design, b) Explain what managers do in Strategic Management Process. With the help of the Organizational Design, a firm can start and to compete into the market and achieve its goal. It has six elements by which this process can be done, which are; Work Specialization; Departmentalization; Chain of Command; Span of Control; Centralization Vs Decentralization; and Formalization. And with the help of the Strategic Management Process, which includes nine steps, these are; Identify the organization's current mission, objectives, and strategies; Analyze the environment; Analyze the organization's resources; Identify opportunities and threats; Identify strengths and weaknesses; Reassess the organization's mission and objectives; Formulate strategies; Implement strategies; and Evaluate results.

ORGANIZATIONAL DESIGN:

Organizational design is a process of developing and changing the organization's structure by its managers. It is a chart containing the reporting structure i. e. who reports to whom.

Organizational structure is thus a framework on which an organization is patterned for coordinating and carrying out organizational tasks. (Kumar, A. and Bhat, A., 2008).

Organizational design involves decisions about the following six elements:

Work Specialization:

Work specialization describes to which the overall task of the organization is broken down and divided into smaller component parts. For example, one person would paint a wall and another person fixes a door. So by breaking jobs up into small tasks, it could be performed over and over every 10 seconds while using employees who had relatively limited skills.

The main thought of this process is that the entire job is not done by an individual and it is broken down into steps, and a different person completes each step. The work will be done efficiently and effectively. It saves time and also the employee skills of performing his job successfully increase through repetition.

It also has some disadvantages as well. When specialization is overdone, jobs can become more simplified. And when employees do one single task, they become bored and tired. Also, the scope of the employee's growth will be limited. Specialization in one task is good but by getting the training for all other tasks too, is better to cop up with other activities in the company.

Departmentalization:

Once jobs have been specified through work specialization process, now they will be grouped in common tasks. There will be formed departments with common activities for effective coordination of effort. There are five common forms of departmentalization:

Functional Departmentalization:

It is the most common forms of departmentalization in which similar tasks grouped together into a common department, such as marketing, finance, human resources, etc as shown in fig. 1. 1.

The efficiencies from putting together similar specialities and people with common skills and knowledge could be beneficial and also the coordination with functional areas will be stronger. But cross-department coordination can be difficult and there will be limited views of organizational goals.

Product Departmentalization:

It is grouped on the basis of product line. Each manager will be responsible for an area within the organization depending on his/her specialization as shown in fig. 1. 2.

As managers are specialized in that particular area, it will give a broader experience and it will be easier for him to access the work-unit performance. The decision making here will be quite faster than the functional departmentalization. On the other side, the duplication of functions could increase the cost. It will be difficult to coordinate across departments and also there will be limited views of organizational goals.

Geographical Departmentalization:

Big organizations find beneficial in organizing this form of departmentalization so that all activities performed in a region are managed together. It forms sections by the different regions as shown in fig. 1. 3.

It will be more effective and efficient for the managers in handling specific regional issues that arise. It could response and serve better to the demand of different markets. But there could be duplication of functions and resources which will increase cost.

Matrix Departmentalization:

It is a structure where two or more forms of departmentalization are used together; most common forms combine functional and product in which employee reports two bosses, i. e. the functional as well as the product. It will increase cross-functional interactions as shown in fig. 1. 4.

It will be beneficial to manage effectively and efficiently large and complex tasks. It will require high levels of management skills and high levels of coordination as well. It will also increase the level of conflicts.

Customer Departmentalization:

This form of departmentalization groups organization's activities according to its customers. An organization finds it beneficial to organize according to the types of customers it serves as shown in fig. 1. 5.

It will be helpful to focus and meet the customers' needs. But again there will be duplication of resources and they may find difficulties to achieve coordination across departments.

Chain of Command:

Another element in an organizational design is defined an order which authority and power in an organization is used and delegated from top

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management to the lower management. It also ensures clear assignment of duties and responsibilities of every employee at every level.

Span of Control:

The span of control in an organization is defined as the number of employees reporting directly to one supervisor/manager. It is said, the wider the span, the more efficient the organization. It determines the number of employees that a manager can effectively and efficiently manage.

Centralization Vs Decentralization:

Robbins and Coulter describe this very well, “ If top managers make the organization’s key decisions with little or no input from below, then the organization is centralized.”

Decentralization can be defined as “ the spread of power away from the centre to local branches or governments.”

The environment is stable in centralization and complex, uncertain in decentralization. Also, the lower-level managers are not as capable or experienced at making decisions as upper-level managers in centralization and on the other side in decentralization, they are very capable and experienced at making decisions. In centralization, the company is large and in decentralization, companies are geographically dispersed.

Formalization:

Formalization is the extent to which employee behaviour is guided by rules and procedures. The organizations with high formalization have strict rules

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and regulations. The low formalization organizations have very few written rules and procedures and are less stable.

STRATEGIC MANAGEMENT PROCESS:

Strategic management is a particular course of action that is meant to achieve a corporate goal. The Strategic Management Process defines the goals and objectives for a business, it creates the action plan so that a company can reach them and then it follows the plan. There are nine steps in Strategic Management Process which managers need to follow; which are defined as under:

Identify the Organization's Current Mission, Objectives, and Strategies:

It is important to identify the goals and objectives of the company. It defines the present purpose of the organization as a mission and the strategies currently being followed. The mission statement becomes the identification of an organization so it is very much necessary to identify it.

Analyze the Environment:

It is a process of monitoring the organizational environment to identify competitor's actions and to confirm if it is suitable to let the firm goes to already set directions to reach its goals. It can be performed by using Porter's five forces, which evaluates; the bargaining power of suppliers and the buyers, the threat of new entrants and substitutes, and the rivalry of competitors.

Analyze the Organization's Resources:

By analyzing the organization's resources, a firm can make a pictorial view of the available capabilities and resources inside and outside of the organization. It will help to determine the organization's competitive weapons i. e. value creating skills, capabilities and resources.

Identify Opportunities and Threats:

It identifies the opportunities and threats outside the organization. It can be defined as SWOT analysis which has its two components i. e. Opportunities and Threats. Opportunities are the positive external environmental factors which need to be analysed for further growth of the organization. The threats are the negative external environmental factors which need to be identified to prepare the organization to compete and convert those threats into the opportunities.

Identify Strengths and Weaknesses:

It identifies the strengths and weaknesses within the organization. It also can be defined as SWOT analysis which has the remaining two components i. e. Strengths and Weaknesses. Strengths are internal activities being done well by an organization which helps an organization to achieve its goal. And the weaknesses are the activities that not being done by an organization which is unfavourable for the organization to achieve its goal.

Reassess the Organization's Mission and Objectives:

Reassessing the organization's mission and objectives helps to review the firm's current performance and also to take better actions for the success of

the organization. It defines as SMART which means Specific, Measurable, Achievable, Realistic, and Timeframe.

Formulate Strategies:

Formulation Strategy is the process of determining appropriate courses of action for achieving organizational objectives. It follows the decision making process. It can be further describes by Michael Porter's generic strategies, which are; a) Cost Leadership, b) Differentiation, and c) Focus.

These generic strategies each have attributes that can serve to defend against competitive forces. The following table (fig 1. 2) compares some characteristics of the generic strategies in the context of the Porter's five forces:

Implement Strategies:

It is the process of distributing resources and putting strategies into an action to achieve its goal and objectives. When the strategies are executed within the organization, it focuses on the process through which strategies are achieved.

Evaluate Results:

It controls the process to determine the effectiveness of a strategy. An organization can evaluate results by reviewing the process, adjusting the mission and objectives and strategies, and by initiating the corrective measures.

CONCLUSION:

In the nutshell, I would like to say the above mentioned topics clearly identify that the organizational design and the strategic management process are the important parts of the management to start a business and to achieve its goals and objectives. All six elements of the organizational design helps in forming a business and all nine steps in strategic management process are essential to achieve a firm's objectives.