



19MEE312

**PRINCIPLES
OF
MANAGEMENT**



UNIT III ORGANISING

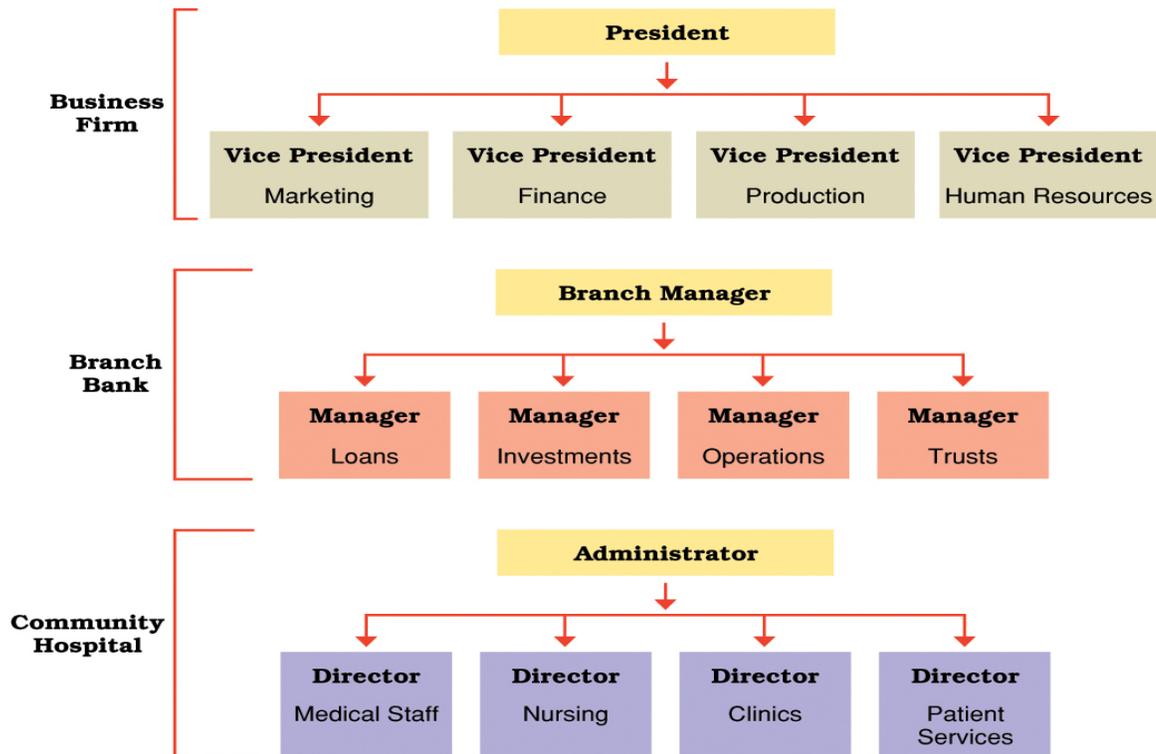
Departmentalization

- Groups people with and jobs into work units or formal teams
- These formal teams are linked to create three major types of traditional organizational structures



- **Functional structures**

- People with similar skills and performing similar tasks are grouped together into formal work units
- Members work in their functional areas of expertise
- Are not limited to businesses
- Work well for small organizations producing few products or services





- **Potential advantages of functional structures:**

- Economies of scale
- Task assignments consistent with expertise and training
- High-quality technical problem solving
- In-depth training and skill development
- Clear career paths within functions

Potential disadvantages of functional structures:

Difficulties in pinpointing responsibilities	Functional chimneys problem	Sense of cooperation and common purpose break down	Narrow view of performance objectives	Excessive upward referral of decisions
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- **Divisional structures**

- Group together people who work on the same product or process, serve similar customers, and/or are located in the same area or geographical region
- Common in complex organizations
- Avoid problems associated with functional structures

Type	Focus	Example
Product	Good or service produced	<pre> graph TD GM[General Manager] --> GP[Grocery products] GM --> DT[Drugs and toiletries] </pre>
Geographical	Location of activity	<pre> graph TD P[President] --> AD[Asian division] P --> ED[European division] </pre>
Customer	Customer or client serviced	<pre> graph TD AA[Agency Administrator] --> PY[Problem youth] AA --> SC[Senior citizens] </pre>
Process	Activities part of same process	<pre> graph TD CSM[Catalog Sales Manager] --> PP[Product purchasing] CSM --> OF[Order fulfillment] </pre>



- **Potential advantages of divisional structures:**

- More flexibility in responding to environmental changes
- Improved coordination
- Clear points of responsibility
- Expertise focused on specific customers, products, and regions
- Greater ease in restructuring

Potential disadvantages of divisional structures:

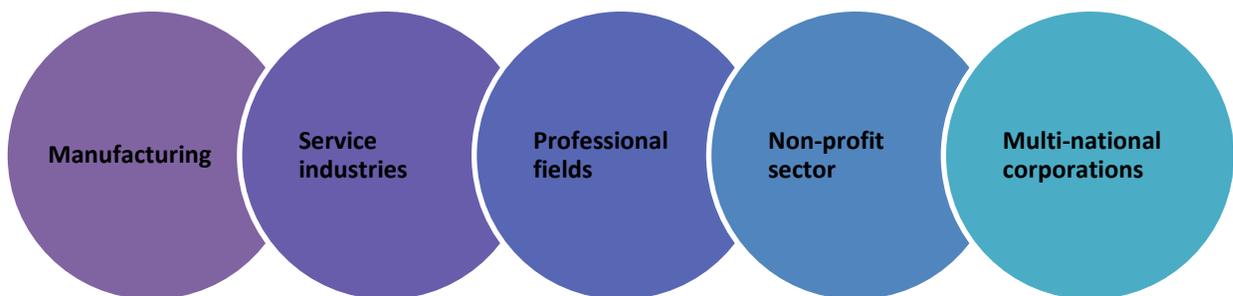
Duplication of resources and efforts across divisions

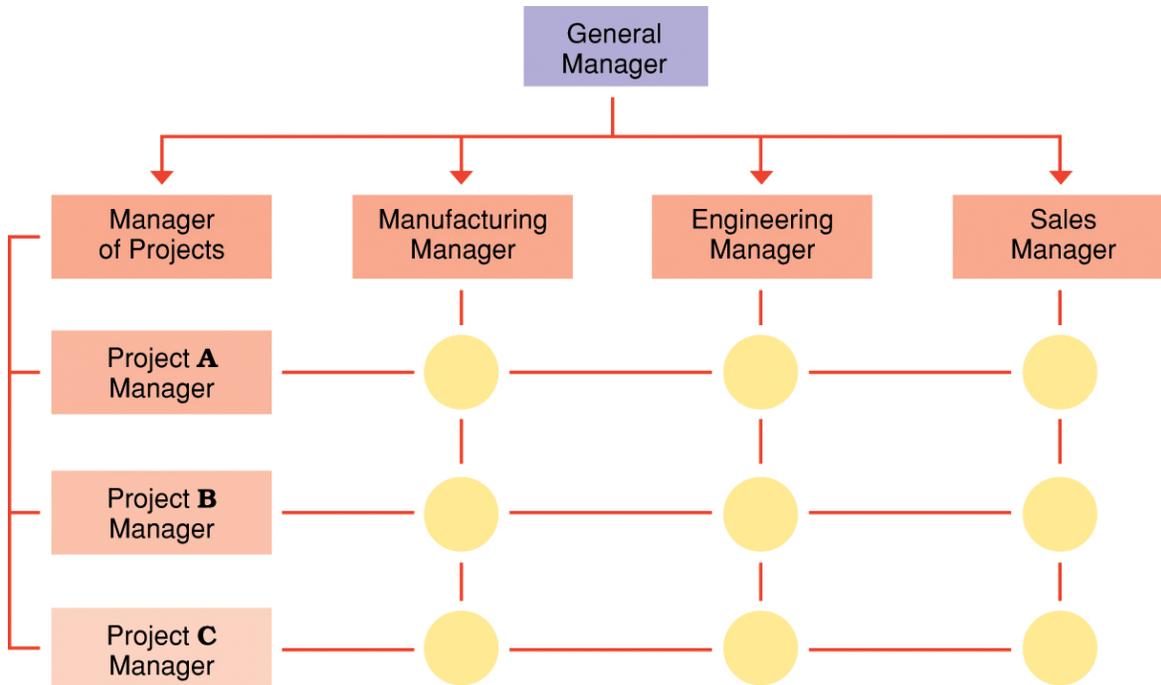
Competition and poor coordination across divisions

Emphasis on divisional goals at expense of organizational goals

- **Matrix structure**

- Combines functional and divisional structures to gain advantages and minimize disadvantages of each
- Used in:





● Functional personnel assigned to both projects and functional departments

• **Potential advantages of matrix structures:**

- Better cooperation across functions
- Improved decision making
- Increased flexibility in restructuring
- Better customer service
- Better performance accountability
- Improved strategic management

Potential disadvantages of matrix structures:

Two-boss system is susceptible to power struggles	Two-boss system can create task confusion and conflict in work priorities	Team meetings are time consuming	Team may develop "groupitis"	Increased costs due to adding team leaders to structure
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Reference:

1. Harold Koontz, and Weihrich, 'Essential of Management' 8th Edition, Tata Mc Graw Hill Education, Delhi, (2010).