

Programme Code: 3UAB.Voc (LSCM)

Course Code: 15LSCM102

Unit – I-Nature of Organisations

Sub: Principles of Management
(General Component)

Sem: I -2017-2018

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Nature of Organizations

▣ Natural versus Rational Systems

- Are organizations organisms that grow change and adapt or are they tools that are designed for a specific purpose?

▣ Open versus Closed Systems

- What level of interaction do the parts of the organization have with each other and the environment?

Rational Systems

- ▣ Organizations as tools that are controlled as purposeful and coordinated agents for the principal
- ▣ Rational calculation
- ▣ Goal Specificity
 - Formalized planning
 - Translation of plans into specific objectives
- ▣ Formalization of structure
 - Explicit and visible
 - Division of labor

Natural Systems

- ▣ Organizations as natural organisms that exist within an environment
- ▣ Goal complexity
- ▣ Informal structure
- ▣ Irrationality leads to informal norms and behaviors
- ▣ Functional analysis of organizations
- ▣ Population ecology

Closed Systems

- ▣ One or few points of contact with the environment
- ▣ No change of system
- ▣ No intake of energy, material, or information

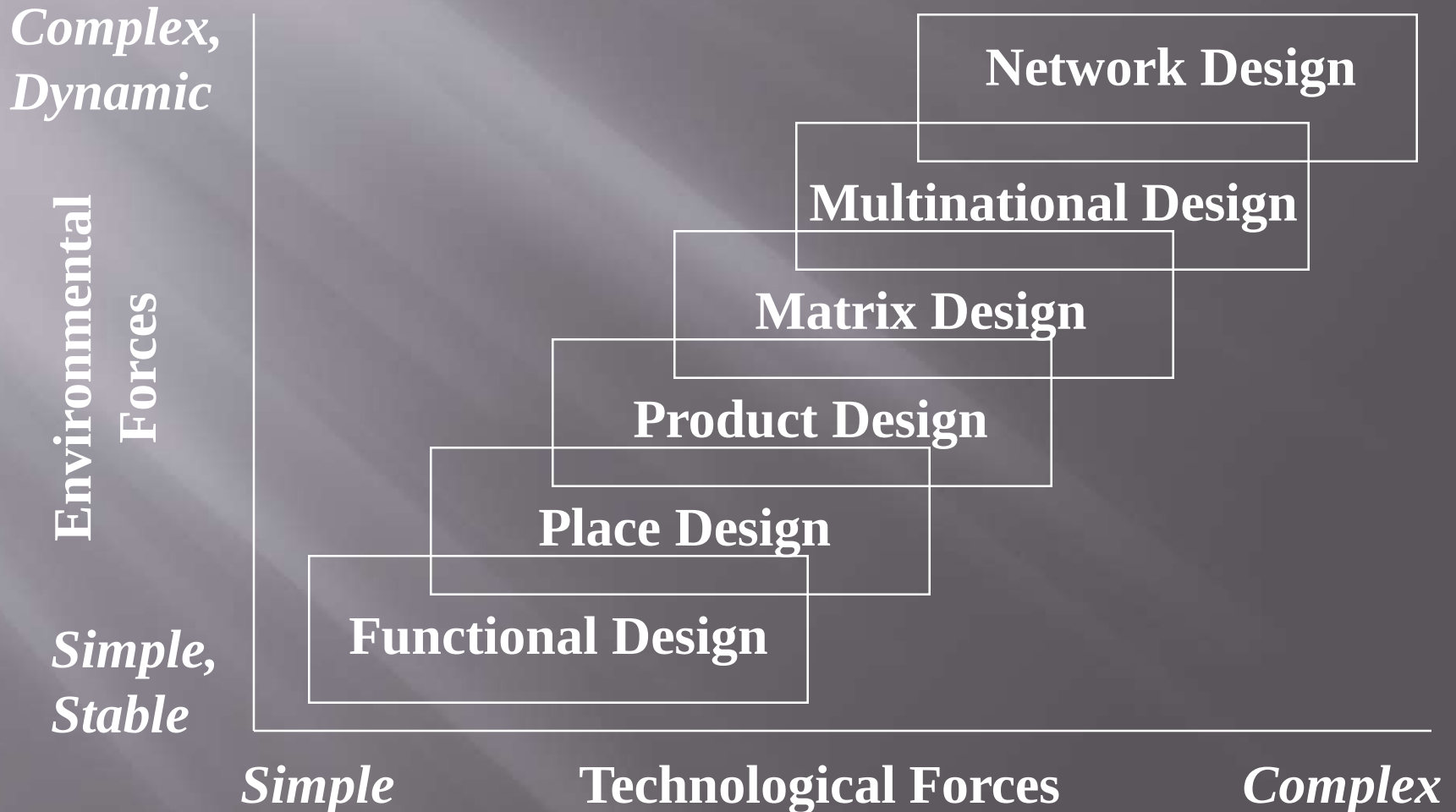
Open Systems

- ▣ Connection of many parts that make up the organization
- ▣ Multiple or many points of interaction with the environment
- ▣ Self-maintenance
- ▣ Goal directed
- ▣ Reciprocal ties that bind and relate the organization to the environment
- ▣ Environment is ultimate source for materials energy and information

Examples

Rational	Schools Franchises Police Departments	Prisons Boarding schools Military schools
	Social clubs Universities Corporations Governments	Hmmmmm?
Open		Closed

Options of Organizational Design

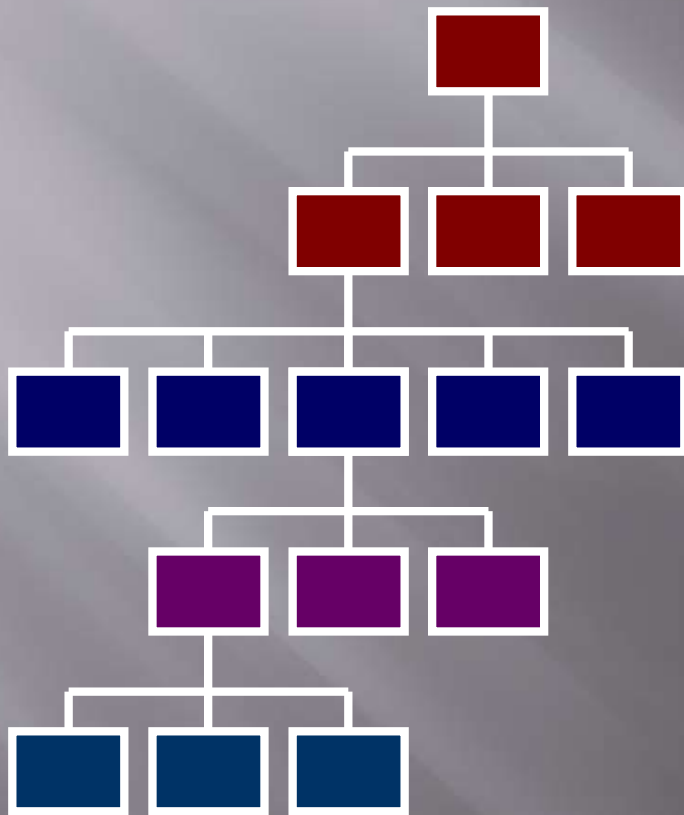


Division of Labor and Coordination

- ▣ Division of labor
 - Subdivision of work into separate jobs assigned to different people

- ▣ Coordination of work activities
 - informal communication
 - formal hierarchy
 - standardization

Span of Control



- ▣ Number of people directly reporting to the next level
- ▣ Assumes coordination through direct supervision
- ▣ Wider span of control possible when:
 - other coordinating mechanisms exist
 - people do similar tasks
 - tasks are routine
- ▣ Flatter structures require narrow span (if same # of people)

Mechanistic vs. Organic Structures

Mechanistic

- High formalization
- Narrow span of control
- High centralization

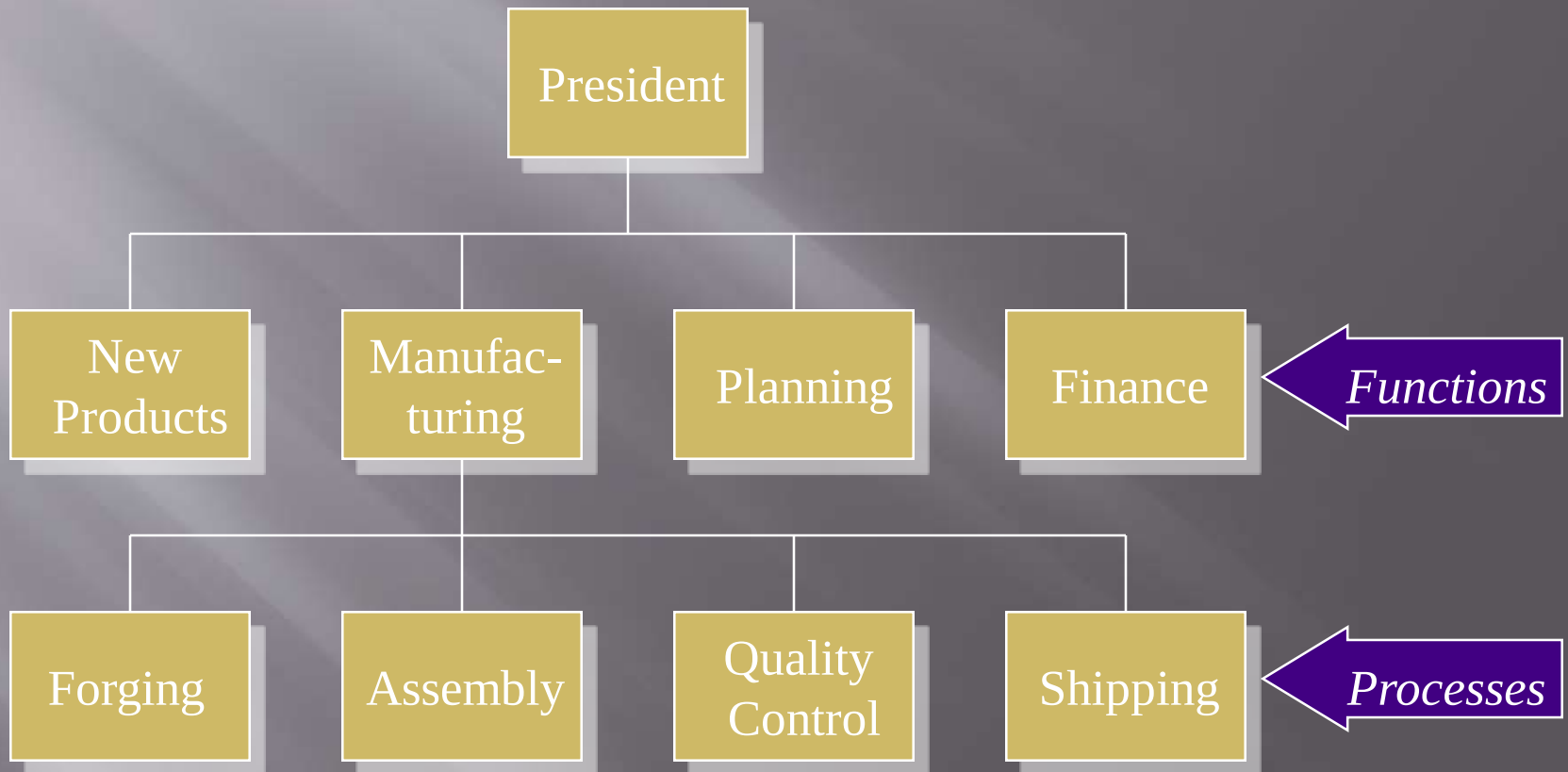
Organic

- Low formalization
- Wide span of control
- Low centralization

Variables That Differentiate Between Mechanistic and Organic Systems

- ▣ Hierarchy of authority
- ▣ Centralization
- ▣ Division of labor
- ▣ Rules
- ▣ Procedures
- ▣ Impersonality
- ▣ Chain of command
- ▣ Unity of command
- ▣ Span of control

Callaway Golf's Design by Function and Process



Source: Adapted from Callaway Golf 1996 Annual Report. Carlsbad, Calif., 1997.

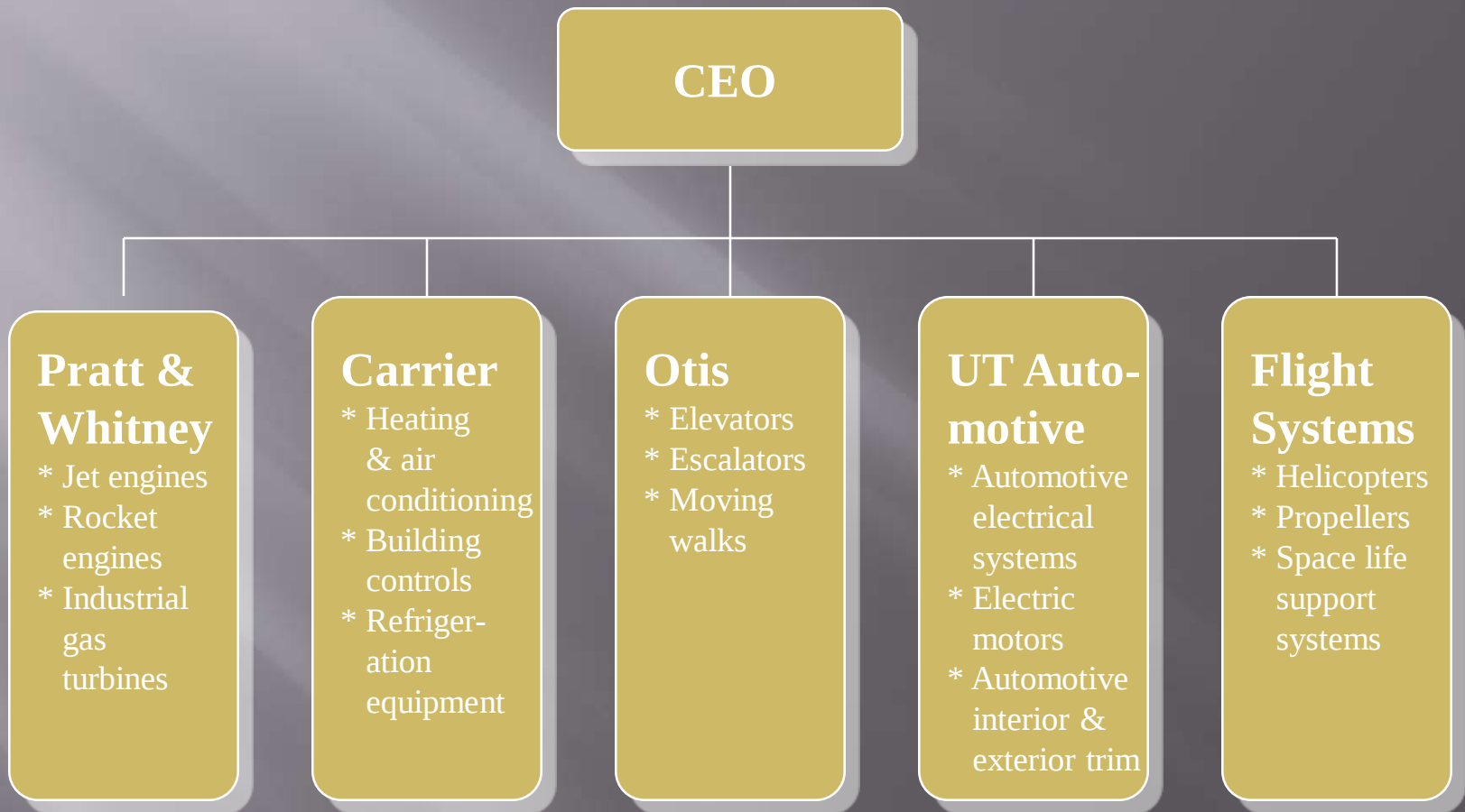
Practical Implications of a Functional Design

- ▣ Clear identification of responsibilities.
- ▣ May be effective when company has a narrow product line, competes in a uniform environment, pursues a low-cost or focused business strategy, and does not serve different regions and customers.
- ▣ Specialized staff departments enable firm to deal more effectively with environmental complexity and dynamism.
- ▣ Most employees may lose sight of need to meet or exceed customer expectations.

Practical Implications of a Place Design

- ▣ Promotes direct contact among different organizational units and stakeholders demands.
- ▣ Lower costs.
- ▣ Marketing tactics can be tailored to regions.
- ▣ Control and coordination problems increase.
- ▣ Employees may overemphasize own unit's goals and needs.

United Technologies



Source: <http://www.utc.com/Annual98/glance.htm>.

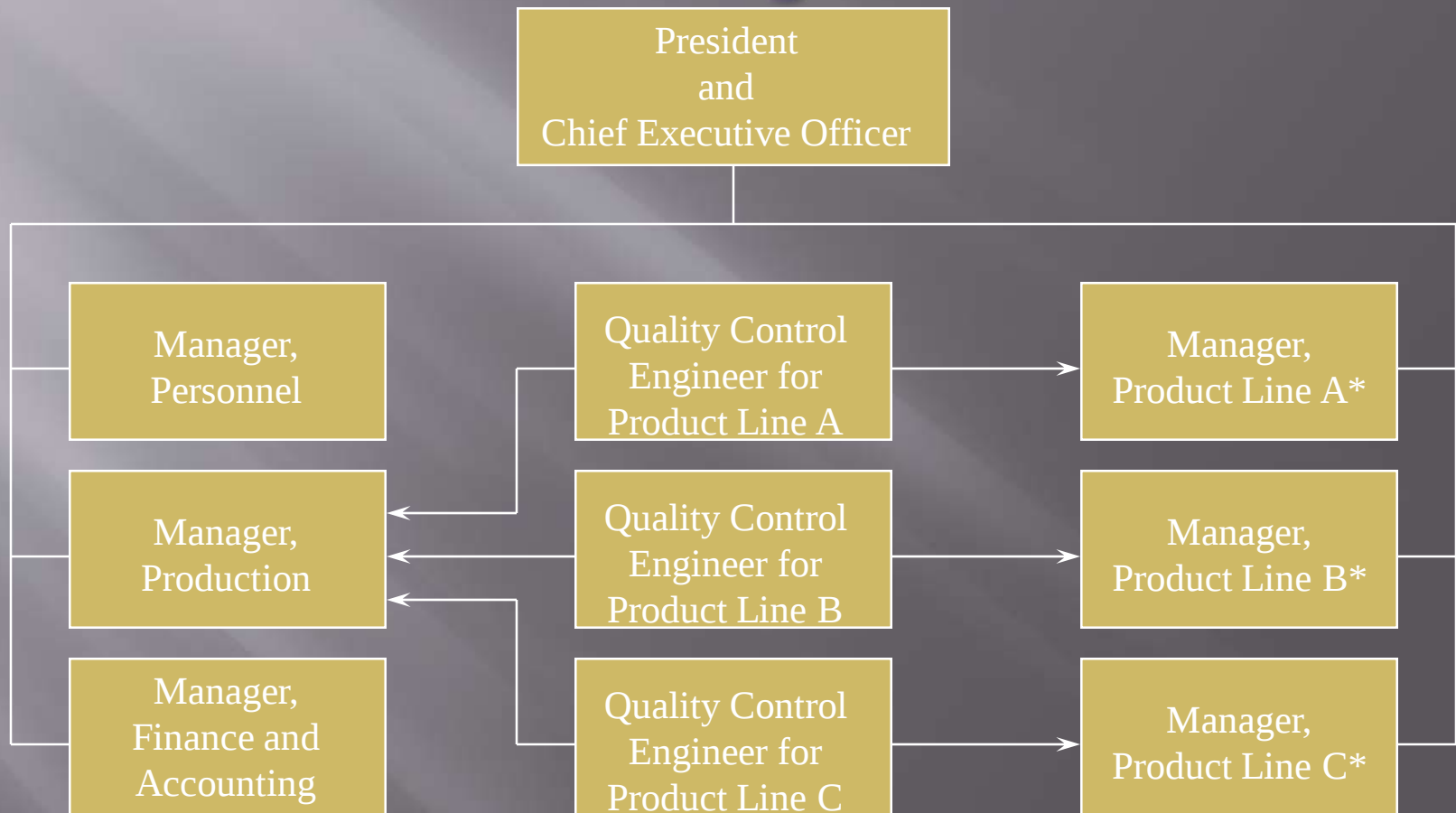
Practical Implications of a Product Design

- ▣ Reduces information overload
- ▣ The addition of product lines, diverse customers, and technological advances increases the complexity and uncertainty.
- ▣ Incorporates features of functional design.
- ▣ Eases problems of integration by focusing functional expertise and knowledge on specific goods or services.
- ▣ Higher costs result from duplication of various functions.

Practical Implications of a Multidivisional Design

- ▣ Eases problems of integration by focusing functional expertise and knowledge on specific goods or services.
- ▣ Higher costs result from duplication of various functions.

Partial Illustration of Basic Matrix Design



* These product managers also have full responsibility for the marketing activities associated with their own product lines.

Practical Implications of a Matrix Design

- ▣ Enables employees to be highly responsive to dual concerns.
- ▣ Enables firm to deal with uncertain environment and technologies.
- ▣ Enables firm to deal effectively with multiple products and limited resources.
- ▣ Makes specialized knowledge available to all projects.
- ▣ Uses people flexibly.
- ▣ Demands substantial managerial resources while employees learn to operate in the new organization.
- ▣ Learning may be a lengthy process because of required attitude changes.
- ▣ Special training programs may be needed.

Implications of a Multinational Design

- Worldwide product-line divisions will be more dominant than geographically based divisions under certain conditions.
- A worldwide product-line division may not be as effective at opening up new territories as a geographically organized division.
- A division operating under a place design often can establish relations with host governments, invest in distribution channels, develop brand recognition, and build competencies that no single product-line division could afford.

Key Elements of a Network Design

- ▣ Distinctive competence
- ▣ Responsibility
- ▣ Goal setting
- ▣ Communication
- ▣ Information technology
- ▣ Organizational culture
- ▣ Balanced view

Network Organizational Structure

