

# **Organizing**

**Subject : Commerce**

**Lesson : Organizing**

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**University**



# Organizing

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# Organizing

## Learning Outcomes

After reading this chapter, you should be able to

- Understand the meaning of organizing
- Appreciate the importance of organizing
- Define organizational structure and depict it diagrammatically
- Differentiate between classical and contemporary organization formats
- Understand the meaning of and critically evaluate Project Organization
- Understand the meaning of and critically evaluate Matrix Organization
- Understand the meaning of and critically evaluate Networking Organization

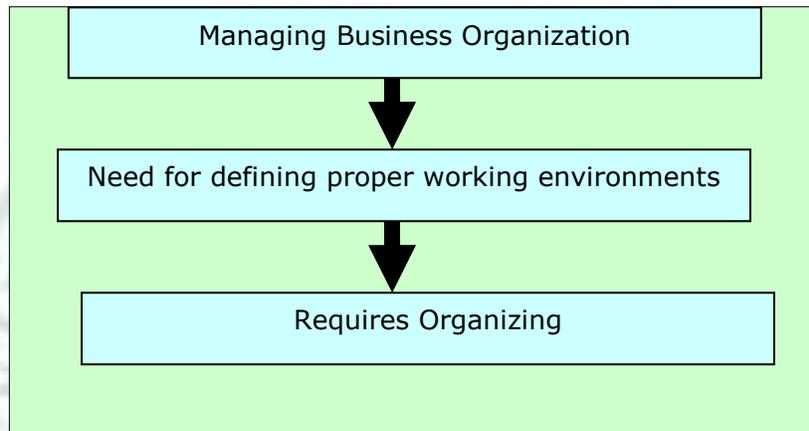


# Organizing

## 21.0 Introduction

The word Organizing is derived from the Greek word '*organon*' meaning tool. The term organization is encountered in three different ways. First, it appears as organization in relation to organizational form of business. Second, its significance lies in being one of the functions of management. Third, it refers to the structure of an organization in terms of authority and hierarchy.

**Figure 21.1 Use of Organizing in different contexts**



As mentioned in the previous chapters, management comprises planning, organizing, resourcing, leading or directing, and controlling an organization. The essence of organizing is designing and maintaining the system of roles that people have to play when they are working together in an organization that leads to creation of organization structure. This chapter describes the contemporary organizational structures.

## 21.1 Meaning of Organizing

<b>Value addition 21.1.1: Focus of the section</b>
<b>21.1 Meaning of Organizing</b>
As you have covered in previous chapters that the process of managing a business includes functions- one of them is organization that is generally performed after planning. There are a large number of tasks/ works to be performed by the business entity. These tasks have to be identified, the similar ones have to grouped and it has to be laid down who will perform what task and who will report to whom. This is what organizing as a function of management is concerned with.

Organizing is a function of management which is taken up after planning. First of all the blueprint is prepared under the process of planning and then the next step is to arrange for the execution of that plan. This is where the function of organizing begins.

The organizing function of management involves following issues:

- Identifying and classifying activities into (groups) departments
- Undertaking work arrangement/ assignment - who will do what

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- Addressing the manner in which people within the organization will interact
- Laying down who will report to whom
- Creating lines of authority (Authority-responsibility relationship, Delegation of authority)
- Deciding Span of control
- Deciding issues of centralization and decentralization

Organizing can, thus, be viewed as the actions undertaken to collect and configure resources in order to implement plans in a highly effective and efficient manner. In the words of Louis A. Allen,

*"Organization involves identification and grouping of the activities to be performed, dividing them among the individuals and creating authority responsibility relationships among them for the accomplishment of organizational objectives."*

Organizing, as a process/ function, builds up the formal structure of the business entity, which allocates all the activities, authorities and responsibilities; and defines interpersonal relationships.

There needs to be an appraisal of the process from time to time so that the changes in the environment (internal/ external) get reflected in the changes in the organization structure. This makes organizing a continuous process.

<b>Value addition 21.1.2: Check Your Comprehension</b>		
<b>21.1 Meaning of Organizing</b>		
You must have noticed the various ways in which the term organization is used. Now you should be able to answer the following question.		
1. Define organization in three different ways.		
<b>Pick the option that best suits.</b>		
<b>This section...</b>		
<b>Completely understood</b>	<b>Partially Understood</b>	<b>Not understood</b>
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<b>Move on to next section</b>	<b>Move on to next section but note there is a need to revise this.</b>	<b>You need to re read this and discuss it with your friends.</b>

# Organizing

## 21.2 Importance of Organizing

### Value addition 21.2.1: Focus of the section

#### 21.2 Importance of Organizing

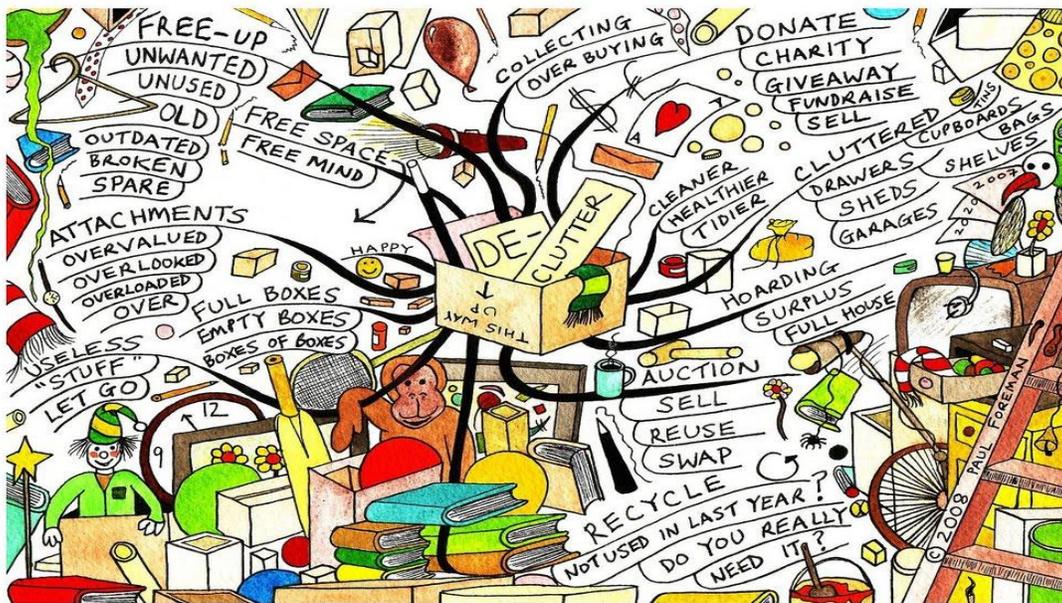
Now that you know the meaning of organizing, you already must have realized how important it is for a business entity. Unless the entity is well-organized, the authority-responsibilities structure would not be clear and also clubbing of tasks into departments is important for structured functioning of the organization.

Success of a business entity is to a large extent determined by how well it has been organised. Well designed organization can help to improve teamwork and productivity by defining the overall framework within which people have to work together. Organizing is, thus, crucial as it provides following benefits to the business enterprise.

#### *Facilitates administration*

Organizing enables better administration by the top executives as they are relieved of managing routine affairs.

**Figure 21.2 Organizing to eliminate chaos**



© Paul Foreman <http://www.mindmapinspiration.com>

Source:

[http://2.bp.blogspot.com/\\_3YQ8mn7KkeE/TAx6BXtarAI/AAAAAAAAAEc/Ro0GVYC8dxM/s1600/clutter+logo.jpg](http://2.bp.blogspot.com/_3YQ8mn7KkeE/TAx6BXtarAI/AAAAAAAAAEc/Ro0GVYC8dxM/s1600/clutter+logo.jpg)

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## *Accountability*

By the process of organizing, each person knows his boss as well as his subordinates. It helps in establishing each person's accountability towards his superior and also delimits the areas of operations of every person.

## *Improves communication*

Organization structure lays down the pattern of communication as well as co-ordination. It clarifies how members are to communicate with each other vertically as well as horizontally.

## *Adaptive to change*

An institution that is well organized is much more adaptive to change and hence has immense opportunities for growth and diversification.

## *Creates synergies*

Synergy implies that the total work performed by a group of people is much more than the sum total of individual works. Division of work helps the organization to reap the advantages of synergies.

<b>Value addition 21.2.2: Check Your Comprehension</b>		
<b>21.2 Importance of Organizing</b>		
Hope the importance of organizing is clear. So, now you should be able to answer the following question.		
1. Write four keywords that depict the importance of organizing. That's simple!		
		
<b>Pick the option that best suits.</b> <b>This section...</b>		
<b>Completely understood</b>	<b>Partially Understood</b>	<b>Not understood</b>
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<b>Move on to next section</b>	<b>Move on to next section but note that there is a need to revise this.</b>	<b>You need to re read this and discuss it with your friends.</b>

# Organizing

<b>Value addition 21.2.3: Test Yourself</b>
<b>21.2 Importance of Organizing</b>
1. Explain the concept of organizing. 2. Why is it important for a business to organize its activities? 3. Define organizing. Briefly discuss the importance of organizing.

## 21.3 Organization Structure/ Format and Organization Chart

<b>Value addition 21.3.1: Focus of the section</b>
<b>21.3 Organization Structure and Organization Charts</b>
In this section, we shall define the organization format and then see how it can be depicted diagrammatically using organization chart.

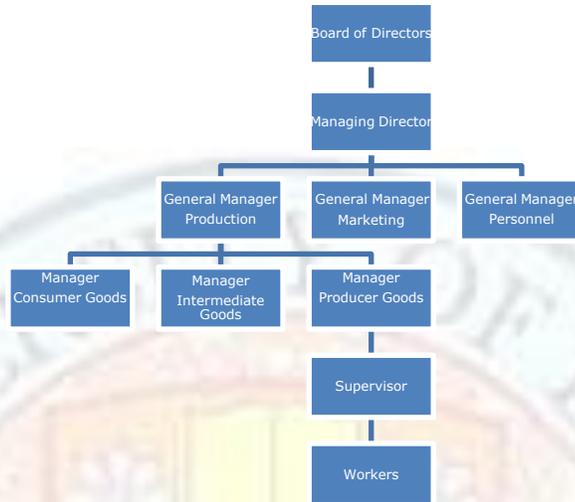
An **organization structure** refers to a framework within which the organization defines how tasks are allocated, resources are deployed, and departments are coordinated. It denotes the authority and responsibility relationships between different positions of the organization and depicting who reports to whom. The design of the framework should ensure effective coordination among departments.

In other words, it is a system of tasks, workflows, reporting relationships, and communication channels that provide linkages across various positions and activities in the business organisation.

**Organization Charts** are used to depict diagrammatically the structural framework of the organization and reflect the authority and responsibility structure of the company. These charts typically are pyramidal in shape. They show the person in charge at the top and below them are clustered his subordinates, usually in progressively smaller boxes. The individuals shown on the same horizontal level in the chart are perceived to be "peers" within the organization. A typical Organization chart can be depicted as follows (Figure 21.3).

# Organizing

**Figure 21.3 A Typical Organization Chart**



<b>Value addition 21.3.2: Check Your Comprehension</b>		
<b>21.3 Organization Structure and Organization Charts</b>		
You must have noticed how easy it becomes to understand the organization structure using diagrams. Also notice how the flow of authority takes place across the organization.		
<b>Pick the option that best suits.</b>		
<b>This section...</b>		
<b>Completely understood</b>	<b>Partially Understood</b>	<b>Not understood</b>
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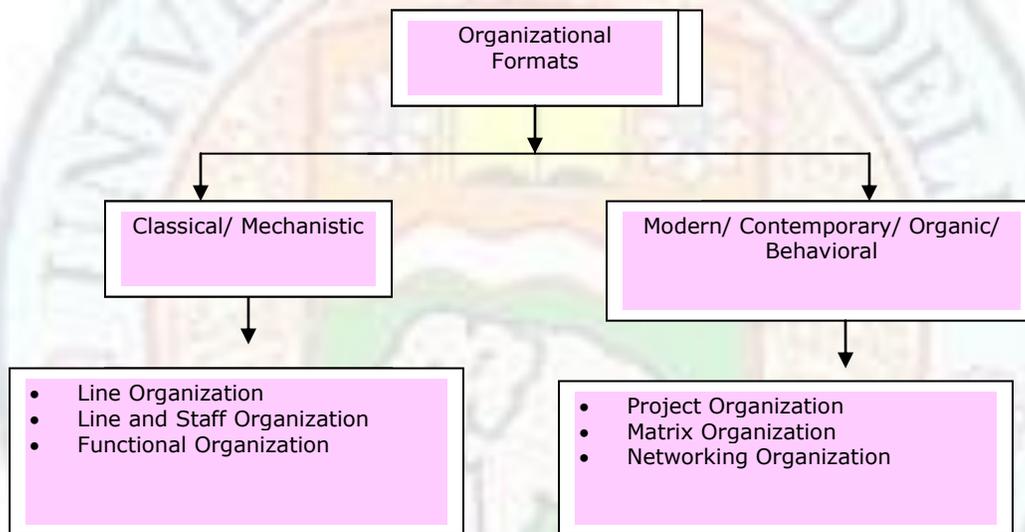
# Organizing

## 21.4 Types of Organizational Formats

<b>Value addition 21.4.1: Focus of the section</b>
<b>21.4 Types of Organizational Formats</b>
We can categories the organization formats on the basis of nature of authority-responsibility structure. In this section, we lay down the different types of organization formats- classical and contemporary. We are assuming you have already covered classical formats at the 10+2 level. For our present purposes, we need to concentrate only on contemporary formats.

Organizational Formats are classified as follows.

**Figure 21.4 Types of Organizational formats**



We shall discuss the two types briefly.

### **21.4.1 Mechanistic or Classical Organization Structures**

Such organization structures have well-defined jobs, schedules, chain of command, authority-responsibility structure and possess vertical communication. There is very little interaction with environment and the organization/ its members work towards fulfilment of organizational and individual goals.

### **21.4.2 Modern/ Contemporary/ Organic/ Behavioural Organization Structures**

The second category of organization formats is more susceptible to environmental change. Communication is both vertical and horizontal. It makes use of participative decision-making rather than vertical authority-responsibility structures.

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As against Classical structures that emphasize on grouping of activities into smaller units and setting up of departments, the modern structures focus more on relationship among people and flexible structure.

**Table 21.1 Distinction between Classical and Contemporary organization structures**

Basis	Classical Organization Structure	Contemporary Organization Structure
Shape	Pyramid Shaped with authority centralised at the top	Flat shaped with authority decentralised to lower levels.
Hierarchy of command	Followed	Not followed
Span of control	Narrow	Wide
Division of labour	Immense- work divided into specialised tasks	Little- Work divided into general tasks.
Communication	Hierarchical- instructions and command flow from top to bottom	Network- flows in all directions. Instead of orders, there are suggestions and information.
Suitability	For organizations working in stable environment	For organizations operating in changing and dynamic environment
Employees	Unskilled	Skilled
Informal groups	Not recognized	Duly recognised

You must already be familiar with the classical formats. This chapter will concentrate only on modern/contemporary formats.

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<b>Value addition 21.4.2: Check Your Comprehension</b>		
<b>21.4 Types of Organizational Formats</b>		
Have you understood the two types? So, now you should be able to answer the following question. Differentiate between classical and contemporary organization structures on following bases. a. Shape b. Span of control c. Hierarchy of command (That's simple!)		
		
<b>Pick the option that best suits.</b> <b>This section...</b>		
<b>Completely understood</b>	<b>Partially Understood</b>	<b>Not understood</b>
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<b>Move on to next section</b>	<b>Move on to next section but note that there is a need to revise this.</b>	<b>You need to re read this and discuss it with your friends.</b>

<b>Value addition 21.4.3: Test Yourself</b>		
<b>21.4 Types of Organizational Formats</b>		
1. What do you understand by the following terms? a. Organization structure b. Modern organizational format c. Classical organizational format		
2. How is modern organization structure different from the classical organization structure?		

We now take up the three modern organization formats in detail.

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## 21.5 Project Organization

<b>Value addition 21.5: Focus of the section</b>
<b>21.5 Project Organization</b>
When an organization takes up some project with well-defined time-limit, it has an option of 'creating' a Project team (by taking members from different departments) that becomes project organization. The life of such team/organization is same as the life of the project. As soon as project gets over, this organization gets 'dissolved'. The team members get back to their usual work in the overall organization.

**Figure 21.5 Project that hits the target**



Source: [www.rospro.com/images/Ontarget.gif](http://www.rospro.com/images/Ontarget.gif)

An organization-wide approach to project management involves cross-functional projects which are meant to improve ways of meeting customer needs. It diminishes the orientation to hierarchy and procedure and strengthens floating of ideas across different functional orientations.

The **project team** (PT) is an organizational entity which has its own budget, staff and criteria for performance. PT cuts across departmental lines and the project does not belong to one department. The Project Manager (PM) does not have to remove people from their "real" jobs. Instead, the PM selects the people he needs and "owns" the time for which he has contracted. In other words, a PT organization is a temporary thing and it only exists from the time the project starts until its end. All the project team members come from different departments of the organization and they all have a temporary assignment to the project. So, they have not only a boss (the PM), but also their 'normal' boss, who orders him around when the employee is *not* in the project.

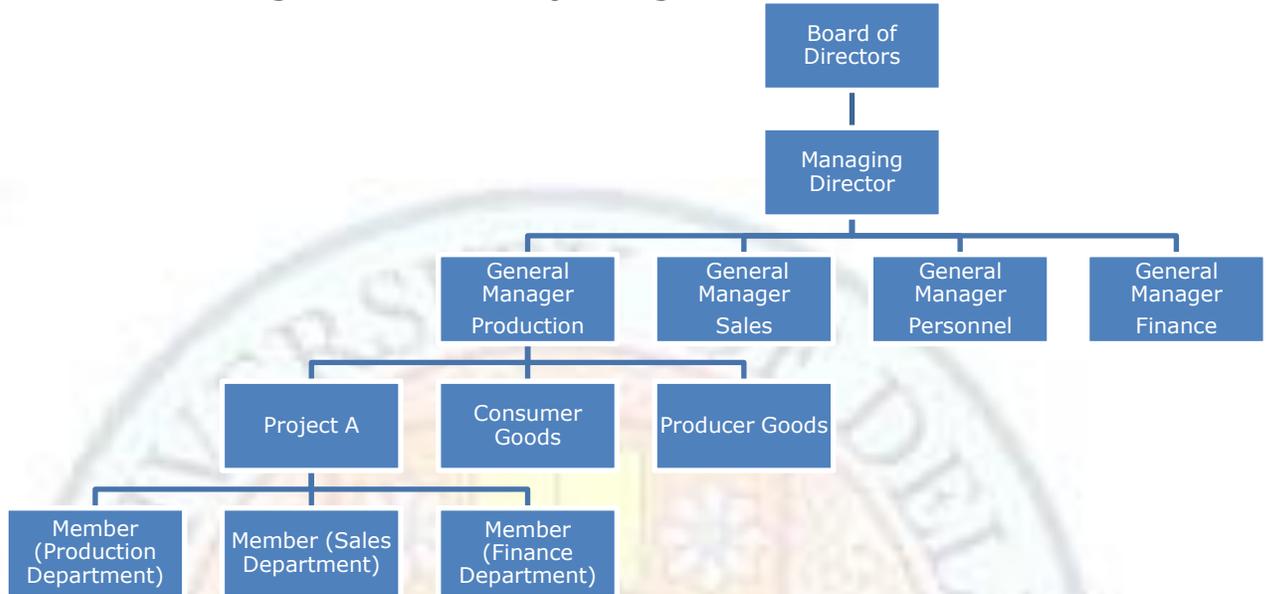
A typical Project organization can take the form of,

- Pure Project Organization structure- say a General Manager himself becoming Project Manager or
- Project Organization structure with Project manager as an advisory to the General Manager.

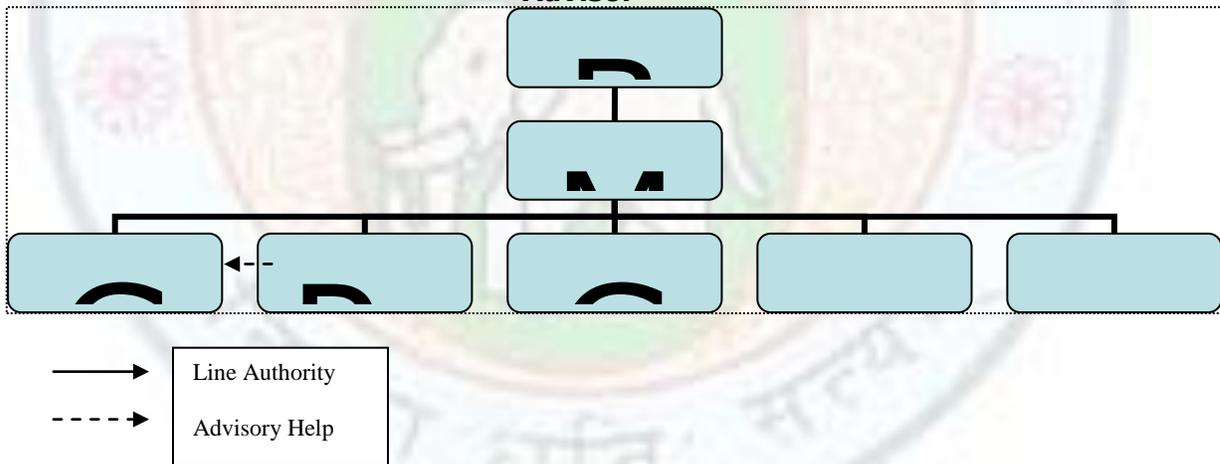
# Organizing

The two situations can be diagrammatically depicted as follows (Figure 21.6 and Figure 21.7).

**Figure 21.6 Pure Project Organization Structure**



**Figure 21.7 Project Organization Structure with Project Manager as an Advisor**



## 21.5.1 Suitability

The project structure of organization is used in following situations:

- The project is a one-time assignment that has to be complete within the given time limit.
- It offers a unique or a new challenge to the organization.
- The organization wants to continue with its regular activities as usual.
- The project involves interdepartmental activities.

It is employed by companies dealing with one or two big projects so that separate project team can be created to handle each project.

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## **21.5.2 Merits**

The strengths of Project organization can be discussed as follows.

### *Focussed Approach*

Project organization facilitates concentrated attention on the complex project and ensures its better implementation.

**Figure 21.8 Working of Project organizations**

© 1997 Randy Glasbergen. E-mail: randy@glasbergen.com www.glasbergen.com



**“Every computer has been equipped with a compass to help keep our team on course.”**

Source: [http://merc.tv/img/toons/proj\\_compass.gif](http://merc.tv/img/toons/proj_compass.gif)

### *Bureaucracy is weakened*

This approach changes an organization over a period of time. The hierarchy and bureaucracy are weakened and career development depends on the performance and results of the projects on which one works and not just the time spent on a position or politics.

### *Develops managers*

The organization develops executives who manage projects. Also specialists on various fields get opportunities to work on complex projects. It allows maximum use of specialised knowledge available with the organization.

### *Flexibility*

An element of flexibility is introduced in the organization as it becomes more agile, able to respond to changing customer needs. Organisation tends to adopt an approach which enables handling of specialised projects without disturbing the normal functioning of the organization.

### *Unity of Command*

The Project members receive instructions only by the project manager. Hence the principle of unity of command is followed.

# Organizing

## 21.5.3 Demerits

Project organization has certain weaknesses. These can be elaborated as follows.

### *Unclear relationships*

The task of Project manager is difficult because of absence of clearly defined responsibility and absence of communication pattern.

### *Problem of integration and conflict*

Since specialists from different areas have different approaches and orientations, it may become difficult for the Project Manager to deal with those diverse approaches and integrate them towards timely completion of the project.

### *Delays in decision making*

Decision making may take longer and can become complicated because of pressures from specialist from different fields.

### *Job tenure*

The Project organization dissolves with the completion of the project. People who join the project from different parts of the institution move to their respective departments once the project is over. However, those members who do not belong to the institution lose their jobs once the project is over.

Project organization has its strengths that can be very well utilized in specific situations. However, it is also important to keep in mind its disadvantages and try to minimize them.

<b>Value addition 21.5.2: Check Your Comprehension</b>		
<b>21.5 Project Organization</b>		
Hope the meaning, strengths and limitations of Project organization are clear. Now you should be able to answer the following questions.		
1. Give three features of a project organization.		
2. Why is project organization characterized by unity of command?		
		
<b>Pick the option that best suits.</b>		
<b>This section...</b>		
<b>Completely understood</b>	<b>Partially Understood</b>	<b>Not understood</b>
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<b>Move on to next section</b>	<b>Move on to next section but note that there is a need to revise this.</b>	<b>You need to re read this and discuss it with your friends.</b>

# Organizing

<b>Value addition 21.5.3: Test Yourself</b>
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<b>21.5 Project Organization</b>
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- |   |
|---|
| <ol style="list-style-type: none"><li>1. What is Project Organization?</li><li>2. Discuss the merits of Project Organization.</li><li>3. Enumerate any three business activities where project organization is best suited.</li><li>4. What are the demerits of Project organization?</li></ol> |
|---|

## 21.6 Matrix Organization

<b>Value addition 21.6.1: Focus of the section</b>
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<b>21.6 Matrix Organization</b>
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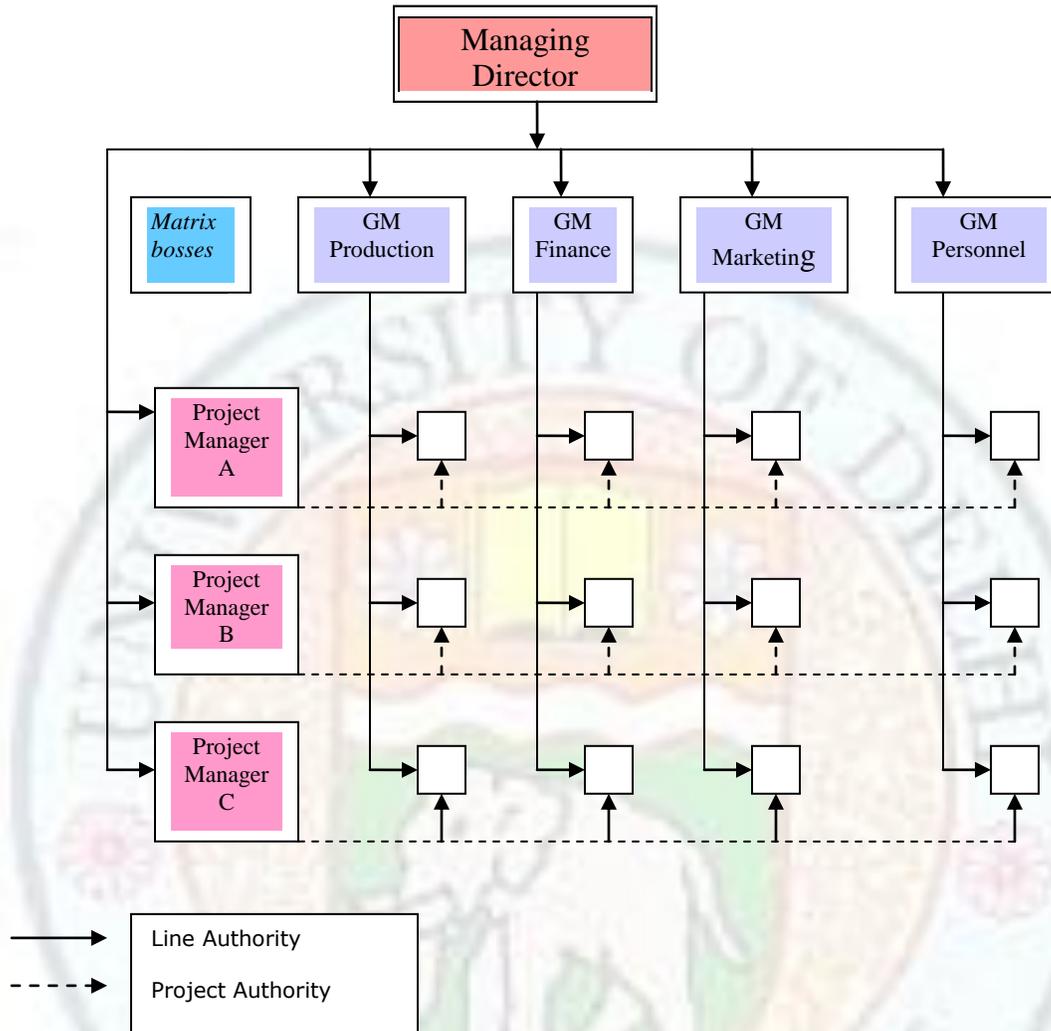
When a business takes up a project, it may not want to create a project organization; instead it may want that the employees should continue with their normal/ routine tasks as before and that they take up the project work side by side. In other words, employees are not completely displaced from their regular work in the entity while they are working on the project.
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Matrix organization, also known as **Grid organization**, is one of the latest types of organization formats. It assures flexible structure necessary to deal with growing size and complexity of organizations.

Matrix organization is a hybrid organization that combines the features of functional and project organisational structure. In this kind of an organizational structure, people who have similar skills are pooled together and are assigned their roles. For instance, all engineers may be in one engineering department and report to an engineering manager, however some of these engineers may be assigned to different projects and report to the project manager while working on that project. Therefore, each engineer may have to work under several managers to get their job done. In other words, project members have dual accountability- towards their functional head (in the vertical chain of command) and to the project manager (who has project authority over them). This implies the **unity of command principle is violated** as the project members report to two superiors. The two bosses- the functional head and the project manager- are often termed as *matrix bosses*; both of them exercise powers over the employees. Once the project has been completed, the members become accountable only to their functional head. A typical matrix organization can be depicted as in Figure 21.9.

# Organizing

Figure 21.9 A typical Matrix Organization



To give another instance of matrix organization, and functional departmentalization combined with product groups: a product group wishes to develop a new product and for this task, it obtains personnel from functional departments such as marketing, research, engineering, and production. After this, these personnel work under the manager of the product group for the duration of the task.

## **21.6.1 Role of Project Manager and Functional Manager**

The **Project Manager** is the overall in-charge of the project. He performs the following tasks:

- Laying down the policies and strategies to achieve the objectives of the project.
- Determining resources required for completion of the project.
- Drawing personnel from different functional departments as per the requirements of the project.

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- Preparing the project budget and deciding the cost/ time schedule of the project.
- Communicating the schedule to functional groups.
- Motivating the project members towards successful completion of the project.

A **functional manager** has the responsibility of maintaining the integrity of his functional area. He performs the following functions:

- Ensuring efficiency of operations in his functional area.
- Exercising line authority over his sub-ordinates so that uniformity of his functional area is maintained across different projects.
- Assigning specific sub-ordinates to various projects as per the request of project manager.
- Evaluating the performance of all his sub-ordinates working under him/ assigned to projects.

## **21.6.2 Suitability**

This form of organization is commonly used in engineering and in research and development, product marketing, construction (for example building a bridge), aerospace (designing and launching a satellite), marketing (advertising campaign for a new product). It is often used by companies that have variety of projects- ranging from small to large so that it is not feasible to create separate project team for every project.

## **21.6.3 Merits of Matrix Organization**

Proponents of matrix management suggest following advantages.

### *Focused approach*

Matrix organization allows attention and resources to be focused on particular projects and facilitates their completion in time.

### *Flexibility*

It can be applied to an organization involved in projects ranging from small to large. It has the ability to respond to the changes in technology, market conditions, client needs etc.

### *Specialisation*

It allows for specialization by increasing the depth of knowledge and leads to professional development. It lays more emphasis on authority of knowledge rather than individual's position in the organizational hierarchy.

### *Low costs*

Since key people are shared, the project cost is minimized. There is economical use of the specialised services of people from different functional areas.

## **21.6.4 Demerits**

Matrix organization suffers from some disadvantages that can be laid down as follows.

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## *Conflict*

Matrix organization violates the principle of unity of command as people get instructions from more than one boss- functional manager as well as project manager. This system is more prone to power struggles, create task confusion and conflict in work priorities.

## *No clear commitment*

In this type of organization, personnel are drawn from different departments temporarily. This may lead to lack of commitment to project on part of the personnel.

## *Multiplicity of relationships*

Organizational efficiency can be impaired by existence of multiple vertical and horizontal relationships. The functional heads might emphasize their own specialisations at the cost of the project. The clarity of jurisdiction of the project and functional manager might be lacking.

**Figure 21.10 Working in a Matrix Organization**



Source: <http://www.lifeinamatrix.com/wp-content/uploads/2009/03/life-in-a-matrix-8-matrix-management-gone-too-far.jpg>

## *Problem of coordination*

Organizational relationships become more complex as informal relationships also co-exist with the formal ones. It may then difficult to coordinate.

A matrix organization is thus used in situations and organizations where it may not be possible to assign a dedicated task to the individuals and hence sharing resources may become inevitable. However it brings dual assignment of the personnel to the project as well as to their parent / functional department that can lead to conflict.

The differences between project and matrix organization can be tabulated as follows:

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**Table 21.2: Distinction between Project Organization and Matrix Organization**

Basis	Project organization	Matrix organization
Structure	Independent	Combines functional and project structure
Unity of command principle	Not violated- single command system	Violated- multiple command system
Use of resources	Exclusive by the project manager	Resources shared between project and functional managers.
Possibility of Conflict	Minimal	Exists between project and functional manager
Suitability	For a limited number of projects.	Suitable for multiple projects.

<b>Value addition 21.6.2: Activity</b>
<b>Project vs. Matrix Organization</b>
<p>You are given two situations. Find out which is project organization and which is matrix.</p> <p><b>Situation 1:</b> A company selects five of its personnel to work on project A. These personnel are supposed to perform their routine task that they were performing in the organization. And they also have to work on the project.</p> <p><b>Situation 2:</b> A company selects five of its personnel to work on project A. These personnel are transferred to the project temporarily, i.e. they are only supposed to perform their work on the project. They are relieved for the time being from their routine task.</p>
Hint: Situation 1- Matrix , Situation 2- Project

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<b>Value addition 21.6.3: Check Your Comprehension</b>											
<b>21.6 Matrix Organization</b>											
<p>Can you describe the matrix organization? Hope you have noticed the role that project and functional managers have to perform. Also make sure you are clear with the distinction between Project and Matrix organization. Now you should be able to answer the following question.</p> <p>Distinguish between project and matrix organization formats on following basis.</p> <ol style="list-style-type: none"> <li>1. use of resources</li> <li>2. possibility of conflict</li> <li>3. structure</li> </ol> <p><b>Pick the option that best suits.</b></p> <p><b>This section...</b></p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 33%;"><b>Completely understood</b></td> <td style="width: 33%;"><b>Partially Understood</b></td> <td style="width: 33%;"><b>Not understood</b></td> </tr> <tr> <td>↓</td> <td>↓</td> <td>↓</td> </tr> <tr> <td><b>Move on to next section</b></td> <td><b>Move on to next section but note that there is a need to revise this.</b></td> <td><b>You need to re read this and discuss it with your friends.</b></td> </tr> </table>			<b>Completely understood</b>	<b>Partially Understood</b>	<b>Not understood</b>	↓	↓	↓	<b>Move on to next section</b>	<b>Move on to next section but note that there is a need to revise this.</b>	<b>You need to re read this and discuss it with your friends.</b>
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<b>Move on to next section</b>	<b>Move on to next section but note that there is a need to revise this.</b>	<b>You need to re read this and discuss it with your friends.</b>									

<b>Value addition 21.6.4: Test Yourself</b>
<b>21.6 Matrix Organization</b>
<ol style="list-style-type: none"> <li>1. What is Matrix organization?</li> <li>2. What are the merits of Matrix organization?</li> <li>3. What are the demerits of Matrix organization?</li> <li>4. Discuss the suitability of Matrix organization.</li> <li>5. How is Matrix organization different from Project organization?</li> <li>6. Explain why unity of command principle is violated in Matrix organization?</li> <li>7. Discuss the role performed by Project manager.</li> <li>8. Discuss the role performed by functional manager.</li> <li>9. Matrix organization is a hybrid of project structure and functional structure. Comment.</li> </ol>

# Organizing

## 21.7 Network Organization

<b>Value addition 21.7.1: Focus of the section</b>
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<b>21.7 Network Organization</b>
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Apart from project and matrix organization formats, there is another modern structure that relates to the working of organizations that are multinational in character. In this section, you will learn more about the organization structure that comprises of entities spread across the globe linked up to a central organization.
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A Network organization is one that has one central headquarters/ core that is linked with other entities (subsidiaries/ centers set up for supply of resources/ firms performing outsourced task) through networks of relationships. With the significant advancements in communication technology and increasing degree of globalisation of business, there has been a tremendous growth of organizations that are ready to take the advantage of business opportunities arising in any part of the world. Such organizations essentially break down the barriers caused by geographical factors, by sharing information using particularly international computing network, fax etc.

**Figure 21.11 Networking**



Source:

[http://www.google.co.in/images?q=network+organization&hl=en&as\\_st=y&tbs=isch:1&ei=oSW9TlrOHO2GvgP4n5x0&sa=N&start=36&ndsp=18](http://www.google.co.in/images?q=network+organization&hl=en&as_st=y&tbs=isch:1&ei=oSW9TlrOHO2GvgP4n5x0&sa=N&start=36&ndsp=18)

These organizations, essentially multinational in character, make use of the organization structure called as Network organization. This structure is created around a central organization/ headquarters that co-ordinate the activities of other entities in the network. The headquarters can pass on the manufacturing, distribution, financing and other functions of business to the network entities.

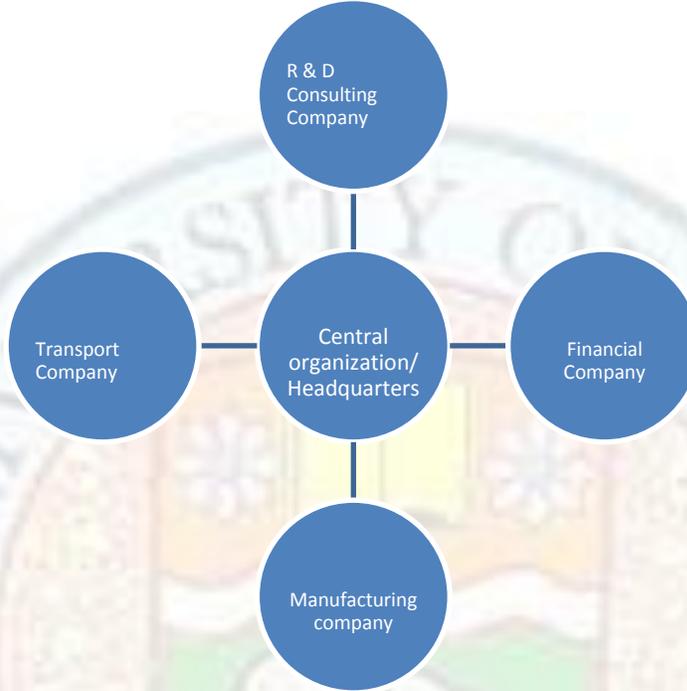
Network organization is also sometimes referred to as "Boundary less organization". It can be defined as a multinational arrangement that seeks to combine function, product and geographical designs and it uses network arrangement to connect subsidiaries (network entities) scattered worldwide.

# Organizing

The network organization structure can be further classified as:

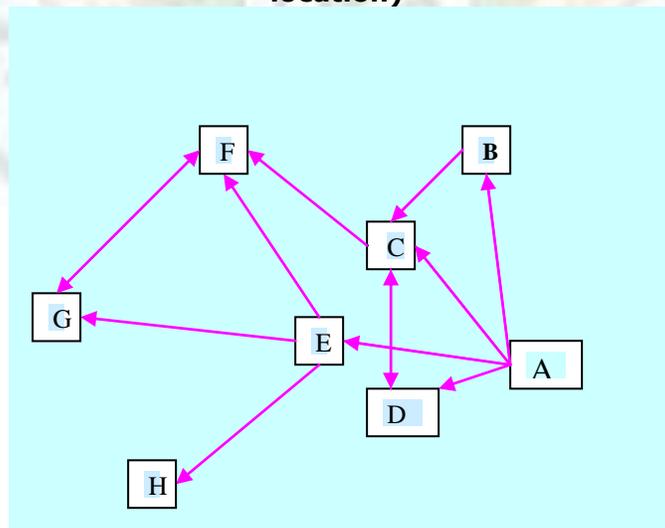
- functional (network entities classified on the basis of function they provide to the headquarters- manufacturing or research/ development/ transport)

**Figure 21.12 A Network organization (nodes/ entities classified as per Function performed)**



- geographical (network entities classified as per their location. For example, the entities in country B may include those performing manufacturing as well as R&D functions)

**Figure 21.13 A Network organization (nodes/ entities classified as per their location)**



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In this figure, A is the central organization that is linked to its subsidiaries set up in different countries B, C, and D etc across the world.

<b>Value addition 21.7.2: Did You Know?</b>
<b>Emerging Trends in Network Organization</b>
<ul style="list-style-type: none"><li>• A Network organization can very well be used not only by a multinational but also by a non-multinational but a big entity whose operations are scattered all over the country.</li><li>• A special form of boundaryless organization is "Virtual organization" that operates in a network of external alliances which are engaged whenever needed, using IT and the Internet.</li></ul>

## 21.7.1 Suitability

Network organization is generally used by large organizations though even small organizations can also follow this format. This structure has been used extensively by multinational corporations for controlling their subsidiaries or performing its functions (such as manufacturing) using low cost resources available in rest of the world.

<b>Value addition 21.7.3: Pause and Think</b>
<b>Relating MNCs, BPO and Network Organization</b>
You have already covered the chapters on multinationals and BPO. What is the relationship between the networking organization and a multinational? Is BPO the same thing as networking?
Hint: A multinational corporation, by definition, will make use of networking organization- its subsidiaries becoming network entities (by location). An organization engaged in BPO will also be making use of network entities (agencies to which tasks are outsourced) as per their functions. However, the network organization can also be an organization that has its operations in only one country (Why?).

## 21.7.2 Merits

The strengths of network organization can be discussed as follows.

### *Improved performance*

It helps in linking subsidiaries spread across the globe. It also allows different operations to occur at the places where they can be performed most efficiently.

### *Reduced uncertainty*

Management of the central organization faces lesser uncertainty as it has contracted some of the tasks to entities in the network structure or its subsidiaries. For example, a reduced demand in one country can be cushioned by normal sales in other countries or reduced chances of disruption of raw materials because of geographical spread of their procurement.

### *Removal of barriers*

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This structure removes time and location barriers as the entities can establish contact at any point of time.

### *Access to resources*

It also provides access to a wide range of specialised resources at reasonable prices from all over the world.

### **21.7.3 Demerits**

The network organization suffers from following limitations.

### *Lack of co-ordination*

It is very difficult to co-ordinate the functioning of business entities and may pose a major problem for the management of the central organization.

### *Lack of reliability*

The success of network structure depends on how reliable the network entities are. It is difficult to monitor the work performed in a virtual organization.

### *Cultural problems*

The customs, traditions and values of different network entities located in different countries may be different. Cultural problems can arise in the virtual organization.

Network organization is a very widely used form of organization both in terms of function-based and location-based entities. It is important that these entities work in tandem with one another and enhance co-ordination among them. Only then can the organization function smoothly and its goals can be met.

<b>Value addition 21.7.4: Check Your Comprehension</b>		
<b>21.7 Network Organization</b>		
That was the merits and demerits of network organization laid down. Hope you have noticed different types of network entities.		
<b>Pick the option that best suits.</b>		
<b>This section...</b>		
<b>Completely understood</b>	<b>Partially Understood</b>	<b>Not understood</b>
↓	↓	↓
<b>Move on to next section</b>	<b>Move on to next section but note that there is a need to revise this.</b>	<b>You need to re read this and discuss it with your friends.</b>

# Organizing

<b>Value addition 21.7.5: Test Yourself</b>
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<b>21.7 Network Organization</b>
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- |  |
|--|
| <ol style="list-style-type: none"><li>1. What is network organizing?</li><li>2. Discuss the merits of network organizing.</li><li>3. Discuss the demerits of network organizing.</li></ol> |
|--|

<b>Value addition 21.7.6: Keywords</b>
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<b>Summary</b>
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<p><a href="#">Identification and grouping of tasks</a> <a href="#">Improves teamwork and productivity</a> <a href="#">Framework of authority and responsibility relationships</a> <a href="#">Well-defined jobs, chain of command, vertical communication</a> <a href="#">Focus on relationship among people and flexible structure</a> <a href="#">Temporary assignment to the project</a> <a href="#">Unity of command</a> <a href="#">Hybrid organization format- combination of features of functional and project structure</a> <a href="#">Project members having dual accountability</a> <a href="#">Multinational arrangement combining function/ product/ geographical designs</a></p>
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# Organizing

## Summary

- Organization structure defines an organization's tasks and their division into units called departments, its hierarchy and authority structure. It also lays down the relationship among people working at different levels.
- The modern organizational formats include project organization, matrix organization and network organization.
- The optimum organizational structure for any organization depends on various factors which includes the work it does; its size not only in terms of employees but also revenue, the geographic dispersion of its facilities; and the range of its businesses i.e the degree to which it is diversified across markets.
- The project and matrix organizations are used by business entities which are involved in projects. The project organisation is used when there are few projects so that the organization forms a separate project team making use of personnel drawn out from their routine work and "put" on the project. The matrix organisation is essentially used when there are too many projects so that personnel in such an organization are not just working on the project but also doing their regular work.
- The advantage of a matrix structure is that it facilitates the use of highly specialized staff and equipment; resources are shared as needed. The disadvantage of a matrix organization arise from the dual reporting structure.
- The network organization, on the other hand, is used by multinational corporations to link up with their subsidiaries or to undertake any of their functions in other parts of the world.



# Organizing

## Exercises

### Short questions

- 21.1 Explain the concept of organizing. Why is it important for a business to organize its activities?
- 21.2 Define organizing. Briefly discuss the importance of organizing.
- 21.3 Differentiate between classical and contemporary organization structures
- 21.4 Explain why unity of command principle is violated in Matrix organization?
- 21.5 Discuss the role performed by Project manager and functional manager.
- 21.6 Matrix organization is a hybrid of project structure and functional structure. Comment.

### Long Questions

- 21.7 Define Project organization and discuss its suitability. Also give its merits and demerits.
- 21.8 Define Matrix organization and discuss its suitability. How is it different from Project organization?
- 21.9 What do you understand by network organization? Discuss its suitability, merits and demerits.

<b>Value addition 21.7.7: Past University Questions</b>
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<b>Chapter 21 Organizing</b>
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2005 (correspondence) Q5. What is Project Organization? Discuss its merits. Enumerate any three business activities where project organization is best suited. (10 marks)
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2007 (Correspondence) Q4. Define a Project organization. State the circumstances where it is suitable to adopt. Distinguish it from Matrix organization. (7 marks)
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2007 Q4a What is Matrix organization? Explain its merits and demerits. (6 marks)
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# Organizing

## Glossary

**Accountability:** People delegated with authority and responsibility are subject to reporting and justifying task outcomes to those who have delegated to them and are above them in the chain of command

**Authority:** Formal right of a manager to make decisions, issue orders, and allocate resources to achieve organizational desired results.

**Centralization:** The concentration and location of decision making authority near top organizational levels.

**Chain of command:** A line of authority that links all individuals in the organization and specifies who is accountable to whom.

**Decentralization:** The concentration and location of decision making authority near lower organizational levels.

**Delegation:** Transfer of authority and responsibility to lower positions in the hierarchy.

**Responsibility:** Duty to perform the task or activity which has been assigned to an employee.

**Span of management/control:** Number of sub-ordinates reporting directly to one superior or boss.

**Unity of Command:** One employee held accountable and reports to only one boss.



# Organizing

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## 2. Suggested Readings

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Lele, R.K. and J.P. Mahajan, "Business Organisation", Pitamber Publishing, New Delhi.  
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## 3. Web Links

- 21.1 <http://www.visitask.com/matrix-organization.asp>  
21.2 <http://www.referenceforbusiness.com/management/Ob-Or/Organizational-Structure.html>