

Construction and consulting organizations

- ✓ An organization is a deliberately established social unit composed of people who coordinate their activities to achieve a common objective.
- ✓ Small organizations may require no specialization beyond distinguishing one individual's job from another's.
- ✓ However as organizations become larger and involve more diverse activities, it becomes necessary to divide major tasks into departmental responsibilities thus leading to some kind of structure.
- ✓ Dividing the work of the organizations into basic departmental responsibilities potentially contributes to effective management in several ways. The Potential benefits include:

Clarifying responsibility and authority within the organization,

Facilitate communication and control,

Improve decision making;

Differentiate among activities,

Properties of an organization:

- ✓ The main properties of an organization of any form are:
 - Distinct internal processing based on division of labor
 - A hierarchy of authority
 - A system of coordination and control
 - A collective identity (team work)

Organization Theory and Organization Management:

Organization Theory:

- ✓ It becomes a well known fact that Economic and Governmental activities by large dominate
- ✓ large organizations in their operations. This creates major thought on

- views of organizations,
- organizational concepts and their assumptions based upon, and
- theories and ideas on how organizations can best bring the integration of social collectives to the organizations.

Theories of organizations:

- ✓ The theories of organizations so far developed can be summarized as (Lee G. Bolman and Terrence E. Deal)
 1. Rational System theory – The Structural Frame,
 2. Human Resources theory – The human resources frame,
 3. Political theory – The Political Frame,
 4. Symbolic theory – The Symbolic Frame, and
 5. Systems Theory.

Organization Structure:

✓ Organization is the process in which work is arranged, subunit is established and authority relationships are designated. Thus, an organizational structure is prepared. It consists of

- 1)Job descriptions
- 2)Statements indicating the function
- 3)Official delegations
- 4)Policies delegations
- 5)Financial procedures

Types of Organizational Structure:

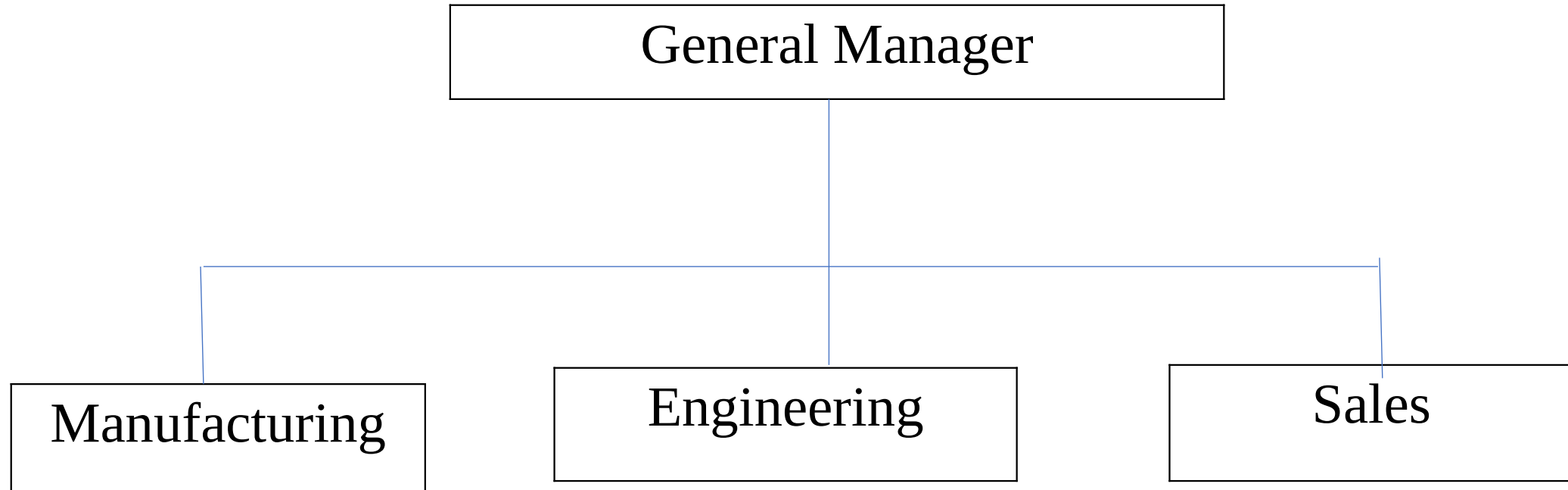
✓ The types of organizational structures are

- 1) Functional Organization Structures (U-form organization)
- 2) Product Organization Structures (H – form organization)
- 3) Matrix Organization Structures
- 4) Line organization

1) Functional Organization Structures (U-form organization):

- The functional organization structure divides the units so that each has a dissimilar set of duties and responsibilities.
- Typically, in a manufacturing firm, this would mean that engineering, manufacturing and sales would be separate departments each one dealing with the entire firm's product, these is often used for single product strategy.
- This structure is also called the U – form where the U in u-form stands for unity.

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Advantages:

- ✓ A research on firms performing technologically complex tasks has shown that functional structures tended to produce superior products.
- ✓ This implies that if product superiority is critical to the firm's strategy, then the functional structure commends itself.
- ✓ Evidence also suggests that stable environmental conditions favor functional organizations.
- ✓ In general, when the work done in an organization is best accomplished by a specialized task or a sequence of specialized tasks, then a functional structure of departments can work well.
- ✓ But it will work well only as long as the environment remains relatively stable.
- ✓ If the environment begins to change rapidly, necessitating a substantial increase in the number and diversity of products or services, the functional structure can show serious disadvantages.

Disadvantages:

- ✓ Functional structures tend to deemphasize interdepartmental cooperation by creating boundaries between departments. And where job might urgently require cooperation between departments, the boundaries can seem like the Berlin Wall.
- ✓ This happens because top management sets standards of performance and budgets for the individual departments, and in a functional structure, top management is usually inclined to judge each department on how well it meets standards and budgets.
- ✓ Managers of department realize this and focus on meeting these requirements, rather than responding to requests from someone in another department whose authority over they is ambiguous.
- ✓ The more that strategy, technology and environment demand interdepartmental cooperation, the more of an obstruction the functional structure can become.
- ✓ When problems arise that don't exactly fit within any one department, managers find them difficult to solve and the problems remain unresolved and they float up between the departmental boundaries to the attention of the top management.

- ✓ Top management thus becomes overloaded with problems that should most likely have been attended to at lower levels.
- ✓ In sum, functional organization structure has both advantages and disadvantages. Where circumstances are relatively stable and dictate a high level of specialization, functional structures are well suited to concentrating technical expertise, and such concentrations can lead to superior products.
- ✓ On the other hand, where circumstances are relatively unstable, functional structures will not be useful as they lack flexibility.
- ✓ This is true in part because they give no particular incentive to interdepartmental cooperation or to having an overall business-oriented view of the department's output of a unit of product or service.

Product Organization Structure (H –form organization)

- ✓ The product organization structure divides the units on the basis of products, projects, or programs.
- ✓ The terms project or program organization are commonly used on the aerospace industry to describe the same pattern as in product organization. This type of organizational structural is also called the H form where the H- in H - form stands for hybrid.
- ✓ The product structure fixes responsibility in the department manager for a sort of one product, or product-line, mini company. The manager is judged by the one-product company's success.
- ✓ The result is that the product department manager is oriented toward the basic targets of product costs, schedules, and profits more so than the functional department manager, who does the same for a specific activity of the department.

Advantages:

- Studies have shown that although functional structures were associated with technically superior products, product structures were associated with a better record of meeting schedules and controlling costs.
- Another advantage of product structures is that they facilitate innovation. Innovation requires the close cooperation and communication of various groups contributing to the product. Product structure enables the formation of product-centered cooperation.
- Thus product structure is highly advantageous to companies having a strategy of growth through diversifying products. A major consideration appears to be that the product structure shapes a pattern of management decision making that helps the firm's better stay in touch and respond quickly to the numerous product markets in which they operate.

- ✓ Product organization also offers potential advantages when it comes to coping with unstable environments.
- ✓ These advantages include inducing greater cooperation between specialists and focusing their combined efforts upon the profitability of a product.
- ✓ They are also flexible, that is product organizational units can be added and dropped as necessary within the overall organizations to respond to changing conditions.
- ✓ Thus, product organizations may be preferred for their virtue of profitability than for their response to changing environmental conditions.

Disadvantages:

- ✓ Because of the flexible nature of product structures, there will be a human problem that is subordinates in product structures tend to become more insecure about possible unemployment, career retardation, and personal development. They are also more frustrated by ambiguity, conflict, and multiple levels of management, and they feel less loyal to their organizations than do subordinates in functional organizations.
- ✓ Product structures also fail to concentrate expertise in essential ways. It disperses specialists into subgroups oriented around particular products and since specialists competence is often nurtured by interaction with similar professionals, functional expertise may be weakened by a product structure.
- ✓ But the price of realizing the advantages of product structures included incurring its disadvantages which appear to include possible increased employee insecurity and weakened technical excellence in various functional specialties.

Matrix Organization Structure:

- ✓ Matrix organization is a result of efforts to combine both functional and product (or client or territorial) structures into a new form. It begins with a functional structure with different functional units.
- ✓ Next, another structure organized by product or client, is overlaid upon the original structure. The result is that employees are assigned to a basic functional department and at the same time, they are assigned to work on a particular product or for a particular client.
- ✓ It is to be recalled that both the functional and the product structures had weakness. The functional structure often proved weak in emphasizing business results and in providing coordination, but it was good at enabling specialists to interact and strive for technical excellence.

- ✓ The product structure often proved weaker at inducing technical excellence, but stronger at inducing coordination between functions, at adhering to schedules, and controlling costs.
- ✓ The matrix structure has been devised to respond to three conditions. First is to respond to two different and conflicting environmental pressures. These environments are one of the needs to have technical excellence in products and the other from the need to meet unique customer requirements which include schedule and cost constraints.
- ✓ Second, is the requirement to improve the inadequate communication capacity among individuals and groups. Environmental uncertainty, the complexity of the work, and interdependence of persons and departments can increase greatly as a firm diversifies its products, territories, and markets.
- ✓ This communication shouldn't be to merely keep more people informed. Managers need to communicate in ways that reflect the new dual focus on function and product, client or territory.

- ✓ They need to be reoriented by their organization structure so that it becomes rational for them to share information and think about problems and decisions that serve, not their sole functional department, but the best interest of the whole and to stand ready to be judged by the eventual results.
- ✓ Third, to cater the need for better and flexible use of human, financial, and physical resources. Even successful firms can afford to acquire only so much talent and equipment. They also find it necessary to use these human and physical resources by reasonably efficiency.

Line or Scaler Organization:

- ✓ This type of organization is also known as departmental type of organization. In this type of organization each of the department is sub-divided in to certain self contained sections.
- ✓ Each departmental head has sole control over his section and has full authority to select his labour, staff, purchase of raw materials , stores and to set the targets and standards of output etc. Sectional head of each section trains new men and supervisors the quality of output.
- ✓ Thus in such a system, supervisor exercises or direct authority over his subordinates who are entirely responsible for their performance to the commanding superior.
- ✓ No operation is under two bosses. In this order and instructions issued from the boss has to be followed by the subordinates and hence no chances of shifting of responsibility.

- ✓ As in the type of organization the flow of authority moves from top to bottom in vertical lines, therefore this is also called as line or scalar organization.

Thank You