

3.3 DEPARTMENTALIZATION

Departmentalization is the process of breaking down an enterprise into various departments. How jobs are grouped together is called departmentalization. A Department is an organization unit that is headed by a manager who is responsible for its activities. Departmentation and Division of labour are same things. However technically both are different. Both emphasize on the use of the specialized knowledge, but departmentation has higher management level strategic considerations while the division of labour has a lower level operating considerations.

Types of Departmentalization

There are five common forms of departmentalization

- 1) Functional Departmentalization
- 2) Geographical Departmentalization
- 3) Product Departmentalization
- 4) Process Departmentalization
- 5) Customer Departmentalization

FUNCTIONAL DEPARTMENTALIZATION

It groups jobs according to function.

Functional departmentalization defines departments by the functions each one performs such as accounting or purchasing. Every Organization must perform certain jobs in order to do its work. The bellow Fig 1 shows the functional Departmentalization. For example, Manufacturing, Production, R & D, Purchasing etc. Same kinds of jobs are grouped together in departments. This kind of departmentalization includes persons with same knowledge or skills (like Accounting Department having persons of commerce, Marketing Department having MBA persons). As in department people with same skill and knowledge are there. Their focus becomes narrow and they cannot appreciate each other's work in the same department

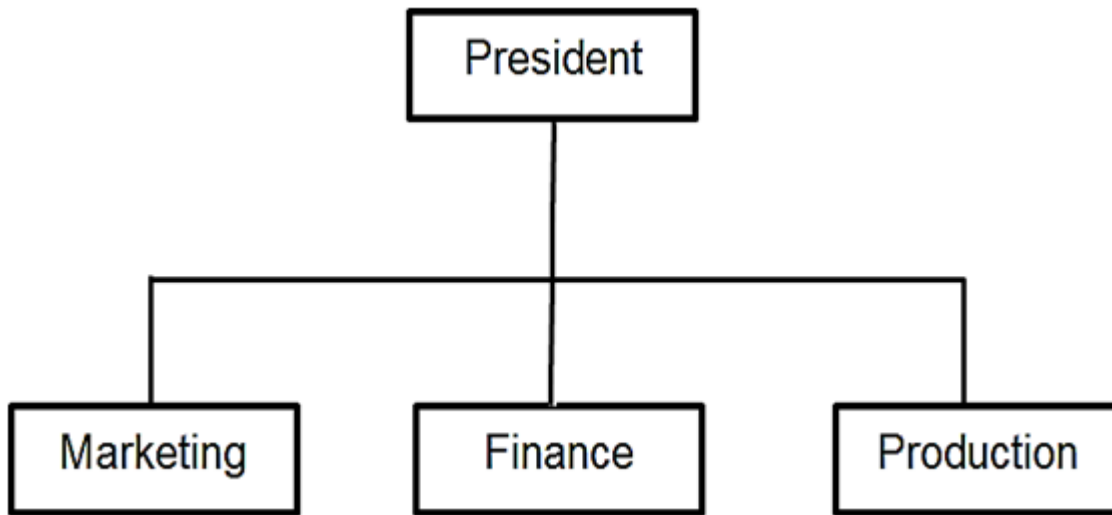


Fig 1 Functional Departmentalization

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Management|| Pearson Education, 7th Edition, 2011.

Advantages

- It is most logical and natural form of departmentalization.
- It brings about specialization which makes optimum utilization of human resources.
- It lays emphasis on each and every activity.
- It enables top management to exercise control over a number of functions.
- It facilitates delegation of authority and therefore, reduces the work burden of top manager.
- It eliminates the duplication of effort which brings efficiency.

Disadvantages

- There may be conflict between departments as the responsibilities are inter dependent.
- There may be difficulty in coordinating the activities of different departments.
- There is over emphasis on specialization.
- It maximizes supervision cost.

- It is non-responsive to environmental changes.
- It does not promote innovation and creativity.

GEOGRAPHICAL DEPARTMENTALIZATION

It groups jobs according to geographic region.

Geographical departmentalization is an arrangement of departments according to geographic area or territory. It divides works well for international business. Geographical Departmentalization is beneficial when Organization are spread over a wide area. Even each part or areas have different requirement or interests. The bellow Fig 2 represents the Geographical Departmentalization.

For example, marketing a product in Western Europe may have different requirements than marketing the same product in Southeast Asia. Market area is broken up into sales territories like Northern, Southern, West, East. The Salesman appointed for each territory report to their regional or territorial manager. These manager again reports to the sales manager who is head of the sales department.

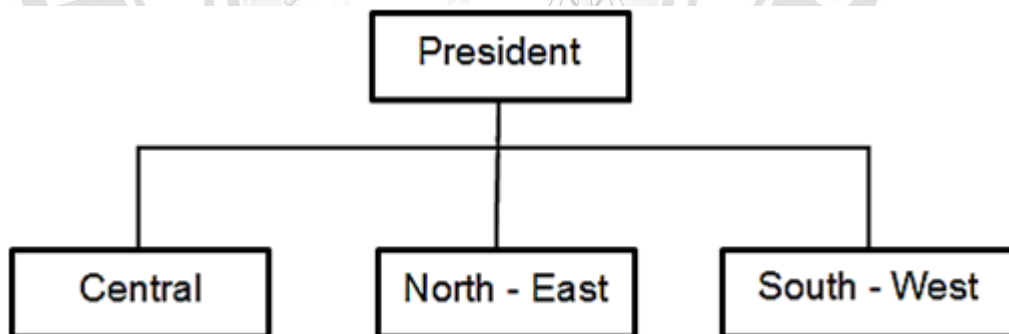


Fig 2 Geographical Departmentalization

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Management|| Pearson Education, 7th Edition, 2011.

Advantages:

- It helps to achieve local operations.
- It facilitates the expansion of business into various regions.
- It considers the environmental changes.

- There is better coordination of activities through the setting up of regional divisions.
- It can meet the local demands more effectively.

Disadvantages:

- There may be a problem of integration of various regional offices.
- There is the possibility of duplication of physical facilities.
- It is more difficult to maintain central control over regional departments.
- There may be lack of skilled and efficient persons to take charge of regional departments.

PRODUCT DEPARTMENTALIZATION

It groups jobs by product line.

Companies may have multiple products. Like Maruti is producing Alto, Zen, Swift. Large companies are often organized according to the product. All common activities required to produce and market a product are grouped together. Major disadvantages are duplication of resources. Each product requires most of the same functional areas such as finance, marketing, production etc. For example, Samsung manufactures Phones, T.V., and Tablet etc. For each product, they have same functional department like marketing, production etc. Thus, it is duplication of functions. Product Departmentalization has become important for large complex organization. The below Fig 3 shows the product Departmentalization.

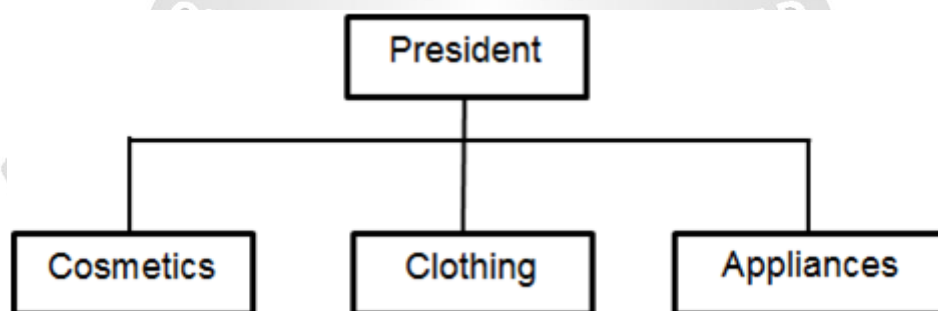


Fig 3 Product Departmentalization

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Managementl Pearson Education, 7th Edition, 2011.

Advantages

- It is suitable for the organization having various lines of products or services. It brings about specialization in a product or service which makes optimum utilization of human resources.
- It directs attention toward specific product line and service.
- It facilitates to monitor and evaluate the performance of each production or service department.
- Product/service managers can be held accountable for the profitability of each product/service.
- It permits maximum use of specialized production/services facilities.

Disadvantages

- There may be conflict between production/service and other departments as the responsibilities are inter dependent.
- There may be under utilization of plant capacity if the demand of the product/service is not sufficient.
- It creates the problem of effective control over production divisions by the top management.
- It maximizes administrative cost.
- The product/service manager may ignore overall objective of the organization.

PROCESS DEPARTMENTALIZATION:

It groups Jobs on the Basis of Product or Customer Flow.

Departmentalization is done on the basis of processing. In manufacturing organizations, the location of manufacturing plant or department can be at different location due to cost of raw material and even labour charges. Even departmentalization can be done depending on the types of machines required. The similar types of machines can be kept at one place e.g. all lathes, all drilling machines, all shapers etc. Activities are grouped into separate sections, each kept at one place. The bellow Fig 4

Shows the Process Departmentalization.

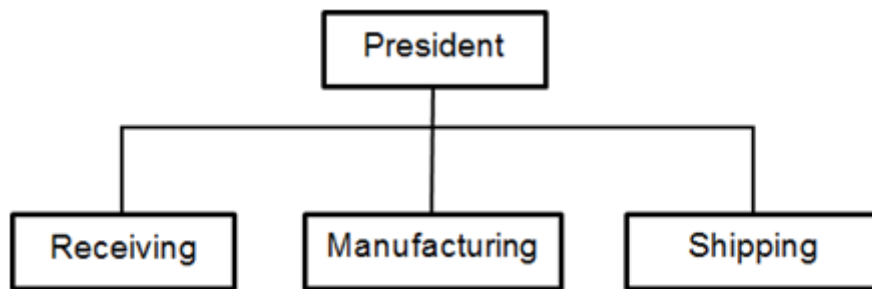


Fig 4 Process Departmentalization

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Managementl Pearson Education, 7th Edition, 2011.

Advantages

- There is proper division of work into different processes.
- It facilitates coordination by grouping products.
- It ensures effective utilization of specialized skills and equipments.
- It provides full responsibility to process head to complete process activities which improves product efficiency.
- It helps to make appropriate use of resources and facilities.

Disadvantages

- It is appropriate only for manufacturing organizations.
- The technical problem is one process may create problem for the whole process.
- There is possibility of conflict among managers of different process.
- It is more difficult to maintain coordination among different process.

CUSTOMER DEPARTMENTALIZATION

It groups Jobs on the Basis of specific And Unique Customers

Customer divisions are divisions set up to service particular types of clients or customers. Some companies or organization divides the different units based on

customers or markets. For example, any PC manufacturing company like HP has different divisions like Consumer PC, Commercial PC, and Workstations etc. Nokia previously had three divisions like Consumer Phone, Business Phone & Smart Phone. Recently Nokia had changed their departmentalization from customer to process base. The below Fig 5 shows the Customer Departmentalization.

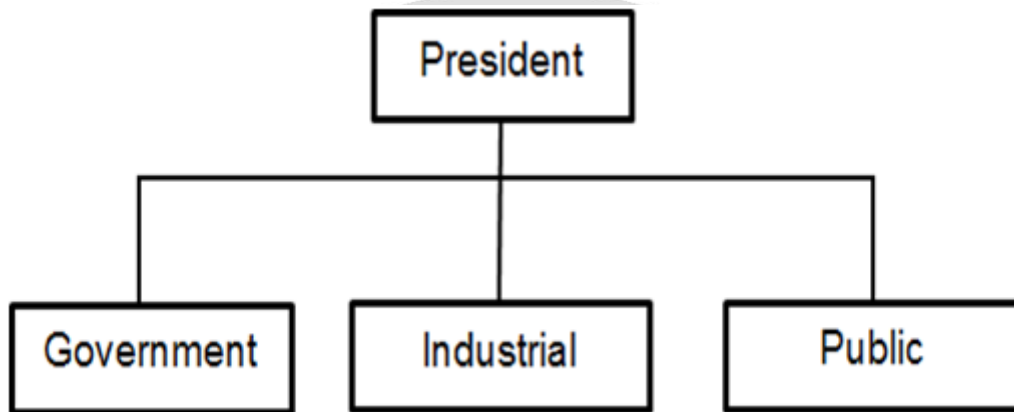


Fig 5 Customer Departmentalization

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Management Pearson Education, 7th Edition, 2011.

Now there are only two divisions: Hardware and Software base departmentalization. They will also sell their software to other mobile company. Another example is an educational institution offers regular and extension courses to cater to the needs of different students groups.

Advantages

- It is suitable for the organization dealing with various types of customers.
- Management can concentrate on clearly identified and potential customers.
- It considers the environmental changes.
- Special attention can be given to the taste and preference of customers.
- It provides the benefit of specialization.

Disadvantages

- It may be difficult to maintain coordination.
- There may be under utilization of facilities especially during the period of low demand.
- There may be possibility of duplication of activities.
- There is possibility of conflict between departments due to over emphasis of own department by departmental managers.
- Over emphasis of on customers may lead to wastage of resources.
- It is costly method of departmentalization.

Departmentalization by Time

Time is also a basis of departmentalization in many organization, especially, those that involve in public utility, production or service. Generally, hospitals, hotels, telecommunication and other public utility organization which work around the clock from departments on the basis of time shift such as day, evening and night shifts. Therefore, a separate department is created on the basis of shift and a departmental head of appointed for each shift to maintain control the activities of concerned shift.

Advantages

- There is proper division of works into different shifts.
- It facilitates coordination by grouping members into shifts.
- It ensures effective utilization of specialized skills and equipments.
- It provides full responsibility to the shift head to complete activities which improves product/service efficiency.
- It helps in the appropriate use of resources and facilities.

Disadvantages

- It is appropriate only for public utility enterprise where the work is round the clock.
- The technical problem is one shift may create problems for the entire shift.

- There is possibility of conflict among managers of different shifts.
- It is more difficult to maintain coordination among different shift managers.
- The responsibility of total profit cannot be assigned to a shift department.

3.3.1 DELEGATION OF AUTHORITY

Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Importance of Delegation:

1. Effective management:

In the delegation process managers pass routine work to the subordinates. So they are free to concentrate on other important matters. The main job of managers is to get the work done effectively and by delegating the authorities and responsibilities managers can get the work done effectively and efficiently from the subordinates.

1. Employees' Development:

As a result of delegation employees get more opportunities to utilise their talents. It allows them to develop those skills which help them to perform complex task. Delegation help in making better future managers by giving them chance to use their skills, gain experience of work related to higher job position.

2. Motivation of employees:

In the delegation when the manager is sharing his responsibilities and authority with the subordinates it motivates the subordinates as they develop the feeling of belongingness and trust which is shown to them by their superiors. Some employees can be motivated by such kind of non-financial incentives.

3. Facilitates organisational growth:

In the process of delegation when the managers are passing their responsibility and authority to the subordinates they keep in mind the qualification and capability of

all the subordinates. This leads to division of work and specialisation which is very important for organisational growth.

4. Basis of Management Hierarchy:

Delegation establishes superior-subordinate relationship which is the base for hierarchy of managers. The extent of power delegated to subordinates decides who will report to whom, and the power at each job position forms the Management Hierarchy.

5. Better Coordination:

In delegation systematically responsibility and authority is divided and employees are made answerable for non-completion of task. This systematic division of work gives clear pictures of work to everyone and there is no duplication of work clarity in duties assigned and reporting relationship brings effective coordination in the organisation.

6. Reduces the work load of managers:

In the process of delegation, the managers are allowed to share their responsibilities and work with the subordinates which help the managers to reduce their work load. With the process of delegation the managers can pass all their routine work to the subordinates and concentrate on important work. Without delegation managers will be overburdened with the work.

2. Basis of superior-subordinate relationship:

In the delegation process only two parties are involved that is superior and subordinate. If superiors share or pass their responsibilities and authorities to the subordinates it indicates good relationship between the superior and subordinate because superiors will transfer their responsibility and authority to their subordinates only when they have trust in them. So delegation improves the relations between superiors and subordinates.

Elements of Delegation/Process of Delegation:

There are three elements of delegation:

- 1) Responsibility
- 2) Authority
- 3) Accountability

1. Responsibility:

Responsibility means the work assigned to an individual. It includes all the physical and mental activities to be performed by the employees at a particular job position. The process of delegation begins when manager passes on some of his responsibilities to his subordinates which mean responsibility can be delegated.

Features of Responsibility:

- Responsibility is the obligation of a subordinate to properly perform the assigned duty.
- It arises from superior subordinate relationship because subordinate is bound to perform the duty assigned by his superior.
- Responsibility flows upward because subordinate will always be responsible to his superior.

2. Authority:

Authority means power to take decision. To carry on the responsibilities every employee need to have some authority. So, when managers are passing their responsibilities to the subordinates, they also pass some of the authority to the subordinates. The delegating authority is the second step of organising process. While sharing the authority managers keep in mind that the authority matching to the responsibility should only be delegated. They shall not pass all their authority to their subordinates.

Features of Authority:

- Authority refers to right to take decision due to your managerial position.
- Authority determines superior subordinate relationship. As subordinate communicates his decisions to subordinate expecting compliance from him as per his directions.
- Authority is restricted by law and rules and regulations of the organisation.
- Authority arises from the scalar chain which links various job positions.
- Authority flows upward as we go higher up in management hierarchy the scope of authority increases.
- Authority must be equal to Responsibility i.e., Authority = Responsibility

3. Accountability:

To make sure that the employees or subordinates perform their responsibilities in their expected manner, the accountability is created. Accountability means subordinates will be answerable for the non-completion of the task; creating accountability is the third and final step of delegation process.

The accountability cannot be passed or delegated. It can only be shared with the subordinates which means even after delegating responsibility and authority the managers will be accountable for non-completion of task.

If the production manager is given the target of producing 20 machines in one month's time and he divided this target between four foremen working under him, i.e., 5 machines to be produced by each foreman but one foreman could not achieve the target and at the end of the month only 17 machines are manufactured, then production manager will be held accountable for non-

completion of target as accountability cannot be transferred or shared: it is an absolute term.

Features of Accountability:

- Accountability refers to answerable for the final output.
- It cannot be delegated or passed.
- It enforced through regular feedback on the extent of work accomplished.
- If flows upward, i.e., subordinate will be accountable to his superior.

Differences between Authority and Responsibility

Authority	Responsibility
It is the legal right of a person or a superior to command his subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the position of a superior in concern.	Responsibility arises out of superior-subordinate relationship in which subordinate agrees to carry out duty given to him.
Authority can be delegated by a superior to a subordinate	Responsibility cannot be shifted and is absolute
It flows from top to bottom.	It flows from bottom to top.

3.3.2 CENTRALIZATION AND DECENTRALIZATION

“Centralization” is the systematic and consistent reservation of authority at central points in the organization. The Fig 6 represents the centralization.

The implication of centralization can be

- Reservation of operation at lower level at the directions of the top level.
- Reservation of operating authority with the middle level managers.
- Reservation of decision making power at top level.

Advantage of Centralized Organizational Structure •

- Reduced cost
- Uniformity in action
- Personal leadership
- Flexibility
- Improved quality of work
- Better co-ordination

Disadvantage of Centralized Organizational Structure

- Delay in work
- Remote control
- No loyalty
- No Secrecy
- No special attention

FACTORS INFLUENCING CENTRALIZATION

- Size and dispersal of operation
- Level of diversity of product-lines
- Nature of growth
- Nature of Business
- Quality of Executives
- Management by Exception
- Effective Control System

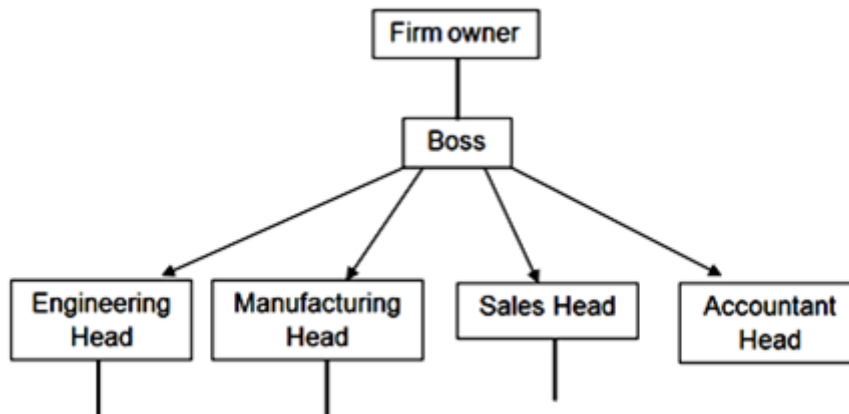


Fig 6 Centralization

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Management|| Pearson Education, 7th Edition, 2011.

Decentralization” is a systematic delegation of authority at all levels of management and in all of the organization. The Fig 7 shows the Decentralization.

- Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization”
- Authority is retained by the top management for taking major decisions.
- Decentralization pattern is wider in scope.

Advantage of De Centralized Organizational Structure

- Distribution of burden of top executive
- Increased motivation and morale
- Greater efficiency and output
- Diversification of Activities
- Better Co-ordination
- Maintenance of Secrecy
- Facilitate effective control and quick decision

Disadvantage of De Centralized Organizational Structure

- More cost
- No specialization
- Need more specialists
- No uniform action
- No equitable distribution of work
- Control Systems
- Types of Business
- Branches of organization
- Type of organization

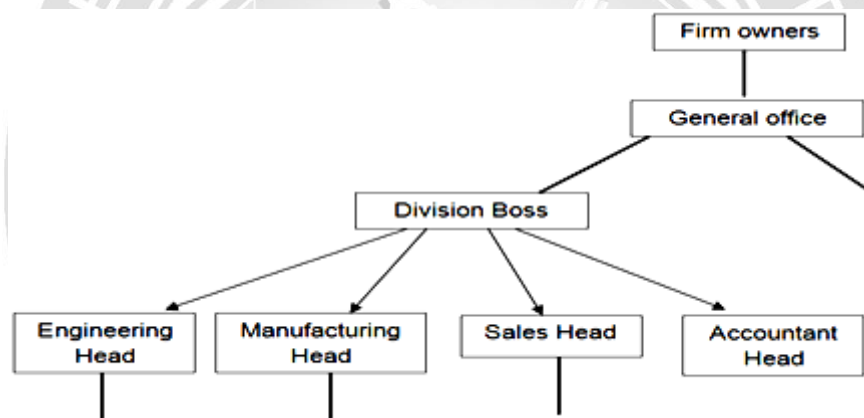


Fig 7 Decentralization

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Management|| Pearson Education, 7th Edition, 2011.

FACTORS AFFECTING DECENTRALIZATION

- Size of the organization – large or small
- Cost and Importance of decisions
- Uniformity
- History of organization
- Management Philosophy
- Availability of efficient managers

- Type of business
- Branches of organization

Centralization	Decentralization
<ul style="list-style-type: none"> • Environment is stable 	<ul style="list-style-type: none"> • Environment is complex, uncertain.
<ul style="list-style-type: none"> • Lower-level managers are not as capable or experienced at making decisions as upper-level managers. 	<ul style="list-style-type: none"> • Lower-level managers are capable and experienced at making decisions.
<ul style="list-style-type: none"> • Lower-level managers do not want to have say in decisions 	<ul style="list-style-type: none"> • Lower-level managers want a voice in decisions.
<ul style="list-style-type: none"> • Decisions are significant. 	<ul style="list-style-type: none"> • Decisions are relatively minor.
<ul style="list-style-type: none"> • Organization is facing a crisis or the risk of company failure. 	<ul style="list-style-type: none"> • Corporate culture is open to allowing managers to have a say in what happens.
<ul style="list-style-type: none"> • Company is large. 	<ul style="list-style-type: none"> • Company is geographically single.
<ul style="list-style-type: none"> • Effective implementation of company strategies depends on managers retaining say over what happens. 	<ul style="list-style-type: none"> • Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions