MODULE: I

ORGANIZATION DESIGN

Introduction

Organization is born when more than one person coordinates to execute a work, such as one person passing bundles to another person who puts them in an order. People helping one another in work constitute an organization. A tool applied to do work, such as a crowbar that serves as a lever to lift a weight, can also be referred to as an organization. ‘"When men or materials are arranged to act in a fixed relationships that can be endlessly repeated, an organization is born and is at work." An office is such an organization.

What is an organization?

An organization is nothing but a common platform where individuals from different backgrounds come together and work as a collective unit to achieve certain objectives and targets. The word organization derived from the Greek work “organon” is a set up where people join hands to earn a living for themselves as well as earn profits for the company. An organization consists of individuals with different specializations, educational qualifications and work experiences all working towards a common goal. Here the people are termed as employees.

The employees are the major assets of an organization and contribute effectively in its successful functioning. It is essential for the employees to be loyal towards their organization and strive hard in furthering its brand image. An organization can’t survive if the employees are not at all serious about it and treat their work as a burden. The employees must enjoy whatever they do for them to deliver their level best.

Definition: Organization refers to a collection of people, who are involved in pursuing defined objectives. It can be understood as a social system which comprises all formal human relationships. The organization encompasses division of work among employees and alignment of tasks towards the ultimate goal of the company.

Every organization has a unique culture making it different from the other and giving it a sense of direction. It is essential for the employees to understand the culture of their workplace to adjust well.

Example:

Organization A: - In organization A, the employees are not at all disciplined and are least bothered about the rules and regulations. They reach their office at their own sweet time and spend their maximum time gossiping and loitering around.

Organization B: - This organization follows employee friendly policies and it is mandatory for all to adhere to them. It is important for the employees to reach their workplace on time and no one is allowed to unnecessarily roam around or spread rumours.

Which organization do you feel would perform better? — Obviously organization B

The employees follow a certain culture in organization B making it more successful than organization A.

Components of an Organization/Common Elements of Organizations

Organizational psychologist Edgar Schein proposes four common elements of an organization’s structure:

1. Common purpose
2. Coordinated effort

3. Division of labor
4. Hierarchy of authority

From a manager's point of view, operations are made successful by instilling a common purpose to create a coordinated effort across the organization and organizing resources based on tasks and decision making. Each of the four elements is relatively straightforward in theory but represents a critical component of an effective structure.

→ **Common Purpose**
An organization without a clear purpose or mission soon begins to drift and become disorganized. A common purpose unifies employees or members and gives everyone an understanding of the organization's direction. Ensuring that the common purpose is effectively communicated across organizations (particularly large organizations with many moving parts) is a central task for managers. Managers communicate this purpose by educating all employees on the general strategy, mission statement, values, and short- and long-term objectives of the organization.

→ **Coordinated Effort**
Coordinating effort involves working together in a way that maximizes resources. The common purpose is achieved through the coordinated effort of all individuals and groups within an organization. The broader group's diverse skill sets and personalities must be leveraged in a way that adds value. The act of coordinating organizational effort is perhaps the most important responsibility of managers because it motivates and distributes human resources to capture value.

→ **Division of Labor**
Division of labor is also known as work specification for greater efficiency. It involves delegating specific parts of a broader task to different people within the organization based upon their particular abilities and skills. Using division of labor, an organization can parcel out a complex work effort for specialists to perform. By systematically dividing complex tasks into specialized jobs, an organization uses its human resources more efficiently.

→ **Hierarchy of Authority**
Hierarchy of authority is essentially the chain of command—control mechanisms for making sure the right people do the right things at the right time. While there are a wide variety of organizational structures—some with more centralization of authority than others—hierarchy in decision making is a critical factor for success. Knowing who will make decisions under what circumstances enables organizations to be agile, while ambiguity of authority can often slow the decision-making process. Authority enables organizations to set directions and select strategies, which can in turn enable a common purpose.

Organizational design

Is a step-by-step methodology which identifies dysfunctional aspects of work flow, procedures, structures and systems, realigns them to fit current business realities/goals and then develops plans to implement the new changes. The process focuses on improving both the technical and people side of the business.

The design process leads to a more effective organization design, significantly improved results (profitability, customer service, internal operations), and employees who are empowered and committed to the business. The hallmark of the design process is a comprehensive and holistic approach to organizational improvement that touches all aspects of organizational life, so you can achieve:

- Excellent customer service
- Increased profitability

- Reduced operating costs
- Improved efficiency and cycle time
- A culture of committed and engaged employees
- A clear strategy for managing and growing your business

As companies grow and the challenges in the external environment become more complex, businesses processes, structures and systems that once worked become barriers to efficiency, customer service, employee morale and financial profitability. Organizations that don't periodically renew themselves suffer from such symptoms as:

- Inefficient workflow with breakdowns and non value-added steps
- Redundancies in effort ("we don't have time to do things right, but do have time to do them over")
- Fragmented work with little regard for good of the whole (Production ships bad parts to meet their quotas)
- Lack of knowledge and focus on the customer
- Silo mentality and turf battles
- Lack of ownership ("It's not my job")
- Cover up and blame rather than identifying and solving problems
- Delays in decision-making
- People don't have information or authority to solve problems when and where they occur
- Management, rather than the front line, is responsible for solving problems when things go wrong
- It takes a long time to get something done
- Systems are ill-defined or reinforce wrong behaviors
- Mistrust between workers and management

Principles of Organization Design

1. Focus on Long-Term Strategic Goals: - One mistake that managers make is to concentrate too much on the present deficiencies of the company. Often, these leaders remain fixated on the short-term complaints they get from their employees, clients, or investors. But the right way to go about this is to focus on both the present and long-term company objectives. Adopting an organization design that only addresses immediate problems as they arise will only pave the way for more problems in the future.

2. Take Time to Survey the Scene: - A study found that executives spend very little time evaluating the state of their organizations before adopting new designs. Too often, leaders make the false assumption that the current state of affairs in their organizations is clear. In reality, these managers are out of touch with their employees' performance and how activities are actually being conducted internally. Gaining a better understanding of an organization before rushing to take on a new design helps to discover the root cause of current problems.

3. Selecting the Right Blueprint: - A majority of organizations base their new designs on untested hypotheses. Although intuitive decision-making works in some cases, company managers should not depend on their intuition alone. So, rather than relying on that "gut feeling" when making that major sales decision, consult all the stakeholders involved and look at the data at hand.

4. Choosing the Right Specialists: - One of the most neglected principles of organization design is emphasizing roles first and then individuals. Unfortunately, lots of managers do the opposite. They start looking for candidates to fill certain positions before job roles are clearly defined.

The problem with using this approach is that it stirs up anxiety among employees. It also creates the risk of losing expert technicians if they feel insecure about their job. It's also very distracting since most employees will tend to focus on making big impressions instead of making their clients' needs a priority.

The best way to deal with the matter is to use a talent draft. With a talent draft, each business department will gain access to the same professionals. This way, the most capable employees will end up in pivotal roles that have been designed with the company's objectives in mind.

5. Anticipate Resistance: - Often, managers view themselves as engineers and their employees as cogs that can be moved around. However, this should not be the case. An organization is made up of people who have fears, ambitions, goals, and feelings. As such, leaders should account for the possibility of their change recommendations being rejected and opposed.

Knowing this, the first step a manager should take is to recognize negative mindsets and seek to change the way they perceive the new design. There are several ways that leaders can try to solve the issue. They include providing a clear explanation of what the organization design is about, role-modeling the new mindsets, and putting in place measures that strengthen the design.

6. Performance Metrics are Key: - No one would ever drive an automobile that has no speedometer. Similarly, company managers need not implement new organization designs if there aren't any performance metrics in place. Without such metrics, there'll be no way to assess your firm's performance before and after adopting the new design.

Performance metrics determine the influence that the new design has on an organization. If the firm seems to be performing worse than it was doing before, then the executives can take drastic measures for improvement.

7. Manage Transitional Risks: - In the rush to implement a new strategy, a majority of company managers forget to account for transitional risks. Every new design poses certain risks, from interference in business operations to employee defections and poor execution. The best way to reduce the impact of these risks is to identify them early and address them as soon as possible.

8. Going the Extra Mile: - A firm's reporting system is one of the most crucial and controllable aspects of its organizational structure. Unfortunately, most leaders focus too much on the design process and neglect other elements.

Eg: Apple and Pixar are two companies that run that extra mile. For instance, they take note of where their employees gather socially and how such interactions shape their behavior.

Benefits of Organization Design

A sound organization design offers the following advantages:

1. Clarity: - Adopting a sound organizational design is important for every business regardless of the scale. It not only provides clarity in day-to-day operations but also in making key decisions and other activities.

A well-crafted organization design outlines the role of each stakeholder. In such a manner, employees know their duties, who they should reach out to for help, the timeframe for completing projects, the tasks that need to be prioritized, and more. Organization design goes a long way in improving operational efficiency, particularly when dealing with big corporations.

2. Growth: - Another perk of creating a well-designed organization is that it makes it easier to take advantage of growth opportunities, as compared to a firm that is loosely organized. A good organization design incorporates technological infrastructure. This way, if the company manager thinks of adding a new employee, there will already be certain measures to follow in recruiting new people. An organization lacking solid design will find it difficult to undertake such activities.

3. Adaptability: - A key feature of effective organization design is the capability to respond to the constantly changing marketplace and industry conditions. While most leaders prefer to focus on the business' existing operations, the best organization design is one that leaves room for new market trends. Ideally, the design should be flexible enough to allow for any adjustments needed.

Organization and Stakeholders

Stakeholders are defined as "individuals or organizations that stand to gain or lose from the success or failure of a system"

Stakeholders are those who are impacted by (or have an impact on) the project, their perspectives need to be taken into account in order for a project to be successful. Stakeholders can have positive or negative views regarding a given project, and often don't agree with one another, making it a challenge to reconcile their varied viewpoints. A design must meet the business needs of the company, and must be supported by disparate members of the management team, in order to be actually implemented. Stakeholders are often in conflict with one another.

For example, consider the design of a system for use in a manufacturing plant. Factory workers might value a high degree of autonomy and personal control over their work practice, while management might value efficiency and standardization of the factory's workflow.

The goals of various organizational stakeholders might differ as well.

For example, the factory manager might want to maximize the output of the factory, while the CFO might want to have a real-time view of the factory's inventory, even if implementing such a system will decrease factory output.

Focusing on business stakeholders and their goals is important for creating successful designs. However, an exclusive focus on business stakeholders could lead to problems–producing a design that does not meet user needs, or is not technically feasible. A design must meet the business needs of the company, and must be supported by disparate members of the management team, in order to be actually implemented. Not paying attention to the strategic needs of the company and the particular goals of individual stakeholders often dooms a design to rejection by management, regardless of how well it might meet the needs of end users.

Steps in Stakeholder Analysis

1. Identify organizational stakeholders: - The first step in stakeholder analysis is to identify who your stakeholders are. Think of all the people within the organization who are impacted by your work, who have influence over it, or have a stake in its successful completion. For example, imagine a project to redesign the item page for a large ecommerce vendor such as Amazon. Amazon has a crowded page for each item, with many components visible within a given page. If each of these page components represents a business unit that wants a presence on that page, then multiple product managers will be impacted by any changes to the page.

Projects will succeed or fail primarily based on the actions of people who care enough to defend or oppose them.

2. Prioritize stakeholders: - When meeting with stakeholders, we recommend keeping notes in a table that estimates the stakeholders' influence and their interest in the project, and specifies their overall goals, and their objections to the project. Once you have organized information about stakeholders, you easily identify

stakeholders on the basis of their power and interest in the project. Once you have organized information about stakeholders in this manner, you easily identify stakeholders on the basis of their power and interest in the project.
3. Understand stakeholder perspectives: - A good way to understand stakeholders is to conduct semi-structured interviews. Broad, open-ended questions can be a good way of starting a conversation with stakeholders. Asking about ways that your project might go right, ways that it might go wrong, and what sources of data are available can be a good way of directing the conversation towards collaborative problem solving. If a stakeholder has strong opinions about your project, it will come through during your conversation. Follow-up questions should focus on design alternatives or solutions to the problems raised by the stakeholder. It is a good idea not to conduct all the stakeholder interviews at once. While it is a good idea to meet representatives from all the groups early in the process, it is often very fruitful to have more meetings as your thinking about the problem evolves.
4. Incorporate stakeholder perspective into design: - Strong objections by powerful stakeholders will not go away just because you understand the reasoning behind the objections. If the objections are not addressed, they may jeopardize the success of the project. The preferable option is to design away the objections. Remember that the business units in a company represent the business concerns of a company. Try turning a negative on its head. For example, if the project is going to negatively impact the revenue of a particular business unit, try to imagine how the project could be redesigned so that that the business unit actually sees revenue increases. Not only will you be improving the odds of your project succeeding; you will also be providing a solution that better meets the strategic goals of the company.

Organizations and Environmental Influences

Organization is not like an isolated island. It does not exist in a void but it is rather in a state of constant interaction with various factors present in its environment. These factors can be internal to the organization or can be externally related.
Organizational environment is defined as a set of characteristics which describe the organization and distinguish it from other organizations within a given time period affecting behaviour of the employees therein. These characteristics affect the functional behaviour of the employees, their trends and motives. These characteristics basically interconnect the internal work environment in the organization and make it a distinct feature of the organization. Organizational environment also differentiate the organization with other organizations. It also provides relative stability to the organization.
Organizational environment is not a homogenous entity, but represents a complex combination of large number of factors, each of which affects the organization in its unique way. The nature of the environment determines the framework within which the organization conducts its activities. The environment sets legal, technical-technological, socio-cultural and other limitations to the organizations. These jointly form the framework, i.e., the overall conditions in which the organization conducts its operations. Thus the environment directly or indirectly affects the ways and the dynamics of work of the organization within it.

Organizations have an external and internal environment

1. Internal environment / Micro environment
2. External environment / Macro Environment

Internal environment: - Forces or conditions or surroundings within the boundary of the organization are the elements of the internal environment of the organization.

The internal environment generally consists of those elements that exist within or inside the organization such as physical resources, financial resources, human resources, information resources, technological resources, organization's goodwill, corporate culture and the like.
The internal environment includes everything within the boundaries of the organization.
Some of these are tangible, such as the physical facilities, the plant capacity technology, proprietary technology or know-how; some are intangible, such as information processing and communication capabilities, reward and task structure, performance expectations, power structure management capability and dynamics of the organization's culture.

Elements of internal environment are;

- → Owners and Shareholders.
- → Board of Directors.
- → Employees.
- → Organizational Culture.
- → Resources of the Organization.
- → Organization's image/goodwill.
- → Owners and Shareholders

1. **Owners and Shareholders: -** Owners are people who invested in the company and have property rights and claims on the organization. Owners can be an individual or group of persons who started the company; or who bought a share of the company in the share market. They have the right to change the company's policy at any time.
   Owners of an organization may be an individual in the case of sole proprietorship business, partners in a partnership firm, shareholders or stockholders in a limited company or members in a cooperative society. In public enterprises, the government of the country is the owner.
2. **Board of Directors: -** The board of directors is the governing body of the company who is elected by stockholders, and they are given the responsibility for overseeing a firm's top managers such as the general manager.
3. **Employees: -** Employees or the workforce, the most important element of an organization's internal environment, which performs the tasks of the administration. Individual employees and also the labor unions they join are important parts of the internal environment.
   If managed properly they can positively change the organization's policy. But ill-management of the workforce could lead to a catastrophic situation for the company.
4. **Organizational Culture: -** Organizational culture is the collective behavior of members of an organization and the values, visions, beliefs, habits that they attach to their actions.
   An organization's culture plays a major role in shaping its success because the culture is an important determinant of how well their organization will perform. An organization's culture is viewed as the foundation of its internal environment. Organizational culture (or corporate culture) significantly influences employee behavior. Culture is important to every employee including managers who work in the organization. A strong culture helps a firm achieve its goals better than a firm having a weak culture.
5. **Resources of the Organization: -** Organization resources can be discussed under five broad heads: physical resources, human resources; financial resources, informational resources, and technological

resources. Physical resources include land and buildings, warehouses, all kinds of materials, equipment and machinery. Examples are office buildings, computers, furniture, fans, and air conditioners.

Financial resources include capital used for financing the operations of the organization including working capital. Examples are investment by owners, profits, reserve funds, and revenues received out of a sale. Informational resources encompass ‘usable data needed to make effective decisions.

6. **Organization’s image/goodwill: -** The reputation of an organization is a very valuable intangible asset. High reputation or goodwill develops a favorable image of the organization in the minds of the public (so to say, in the minds of the customers).

   ‘No- reputation’ cannot create any positive image. A negative image destroys the organization’s efforts to attract customers in a competitive world.

External environment

The external environment embraces all general environmental factors and an organization’s specific industry-related factors. The general environmental factors include those factors that are common ir\ nature and generally affect all organizations.

Because of their general nature, an individual organization alone may not be able to substantially control their influence on its business operations.

Managers have to continuously read signals from the external environment to spot emerging opportunities and threats. The external environment presents opportunities for growth leadership, and market dominance, it also poses the threat of obsolescence for products, technology, and markets.

Elements of the General External Environment

The general environment includes the; distant factors in-the external environment that is general or common in nature. Its impact on the operations of the firm, its competitors and customers make its analysis imperative.

We can use the PESTLE model for the identification and analysis of the factors in the general environment. PESTLE Model covers political, economic, sociocultural, technological, legal, and environmental (natural).

1. Political factors.
2. Economic factors.
3. Sociocultural factors.
4. Technological factors.
5. Legal factors.
6. Environmental factors.
7. Demographic factors.
8. International factors.

Political Legal Factors: - The political factors of the general environment refer to the business-government relationship and the overall political situation of a country.

A good business-government relationship is essential to the economy and most importantly for the business. The government of a country intervenes in the national economy through setting policies/rules for business. In our country, we see many such policies – import policy, export policy, taxation policy, investment policy, drug policy, competition policy, consumer protection policy, etc.

Sometimes, the government pursues a nationalization policy for state ownership of a business. Some countries, such as India, pursue state-driven mercantilism to reduce imports and increase exports. Government agencies and pressure groups (special interest groups) are also exercising influences on business operations of firms that have a political character.

Managers must be able to understand the implications of the activities of these agencies and groups. Government agencies include different ministries, the office of the Controller of Imports and Exports, Board of Investment, National Board of Revenue, etc.

Economic Factors: - The economic factor of an organization is the overall status if the economic system in which the organization operates. The important economic factors for business are inflation, interest rates, and unemployment.

These factors of the economy always affect the demand for products. During inflation, the company pays more for its resources and to cover the higher costs for it, they raise commodity prices.

When interest rates are high, customers are less willing to borrow money and the company itself must pay more when it borrows. When unemployment is high, the company can be very selective about who it hires, but customers' buying power is low as fewer people are working.

Examples of economic factors include the trend in economic growth, income levels of population, inflation rate, tax rates for individuals and business organizations, etc.

Socio-Cultural Factors: - Customs, mores, values and demographic characteristics of the society in which the organization operates are what made up the socio-cultural factors of the general environment.

The socio-cultural dimension must be well studied by a manager. It indicates the product, services, and standards of conduct that society is likely to value and appreciate. The standard of business conduct varies from culture to culture and so does the taste and necessity of products and services.

Socio-cultural forces include culture, lifestyle changes, social mobility, attitudes towards technology, and people's values, opinion, beliefs, etc. Socio-cultural factors differ across countries.

Technological Factors: - Technological factors include information technology, the Internet, biotechnology, global transfer of technology and so forth. None can deny the fact that the pace of change in these technological dimensions is extremely fast.

Technological changes substantially affect a firm's operations in many ways. The advancement of industrialization in any Country depends mostly on the technological environment. Technology has major impacts on product development, manufacturing efficiencies, and potential competition.

The business organizations facing problems with changing technology are always in more difficulties than those organizations that have stable technologies.

The effects of technological changes occur primarily through new products, processes, and materials. An entire industry may be transformed or revitalized due to the use of new technology.

Legal Factors: - The legal environment consists of laws and regulatory frameworks in a country. Many laws regulate the business operations of enterprises such as the Factories Act, Industrial Relations Ordinance, the Contract Act, and the Company law, just to name a few. Business laws primarily protect companies from unfair competition and also protect consumers from unfair business practices.

Business laws also protect society at large. The laws regarding a merger, acquisitions, industry regulation, employment conditions, unionization, workmen's compensation and the like affect a firm's strategy. Even globalization has caused significant repercussions in the legal environment.

Thus, the business managers must have thorough knowledge about the major laws that protect business enterprises, consumers and society.

Environmental / Natural Factors: - Strategy-makers need to analyze the trends in the natural environment of the country where it is operating its business. The most pertinent issues in the natural environment that strategy-makers should consider include the availability of raw materials and other inputs, changes in the cost of energy, levels of environmental pollution, and the changing role of government ‘in environmental protection.
Changes in physical/natural environment, such as global warming, will heavily affect our daily lives and the functioning of our organizations with a variety of consequences.

Demographic Factors: - The demographic environment is concerned with a country’s population. Specifically, it is related to the population’s size, age structure, geographic distribution, ethnic mix, and income distribution.
In some countries there is negative population growth and’in some countries, couples are averaging fewer than two children. In general, the average age is increasing.
In many countries, rural-urban migration is rampant. These trends suggest numerous opportunities for firms to develop products and services to meet the needs of diversified groups of people in society.
Strategy-makers must make an analysis of the demographic issues, especially, size and growth rate of population, age distribution, ethnic mix, educational level, household patterns, and inter-regional movements.

International Factors: - Virtually every organization is affected by international factors. It refers to the degree to which an organization is involved in or affected by businesses in other countries.
Global society concept has brought all the nation together and modern network of communication and transportation technology, almost every part of the world is connected.
General external environmental factors are interrelated with organizational success.
Therefore, strategy-makers need to analyze all of them in an interrelated fashion to understand and visualize the ‘whole of the environment.

Organizational strategy

Every company needs an organizational strategy to help them evolve and get them where they want to go. Organizational strategy is defined as
“A dynamic long-term plan that maps the route towards the realization of a company’s goals and vision.”
Before developing its strategy, the company needs to figure out what they want to become and what they need to do to get there. It helps to already have some established long-term goals and company vision in place.
Developing your strategic plan may see a bit overwhelming, but by breaking everything down into smaller steps, you are able to get things done and develop a good strategy.
At its most basic, an organizational strategy is a plan that specifies how your business will allocate resources (e.g., money, labor, and inventory) to support infrastructure, production, marketing, inventory, and other business activities.
When you sit down to create your organizational strategy, you should first **divide it into three distinct categories:**

1. Corporate level strategy
2. Business level strategy
3. Functional level strategy

Corporate Level Strategy: - Corporate level strategy is the main purpose of your business — it's the destination toward which your business is moving.

Common corporate level strategies include:

- Concentration
- Diversification
- No Change
- Profit
- Investigation
- Turnaround
- Liquidation

Most corporate level strategies will be broad in scope, complex, and geared toward the overarching goals of your business.

Business Level Strategy: - Business level strategy is the bridge between corporate level strategy and much of the "boots-on-the-ground" activity that occurs in functional level strategy. Because of that, business level strategy is more focused than the corporate level strategy that drives it.

So, for example, if your corporate level strategy is diversification, your business level strategies might look something like this:

- Increase marketing budget
- Rebrand
- Investigate new markets
- Broaden exposure

Those more specific goals will then guide you in setting your functional level strategies.

Functional Level Strategy: - Functional level strategies are the specific actions and benchmarks you assign to departments and individuals that move your business toward the goals created by your corporate level strategy. They are a direct offshoot of your business level strategies.

Functional level strategies, by nature, will be very detailed. So if one of your business level strategies is to rebrand your product, a functional level strategy might be for the marketing department to investigate which color your product should be so that it appeals to your target audience.

Characteristics every strategy should include.

1. **They are Not Tactical: -** People often get a strategy mixed up with a tactic. "Strategies define goals to be achieved while tactics define the actions you'll take to achieve those goals," says James.
   For example, a strategy would be to double sales in a specific territory. A tactic would be to hire more salespeople in that territory to achieve their goal.
2. **They are Measurable: -** If your goals are vague, you won't know if you are achieving them. "You can't manage what you can't measure," says James.
   When you set goals, also set ways you will measure them to be certain they are successful.
   Goals such as achieving thought leadership won't translate to solid numbers. However if your goal is to double sales revenue in a specific region, you will have data to back up whether it was a success or a failure.

3. **They are Actionable: -** Strategic goals are achievable through tactics. They are not dependent on forces you can't control.
   James says an actionable goal would be to double sales revenue versus increasing your publicly held stock price by 50 percent. Increasing your stock-price is contingent on the market.
4. **They are Clear: -** Employees should understand exactly what their organization's strategy is to achieve it successfully. A strategy requires continuous and clear communication. It should guide their decisions and actions.
5. **They Include a Business Plan: -** "A strategy is just hot air unless there's a tactical plan for achieving each strategic goal," says James.
   For example, if you want to increase sales by 50 percent in a specific region, your plan could include anything from investing in better lead generation methods to retraining employees to hiring new ones.
6. **They Don't Change Much: -** Strategies evolve as businesses evolve, but it's important to know what does and doesn't work. Once you know that, you can adjust your tactics and try new approaches.

A business strategy is an ongoing process, not something to set and forget. Strategic planning is key to looking to the future and creating direction to for a business to be successful. The key is to do what works best rather than trying to do everything.

Organizational Structure

An organizational structure is a visual diagram of a company that describes what employees do, whom they report to, and how decisions are made across the business. Organizational structures can use functions, markets, products, geographies, or processes as their guide, and cater to businesses of specific sizes and industries.

As your company gets bigger, an organizational structure can also be helpful for new employees as they learn who manages what processes at your company.

Then, if you need to pivot or shift your leadership, you can visualize how the work flows would work by adjusting your organizational structure diagrams.

To put it simply, this chart like a map that simply explains how your company works and how its roles are organized.

Elements means to an organization

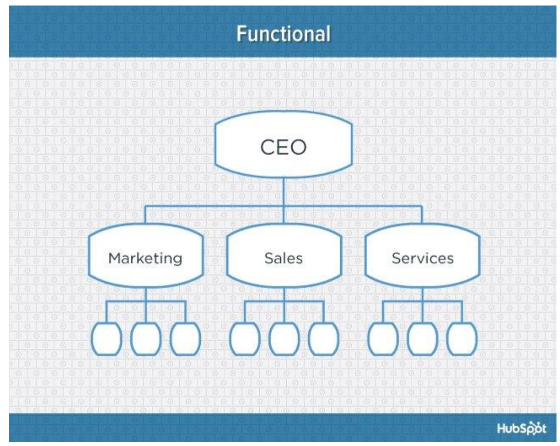
- **Chain of Command: -** Your chain of command is how tasks are delegated and work is approved. An org structure allows you to define how many "rungs of the ladder" a particular department or business line should have. In other words, who tells whom to do what? And how are issues, requests, and proposals communicated up and down that ladder?
- **Span of Control: -** Your span of control can represent two things: who falls under a manager's, well, management ... and which tasks fall under a department's responsibility.
- **Centralization: -** Centralization describes where decisions are ultimately made. Once you've established your chain of command, you'll need to consider which people and departments have a say in each decision. A business can lean toward centralized, where final decisions are made by just one or two entities; or decentralized, where final decisions are made within the team or department in charge of carrying out that decision.

You might not need an org structure right away, but the more products you develop and people you hire, the harder it'll be to lead your company without this crucial diagram.

Types of Organizational Structure

1. Functional Organizational Structure
2. Product-Based Divisional Structure
3. Market-Based Divisional Structure
4. Geographical Divisional Structure
5. Horizontal or flat org structure
6. Hierarchical org structure

1. Functional Organizational Structure: - One of the most common types of organizational structures, the functional structure departmentalizes an organization based on common job functions.



An organization with a functional org structure, for instance, would group all of the marketers together in one department, group all of the salespeople together in a separate department, and group all of the customer service people together in a third department.

The functional structure allows for a high degree of specialization for employees, and is easily scalable should the organization grow. Also this structure is mechanistic in nature -- which has the potential to inhibit an employee's growth -- putting staff in skill-based departments can still allow them to delve deep into their field and find out what they're good at.

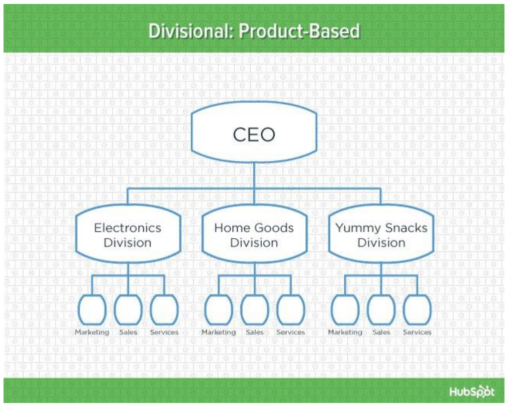
Advantages

- Allows employees to focus on their role
- Encourages specialization
- Help teams and departments feel self-determined
- Is easily scalable in any sized company

Disadvantages

Functional structure also has the potential to create barriers between different functions -- and it can be inefficient if the organization has a variety of different products or target markets. The barriers created between departments can also limit peoples' knowledge of and communication with other departments, especially those that depend on other departments to succeed.

2. Product-Based Divisional Structure: - A divisional organizational structure is comprised of multiple, smaller functional structures (i.e. each division within a divisional structure can have its own marketing team, its own sales team, and so on). In this case -- a product-based divisional structure -- each division within the organization is dedicated to a particular product line.

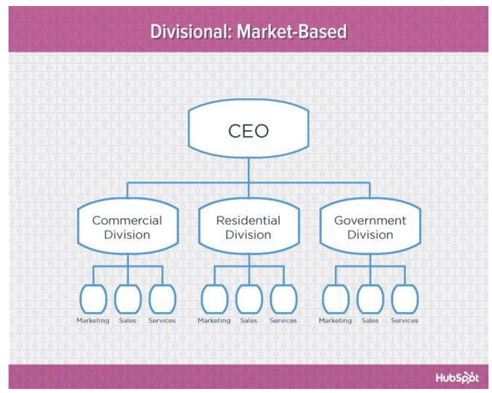


This type of structure is ideal for organizations with multiple products and can help shorten product development cycles. This allows small businesses to go to market with new offerings fast.

Disadvantages

It can be difficult to scale under a product-based divisional structure, and the organization could end up with duplicate resources as different divisions strive to develop new offerings.

3. Market-Based Divisional Structure: - Another variety of the divisional organizational structure is the market-based structure, wherein the divisions of an organization are based around markets, industries, or customer types.

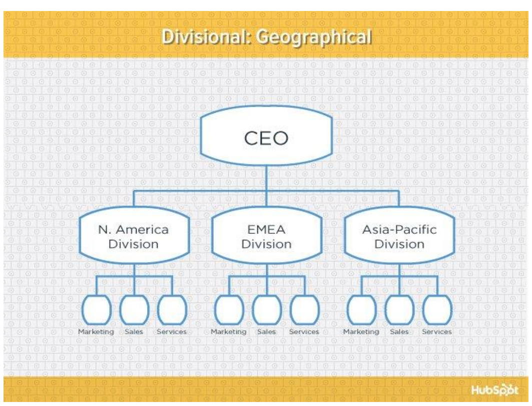


The market-based structure is ideal for an organization that has products or services that are unique to specific market segments, and is particularly effective if that organization has advanced knowledge of those segments. This organizational structure also keeps the business constantly aware of demand changes among its different audience segments.

Disadvantages

Too much autonomy within each market-based team can lead to divisions developing systems that are incompatible with one another. Divisions might also end up inadvertently duplicating activities that other divisions are already handling.

4. Geographical Divisional Structure: - The geographical organizational structure establishes its divisions based on -- you guessed it -- geography. More specifically, the divisions of a geographical structure can include territories, regions, or districts.

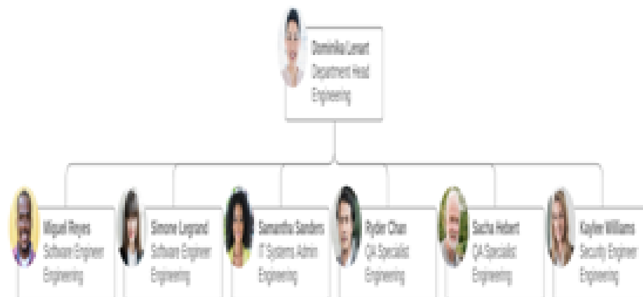


This type of structure is best-suited to organizations that need to be near sources of supply and/or customers (e.g. for deliveries or for on-site support). It also brings together many forms of business expertise, allowing each geographical division to make decisions from more diverse points of view.

Disadvantages

The main downside of a geographical org structure: It can be easy for decision- making to become decentralized, as geographic divisions (which can be hundreds, if not thousands of miles away from corporate headquarters) often have a great deal of autonomy. And when you have more than one marketing department -- one for each region -- you run the risk of creating campaigns that compete with (and weaken) other divisions across your digital channels.

5. Horizontal or flat org structure: - A horizontal or flat organizational structure fits companies with few levels between upper management and staff-level employees. Many start-up businesses use a horizontal org structure before they grow large enough to build out different departments, but some organizations maintain this structure since it encourages less supervision and more involvement from all employees.



Pros

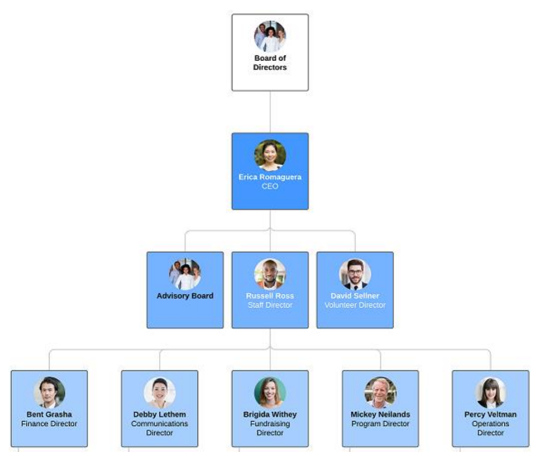
- ➢ Gives employees more responsibility
- ➢ Fosters more open communication
- ➢ Improves coordination and speed of implementing new ideas

Cons

- ➢ Can create confusion since employees do not have a clear supervisor to report to
- ➢ Can produce employees with more generalized skills and knowledge
- ➢ Can be difficult to maintain once the company grows beyond start-up status

6. Hierarchical org structure

The pyramid-shaped organizational chart we referred to earlier is known as a hierarchical org chart. It's the most common type of organizational structure—the chain of command goes from the top (e.g., the CEO or manager) down (e.g., entry-level and low-level employees) and each employee has a supervisor.



Pros

- ➢ Better defines levels of authority and responsibility
- ➢ Shows who each person reports to or who to talk to about specific projects
- ➢ Motivates employees with clear career paths and chances for promotion
- ➢ Gives each employee a specialty
- ➢ Creates camaraderie between employees within the same department

Cons

- ➢ Can slow down innovation or important changes due to increased bureaucracy
- ➢ Can cause employees to act in interest of the department instead of the company as a whole
- ➢ Can make lower-level employees feel like they have less ownership and can't express their ideas for the company

Alternative Structures

The organizational structure of your company is important for determining how your business functions. Traditional organizational structures give you a lot of control. With alternative structures, you have less control but increased flexibility as you shift the responsibility for tasks down the organization to the levels that are closest to the work. Mixed organizational structures can give you the control you want and the market flexibility your business needs.

A traditional hierarchical organizational structure has centralized decision-making and a rigid structure of controls, authorizations and approvals at the executive level. This structure is efficient because everything is decided centrally and little coordination is necessary. It is suitable for stable business environments and highly regulated businesses where particular outcomes are required. When markets change rapidly, the hierarchically organized business can't adapt quickly because the working level has no authority to make changes. If your business environment is unpredictable, an alternative structure with more flexibility can mean better performance.

Management process

is a process of setting goals, planning and/or controlling the organizing and leading the execution of any type of activity, such as: a project (project management process) or a process (process management process, sometimes referred to as the process performance measurement and management system).

An organization's senior management is responsible for carrying out its management process. However, this is not always the case for all management processes; for example, sometimes it is the responsibility of the project manager to carry out a project management process.

Nature of Management Process

Management is a process which brings the scarce human and material resources together and motivates people for the achievement of objectives of the organization. Management is not a onetime act but an on-going series of interrelated activities. The sum total of these activities is known as management process. It consists of a set of interrelated operations or functions necessary to achieve desired organizational goals. A process is a systematic way of doing things. It is concerned with conversion of inputs into outputs. An analysis of management process will enable us to know the functions which managers perform.

Features of Management Process

Management process is characterized by the following features:

1. Social Process: - The entire management process is regarded as a social process as the success of all organizational efforts depends upon the willing co-operation of people. Managers guide, direct, influence and control the actions of others to achieve stated goals. Even people outside the organization are influenced by the actions of managers.

2. Continuous Process: - The process of management is on-going and continuous. Managers continuously take up one or the other function. Management cycle is repeated over and over again, each managerial function is viewed as a sub-process of total management process.

3. Universal: - Management functions are universal in the sense that a manager has to perform them irrespective of the size and nature of the organization. Each manager performs the same functions regardless of his rank or position in the organization. Even in a non-business organization managerial functions are the same.

4. Iterative: - Managerial functions are contained within each other the performance of the next function does not start only when the earlier function is finished. Various functions are taken together. For example, planning, organizing, directing and controlling may occur within staffing function. Similarly, organizing may require planning, directing and controlling. So all functions can be thought of as sub-functions of each other.

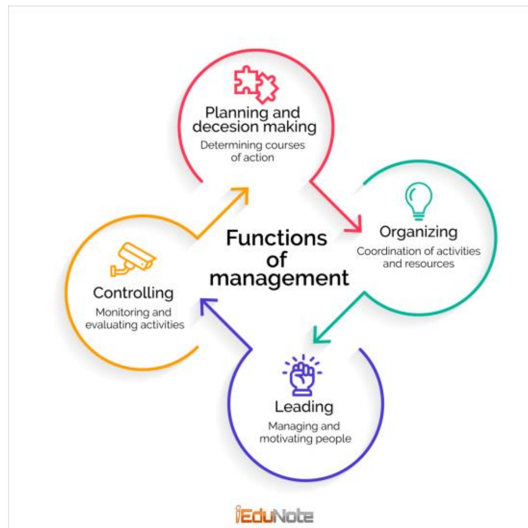
5. Composite: - All managerial functions are composite and integrated. There cannot be any sequence which can be strictly followed for performing various functions. The sequential concept may be true in a newly started business where functions may follow a particular sequence but the same will not apply to a going concern. Any function may be taken up first or many functions may be taken up at the same time.

Functions of management are a systematic way of doing things. Management is a process to emphasize that all managers, irrespective of their aptitude or skill, engage in some inter-related functions to achieve their desired goals.

4 Functions of management are planning, organizing, leading and controlling that managers perform to accomplish business goals efficiently.

Management process/functions involve 4 basic activities

- Planning and Decision Making – – Determining Courses of Action,
- Organizing – Coordinating Activities and Resources,
- Leading – Managing, Motivating and Directing People,
- Coordinating is also essential in leading
- Controlling – Monitoring and Evaluating activities.



Planning and Decision Making – Determining Courses of Action: - Looking ahead into the future and predict possible trends or occurrences which are likely to influence the working situation is the most vital quality as well as the job of a manager.

Planning means setting an organization's goal and deciding how best to achieve them. Planning is decision making, regarding the goals and setting the future course of action from a set of alternatives to reach them.

Planning involves selecting missions and objectives and the actions to achieve them, it requires decision-making or choosing future courses of action from among alternatives.

Planning helps maintain managerial effectiveness by guiding future activities.For a manager, planning and decision-making require an ability to foresee, to visualize, and to look ahead purposefully.

Organizing – Coordinating Activities and Resources: - Organizing can be defined as the process by which the established plans are moved closer to realization. Once a manager set goals and develops plans, his next managerial function is organizing human resource and other resources that are identified as necessary by the plan to reach the goal.

Organizing involves determining how activities and resources are to be assembled and coordinated. The purpose of an organization structure is to create an environment for the best human performance. The structure must define the task to be done. The rules so established must also be designed in light of the abilities and motivations of the people available.

Leading – Managing, Motivating and Directing People: - The third basic managerial function is leading it is the skill of influencing people for a particular purpose or reason. Leading is considered to be the most important and challenging of all managerial activities.
Leading is influencing or prompting the member of the organization to work together with the interest of the organization. Creating a positive attitude towards the work and goals among the members of the organization is called leading. It is required as it helps to serve the objective of effectiveness and efficiency by changing the behavior of the employees.

Coordinating is also essential in leading: - Most authors do not consider it a separate function of management. Rather they regard coordinating as the essence of managership for achieving harmony among individual efforts towards accomplishing group targets.

Controlling – Monitoring and Evaluating Activities: - Monitoring the organizational progress toward goal fulfillment is called controlling. Monitoring progress is essential to ensure the achievement of organizational goals.
Controlling is measuring, comparing, finding deviation and correcting the organizational activities which are performed for achieving the goals or objectives. Controlling consists of activities, like; measuring the performance, comparing with the existing standard and finding the deviations, and correcting the deviations.
Control activities generally relate to the measurement of achievement or results of actions that were taken to attain the goal.

<u>Authority</u>

What is Authority?

In simple terms, authority refers to the commanding of subordinates, the issuing of orders and instructions, and the process of exacting obedience from a workforce. While authority is defined as having the power to give orders and be obeyed, it also encompasses the power to make decisions on the organization's behalf. As a result, whether or not someone in a position of authority acts hinges upon their own perception of the objectives of the organization.
Usually, any official authority embedded into a job description is ineffective. While status and ranking influence the amount of leeway your subordinates have, authority is influenced largely by the individual characteristics of the leader. For example, the presence of leadership traits such as intelligence, experience, and creativity, are likely to influence the amount of respect garnered for your authority, thus increasing your power to command others.
A manager needs authority. It makes their position real and quantifiable, and provides them the power to order their subordinates and get them to comply in accordance with the company's objectives. Whenever there is a chain of superior-subordinate business relations in a company, it is authority that binds them and provides a framework for responsibility.

<u>Types of Authority</u>

- **Official Authority:** The authority which gives the manager, power to command his subordinates, by virtue of his designation in the organisation.
- **Personal Authority:** It indicates the ability by which a person influences the behaviour of other persons in an organisation.

Responsibility

What is Responsibility?

Responsibility refers to the state of being accountable or answerable for any obligation, trust, or debt. It is the obligation to complete an assigned task on time, and to the best of your ability. While authority does not automatically come with every job, task, or duty, responsibility arises in every single position in a company. It is always some combination of tasks, duties, goals, objectives, teams, deadlines, and all other terms that describes what someone does at work. Responsibility is, essentially, the ability to respond to various work-related tasks, making it a universal facet of any job.

The obligation is the kernel of responsibility. It is originated from the superior-subordinate relationship, formed in an organisation. Hence, the manager can get the tasks done from his subordinates, by virtue of their relationship, as the subordinate is bound to perform the tasks assigned.

Relationship

Basis for comparison	Authority	Responsibility
Meaning	Authority refers to the power or right, attached to a particular job or designation, to give orders, enforce rules, make decisions and exact compliance.	Responsibility denotes duty or obligation to undertake or accomplish a task successfully, assigned by the senior or established by one's own commitment or circumstances.
What is it?	Legal right to issue orders.	Corollary of authority.
Results from	Formal positon in an organization	Superior-subordinate relationship
Task of manager	Delegation of authority	Assumption of responsibility
Requires	Ability to give orders.	Ability to follow orders.
Flow	Downward	Upward
Objective	To make decisions and implement it.	To execute duties, assigned by superior.
Duration	Continues for long period.	Ends, as soon as the task is accomplished.

Overview of Organizational Control

Organizational control helps organization tailor its goals and resources. During the past decade, there are different theoretical propositions of organizational control, which have been indicated by several proponents. Tannenbaum (1968) defined organizational control as the sum of interpersonal influence and relations in an organization.

Similarly, Flamholtz et al (1985) described organizational control as the process of influencing the behavior of people as members of a formal organization.

However, it also critical to understand how, this organizational control is exerted. Is there a mechanism to functionalize the control within the organizations? If there is, how does this mechanism work?

Control Mechanisms

Play an important role in any business organization, without which the roles of managers get constrained. Control is required for achieving the goals in a predefined manner because it provides the instruments which influence the performance and decision-making process of an organization. Control is in fact concerned with the regulations applied to the activities within an organization to attain expected results in establishing policies, plans, and practices.

Control mechanisms can be set according to functions, product attributes, geographical attributes, and the overall strategic and financial objectives.

Objectives of Control

There are three major objectives for having a control mechanism in an international firm. They are −

- To get data and clues for the top management for monitoring, evaluating, and adjusting their decisions and operational objectives.
- To get clues based on which common objectives can be set to get optimum coordination among units.
- To evaluate the performance metrics of managers at each level.

In 1916, Henri Fayol defined management control as follows −

"Control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given, and the principles which have been laid down. Its object is to point out mistakes in order that they may be rectified and prevented from recurring"

Types of Control Mechanisms

There are various modes of control. The most influential ones are the following −

1. **Personal Controls: -** Personal controls are achieved via personal contact with the subordinates. It is the most widely used type of control mechanism in small firms for providing direct supervision of operational and employee management. Personal control is used to construct relationship processes between managers at different levels of employees in multinational companies. CEOs of international firms may use a set of personal control policies to influence the behavior of the subordinates.
2. **Bureaucratic Controls: -** These are associated with the inherent bureaucracy in an international firm. This control mechanism is composed of some system of rules and procedure to direct and influence the actions of sub-units.

   The most common example of bureaucratic control is found in case of capital spending rules that require top management's approval when it exceeds a certain limit.
3. **Output Controls: -** Output Controls are used to set goals for the subsidiaries to achieve the targeted outputs in various departments. Output control is an important part of international business management because a company's efficiency is relative to bureaucratic control.

   The major criteria for judging output controls include productivity, profitability, growth, market share, and quality of products.
4. **Cultural Controls: -** Corporate culture is a key for deriving maximum output and profitability and hence cultural control is a very important attribute to measure the overall efficiency of a firm. It takes form when employees of the firm try to adopt the norms and values preached by the firm.

Employees usually tend to control their own behavior following the cultural control norms of the firm. Hence, it reduces the dependence on direct supervision when applied well. In a firm with a strong culture, self-control flourishes automatically, which in turn reduces the need for other types of control mechanisms.

Approaches to Control Mechanisms

There are seven major approaches for controlling a business organization. These are discussed below −

- → **Market Approach: -** The market approach says that the external market forces shape the control mechanism and the behavior of the management within the organizational units of an MNC. Market approach is applied in any organization having a decentralized culture. In such organizations, transfer prices are negotiated openly and freely. The decision-making process in this approach is largely directed and governed by the market forces.
- → **Rules Approach: -** The rules approach applies to a rules-oriented organization where a greater part of decision-making is applied to strongly impose the organizational rules and procedures. It requires highly developed plan and budget systems with extensive formal reporting. Rules approach of control utilizes both the input and output controls in an organized and exclusively formalized manner.
- → **Corporate Culture Approach: -** In organizations that follow the corporate culture approach, the employees internalize the goals by building a strong set of values. This value-syndication influences the operational mechanism of the organization. It has been observed that even when some organizations have strong norms of behavioural controls, they are informal and less explicit. Corporate culture approach requires more time to bring the aimed changes or adjustments in an organization.
- → **Reporting Culture: -** Reporting culture is a powerful control mechanism. It is used while allocating resources or while the top management wants to monitor the performance of the firm and the employees. Rewarding the personnel is a common practice in such approaches of control. However, to get the maximum out of reporting approach, the reports must be frequent, correct, and useful.
- → **Visits to Subsidiaries: -** Visiting the subsidiaries is a common control approach. The disadvantage is that all the information cannot be exchanged via visits. Corporate staff usually and frequently visit subsidiaries to confer and socialize with the local management. Visits can enable the visitors to collect information about the firm which allows them to offer advice and directives.
- → **Management Performance Evaluation: -** Management performance Evaluation is used to evaluate the subsidiary managers for the subsidiary's performance. However, as decision-making authority is different from the operational managers, some aspects of control cannot be managed via this approach. Slow growth rates of firms and risky economical and political environment requires this kind of approach.
- → **Cost and Accounting Comparisons: -** Cost and Accounting Comparisons is a financial approach. It arises due to the difference in expenditure among various units of the subsidiaries. A meaningful comparison of the operating performances of the units is necessary to get the full output from this approach. Cost accounting comparisons use a set of rules that are applicable to the home country principles to meet local reporting requirements.

Constraints of Control Approaches

Control mechanisms can never be uniform in every country. International firms have to face severe constraints based on which they modify their control mechanisms in every country. Here is a list of major constraints that affect an organization in setting its managerial control mechanism −

- ➢ **Distance −** Geographical distances and various forms of cultural disparities is a big constraint of control systems. Nowadays, email and fax transmissions have replaced the human communication, changing the meaning of distance among units and employees of an organization.
- ➢ **Diversity −** It is hard to apply a common control system to everyone due to diversity. It requires the managers to be locally responsive to address the needs of the country in which the firm operates. Diverse attributes may exist in the form of labor, cost, currency, economic factors, business standards, etc.

- **Degree of Uncertainty –** Data relating to the reporting mechanism may be inaccurate and incomplete, raising serious challenges to control mechanisms. Due to uncertainities, control mechanisms must focus on setting goals and developing plans to meet the goals.

Organizational decision making

Decision making refers to making choices among alternative courses of action—which may also include inaction. While it can be argued that management is decision making, half of the decisions made by managers within organizations ultimately fail (Ireland & Miller, 2004; Nutt, 2002; Nutt, 1999). Therefore, increasing effectiveness in decision making is an important part of maximizing your effectiveness at work.

Individuals throughout organizations use the information they gather to make a wide range of decisions. These decisions may affect the lives of others and change the course of an organization.

Organizational decision making is the process of responding to a problem by searching for and selecting a solution or course of action that will create value for organizational stakeholders

Characteristics of Decision Making

1. Mental and Intellectual Process: - Decision making is a mental and intellectual process because whatever decisions are taken, they are based on logical deliberations to make them more rational. For which intelligence, knowledge, experience, educational level, and mental facilities are essential.

Similarly, in decision making, the voice of inner consciousness is also important, along with intellectual logic.

2. It is a Process: - Decision making is a process to find out the solution to any problem or for the achievement of a specific result; problems are well analyzed, during the course of decision making. Facts are obtained and analyzed and alternative solutions are developed and the best possible alternative is selected and in the end, the decision is taken and implemented.

3. It is an Indicator of Commitment: - This is an indicator of commitment because decision making ties up with the result of its decision. The decision-maker has to bear the result of the decisions of one or the other form. Not only is that, but decision making also the indicator of commitment because, for its implementations, individual and collective efforts are required.

4. It is a Best Selected Alternative: - Decision making is the best-selected Alternative. The best alternative is selected, out of two or more possible alternatives, for solving any problem.

5. Decision-Making Might be Positive or Negative: - Decision making is positive or negative. The decision of implementing any plan to do some work is positive, whereas the decision not to do any work or not to implement and plan is negative. Hence, negative decisions are also as good decisions, as are positive decisions.

6. It is the Last Process: - Decision making is the last stage of the planning process because the result of the work is derived from it. This result is derived after detailed logical deliberations about various possible alternatives. That is why, decision making which is the last process, is the conclusion of the intellectual analysis, discussions, deliberations, comparative and analytic study of the alternatives.

7. Decision Making is a Pervasive Function: - Decision making is a pervasive function because it is used in all business and non-business organizations, for all managerial activities, all the levels of Management, and in all countries, etc. Decision making, being a pervasive function, many scholars regard decision making and management as synonymous.

8. Continuous and Dynamic Process: - This is a continuous process because decisions are to be taken continuously in the business organizations, for routine and Special Tasks. Besides, it is a dynamic also, because the situations and circumstances of each decision are different than the situations and circumferences of the preceding decisions.

9. It is a Measurement of Performance: - Decision making is a measurement on the basis of which the success or failure and execution or non-execution of the decisions taken by the managers depends.

Hence, the evolution of the efficiency of managers, etc. is possible by the measurement of decision making

10. It is a Human and Social Process: - Decision making is a human and social process also because all human factors are to be kept into consideration, before the final selection of any particular alternative, in the decision-making process. Similarly, it also includes the use of intuition and Justice.

11. It is n Art and Science, Both: - Decision making is an art because decisions are taken for achieving certain pre-decided objectives, which is possible only by using knowledge, talents, imagination, and foresightedness.

Besides, decision making is science also, since in decision making certain sequences are used in a particular sequence.

Types of Decisions

The following are the main types of decisions every organization need to take:

1. Programmed and non-programmed decisions: - Programmed decisions are concerned with the problems of repetitive nature or routine type matters. A standard procedure is followed for tackling such problems. These decisions are taken generally by lower level managers. Decisions of this type may pertain to e.g. purchase of raw material, granting leave to an employee and supply of goods and implements to the employees, etc.

Non-programmed decisions relate to difficult situations for which there is no easy solution. These matters are very important for the organisation. For example, opening of a new branch of the organisation or a large number of employees absenting from the organisation or introducing new product in the market, etc., are the decisions which are normally taken at the higher level.

2. Routine and strategic decisions: - Routine decisions are related to the general functioning of the organisation. They do not require much evaluation and analysis and can be taken quickly. Ample powers are delegated to lower ranks to take these decisions within the broad policy structure of the organisation.

Strategic decisions are important which affect objectives, organisational goals and other important policy matters. These decisions usually involve huge investments or funds. These are non-repetitive in nature and are taken after careful analysis and evaluation of many alternatives. These decisions are taken at the higher level of management.

3. Tactical (Policy) and operational decisions: - Decisions pertaining to various policy matters of the organisation are policy decisions. These are taken by the top management and have long term impact on the functioning of the concern. For example, decisions regarding location of plant, volume of production and channels of distribution (Tactical) policies, etc. are policy decisions. Operating decisions relate to day-to-day functioning or operations of business. Middle and lower level managers take these decisions.

An example may be taken to distinguish these decisions. Decisions concerning payment of bonus to employees are a policy decision. On the other hand if bonus is to be given to the employees, calculation of bonus in respect of each employee is an operating decision.

4. Organisational and personal decisions: - When an individual takes decision as an executive in the official capacity, it is known as organisational decision. If decision is taken by the executive in the personal capacity (thereby affecting his personal life), it is known as personal decision.

Sometimes these decisions may affect functioning of the organisation also. For example, if an executive leaves the organisation, it may affect the organisation. The authority of taking organizational decisions may be delegated, whereas personal decisions cannot be delegated.

5. Major and minor decisions: - Another classification of decisions is major and minor. Decision pertaining to purchase of new factory premises is a major decision. Major decisions are taken by top management. Purchase of office stationery is a minor decision which can be taken by office superintendent.

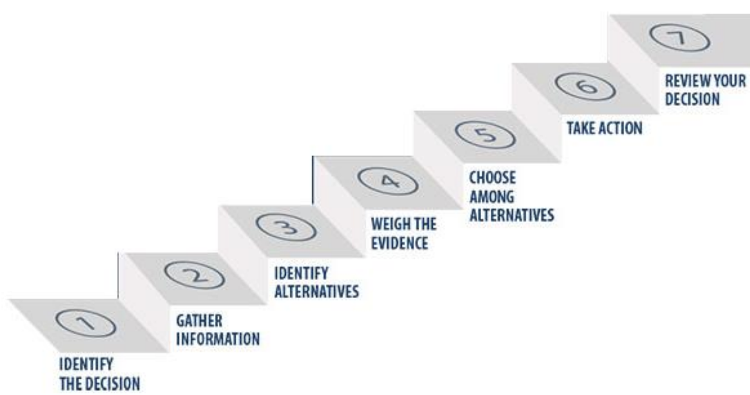
6. Individual and group decisions: - When the decision is taken by a single individual, it is known as individual decision. Usually routine type decisions are taken by individuals within the broad policy framework of the organisation.

Group decisions are taken by group of individuals constituted in the form of a standing committee. Generally very important and pertinent matters for the organisation are referred to this committee. The main aim in taking group decisions is the involvement of maximum number of individuals in the process of decision- making.

Decision-making process

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.

Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.



Step 1: Identify the decision: - You realize that you need to make a decision. Try to clearly define the nature of the decision you must make. This first step is very important.

Step 2: Gather relevant information: - Collect some pertinent information before you make your decision: what information is needed, the best sources of information, and how to get it. This step involves both internal and external “work.” Some information is internal: you’ll seek it through a process of self-assessment. Other information is external: you’ll find it online, in books, from other people, and from other sources.

Step 3: Identify the alternatives: - As you collect information, you will probably identify several possible paths of action, or alternatives. You can also use your imagination and additional information to construct new alternatives. In this step, you will list all possible and desirable alternatives.

Step 4: Weigh the evidence: - Draw on your information and emotions to imagine what it would be like if you carried out each of the alternatives to the end. Evaluate whether the need identified in Step 1 would be met or resolved through the use of each alternative. As you go through this difficult internal process, you’ll begin to favor certain alternatives: those that seem to have a higher potential for reaching your goal. Finally, place the alternatives in a priority order, based upon your own value system.

Step 5: Choose among alternatives: - Once you have weighed all the evidence, you are ready to select the alternative that seems to be best one for you. You may even choose a combination of alternatives. Your choice in Step 5 may very likely be the same or similar to the alternative you placed at the top of your list at the end of Step 4.

Step 6: Take action: - You're now ready to take some positive action by beginning to implement the alternative you chose in Step 5.

Step 7: Review your decision & its consequences: - In this final step, consider the results of your decision and evaluate whether or not it has resolved the need you identified in Step 1. If the decision has not met the identified need, you may want to repeat certain steps of the process to make a new decision. For example, you might want to gather more detailed or somewhat different information or explore additional alternatives.

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