

16.4: Reading- Organizing

How Managers Are Organized

A manager engaged in organizing allocates *resources* (people, equipment, and money) to achieve a company's plans. Successful managers make sure that all the activities identified in the planning process are assigned to some person, department, or team and that everyone has the resources needed to perform assigned activities.



Figure 16.4.1: Levels of Management

A typical organization has several layers of management. Think of these layers as forming a pyramid like the one in Figure 1, with top managers occupying the narrow space at the peak, first-line managers the broad base, and middle managers the levels in between. As you move up the pyramid, management positions get more demanding, but they carry more authority and responsibility (along with more power, prestige, and pay). Top managers spend most of their time in planning and decision making, while first-line managers focus on day-to-day operations. For obvious reasons, there are far more people with positions at the base of the pyramid than there are with jobs at the other two levels (as you get to the top, there are only a few positions). Let's look at each management level in more detail.

Top Managers

Top managers are responsible for the health and performance of the organization. They set the objectives, or performance targets, designed to direct all the activities that must be performed if the company is going to fulfill its mission. Top-level executives routinely scan the external environment for opportunities and threats, and they redirect company efforts when needed. They spend a considerable portion of their time planning and making major decisions. They represent the company in important dealings with other businesses and government agencies, and they promote it to the public. Job titles at this level typically include *chief executive officer (CEO)*, *chief financial officer (CFO)*, *chief operating officer (COO)*, *president*, and *vice president*.

Middle Managers

As the name implies, middle managers are in the “middle” of the management hierarchy: They report to top management and oversee the activities of first-line managers. They're responsible for developing and implementing activities and allocating the resources needed to achieve the objectives set by top management. Common job titles include *operations manager*, *division manager*, *plant manager*, and *branch manager*.

First-Line Managers

First-line managers supervise employees and coordinate their activities to make sure that the work performed throughout the company is consistent with the plans of both top and middle management. They're less involved in planning than higher-level managers and more involved in day-to-day operations. It's at this level that most people acquire their first managerial experience. The job titles vary considerably but include such designations as *department head*, *group leader*, *office manager*, *foreman*, and *supervisor*.

How Companies Get the Job Done

The organizing process raises some important questions: What jobs need to be done? Who does what? Who reports to whom? What are the formal relationships among people in the organization? You provide answers to these questions by developing an organizational structure: an arrangement of positions that's most appropriate for your company at a specific point in time. Remember, given the rapidly changing environment in which businesses operate, a structure that works today might be outdated tomorrow. That's why you hear so often about companies restructuring—altering existing organizational structures to become more competitive under conditions that have changed. In building an organizational structure, you engage in two activities: *job specialization* (dividing tasks into jobs) and *departmentalization* (grouping jobs into units). We'll now see how these two processes are accomplished.

Specialization

The first step in designing an organizational structure is twofold:

1. Identifying the activities that need to be performed in order to achieve organizational goals.
2. Breaking down these activities into tasks that can be performed by individuals or groups of employees.

This twofold process of organizing activities into clusters of related tasks that can be handled by certain individuals or groups is called specialization. Its purpose is to improve efficiency. Obviously, specialization has advantages. In addition to increasing efficiency, for example, it results in jobs that are easier to learn. But it has disadvantages, too. Doing the same thing over and over bores people and will eventually leave employees dissatisfied with their jobs. Before long, you'll notice decreased performance and increased absenteeism and turnover.

Departmentalization

The next step in designing an organizational structure is departmentalization—grouping specialized jobs into meaningful units. Depending on the organization and the size of the work units, they may be called *divisions*, *departments*, or just plain *groups*. Traditional groupings of jobs result in different organizational structures, and for the sake of simplicity, we'll focus on two types—*functional* and *divisional organizations*.

Functional Organization

A functional organization groups together people who have comparable skills and perform similar tasks. This form of organization is fairly typical for small to medium-size companies, which group their people by business functions: accountants are grouped together, as are people in finance, marketing and sales, human resources, production, and research and development. Each unit is headed by an individual with expertise in the unit's particular function. The head of an accounting department, for example, will be a senior accountant; the head of a hospital nursing unit will obviously be an experienced nurse. This structure is also appropriate for nonprofits. Think about your school, for instance: mathematics teachers are in the math department, history teachers are in the history department, those who run athletic programs are in the athletic department, and librarians work at the library.

If a company adopted a functional approach to departmentalization, jobs might be grouped into four clusters:

- Human resources (hiring, training, and evaluating employees)
- Operations (overseeing production)
- Marketing (arranging for advertising, sales, and distribution)
- Accounting (handling cash collection and disbursement)

There are a number of advantages to the functional approach. The structure is simple to understand and enables the staff to specialize in particular areas; everyone in the marketing group would probably have similar interests and expertise. But homogeneity also has drawbacks: it can hinder communication and decision making between units and even promote interdepartmental conflict. The marketing department, for example, might butt heads with the accounting department because marketers want to spend as much as possible on advertising, while accountants want to control costs. Marketers might feel that accountants are too tight with funds, and accountants might regard marketers as spendthrifts.

Divisional Organization

Large companies often find it unruly to operate as one large unit under a functional organizational structure. Sheer size makes it difficult for managers to oversee operations and serve customers. To rectify this problem, most large companies are structured as divisional organizations made up of several smaller, self-contained units, or divisions, which are accountable for their own performance. Each division functions autonomously because it contains all the functional expertise (production, marketing,

accounting, finance, human resources) needed to meet its objectives. The challenge is to find the most appropriate way of structuring operations to achieve overall company goals. Toward this end, divisions can be formed according to *products*, *customers*, *processes*, or *geography*.

Product Division

Product division means that a company is structured according to its product lines. General Motors, for example, has four product-based divisions: Buick, Cadillac, Chevrolet, and GMC.^[1] Each division has its own research and development group, its own manufacturing operations, and its own marketing team. This allows individuals in the division to focus all their efforts on the products produced by their division. A downside is that it results in higher costs as corporate support services (such as accounting and human resources) are duplicated in each of the four divisions.

Customer Division

Some companies prefer a customer division structure because it enables them to better serve their various categories of customers. Thus, Johnson & Johnson's two hundred or so operating companies are grouped into three customer-based business segments: consumer business (personal-care and hygiene products sold to the general public), pharmaceuticals (prescription drugs sold to pharmacists), and professional business (medical devices and diagnostics products used by physicians, optometrists, hospitals, laboratories, and clinics).^[2]

Process Division

If goods move through several steps during production, a company might opt for a process division structure. This form works well at Bowater Thunder Bay, a Canadian company that harvests trees and processes wood into newsprint and pulp. The first step in the production process is harvesting and stripping trees. Then, large logs are sold to lumber mills and smaller logs chopped up and sent to Bowater's mills. At the mill, wood chips are chemically converted into pulp. About 90 percent is sold to other manufacturers (as raw material for home and office products), and the remaining 10 percent is further processed into newspaper print. Bowater, then, has three divisions: tree cutting, chemical processing, and finishing (which makes newsprint).^[3]

Geographical Division

Geographical division enables companies that operate in several locations to be responsive to customers at a local level. McDonald's, for example, is organized according to the regions of the world in which it operates. In the United States, the national unit is further subdivided into three geographic operating divisions: east, west and central.^[4]

There are pluses and minuses associated with divisional organization. On the one hand, divisional structure usually enhances the ability to respond to changes in a firm's environment. If, on the other hand, services must be duplicated across units, costs will be higher. In addition, some companies have found that units tend to focus on their own needs and goals at the expense of the organization as a whole.

-
1. Associated Press, "[General Motors Rebuilds with 4 Divisions](#)," *The Augusta Chronicle*, October 7, 2010, accessed October 8, 2011. ↵
 2. Johnson & Johnson Services, "Business Segments," accessed October 8, 2011. ↵
 3. Northwest Forest Industry, Pulp and Paper Manufacturing, "[From the Forest to the Office and Home: Bowater—A Case Study in Newsprint and Kraft Pulp Production](#)," *Borealforest.org*, accessed October 8, 2011. ↵
 4. "[Franchising](#)," McDonald's Corp., accessed October 8, 2011). (This approach might be appealing to Notes-4-You if it expands to serve schools around the country. ↵

Contributors and Attributions

CC licensed content, Original

- Adaptation and revision. **Authored by:** Linda Williams and Lumen Learning. **Provided by:** Tidewater Community College. **Located at:** courses.candelalearning.com/introbusiness2xtccmaster/chapter/6-3-organizing/. **Project:** Introduction to Business. **License:** [CC BY-NC-SA: Attribution-NonCommercial-ShareAlike](#)

CC licensed content, Shared previously

- An Introduction to Business. **Authored by:** Anonymous. **Provided by:** Anonymous. **Located at:** <http://2012books.lardbucket.org/books/an-introduction-to-business-v2.0/s10-03-organizing.html>. **License:** [CC BY-NC-SA: Attribution-NonCommercial-ShareAlike](#)

16.4: Reading- Organizing is shared under a [not declared](#) license and was authored, remixed, and/or curated by LibreTexts.