

PROFESSIONAL ETHICS IN BUSINESS

LECTURE THREE

Departmentation

Departmentation is process of grouping activities and people onto department make it possible to expend organization. After reviewing the plan, usually the first step in the organization process is departmentalization. Once job have been classified through work specialization, they are grouped so those common tasks can be coordinated. Departmentation is the biases on which work or individuals are grouped into manageable units. There are five traditional methods for grouping work activities.

Thus workflow analysis can be used tighten the connection between employees' work and customers' needs. Also it can help to make major performance breakthroughs throughout business process reengineering (BPR).A functional rethinking and radical redesign of business process to achieve dramatic improvements in costs, quality, service, and speed.BPR use workflow analysis to identify jobs that can be eliminated or recombined to improve company.

TYPE OF DEPARTMENTATION:

1. DEPARTMENTATION BY NUMBERS:

Departmentation by number is telling off persons who are to perform the same duties and putting them under the superior of a manager the essential fact is not what these people do, where they work? Or what they work with, it is that the success of the understanding depends only on the number of persons include in it. This method is rapidly applying in army.

DISADVANTAGES OR DECLINES REASONS

There are many reason of decline of departmentation by numbers.

- It has declined due to advance technology and demand of specialized and different skills.
- A second reason is groups composed of specialized personnel are more efficient than those based on number.
- Departmentation by number is useful only at the lowest level of the organization.
- Departmentation by number fails to produce good results

2. DEPARTMENTATION BY TIME

It is grouping activities on the basis of time. It is oldest form of departmentation and it is generally used in low level of departmentation. It is particularly applied in hospitals and steel manufacturing enterprise where continue process of service and manufacturing is used

ADVANTAGES

- It is process of working and services throughout 24 hours.
- It is continuing service process.

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- Expensive machinery is used in shifts.
- Students can work evening or at night.

DISADVANTAGES

- There is lacking supervision at night.
- Exhaustion factor.

3. DEPARTMENTATION BY FUNCTION

It is grouping activities on the basis on function of an enterprise. The basic enterprise functions are production, selling, and financing functional departmentation is bases for organizing activities and in organizational structure. It organizes by function to be performed. The function reflects the nature of the business. The advantage of this type of grouping is obtaining efficiencies from consolidating similar specialties and people with common skills, knowledge and orientations together in common units

ADVANTAGES

- It is logical reflection of function.
- Maintains power of major functions.
- Simplifies training.

DISADVANTAGES

- De-emphasis of overall company objectives.
- Reduces coordination between function.
- Slow adoption to change in environment.

4. DEPARTMENTATION BY GEOGRAPHY

Departmentation by geography is followed where geographic marked appear to offer advantages. Geographic department most often use in sales and production, it is not use in finance. Departmentalization by geographical regions groups jobs on the basis of territory or geography. For example Merek, a major pharmaceutical company, have its domestic sales departmentalized by regions such as Northeast, Southeast, & Northwest

ADVANTAGES

- It emphasis on local markets and problems.
- Improves coordination in a region.
- Better face to face communication.

DISADVANTAGES

- Increases problem of top management control.

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- Requires more persons with general manager abilities.

5. DEPARTMENTATION BY CUSTOMER

Departmentalization by customer groups jobs on the basis of a common set of needs or problems of specific customers. For instance, a plumbing firm may group its work according to whether it is serving private sector, public sector, government, or not-for-profit organizations. A current departmentalization trend is to structure work according to customer, using cross-functional teams. This group is chosen from different functions to work together across various departments to interdependently create new products or services. For example, a cross-functional team consisting of managers from accounting, finance and marketing is created to prepare a technology plan.

There is different difficult decision to be made in separating some type of customer departments from product departments. Business owners and managers arrange activities on the basis of customer requirements. Departmentation by customer can be defined by figure

ADVANTAGES

- Departmentation by customer emphasis on customer needs.
- It develops experience in customer area.

DISADVANTAGES

- It may be difficult to analysis customer demands.
- It requires managers and staff expert in customer problems.
- Customer groups may not always be clearly defined.

6. DEPARTMENTATION BY PROCESS

This type of departmentation is found in production and operative levels. Such type of departmentation can be found in paint or electroplating process. Departmentalization by process groups jobs on the basis of product or customer flow. Each process requires particular skills and offers a basis for homogeneous categorizing of work activities. A patient preparing for an operation would first engage in preliminary diagnostic tests, and then go through the admitting process, undergo a procedure in surgery, receiver post operative care, be discharged and perhaps receive out-patient attention. These services are each administered by different departments.

ADVANTAGES

- It simplifies training.
- Achieve economic advantage.
- Uses specialized technology.

DISADVANTAGES

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- Coordination of departments is difficult.
- Responsibility for profit is at the top.

7. DEPARTMENTATION BY PRODUCT

This type of departmentation used in organization where more than one product is producing. In this department all the sources and authority are placed under the control of one manager. Departmentation by product assembles all functions needed to make and market a particular product are placed under one executive. For instance, major department stores are structured around product groups such as home accessories, appliances woman's clothing, men's clothing and children clothing.

ADVANTAGES

- Places attention on production.
- Increase growth of product.
- Places responsibility for profit at division level.

DISADVANTAGES

- Requires more persons with general manager abilities.
- Presents problems of top management control
- **REWARD POWER:** Power arises from ability of some people to grant reward reward is known as reward power. University Professors have considerable reward. power they made high grade.
- **EXPERT POWER:** Power may also come from the expertness of a person or a group. This power of knowledge. Physician lowers, & university professors may have considerable influence for their special knowledge.
- **REFERENT POWER:** This is the power of admiring high esteemed leader by individuals.
- **DECISION MAKING POWER:** This power arises from the power of positions. When people speak authority in managerial setting, they are usually referring to the decision making power.

CENTRALISATION

Centralisation is the systematic and consistent reservation of authority at central point within the organisation

Benefits of Centralisation

This system results in certain advantages to the organisation

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1- Facilitating Personal Leadership. Personal leadership can be a potent influence in the success of a small organisation and during its early growth stages. The success and survival of the small, young enterprise in the competitive market depends upon aggressiveness, singleness of purpose, and flexibility. Under a talented and dynamic leader, centralisation in small organisation may result in quick decisions, enterprising and imaginative action, and high mobility

2- Providing Integration. Certain amount of centralisation is necessary to unify and integrate the total operation of the enterprise. Some sort of central direction is required to keep all parts of the organisation moving harmoniously together towards a common objective. Thus, it acts as a binding force on the various parts of the organisation.

3- Uniformity of Action Centralisation brings uniformity in all actions in the organisation. Thus, to the extent that the organisation wishes all its units to do the same thing in the same way or the same time, there must be centralisation of appropriate decisions.

4- Handling Emergencies. When emergency decisions affecting all the units of the organisation are to be taken, centralisation is necessary. The more acute emergency or the more acute competition requires greater centralized decision-making.

5- Other Benefits. Besides, centralisation minimizes duplication of work and wastages require easier control, and makes communication easier.

However, these advantages of centralisation are limited in certain circumstances and particularly in smaller organisations. A stage comes when decentralisation becomes desirable to achieve its advantages and where the limitations of centralisation come in the way of successful organisational functioning.

DECENTRALISATION

Decentralisation has become the prevailing philosophy for organising activities on the part of large organisations.

Benefits of Decentralisation

Many organisations, which were centralized at earlier stages, have been forced to go for decentralisation simply because they could not cope up with the situation under centralized authority. This show the benefits of decentralisation which are as follows:

1. Reducing Burden to Top Executives. Decentralisation is necessary for solving the problems of expanding organisations. It is the means by which the chief executive can extend his leadership over a giant organisation, when the chief executive makes operating decisions and with problems of immediate urgency, he finds it almost impossible to adopt the relaxed and

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contemplative point of view necessary for planning and thinking ahead. Decentralisation relieves this pressure on the chief executive and provides him time to think for the future and to make plans accordingly.

2. Facilitating Diversification. Decentralisation can facilitate the growth and diversification of product lines. Divisionalization facilitates diversification and former is successful under decentralisation. For under decentralisation, each product line is treated as separate unit and proper emphasis on all important matters such as present position, future prospects, and comparative efficiency, can be given.

3. Ensuring Marketing Innovations. Customers require satisfaction in respect of supply of qualitative products, regularity of supply, and at cheaper rates. Marketing innovations ensure better customer satisfaction. Each organisation has to carry on these marketing innovations for its existence and growth. In decentralized organisation structure, higher level people get much time for the creativity and innovations. The impact of decentralisation on both product and market has proved by the various organisations.

4. Motivating Managers. Various research studies have shown that the organisation structure itself can influence the people within the organisation. The extent to which the organisation facilitates participation, communication, delegation, mutual interaction, and interdependence, motivates people for higher productivity. Decentralization tends to emphasise those desirable characteristics in whatever type of structure it is found.

5. Encouraging Development of Managers. Managers are made, not born and decentralisation is one of the best methods of developing managers in the organisations. Other methods of management development have their own contributions in this field. However, giving manager's management jobs to do and to delegate authority for decision-making make them more mature and competent and broad-based. The problem of succession is overcome this way and the future growth and success of the organisation are ensured as most organisations find lack of managerial talent a limiting factor in growth. Perhaps, the necessity of management development is one of the compelling reasons for decentralisation.

SPAN OF CONTROL

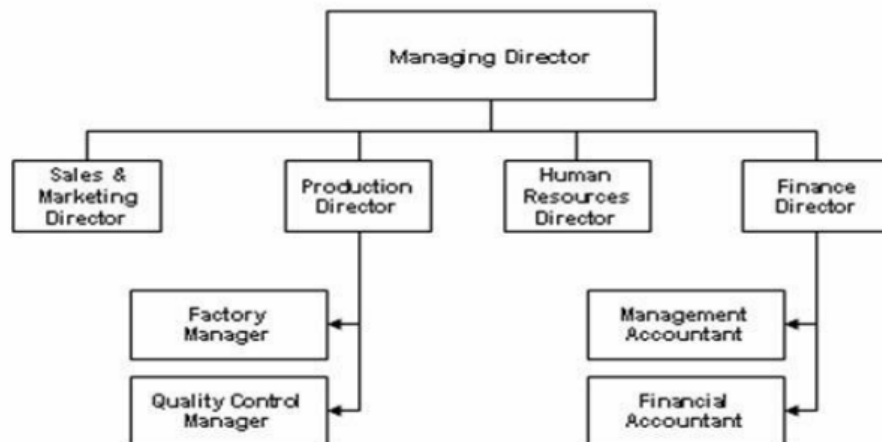
In a business of more than one person, unless the business has equal partners, then there are managers and subordinates. Subordinates are workers controlled by the manager.

A hierarchy describes the structure of the management of the business, from the top of the company – the managing director, through to the shop floor worker, who reports to their foreman, in a manufacturing business.

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The hierarchy of a business is usually best understood by drawing an **organisation chart** showing which levels of management and employees report to whom.

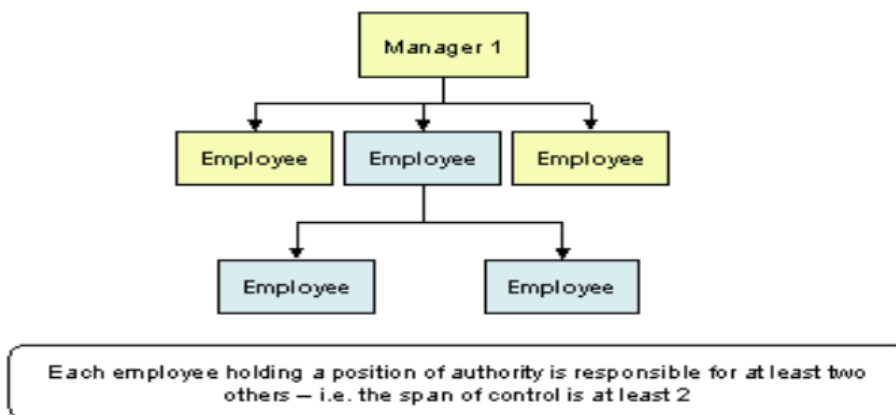
An example of a hierarchy is shown in the diagram below



A **span of control** is the number of people who report to one manager in a hierarchy. The more people under the control of one manager - the wider the span of control. Less means a narrower span of control.

An example of a narrow span of control is shown in the diagram below:

Example of a Narrow Span of Control



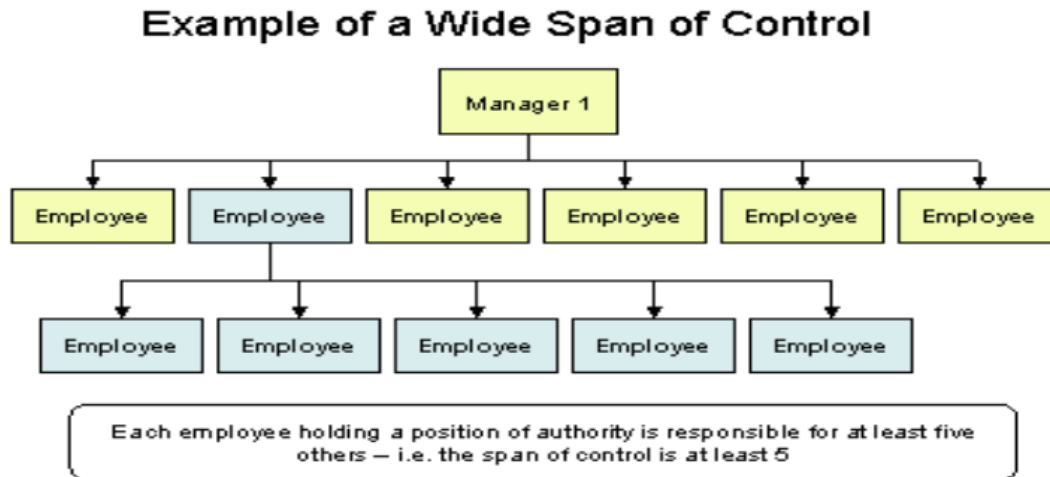
The advantages of a narrow span of control are:

- A narrow span of control allows a manager to communicate quickly with the employees under them and control them more easily
- Feedback of ideas from the workers will be more effective

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- It requires a higher level of management skill to control a greater number of employees, so there is less management skill required

An example of a wide span of control is shown in the diagram below:



The advantages of wide span of control are:

- There are less layers of management to pass a message through, so the message reaches more employees faster
- It costs less money to run a wider span of control because a business does not need to employ as many managers

The width of the span of control depends on:

The type of product being made – products which are easy to make or deliver will need less supervision and so can have a wider span of control

Skills of managers and workers – a more skilful workforce can operate with a wider span of control because they will need less supervision. A more skilful manager can control a greater number of staff

A tall organisation has a larger number of managers with a narrow span of control whilst a flat organisation has few managers with a wide span of control.

A tall organisation can suffer from having too many managers (a huge expense) and decisions can take a long time to reach the bottom of the hierarchy

BUT, a tall organisation can provide good opportunities for promotion and the manager does not have to spend so much time managing the staff

Chain of command is the line on which orders and decisions are passed down from top to bottom of the hierarchy. In a hierarchy the chain of command means that a production manager may be higher up the hierarchy, but will not be able to tell a marketing person what to do.

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The advantages of hierarchies are:

- Helps create a clear communication line between the top and bottom of the business – this improves co-ordination and motivation since employees know what is expected of them and when.
- Hierarchies create departments and departments form teams. There are motivational advantages of working in teams.

The disadvantages of hierarchies are:

- The formation of departments can mean that:
 - - Departments work for themselves and not the greater good of the business.
 - - Departments do not see the whole picture in making decisions.
- Hierarchies can be inflexible and difficult to adjust, especially when businesses need to adapt to changing markets – remember employees do not tend to react well to change.

1) Span of control refers to the number of immediate subordinate who report a manager.

(2) Different level of organization level is also called span of control.

FACTORS DETERMINING AN EFFECTIVE SPAN

There are several factors which influence the span of management.

1- TRAINING OF SUBORDINATES

The better training of subordinates increases the necessary superior subordinate's relationship. Well trained subordinates require less time of their managers also they have less contact with their managers. Training programs increase in new and more complex industries.

2-CLARITY OF DELEGATION OF AUTHORITY

Although training enables managers to reduce the frequency of time consuming contact but delegation of authority should be clear. If a manager clearly delegates authority to task with a minimum of the managers time and attention. But if a manager delegate's authority unclearly than subordinate give his maximum.

3-CLARITY OF PLANS

If plans are well defined if they are workable, if the delegation of authority toward plan is clear, if the subordinate understands what expected than little of a supervisor time will be required on the other hand if plan cannot be drawn accurately and subordinates do much of their own planning, they may require considerable guidance.

4- USE OF OBJECTIVE STANDARD

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A manager must find out, either by personal observation or through the use of objective standards, whether subordinates are following plans. Obviously, good objective standards enable managers to avoid many time consuming contacts.

5- RATE OF CHANGE

Certain enterprises change much more rapidly than others. The rate of change is very important in formulating and maintaining policies. It may explain the organization structure of company's railroad, banking and public utility companies.

6- COMMUNICATION TECHNIQUES

Communication techniques also influence the span of management. If every plan, instruction, order or direction has to be communicated by personal contact then managers time will be heavily burdened. An ability to communicate plans and instructions clearly and concisely also tends to increase a manager's span.

7- AMOUNT OF PERSONAL CONTACT NEEDED

Many instances, face to face meetings are necessary. Many situations cannot be completely policy statements planning documents or other communications that do not involve personal contact. An executive may gain valuable information by meeting with subordinates and by discussing problems with them. Some problems can be handled only in face to face meeting so the best way of communicating problems, instructions, and subordinates is to spend time in personal contact.

8- VARIATION BY ORGANIZATION LEVEL

Several research projects have found that the size of the most effective span differs by organizational level. For example, it was studied that when a greater number of specialties were supervised, effective spans were narrower at lower and middle levels of organization but were increased at upper levels.

9- COMPETENCY OF MANAGERS

A manager who is competent and well trained can effectively supervise more people than who is not.

10- MATURITY AND MOTIVATION OF SUBORDINATES

The more mature subordinates may delegate more authority, thus widening the span.

MANAGEMENT BY OBJECTIVE (MBO)

Management by objectives (MBO) is now practiced all over the world. Yet, despite its wide applications, it is not always clear what is meant by MBO. Some say that it is an appraisal tool; others see it as a motivational technique; still others consider MBO a planning and control

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device. In other words, definitions and applications of MBO differ widely. MBO process consists of setting goals at the highest level of the organization, clarifying the rules of responsible persons for achieving the goals. Some still define MBO in a very narrow, limited way.

❖ **MANAGEMENT BY OBJECTIVES (MBO):-**

A technique used for improving the performance of management. It shapes a clearly structured, generally applicable implementation methodology out of the various concepts and theories of management. It is also called “result management” or “management by results”.

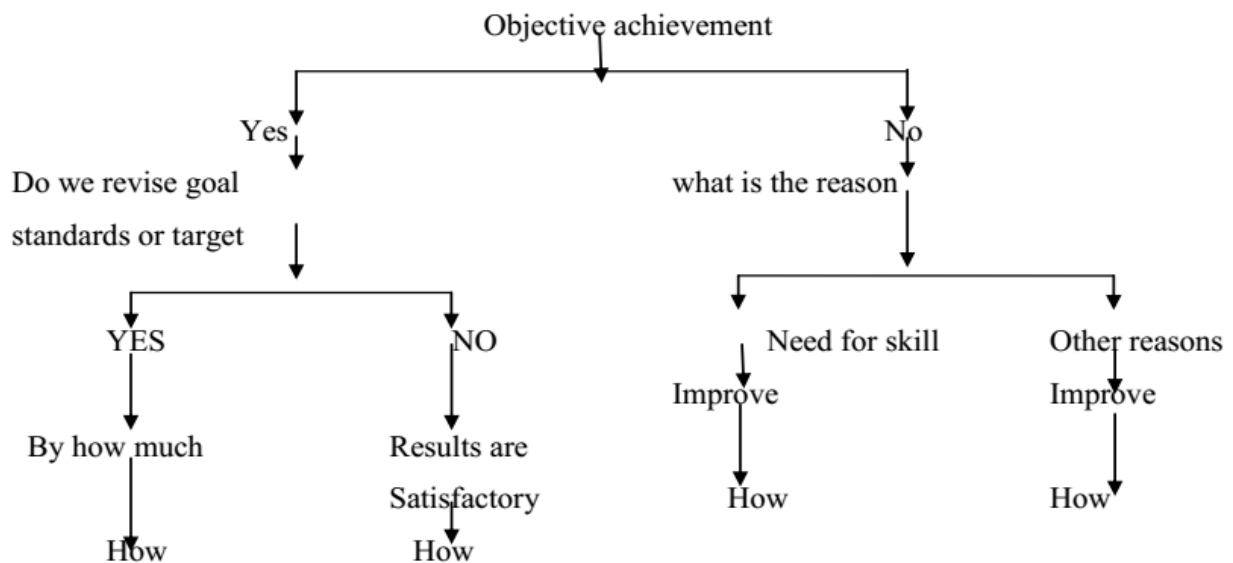
STEPS IN MBO OR PROCESS OF MBO:-

- Setting objectives.
- Developing action plan.
- Appraising annual performance.

PRECAUTIONS FOR MBO PROCESS:-

- Setting clear and well defined objectives.
- Communicating the objectives to achieve results.
- Integration of department objectives with overall organizational objectives.
- Set reasonably attainable objectives.
- Consideration for uncontrollable, factors while fixing the individual factors i.e, objectives.
- Review of objectives periodically and change if necessary.
- Complete participation by all personnel.

FLOW CHART FOR MBO



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MBO HAS THREE ELEMENTS

1. Managers (Subordinate manager) should be measured what they accomplish rather than how they spend their time.
2. Manager must be well informed of their objectives. Manager objectives are their duties that they must perform.
3. Manager and their subordinates should jointly set performance objectives.

ADVANTAGES OF MBO:-

- ⇒ Provides a basis for planning.
- ⇒ It provides meaning and direction to people.
- ⇒ Better coordination is possible.
- ⇒ It constitutes standards and so it is a controlling measure.
- ⇒ It is a motivating device.
- ⇒ It shows the path to the management to think ahead.
- ⇒ It makes individuals more aware of the organizational goals.
- ⇒ It makes evaluation process more equitable by focusing on specific accomplishment. It also lets subordinates know their objectives will.

LIMITATIONS:-

- ⇒ Not all objectives can be quantified.
- ⇒ This may cause tension and resentment.
- ⇒ It is difficult for the superiors to help instead of judging the subordinates.
- ⇒ Not all people are capable of participating.

MANAGEMENT BY EXCEPTION (MBE):-

It is a system of identification and communication that signals to the manager when his attention is needed. MBE is a controlling technique.

- ♣ **PROCESS OF MBE**
- ✓ **MEASUREMENT.**
- ✓ **PROJECTION.**
- ✓ **SELECTION.**
- ✓ **OBSERVATION.**
- ✓ **COMPARISON.**
- ✓ **DECISION-MAKING**
- ❖ **MEASUREMENT:-**

By assigning values to past and present performances, exceptional areas can be identified.

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❖ **PROJECTION:-**

All the values that are meaningful to the organizational objectives are to be extended (projected) to see further or future requirements (whether they can be achieved or not).

❖ **SELECTION:-**

This involves the criteria and method which the management will use to follow the progress path towards organizational objectives.

❖ **OBSERVATION:-**

Current performance are observed and measured so that managers are aware of the current state of affairs in the organization.

❖ **COMPARISON:-**

Involves the evaluation of the actual performance against planned performance, identifying the exceptions that require attention and reporting the variations to the management.

❖ **DECISION MAKING:-**

Involves prescribing the action that must be taken in order to bring performance back into control or to adjust expectations to reflect changing conditions within and outside the organization or to exploit the opportunity.

❖ **DIFFERENCE BETWEEN MBE AND OTHER PRACTICES:-**

♣ Superiors attention is drawn only in the case of exceptional differences between planned performance and actual performance.

♣ When there is no such large or exception difference, the decisions are taken by subordinate manager.

♣ All exceptional work should go through the entire process till normally is established.

❖ **ADVANTAGES:-**

✓ Executives are left with more time to tackle bigger and tougher issues as the details of small problems are left to the subordinates.

✓ There is better utilization of managerial talent across the organization as even the subordinates get to implement their own decisions and solve problems in their way, however small they may be.

✓ It increases the span of management and delegation of authority is improved.

✓ It provides great opportunity and thus to increase confidence and motivation.

✓ It uses the latest knowledge on trends, history and business data.

✓ It forces every manager to be thorough and precise and also up-to-date with all relevant information.

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- ✓ It helps to identify problems before they became big.
- ✓ It also prevents last minute rush and panic.
- ✓ Increased chances of better performance an hence improves motivation.
- ✓ Communication is improved between different segment of an organization.
- ✓ Better organizations cohesiveness for the achievement of objectives.
- ❖ **LIMITATIONS/DISADVANTAGES:-**
- ✓ Training subordinates to be almost at the level of superiors, but still retaining them at the lower level, often leads to demotivation and stress among individuals.
- ✓ Too much of focus on results leads to lack of quality in the process.
- ✓ Too much Newly established organizations and organizations with a dynamic environment cannot adapt this technique.
- ✓ Establishing standards i.e, both qualitative and quantitative takes a dot of time and involves a lot of effort and precision (accuracy).
- ✓ Proper (suitable) and knowledgeable subordinates need to be found, which is a difficult process.
- ✓ Subordinates act out of over confidence and think they can handle better/bigger problems.
- ✓ Keeping lack of all the latest trends is often tedious.
- ✓ of accuracy leads to magnifying even the slightest change in trend and creating problems for the organization and the executive.