

# Getting Organized

by Sophia



## WHAT'S COVERED

Have you ever noticed that humans love to organize around things? Baseball teams, football teams, organizations at work, even bowling leagues--we all like to organize ourselves in one way or the other. Well, it turns out that businesses are no different. After all, they're made up of humans! This tutorial provides an overview of business organizations. Our discussion breaks down as follows:

## 1. Getting Organized

An organization is a person or group of people intentionally organized to accomplish a common goal or set of goals. Business organizations can range in size from one person in a sole proprietorship to very large organizations

Organizations usually have the following characteristics:

- Vision
- Mission
- Values
- Strategic Goals
- Strategy

**Chain of command** is the structure in which the command of a group is distributed from upper management to each individual employee. In this way, an organization can see how the command runs from the very top person on the top of the chain all the way down to the person turning the wrench, or sweeping the floor, etc.

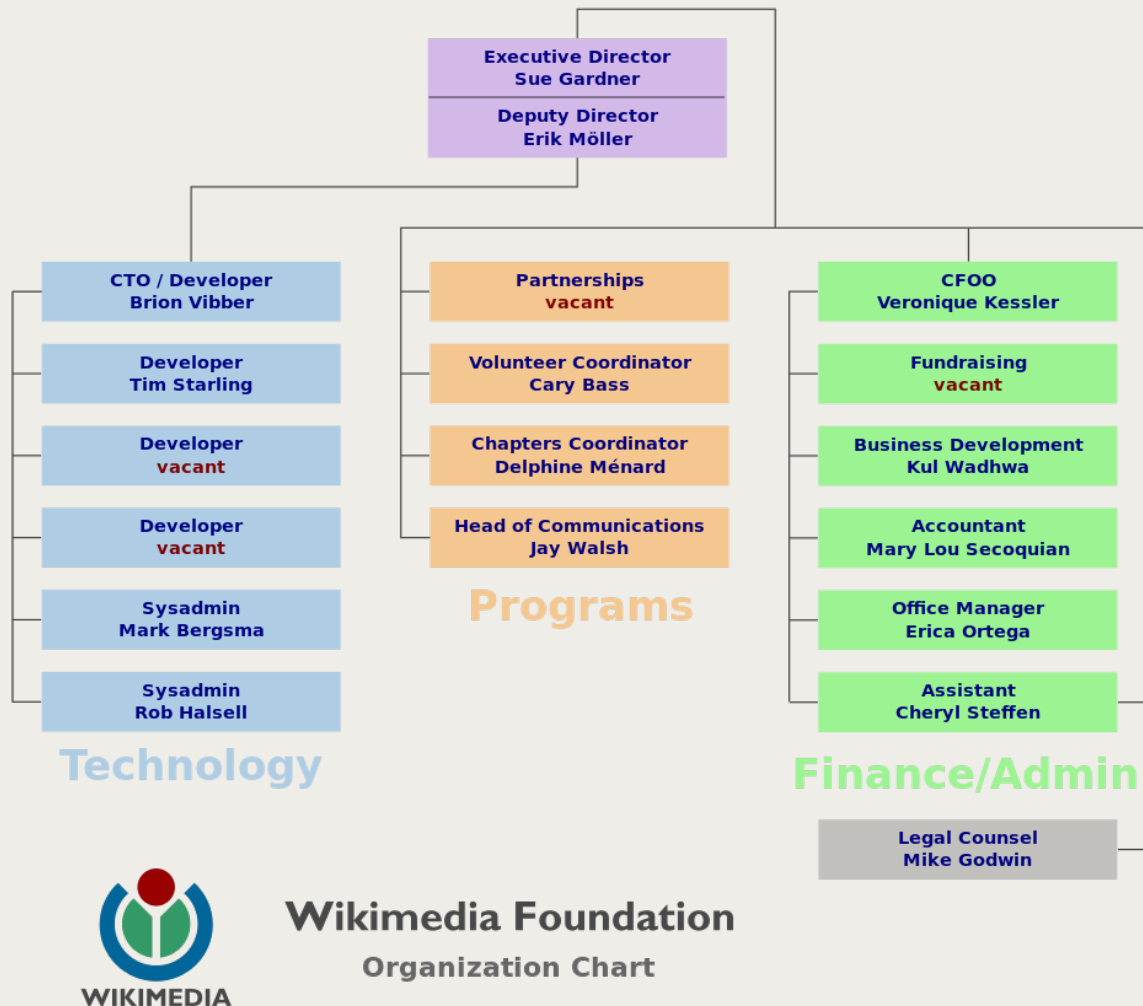
**Job specialization** is the practice of concentrating on a definitive area of knowledge in the workplace, which allows a worker to become very good at that one particular job. Therefore, he or she can do that job, at least in theory, more efficiently.

Most people use an organizational chart to explain the chain of command. This will include people like the president and the vice president of the company, regional managers, and district managers.

There is also something called span of control, and this dictates how or what each person in that chain of command is responsible for. The span of control helps visualize job specialization, or what job or area each person is specializing in within the organization.

## IN CONTEXT

Consider the chain of command for a place called the Wikimedia Foundation, by reviewing their organizational chart below. If you look at the top of the organizational chart, you'll see the executive director and the deputy director. You can see how the chain of command runs from the executive directors all the way down through the chief technology officer (CTO), developers, partnerships, volunteer coordination, CFOO, fundraising, business development, etc., all the way down to legal counsel.



Find Veronique Kessler on the organizational chart. She is the CFOO and that is her job specialization--she specializes in that area of the business.

Regarding span of control, you'll notice that the executive director, Sue Gardner, and deputy director, Erik Moller, are at the top of the organization chart. The executive director, Sue Gardner, is in charge of her partnerships, volunteer coordinator, the chapter coordination, and the head of communication, along with the CFOO and Legal Counsel. This would be Sue's span of control.

The Deputy Director, Erik Moller, is in charge of the CTO, directly, so that is Erik's span of control. The CTO, in turn, has a span of control of the development team and the sys admin folks--five people in total.



#### HINT

It's important to make sure you're not getting too many people under your span of control, otherwise things get incredibly busy.

You can also see the job specialization aspect of the chart. However, specializing in one job or one area, can get a little boring after a while, doing that one particular job all the time. Boredom and complacency can set in, and you may find that people suddenly don't do that job quite as well. In this case, you may want to move people around or rotate those jobs to keep things more interesting for the employees.



#### TERMS TO KNOW

##### Chain of Command

The structure in which the command of a group is distributed from upper management to each individual employee.

##### Job Specialization

The practice of concentrating on a definitive area of knowledge in the workplace.

## 2. Departmentalization

**Departmentalization** is clustering employees into groups to work together in a specific division. Now, departmentalization can be split up among an organization several different ways, and as we're going to explore, there are pros and cons to each.

Type of Departmentalization	Description	Pros vs. Cons
Product	Organized around a specific product, or a group of products, or a product function, like selling stocks, or a particular brand of bread, or bread in general.	<i>Pros:</i> Easy decision making. You only have to worry about that one product or area.  <i>Cons:</i> Duplication of effort. Imagine having a separate product department for bread, and hot dog buns, and hamburger buns, and rolls. As you can see, there is a duplication of effort among different products that essentially share the same process for getting made and sold.
Process	Organized by different processes that are performed.	<i>Pros:</i> Streamlined process, for example, baking is all under one department.  <i>Cons:</i> Duplication of equipment purchasing and use. You're trying to buy equipment for each particular type of baking, which could lead to duplication of equipment and cost overruns.
		<i>Pros:</i> Easy coordination. All the bread folks go in one spot, all the car folks go in another

<b>Functional</b>	Organized by different purposes, or functions. For instance, your "function" could be selling insurance, or bread, or cars within an organization.	spot, etc. It's easy to coordinate among the people within that one functional department.  <i>Cons:</i> Slow decision making, because now you have to consider everything within this big, functional department that is baking, or car sales, for instance. Everything within that department has to slow down because you're trying to make all those decisions through one chain.
<b>Customer</b>	Organized by customer type. Are your customers high roller types, or are they ones who don't want to spend very much, or are they the people who want to buy a particular type of product? These are all types of customers by which you might departmentalize your company.	<i>Pros:</i> Efficiently focuses on unique customer groups. These are people that are actually interested in a particular type of product, for instance.  <i>Cons:</i> More administrative staff, needed to keep up with all those different types of customers for your potentially few number of products.
<b>Geographic</b>	Organized by geographic location, as the name suggests. This can be very large, for instance, everyone west of the Mississippi and everyone east of the Mississippi. Conversely, it can be very small, such as the Conway, Arkansas office, for example.	<i>Pros:</i> More responsive to specific geographic needs. When you have a need that arises within that geographic area, you have people on the ground who can immediately respond to that need.  <i>Cons:</i> More elaborate administration style, because you're trying to cover a lot of different--literal--ground with the organization that you have.

As you can imagine, organizations don't necessarily use one type of departmentalization exclusively. Some organizations use multiple types of departmentalization. In some cases, one region of a company, for instance, will have functional departmentalization and customer departmentalization within that one department to make things more efficient and free flowing within an organization.

In addition, different types of departmentalization are used at different levels. Top management may use one type, whereas middle managers or front line managers may use a different type of departmentalization.



#### TERM TO KNOW

#### Departmentalization

Clustering employees into groups to work together in a specific division.



#### SUMMARY

Today we learned about **getting organized** and organizing a business around an organization chart, making sure we understand the chain of command. We also learned about **departmentalization**,

which refers to the different areas or departments that a company or organization may be divided up into in order to respond better to their customers. Specifically, we learned about the following types of departmentalization: **product, process, functional, customer, and geographic.**

Good luck!

Source: adapted from sophia instructor james howard



## TERMS TO KNOW

### **Chain of Command**

The structure in which the command of a group is distributed from upper management to each individual employee.

### **Departmentalization**

Clustering employees into groups to work together in a specific division

### **Job Specialization**

The practice of concentrating on a definitive area of knowledge in the workplace.