

Module 4

Creativity & Innovation

“Creativity usually refers to the ability and power to develop new ideas. Innovation on the other hand means the use of these ideas. In an organization it can be a new product, a new service or a new way of doing things.”

Creative process

Phases

- *Unconscious scanning: It requires an absorption in the problem, which may be vague in the mind.*
- *Intuition: Intuition connects the unconscious with conscious. people find new combinations and integrate diverse concepts and ideas.*
- *Insight: New insights may last for only a few minutes. Effective managers may benefit from having paper and pencil ready to make notes of their creative ideas.*
- *Logical formulation or Verification: Insights need to be tested through logic or experiment.*

Brain Storming

- *The purpose of this approach is to improve problem solving by finding new and unusual solutions.*
- *Rules:*
- *No ideas are ever criticized.*
- *The more radical the ideas, the better*
- *The quantity of idea production is stressed*
- *The improvement of ideas by others is encouraged*

THE CREATIVE MANAGER

- *In the appropriate environment all people are capable of being creative*
- *Creative people are inquisitive and come up with many new and unusual ideas.*
- *They are seldom satisfied with their status quo.*
- *They are intelligent and rely on the rational process but also involve the emotional aspects of their personality in problem solving.*
- *They appear to be excited about solving the problem.*
- *They are aware of themselves and capable of independent judgment.*

Organizing

A FUNCTION OF MANAGEMENT

Organizing

- The word 'organise' means placement of ideas, objects or people in a correct order so that they are easily available whenever required.
- In management, it represents all those activities that result in the formal assignment of tasks, authority & responsibility to groups and individuals.

Organizing

- **It involves:**
- Classification of work
- Designing of different work units
- Assigning different tasks.
- Establishing co-ordination and relationship amongst the different units and positions.

Organizing Process

- Step I: Review of Strategic and Operational Plans
- Step II: Determination of the activities to be performed to implement the Plans
- Step III: Creation of a job
- Step IV: Departmentation
- Step V: Organization Structure
- Step VI: Determination of Authority

Organization

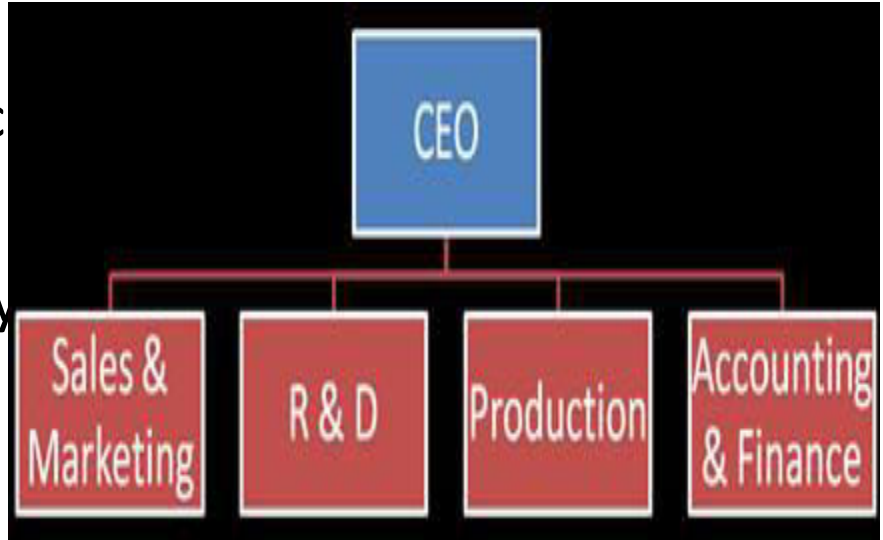
- Organization involves two or more people with ideas and resources, working together in a structured, formal environment to achieve common goals.
- It is a social and managerial system with a clearly defined boundary, which pursues collective goals through planning, hiring the human resources, directing their effort and controlling the performance.

Basic Organizational Designs:

- Functional Organization
- Divisional Organization
- Matrix Organization
- Strategic business Unit. (SBU)
- Virtual Organization

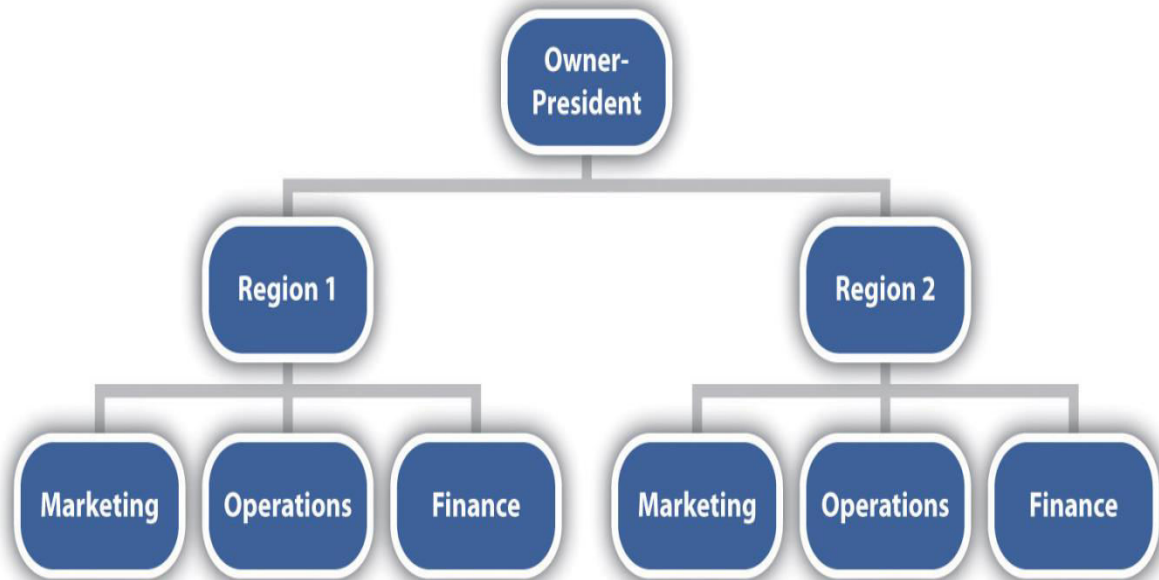
Functional Organization

- This structure is based on occupational specialisation.
- Finance, manufacturing, marketing, accounts, research etc
- It leads to efficiency and economy



Divisional Organization

- In this design, the corporate house or group is divided into different divisions.
- These divisions are relatively autonomous.

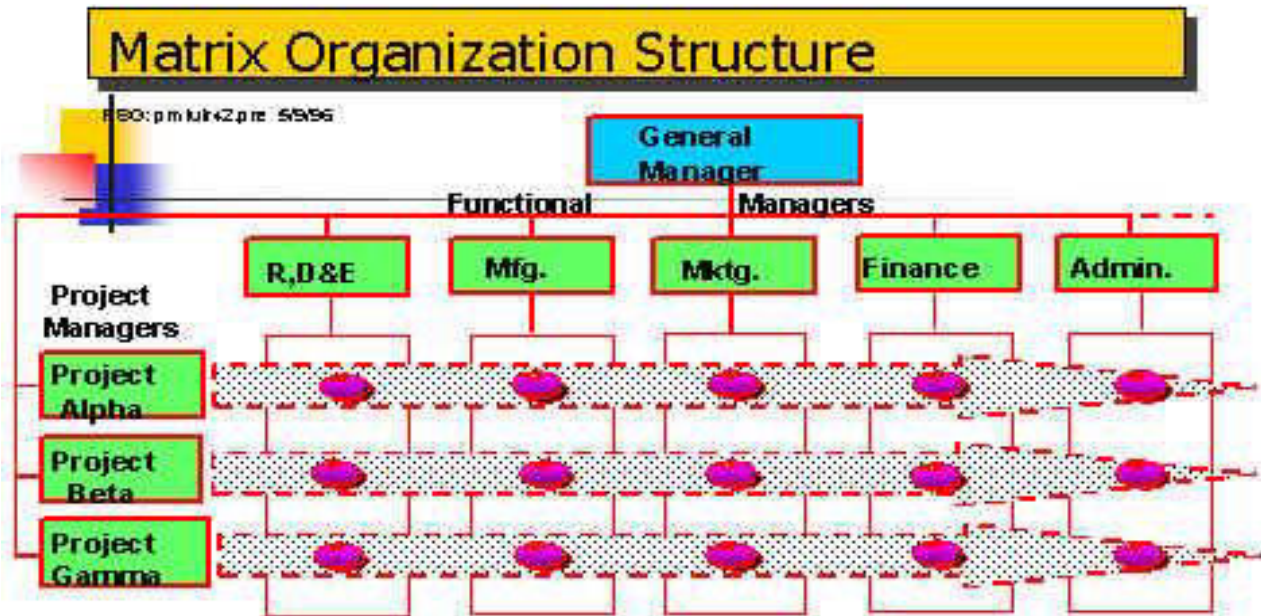


Divisional Organization

- These operate as self contained business units.
- Various divisions can be totally unrelated but work under the single corporate umbrella.
- The central headquarter focuses on all the divisions.

Matrix Organization

- This structure utilises both the functional and divisional chains of command simultaneously in the same part of the organisation.



Advantages:

Disadvantages:

Matrix Organisation

- ▣ This structure assigns specialists from different functional units to work together on a project as a cross functional team.
- ▣ The team is led by a project manager.
- ▣ Project managers have the authority over activities geared towards achieving organisational goals while functional managers have authority over tasks related to their department.

Strategic business Unit. (SBU)

- SBUs are distinct business units within a large company.
- They are treated as separate business as they have adequate size and mission.
- A manager is appointed to head an SBU and made fully accountable for its profitability and operations.
- The main advantage here is that SBUs can be provided with specific focus and their heads can manage them with entrepreneurial zeal.

Virtual Organization

- This comprises of a group of independent people or organisations that come together to execute a project and then disperse.
- This is made possible by telecommuting and customer organisation linkages.



Virtual Organisation

- Virtual organisations appear for the execution of tasks and disband after the successful execution of the task.
- The only disadvantage is that the focus is specific on the task and there is little sense of belongingness and ownership.

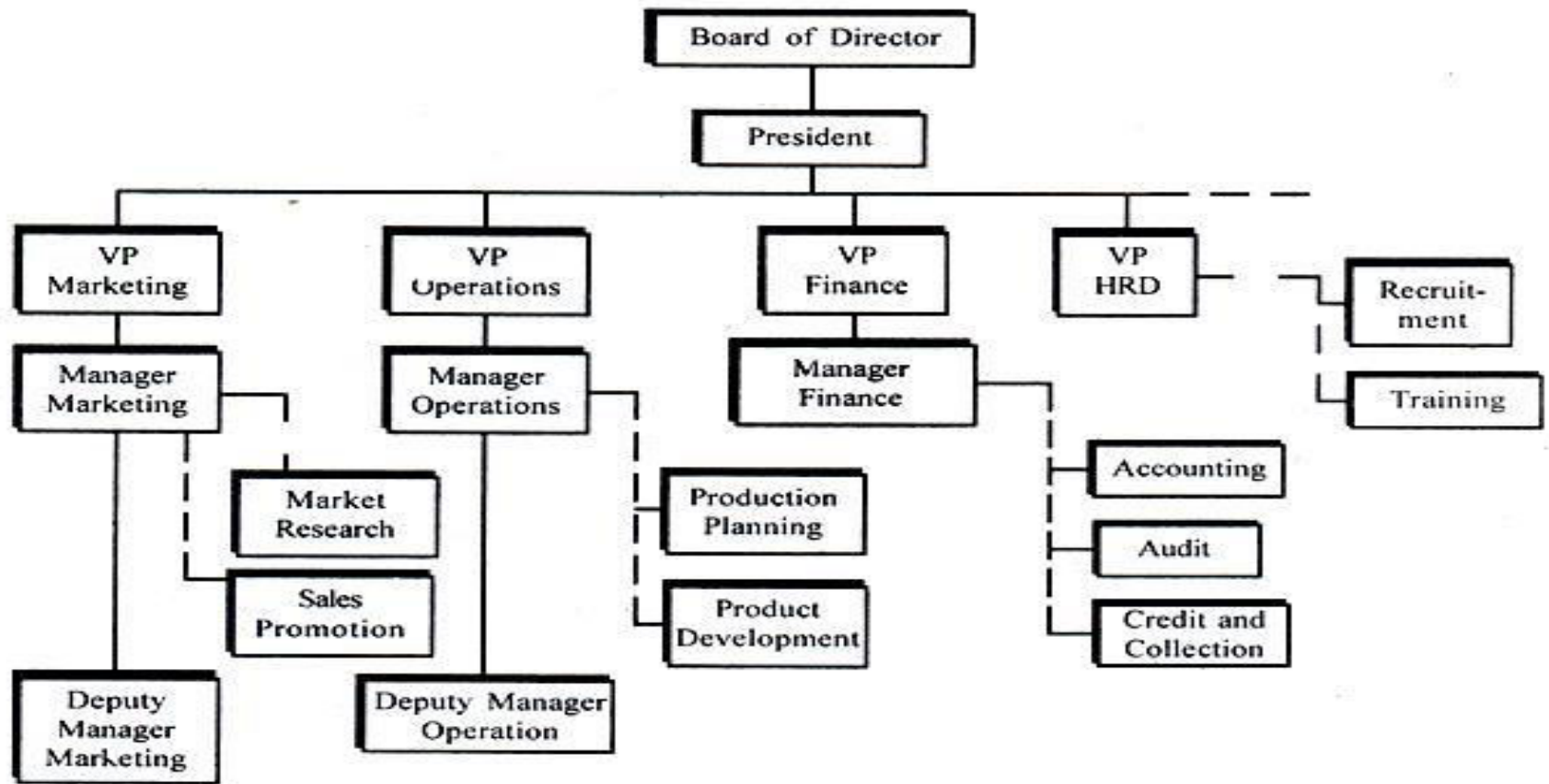
Line Authority

- Line authority represents superior-subordinate relationships for functions, which are directly responsible for accomplishing the key objectives of the enterprise.
- The line identifies those positions that possess command and authority to make decisions.

Staff Relationship

- Staff identifies those positions in an organisation that do not command a decision making authority.
- These are support positions providing services, advice, assistance and support to the line authority to enable them to perform their duties.
- It is for the line managers to decide whether to take some decision with respect to the given advice.

Line & Staff Relationship



Legend : — Line Authority

-- Staff Relationship

Departmentation

- A department is a distinct area or a branch of the organisation which handles tasks of similar nature.
- The process of grouping of activities into units for the purpose of administration is called departmentation.

Types/Basis of Departmentation

- ▣ Departmentation by Function
- ▣ Departmentation by Product
- ▣ Departmentation by Geographical Regions
- ▣ Departmentation by Customer Group
- ▣ Matrix Organization
- ▣ Strategic Business Units
- ▣ Virtual Organization
- ▣ The Boundary less Organization

1. Departmentation by Function

- In this type, similar occupational specialties are grouped together under functional system units of finance, manufacturing, marketing, accounts, research etc.

Departmentation by Function

Advantages

1. Logical reflection of functions
2. Maintains power and prestige of major functions
3. Follows principle of occupational specialization
4. Simplifies training
5. Furnishes means of tight control at top

Disadvantages

1. De-emphasizes overall company objectives
2. Overspecializes and narrows view points of key personnel
3. Reduces coordination between functions
4. Responsibility for profits is at the top only
5. Slow adaptation to changes in the environment
6. Limits development of general managers

2. Departmentation by Product

- This form assembles different activities of an organisation in accordance with different product types that it manufactures.
- This form of departmentation enables organisations to focus on different products simultaneously which sell a large number of products simultaneously.
- Eg: Cosmetics, Clothing etc

Departmentation by Product

Advantages

1. Places attention and effort on product line
2. Facilitates use of specialized capital, facilities, skills and knowledge
3. Permits growth and diversity of products and services, Improves coordination and functional activities
4. Places responsibility for profits at the division level
5. Furnishes measurable training ground for general managers

Disadvantages

1. Requires more persons with general manager abilities
2. Tends to make maintenance of economical central services difficult
3. Presents increased problems of top management control

3. Departmentation by Geographical Regions

- In this form, different jobs are grouped on the basis of territory.
- South Asia, Europe, North America etc.

Departmentation by Geographical Regions

Advantages

1. Places responsibility at lower level
2. Places emphasis on local markets and problems
3. Improves coordination in a region
4. Takes advantage of economies of local operations
5. Better face-to-face communication with local interests
6. Furnishes measurable training ground for general managers

Disadvantages

1. Requires more persons with general manager abilities
2. Tends to make maintenance of economical central services difficult and may require services such as personnel or purchasing at the regional level
3. Makes control more difficult for top management

4. Departmentation by Process

- Activities are grouped on the basis of different steps involved in the process of manufacturing.
- Eg. Bottling, capping, labeling, filling etc.

5. Departmentation by Customer Group

- Some organisations serve different market segments by offering different types of products.
- These markets or customers can be served effectively with different channels.
- This forms of departmentation groups jobs on the basis of a common set of needs or problems of specific customers

Departmentation by Customer Group

Advantages

1. Encourages focus on customer needs
2. Gives customers the feeling that they have an understanding supplier
3. Develops expertise in customer area

Disadvantages

1. May be difficult to coordinate operations between competing customer demands
2. Requires managers and staff expert in customer's problems
3. Customer group may not be clearly defined

6.Matrix Organization

Advantages

1. Oriented towards end results
2. Professional identification is maintained
3. Pinpoints product-profit responsibility

Disadvantages

1. Conflict in organization authority exists
2. Possibility of disunity of command
3. Requires manager effective in human relations

7. Strategic Business Unit (SBU)

- SBUs are distinct business units within a large company.
- They are treated as separate business as they have adequate size and mission.
- A manager is appointed to head an SBU and made fully accountable for its profitability and operations.
- The main advantage here is that SBUs can be provided with specific focus and their heads can manage them with entrepreneurial zeal.

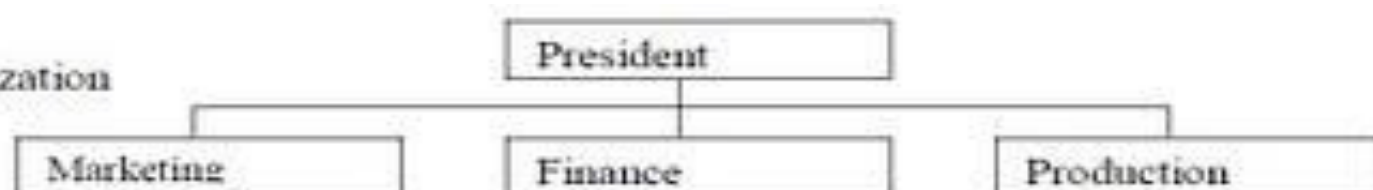
8.Virtual Organization

- This comprises of a group of independent people or organisations that come together to execute a project and then disperse.
- This is made possible by telecommuting and customer organisation linkages.

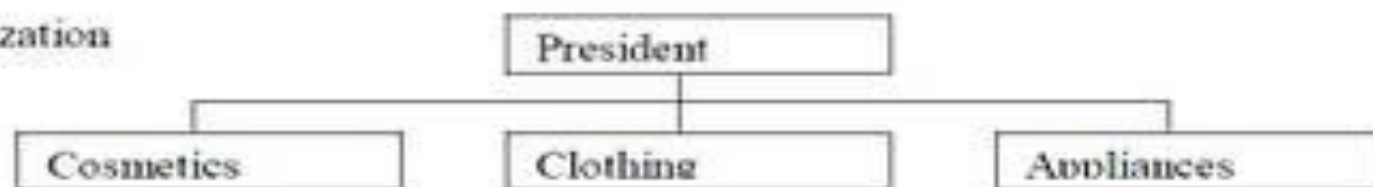
The Boundary less Organization

- It has been mentioned by former CEO of General Electric.
- Open,, anti-parochial environment, friendly towards seeking and sharing new ideas, regardless of their origin.
- Remove barriers between departments
- Integration model

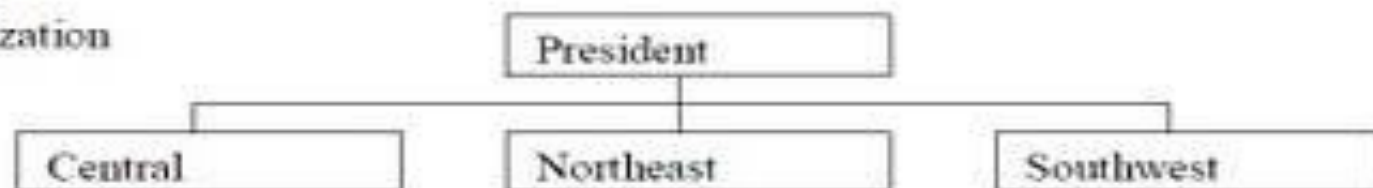
Functional
Departmentalization



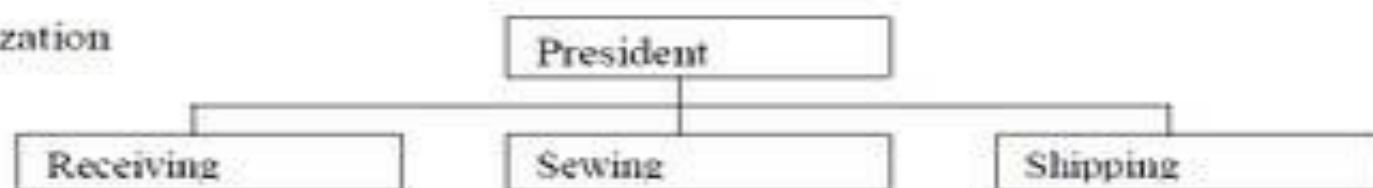
Product
Departmentalization



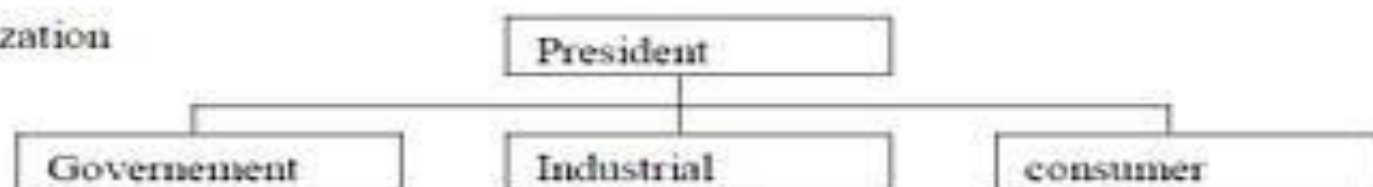
Geographical
Departmentalization



Process
Departmentalization



Customer
Departmentalization



Merits of Line and Staff Organization

- **Relief to line of executives-** *The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.*
- **Expert advice-** *The line and staff organization facilitates expert advice to the line executive at the time of need.*
- **Benefit of Specialization-** *Every officer or official can concentrate in its own area.*
- **Better co-ordination-** *Helps in bringing co-ordination in work as every official is concentrating in their own area.*
- **Benefits of Research and Development-** *This is possible due to the presence of staff specialists.*
- **Training-** *Due to the presence of staff specialists and their expert advice serves as ground for training to line officials.*
- **Balanced decisions-** *This relationship automatically ends up the line official to take better and balanced decision.*
- **Unity of action-** *Unity of action is a result of unified control. serves as effective control in the whole enterprise.*

Demerits of Line and Staff Organization

- **Lack of understanding-** In a line and staff organization, there are two authorities flowing at one time. This results in the confusion between the two
- **Lack of sound advice-** At times the staff specialist may give wrong decisions which the line executive has to consider. This can affect the efficient running of the enterprise.
- **Line and staff conflicts-** This leads to minimizing of co-ordination which hampers a concern's working.
- **Costly-** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist.
- **Assumption of authority-** The power of concern is with the line official but the staff dislikes it as they are the one more in mental work.
- **Staff steals the show-** In a line and staff concern, the higher returns are considered to be a product of staff advice and counseling

Span of control

Organization Levels & span of control

- *Organization levels or hierarchy and span of control*
 - *The relationships between the span of management is associated with few organization levels, narrow span, with many levels.*
- *Span of control or span of management or span supervision*
 - *The number of subordinates reporting to a given manager also called span of control or span of management.*

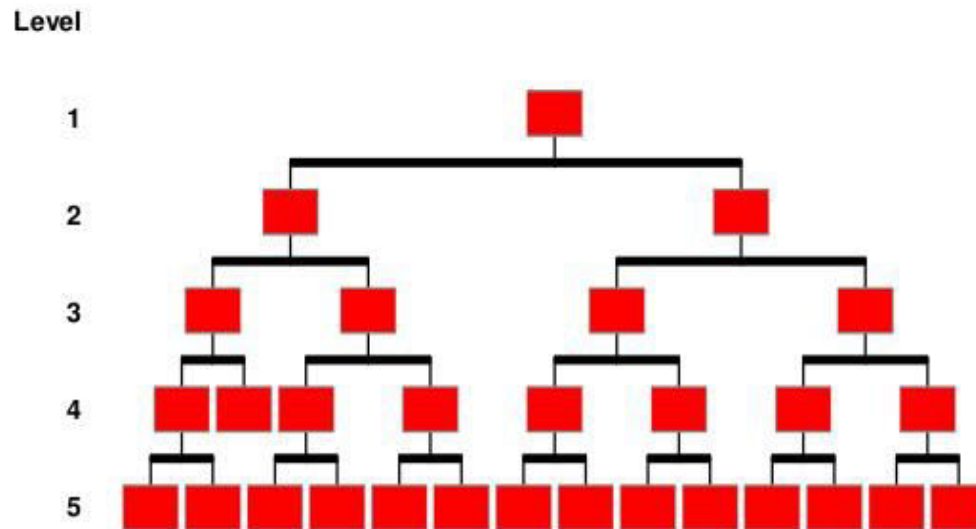
Factors effecting Span of Management

- *Capacity of superior.*
- *Capacity of subordinate.*
- *Nature of work.*
- *Degree of decentralization.*
- *Degree of planning.*
- *Communication technique.*
- *Use of staff assistance.*
- *Supervision from others.*

Narrow span of management

A single manager or supervisor oversees few subordinates. This gives rise to tall organizational structure.

Narrow Span of Management :-
Tall organization structure



Narrow span of management

Advantages

- *Within tall organisational structure there is a close supervisory control because of the low span of managers.*
- *It is more authorised structure.*
- *In a tall structure the responsible person is other accountable to the higher authority.*
- *This structure enhances the control of the top regulation over the organization.*

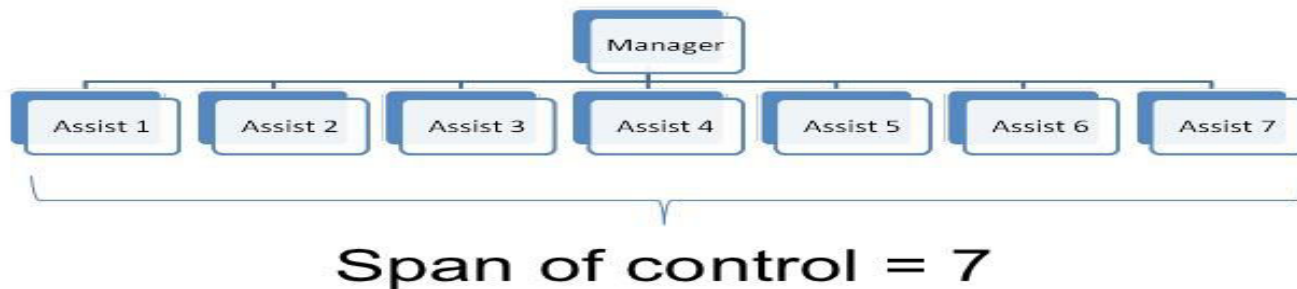
Disadvantages

- *Employees are less motivated within this structure.*
- *Verdict making is slow.*
- *Tall structure creates communication barriers between the upper and lower management.*
- *Less benefit and rewards are given to the body in the tall organisation.*

Wide span of management

This means a single manager or supervisor oversees a large number of subordinates. This gives rise to flat organizational structure.

Wide Span of Control



Wide span of management

Advantages

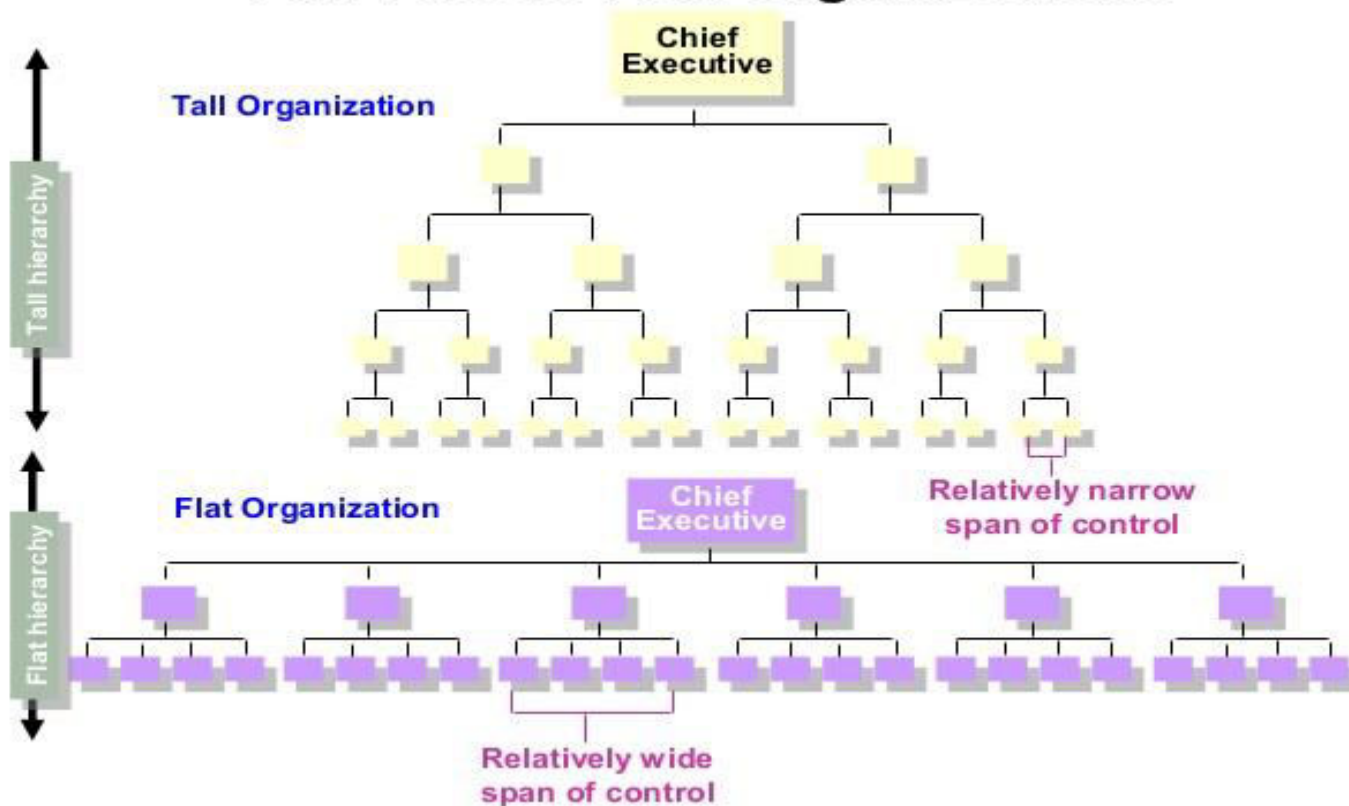
- *Flat organization is less costly.*
- *Quick decision and action can be taken.*
- *Communication will be fast and clear*
- *Subordinates are free from close and strict supervision and control.*
- *Superior may not be too dominating because of large number of subordinates.*

Disadvantages

- *There are chances for weaker controls over subordinates because of many are under one manager.*
- *The discipline in the organisation may not be under control*
- *The relation between the superior and subordinate may not be healthy*
- *Close and informal relation may not be possible.*
- *Organization may not be in a position to maintain quality and performance*

Tall span Vs wide span

Tall versus Flat Organizations



DECISION MAKING

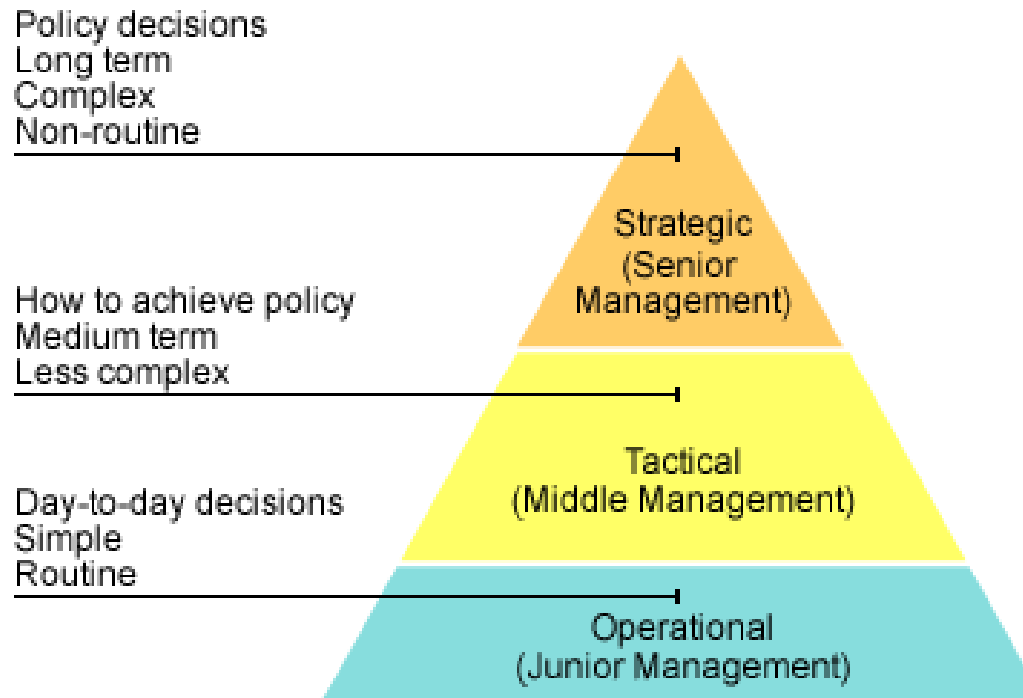
Decision-Making Process

“Decision Making is the process of making choices by setting goals, gathering information, and assessing alternative occupations.”

- ***Step 1: Identify the problem.***
- ***Step 2: Gather relevant information.***
- ***Step 3: Identify alternatives.***
- ***Step 4: Weigh evidence.***
- ***Step 5: Choose among alternatives.***
- ***Step 6: Take action.***
- ***Step 7: Review decision and consequences.***

Types of Decisions

- *Strategic decisions*
- *Tactical decisions*
- *Operational decisions*



Types of Decisions

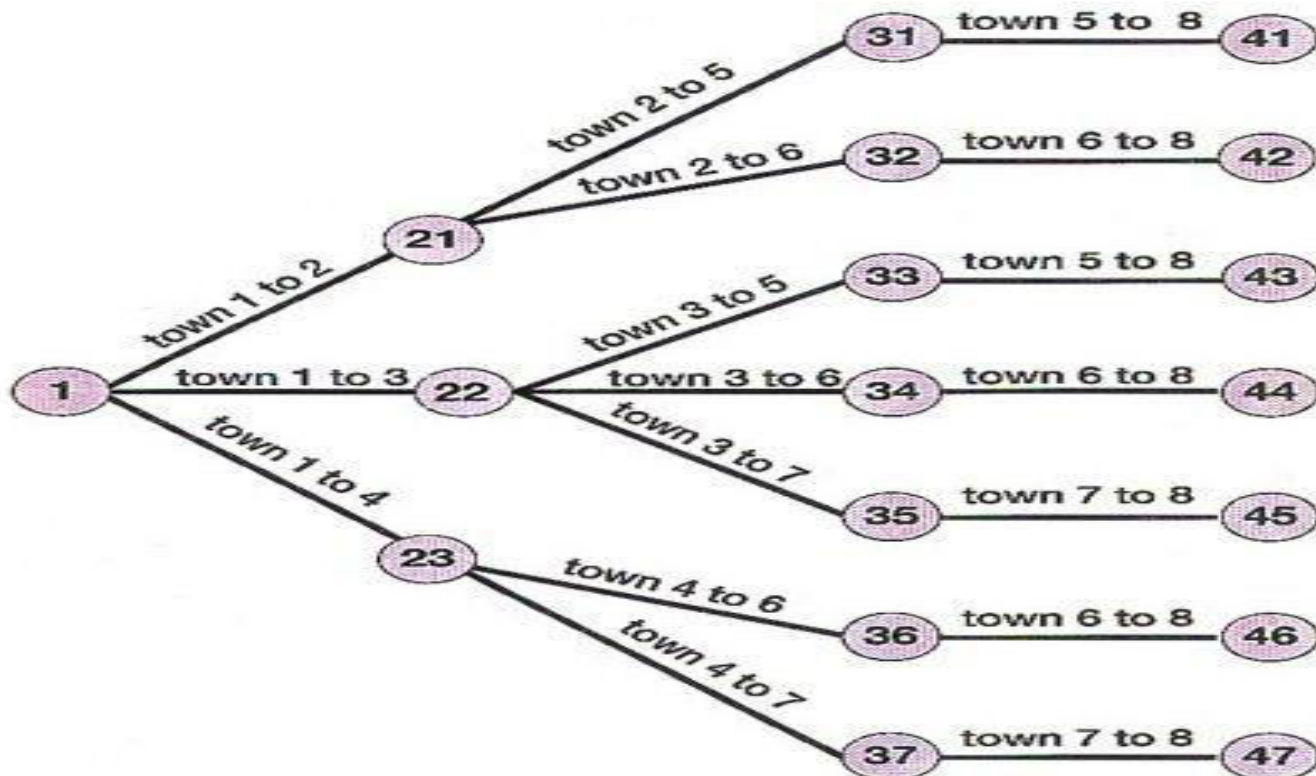
- *Strategic decisions are long term, complex decisions made by senior management. These decisions will affect the entire direction of the firm. An example may be to become the market leader in their field.*
- *Tactical decisions are medium term, less complex decisions made by middle managers. They follow on from strategic decisions and aim to meet the objectives stated in any strategic decision.*
- *Operational decisions are day to day decisions made by junior managers that are simple and routine. This could involve the regular ordering of supplies or the creation of a staff rotation.*

Decision Making Under Certainty, Uncertainty and Risk

- ***Taking Decisions under Certainty***
 - *If the outcomes are known and the values of the outcomes are certain, the task of the decision maker is to compute the optimal alternative or outcome with some optimization criterion in mind.*
- ***Taking Decisions under Risk***
 - *The making of decisions under risk is done only when the probabilities of various outcomes are known, is similar to certainty.*
- ***Taking Decisions under Uncertainty***
 - *Decisions under uncertainty (outcomes known but not the probabilities) must be handled differently because, without probabilities, the optimization criteria cannot be applied.*

Multistage Decisions & Decision Trees

‘One of the best ways to analyze a decision is to use so-called decision trees. Decision trees depict, in the form of a tree, the decision points, chance events, and probabilities involved in various courses that might be undertaken.’



Programmed & Non-Programmed Decisions

Programmed Decision

Programmed decisions are those that are traditionally made using standard operating procedures or other well-defined methods.

Features

- *Programmed decisions made using standard operating procedures.*
- *Deals with frequently occurring situations.*
- *In programmed decisions managers make a real decision only once and program itself specifies procedures to follow when similar circumstances arise.*
- *Leads to the formulation of rules, procedures, and policies.*

Programmed & Non-Programmed Decisions

Non-Programmed Decision

“Non-programmed decisions are unique. They are often ill-structured, one-shot decisions. Traditionally they have been handled by techniques such as judgment, intuition, and creativity”

Features

- *Situations for Non-programmed decisions are unique, ill-structured.*
- *Non-programmed decisions are one-shot decisions.*
- *Handled by techniques such as judgment, intuition, and creativity.*
- *A logical approach to deal with extraordinary, unexpected, and unique problems.*
- *Managers take heuristic problem-solving approaches in which logic; common sense and trial and error are used.*

Programmed Decision

Used for frequent situations of organization; both internal and external.

Mostly Lower level managers are making these decisions.

Follows structured and non-creative patterns.

Non-Programmed Decision

Used for unique and ill-structured situations of organization; both internal and external.

Mostly Upper-level managers are making these decisions.

Takes an outside of the box unstructured, logical and creative approach.

Decision making – a rational process

Development of Alternatives

The importance & Limitations of Rational Decision Making

- **No one can take decisions effecting the past.** Decisions must be for future and the future involves uncertainties.
- **It is difficult to recognize all the alternatives** that might be followed to reach a goal.
- **Limited or Bounded Rationality.** There may be limitations of information, time, certainty limit ...etc. is satisfactory under the circumstances.
- **Development of Alternatives and Limiting Factor.** The ability to develop alternatives is as important as being able to select the best course of action among them.
- **Principle of Limiting Factor:** The principle of limiting factor states that by recognizing and overcoming those factors that stand critically in the way of goal, the best alternative can be selected

Evaluation of Alternatives

- *Once appropriate alternatives are found the next step is to evaluate them to select the best course of action.*
 - Quantitative & Qualitative factors: *Quantitative factors are those which can be measured in numerical terms.*
 - Marginal Analysis: *Marginal analysis is required to compare the additional revenue and the additional cost arising from increasing output.*
 - Cost-Effectiveness Analysis: *It seeks the best ratio of benefit and cost.*

Selecting an Alternative

There are three basic approaches

- Experience: Experience is a good teacher. Experienced managers usually believe, without realizing it, that the things they have successfully accomplished and the mistakes they have made serve as infallible guides to the future.*
- Experimentation: It is often used in scientific enquiry. It is most expensive technique because here we try any one of the alternative and see what is happening.*
- Research and Analysis: It is one of the most effective techniques for selecting from alternatives when major decisions are involved. It is the pencil-and-paper approach to decision making.*
- E.g. Architects make blue-prints or 3D models of buildings for analysis.*

Thank You