PHRi Functional Area 02
HR Administration and Shared Services

Professional in Human Resources – International (PHRi)

International Human Resource Certification Institute

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Professional in Human Resources – International (PHRi) Workbook

Module Two: HR Administration and Shared Services

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Introduction

As a purchaser of the **PHRi** certification workbook serials, you have access to the www.ihrci.org learning system. The system contains Glossary that provides a search box and a description of the key terms in HR. Also, the system consists of over 900 practice exam questions and answers with explanations in our database including pre-test, review-test, and post-test:

Pre-test: It contains the same percentage of questions from each content area. Participants can take a pre-test of that module to access their conceptual understanding of that specific area of the **PHRi** Body of Knowledge. When the pre-test is completed, an overall correct percentage is provided along with the number and percentage of questions answered correctly. The answers with explanations to individual questions are also provided. Our system allows users to save the results of the pre-test so that they can improve upon that later.

Review-test: Every review test contains questions with explanations which help to understand the concepts of that particular knowledge area for each section of the study workbook. Once you successfully finish reviewing for one section text in the workbook; you naturally get access to the next section. Every new section helps construct on the earlier concepts learnt in the previous knowledge areas. Please do step-wise study for all the knowledge areas.

Post-test: Once you complete with all the knowledge areas, have a post-test through the full length simulated practice tests under the same testing conditions as the actual exams. With **170** questions covered during the **3.25** hours test. These tests are designed to help you get the feel of the final **PHRi** Exam, with similar format and question types. Practice till you are near to 80% correct answers in the post-test. This helped you in understanding areas where you have improved since the last test as well as list down topics for which you needed more revision.

Access to the learning system is valid for twelve (12) months from the date of purchase to cover two test windows. Each practice for the pre-test, review-test, and post-test may be taken as many times as you would like within the 12 months. Access to these practice exams is for your individual use; your account is not to be shared with others. Your use of the online practice exams signifies your acknowledgment of an agreement to these terms.

This workbook is not a textbook. These materials include workbooks and practice exams are intended for use as an aid to preparation for the **PHRi** Certification Exam conducted by the HR Certification Institute. By using all of the preparation materials, you will be well-versed in the **six** key functional areas that make up the HR Certification Institute **PHRi** body of knowledge. Studying these materials does not guarantee, however, that you will pass the exam. These workbooks are not to be considered legal or professional advice.

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Part One: HR and Organization

1. Organization

A business organization is an individual or group of people that collaborate to achieve certain commercial goals. Some business organizations are formed to earn income for owners. Other business organizations, called nonprofits (Non-profit Organization, NPO), are formed for public purposes. These businesses often raise money and utilize other resources to provide or support public programs.

Structure is not simply an organization chart. Structure is all the people, positions, procedures, processes, culture, technology and related elements that comprise the organization. It defines how all the pieces, parts and processes work together (or don't in some cases). This structure must be totally aligned with strategy for the organization to achieve its mission and goals. Structure supports strategy.

If an organization changes its strategy, it must change its structure to support the new strategy. When it doesn't, the structure acts like a bungee cord and pulls the organization back to its old strategy. Strategy follows structure. What the organization does defines the strategy. Changing strategy means changing what everyone in the organization does.

When an organization changes its structure and not its strategy, the strategy will change to fit the new structure. Strategy follows structure. Suddenly management realizes the organization's strategy has shifted in an undesirable way. It appears to have done it on its own. In reality, an organization's structure is a powerful force. You can't direct it to do something for any length of time unless the structure is capable of supporting that strategy.

Global organizations in the 21st century must compete with a much wider array of companies than their domestic counterparts do, and have therefore evolved several strategies to become as efficient and cost-effective as possible. The choice of organizational structure reflects where decisions are made, how work gets completed, and ultimately how quickly and cheaply the firm's products can be made. Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management.

1.1. Span of Control

Span of control (span of management or span of authority) is an upper limit to the number of subordinates who can be effectively supervised by one person. Beyond a certain number of subordinates, the effectiveness and efficiency of supervision decreases.

Flat organizational structures have relatively few levels from top to bottom. Thus, they have wide spans of control. Flat structures provide fast information flow from top to bottom of the organization and increased employee satisfaction. **Tall organizational structures** have many levels between top and bottom. Hence, they have relatively narrow spans of control. Tall structures are faster and more effective at problem resolution than flat structures because of increased frequency of interaction between superior and subordinate and the greater order imposed by the hierarchical structure.

1.2. Chain of Command

The delegation of authority creates a chain of command, the formal channel that defines the lines of authority from the top to the bottom of an organization. Chain of command specifies a clear reporting relationship for each person in the organization and should be followed in both downward and upward communication.

Centralization is the retention of decision-making authority by a high-level manager. Centralization concerns the concentration of authority in an organization and the degree and levels at which it occurs. Decentralization is the process of distributing authority throughout an organization. In a decentralized organization, an organization member has the right to make a decision without obtaining approval from a higher-level manager. Decentralization in the same way as delegation, that is, as a good way to improve motivation and morale of lower-level employees. Neither centralization nor decentralization is good or bad in itself. The degree to which either is stressed depends upon the requirements of a given situation.

- Decisions cannot be decentralized to those who do not have necessary information, e.g., knowledge of job objectives or measures for evaluation of job performance.
- Decisions cannot be decentralized to people who do not have the training, experience, knowledge, or ability to make them.
- Decisions requiring a quick response should be decentralized to those near the action.
- Decentralization should not occur below the organizational level at which coordination must be maintained (e.g., each supervisor on an assembly line cannot be allowed to decide the reporting time for employees).
- Decisions that are of critical importance to the survival of the organization should not be decentralized.
- Decentralization has a positive influence on morale.

1.3. Bureaucracy

Bureaucracy is a term applied by German sociologist Max Weber (writing in the 1900s) to a type of organizational hierarchy characterized by clear rules, sharply defined lines of authority, and a high degree of specialization. It represents authority and responsibility within the organization.

Authority is the right or power assigned to a job holder in order to achieve certain organizational objectives. It indicates the right and power of making decisions, giving orders and instructions to subordinates. Authority is delegated from above but must be accepted from below i.e. by the subordinates.

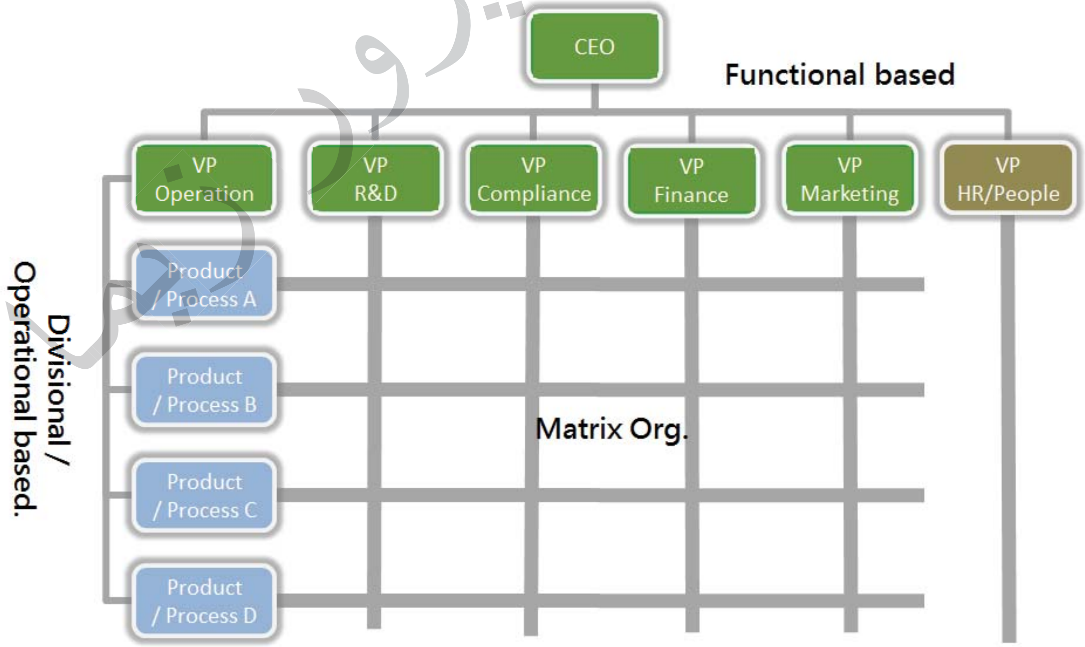
Responsibility indicates the duty assigned to a position. The person holding the position has to perform the duty assigned. It is his responsibility. The term responsibility is often referred to as an obligation to perform a particular task assigned to a subordinate. In an organization, responsibility is the duty as per the guidelines issued.

Accountability is the liability created for the use of authority. Accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility.

Responsibility may be bestowed, but accountability must be taken. In other words, responsibility can be given or received, even assumed, but that doesn't automatically guarantee that personal accountability will be taken. Which means that it's possible to bear responsibility for something or someone but still lack accountability.

1.4. Type of Structures

Developing an organizational structure involves defining the framework around which the business operates and provides guidance to all employees by laying out the official reporting relationships that govern the workflow of the company. It is therefore important for every organization to have a well-structured organization chart indicative of how an organization functions, how it is managed, how information flows and is processed within an organization, and how flexible or responsive the organization is.


CEO
Functional based
VP Operation
VP R&D
VP Compliance
VP Finance
VP Marketing
VP HR/People
Product / Process A
Product / Process B
Product / Process C
Product / Process D
Matrix Org.
Divisional / Operational based.

Source: Daft, R.L. (2012). Organization Theory and Design. Cengage Learning.

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1.4.1. Functional Structure

Functional structure is set up so that each portion of the organization is grouped according to its purpose. In this type of organization, for example, there may be a marketing department, a sales department and a production department. The functional structure works very well for small businesses in which each department can rely on the talent and knowledge of its workers and support itself. However, one of the drawbacks to a functional structure is that the coordination and communication between departments can be restricted by the organizational boundaries of having the various departments working separately.

1.4.2. Divisional Structure

Divisional structure typically is used in larger companies that operate in a wide geographic area or that have separate smaller organizations within the umbrella group to cover different types of products or market areas. For example, the now-defunct Tecumseh Products Company was organized divisionally--with a small engine division, a compressor division, a parts division and divisions for each geographic area to handle specific needs. The benefit of this structure is that needs can be met more rapidly and more specifically; however, communication is inhibited because employees in different divisions are not working together. Divisional structure is costly because of its size and scope. Small businesses can use a divisional structure on a smaller scale, having different offices in different parts of the city, for example, or assigning different sales teams to handle different geographic areas.

1.4.3. Process Structure

The process structure divides up the organization around processes, such as research, manufacturing and sales. Unlike a purely functional structure, a process-based organization considers how the different processes relate to each other and the customer. The sales process doesn't begin until the manufacturing process produces something to sell; manufacturing, in turn, waits on research and development to create the product. Process-based structures are geared to satisfying the customer -- the end result of all the processes -- but they only work if managers understand how the different processes interact.

1.4.4. Matrix Structure

The third main type of organizational structure, called the matrix structure, is a hybrid of divisional and functional structure. Typically used in large multinational companies, the matrix structure allows for the benefits of functional and divisional structures to exist in one organization. This can create power struggles because most areas of the company will have a dual management--a functional manager and a product or divisional manager working at the same level and covering some of the same managerial territory.

A matrix structure is a blend of functional and project based organizations that maximize the strength of each structure. There are three types of matrix organizations:

weak, strong and balanced. Weak organizations are characterized by projects that have part-time members, limited control over authority, budget and decisions and multiple lines of responsibility. Strong matrices have dedicated resources, internal control of budget, and moderate levels of control over assets, resources and decision making authority. Balanced matrix organizations represent shared leadership between functional managers and project managers.

In this structure, decision making is decentralized and an employee participating in a project may have two bosses: one from the product side and one from the geographic side. The matrix structure requires a great deal of communication and coordination among managers because lines of authority are not always clear.

1.5. Organizational Charts

An organizational chart is the most common visual depiction of how an organization is structured. It outlines the roles, responsibilities and relationships between individuals within an organization. An organizational chart can be used to depict the structure of an organization as a whole, or broken down by department or unit.

Organizational charts can be used to represent the organizational structure diagram showing reporting relationships a graphic representation of how authority and responsibility is distributed within a company; includes all work processes of the company.

1.6. Levels of Management

In organizations, there are generally three different levels of managers: first-level managers, middle-level managers, and top-level managers. These levels of managers are classified in a hierarchy of importance and authority, and are also arranged by the different types of management tasks that each role does. In many organizations, the number of managers in every level resembles a pyramid, in which the first-level has many more managers than middle-level and top-level managers, respectively. Each management level is explained below in specifications of their different responsibilities and likely job titles.

1.6.1. Top-level managers

Typically consist of board of directors, president, vice-president, chief executive officers, etc. These individuals are mainly responsible for controlling and overseeing all the departments in the organization. They develop goals, strategic plans, and policies for the company, as well as make many decisions on the direction of the business. In addition, top-level managers play a significant role in the mobilization of outside resources and are for the most part responsible for the shareholders and general public.

1.6.2. Middle-level managers

These personnel typically consist of general managers, branch managers, department managers. These individuals are mainly responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. Their roles can be emphasized as executing plans of the organization in conformance with the company's policies and the objectives of the top management, they define and discuss information and policies from top management to lower management, and most importantly they inspire and provide guidance to lower level managers towards better performance. Some of their functions are as follows:

- Designing and implementing effective group and intergroup work and information systems.
- Defining and monitoring group-level performance indicators.
- Diagnosing and resolving problems within and among work groups.
- Designing and implementing reward systems that support cooperative behaviors.

1.6.3. First-level managers

Typically consist of supervisors, section officers, foreman, etc. These individuals focus more on the controlling and direction of management functions. For instance, they assign tasks and jobs to employees, guide and supervise employees on day-to-day activities, look after the quantity and quality of the production of the company, make recommendations, suggestions, and communicate employee problems to the higher level above, etc. In this level, managers are the "image builders" of the company considering they are the only ones who have direct contact with employees.

- Basic supervision
- Motivation
- Career planning
- Performance feedback

2. Group Dynamic

In organizations, most work is done within groups. A group can be defined as several individuals who come together to accomplish a particular task or goal. In organizations, you may encounter different types of groups. **Informal work groups** are made up of two or more individuals who are associated with one another in ways not prescribed by the formal organization. For example, a few people in the company who get together to play tennis on the weekend would be considered an informal group. A **formal work group** is made up of managers, subordinates, or both with close associations among group members that influence the behavior of individuals in the group.

Forming a group takes time, and members often go through recognizable stages as they change from being collections of strangers to united groups with common goals. American organizational psychologist Bruce Tuckman first came up with the memorable phrase

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