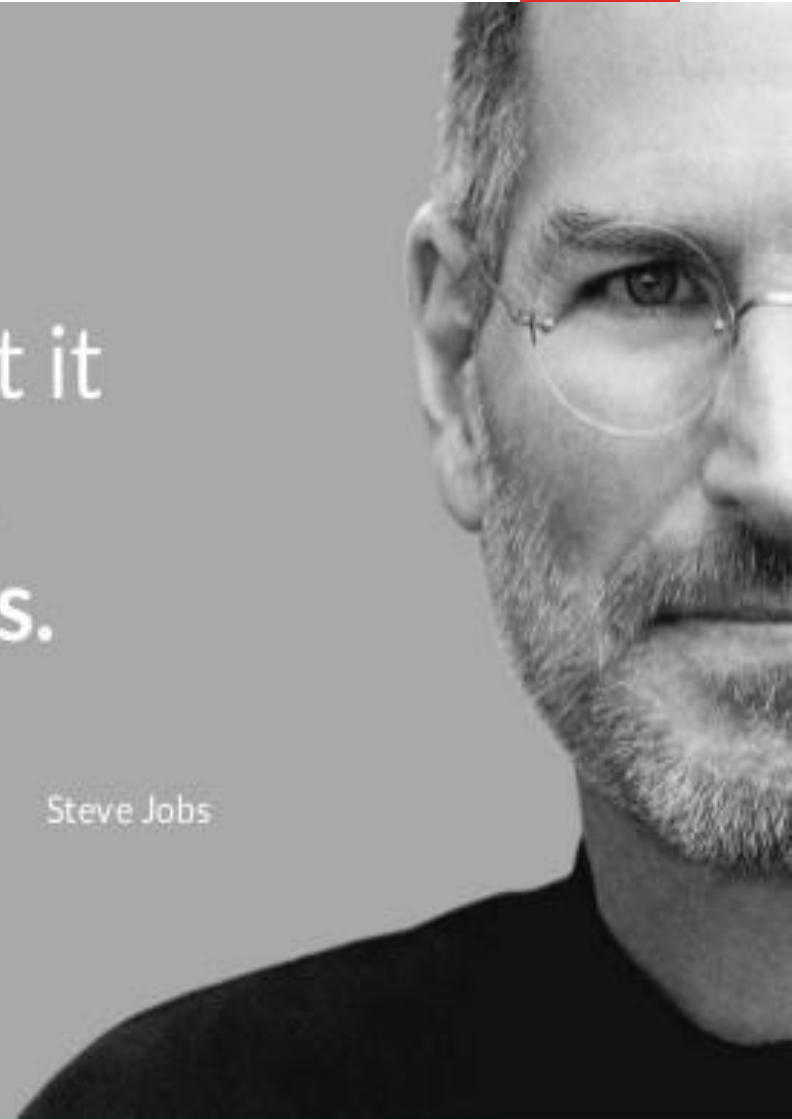


# Organising

Design is not just what it  
looks like or feels like.  
**Design is how it works.**

Steve Jobs



# Learning Outcomes

After studying this chapter, you will be able to:

- Discuss the traditional and contemporary views of work specialization, chain of command, and span of control.
- Describe each of the five forms of departmentalization.
- Explain cross-functional teams.
- Differentiate, authority, responsibility, and unity of command.
- Tell what factors influence the amount of centralization and decentralization.
- Explain how formalization is used in organizational design.
- Contrast mechanistic and organic organizations.
- Explain how environmental uncertainty affects organizational design.
- Contrast the three traditional organizational designs.
- Explain team, matrix, and project structures.
- Describe the design of virtual and network organizations.



# Organising as a management function

## Organising

- The process of arranging people and other resources to work together to accomplish a goal.
- Involves creating a division of labour for task performance and coordinating results to achieve a common purpose.
- Involve decisions about work specialisation, departmentalisation, chain of command, span of control, centralisation and decentralisation and formalisation.

Given a clear mission, core values, objectives and strategy, organising begins the process of **implementation** by clarifying jobs and working relationships.

# Purposes of Organising

- Divides work to be done into specific jobs and departments.
- Assigns tasks and responsibilities associated with individual jobs.
- Coordinates diverse organizational tasks.
- Clusters jobs into units.
- Establishes relationships among individuals, groups, and departments.
- Establishes formal lines of authority.
- Allocates and deploys organizational resources.

# Organizational Structure

## Organizational Structure

The formal arrangement of jobs within an organization.

## Organizational Design

A process involving decisions about six key elements:

- Work specialization
- Departmentalization
- Chain of command
- Span of control
- Centralization and decentralization
- Formalization

# Organizational Structure

## Work Specialization

- The degree to which tasks in the organization are divided into separate jobs with each step completed by a different person.
- Overspecialization can result in human diseconomies from boredom, fatigue, stress, poor quality, increased absenteeism, and higher turnover.

# Departmentalization

## Departmentalisation

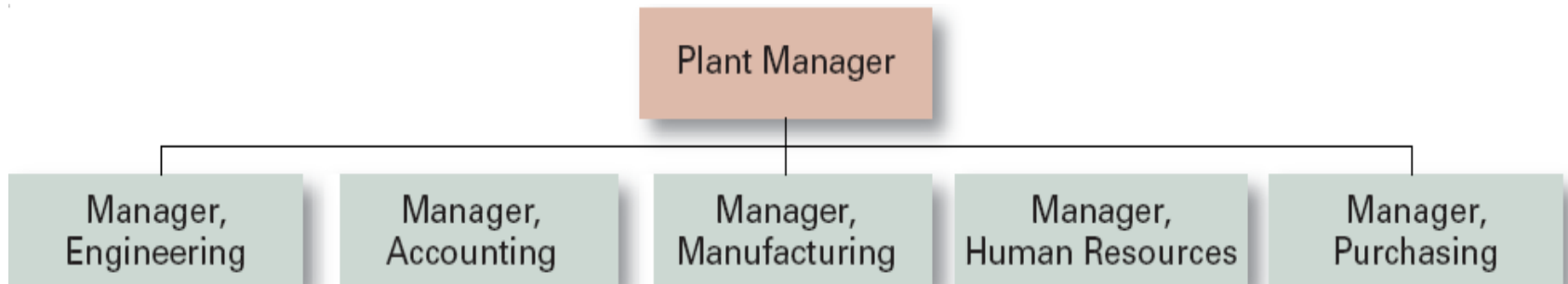
The grouping of work positions into formal teams or departments which are linked in a coordinated fashion within the larger organisation.

The three major types of organisation structure are:

- Functional structure
- Divisional structure
- Matrix structure



# Functional Departmentalization



- **Advantages**

- Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations
- Coordination within functional area
- In-depth specialization

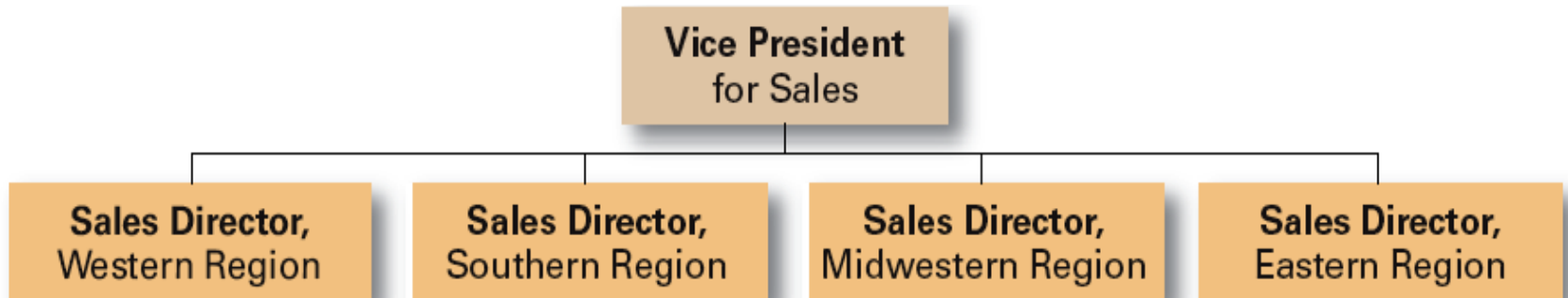
- **Disadvantages**

- Poor communication across functional areas
- Limited view of organizational goals

# Departmentalization

- A **divisional structure** groups together people working on the same product, in the same area, with similar customers, or involved in the same processes.
- The major types of divisional approaches are the product, geographical, customer and process structures.
- Divisional structures are common in complex organisations.

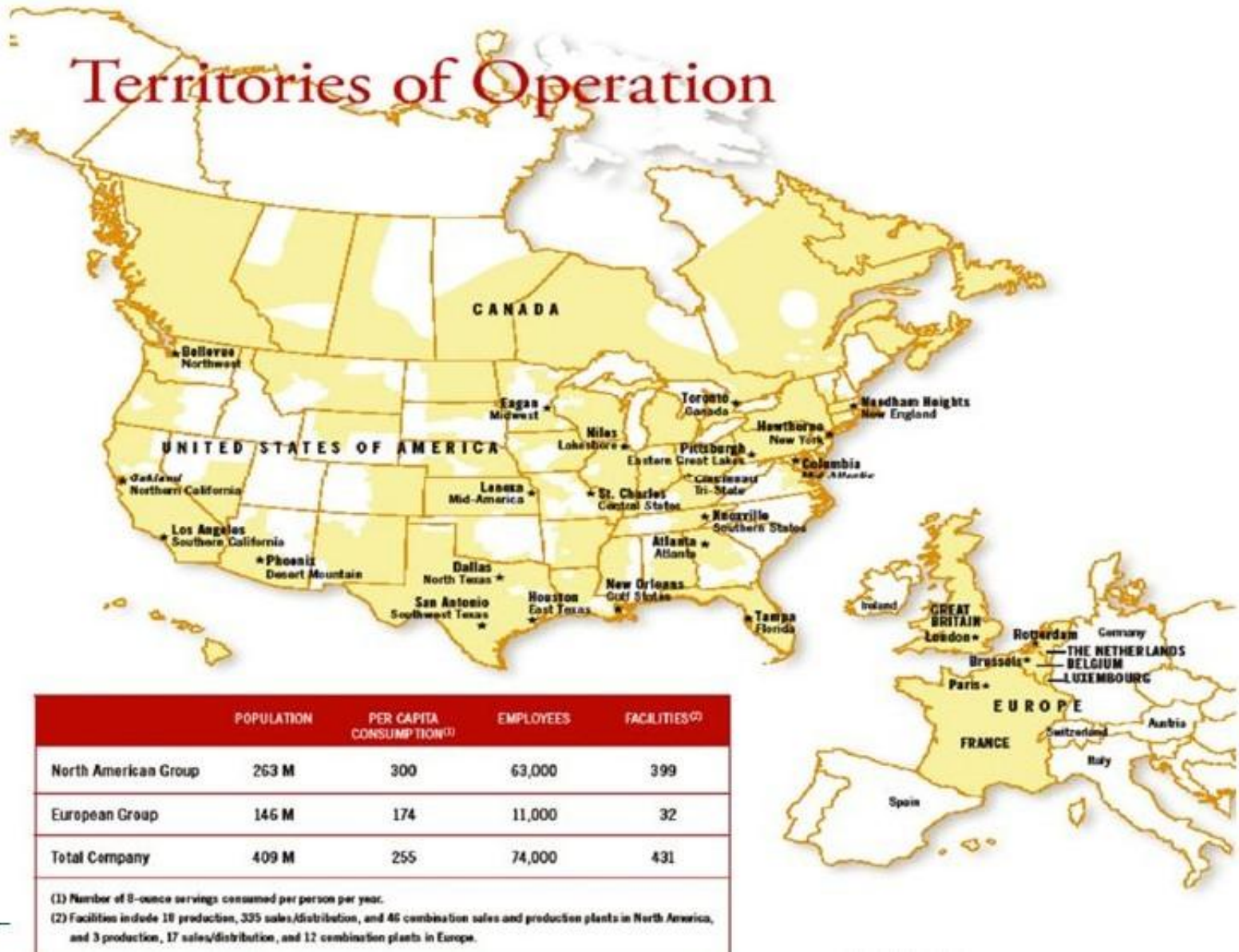
# Geographical Departmentalization



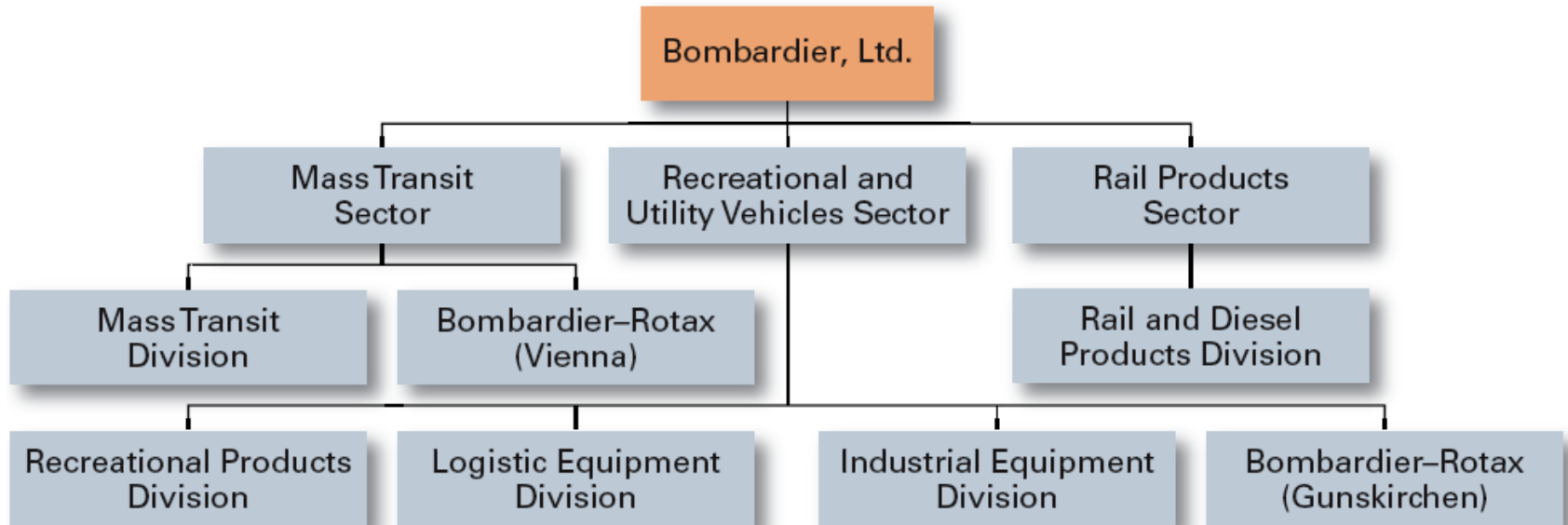
- **Advantages**
  - More effective and efficient handling of specific regional issues that arise
  - Serve needs of unique geographic markets better
- **Disadvantages**
  - Duplication of functions
  - Can feel isolated from other organizational areas

# Geographical Departmentalization

## Coca-Cola Enterprises Territories of Operation



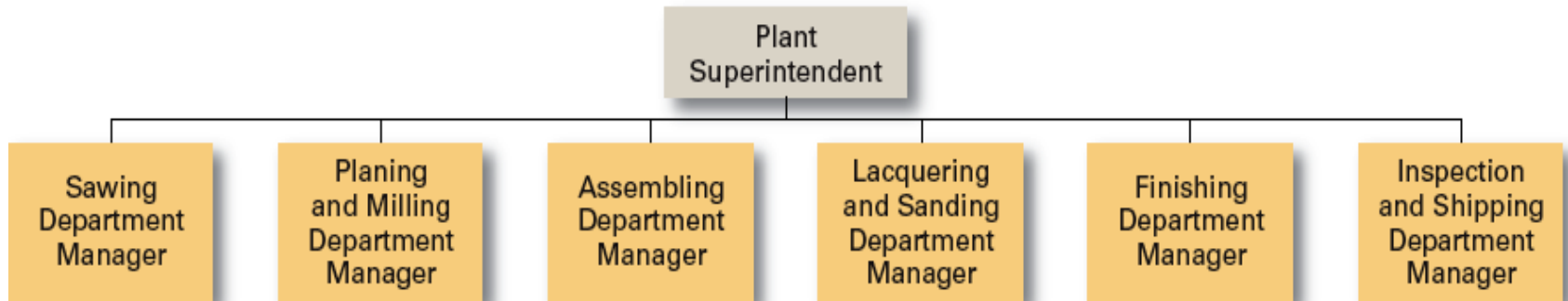
# Product Departmentalization



- + Allows specialization in particular products and services
- + Managers can become experts in their industry
- + Closer to customers
- Duplication of functions
- Limited view of organizational goals

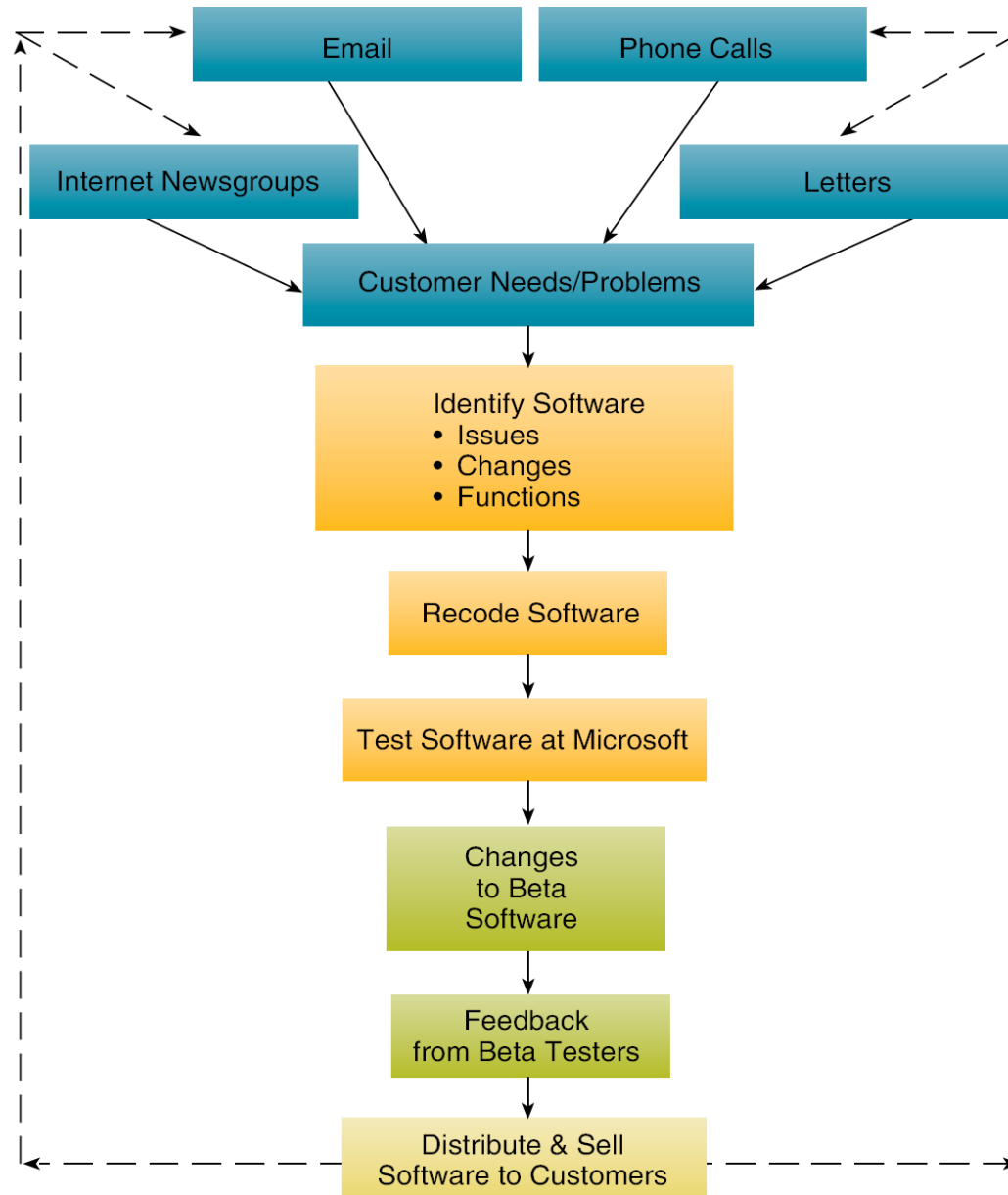


# Process Departmentalization

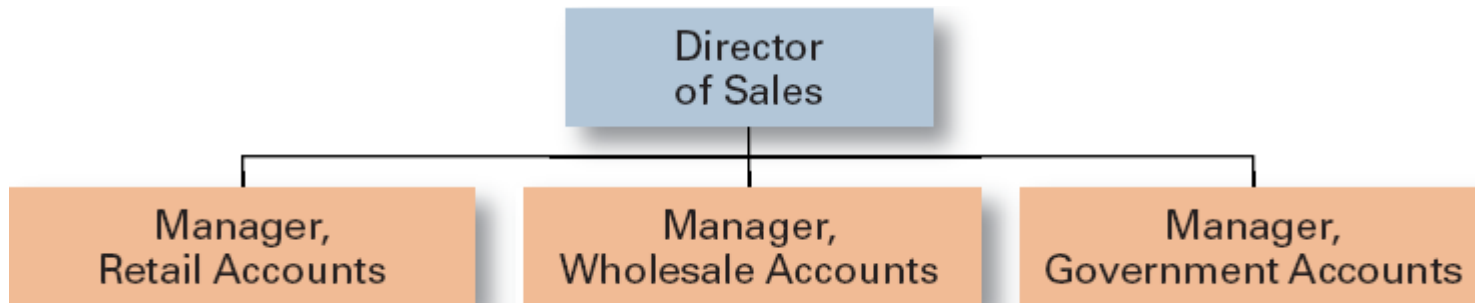


- + More efficient flow of work activities
- Can only be used with certain types of products

# Process View of Microsoft's Organization



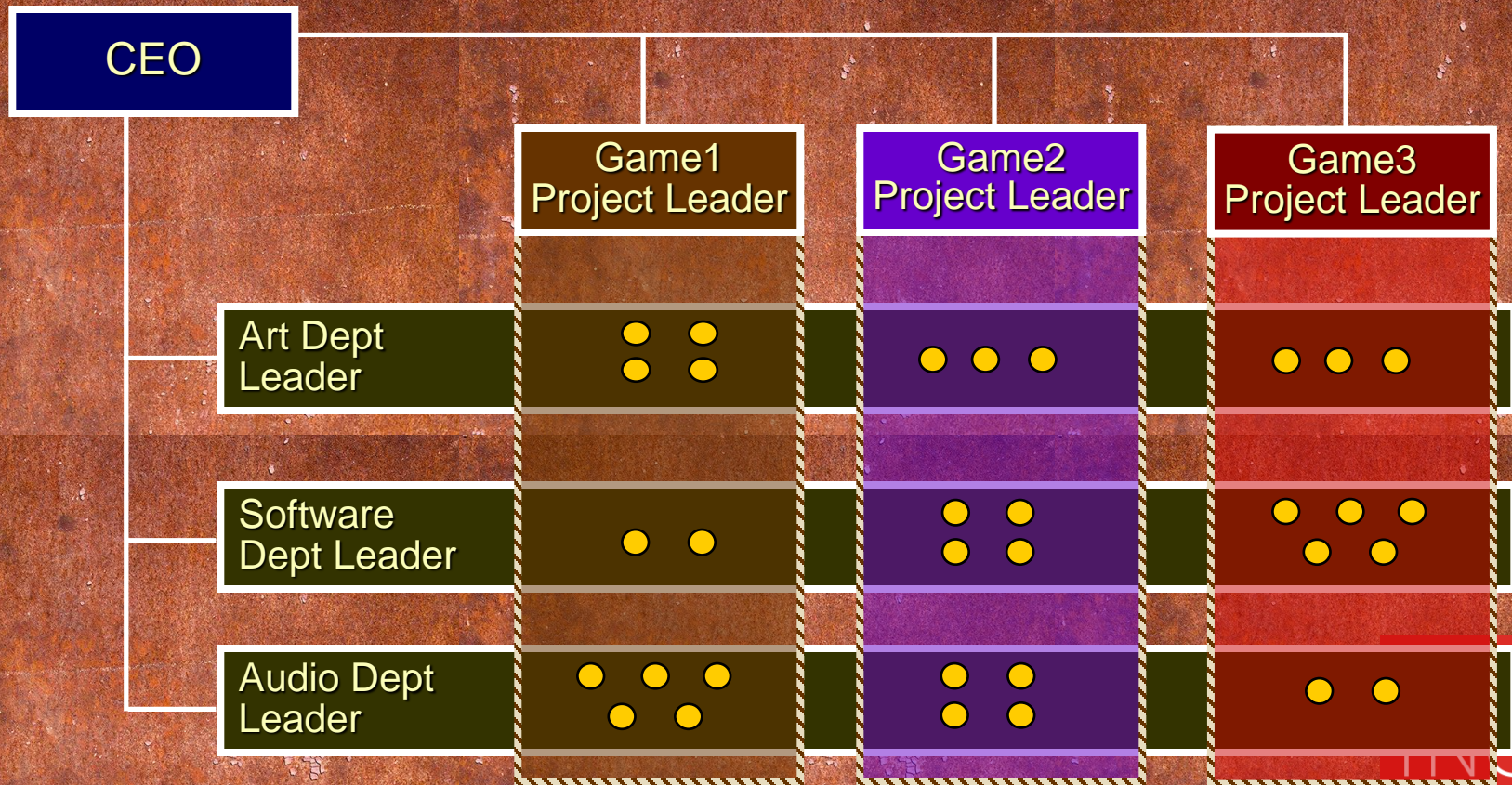
# Customer Departmentalization



- + Customers' needs and problems can be met by specialists
- Duplication of functions
- Limited view of organizational goals

# Matrix Structure (Project-based)

Employees (●) are temporarily assigned to a specific project team and have a permanent functional unit





# Organizational Structure (Cont'd)

## Chain of Command

The continuous line of authority that extends from upper levels of an organization to the lowest levels of the organization and clarifies who reports to who.

## Authority

The rights inherent in a managerial position to tell people what to do and to expect them to do it.

## Responsibility

The obligation or expectation to perform.

## Unity of Command

The concept that a person should have one boss and should report only to that person.



# Organizational Structure (Cont'd)

## Span of Control

- The number of employees who can be effectively and efficiently supervised by a manager.
- Width of span is affected by:
  - Skills and abilities of the manager
  - Employee characteristics
  - Characteristics of the work being done
  - Similarity of tasks
  - Complexity of tasks
  - Physical proximity of subordinates
  - Standardization of tasks

# Centralization and Decentralization

## Centralization

Formal decision making authority is held by a few people, usually at the top

Decision making authority is dispersed throughout the organization

## Decentralization

# Centralization and Decentralization

**TABLE 12.2** Factors that influence the amount of centralisation and decentralisation



## MORE CENTRALISATION

- Environment is stable.
- Lower-level managers are not as capable or experienced at making decisions as upper-level managers.
- Lower-level managers do not want to have a say in decisions.
- Decisions are significant.
- Organisation is facing a crisis or the risk of company failure.
- Company is large.
- Effective implementation of company strategies depends on managers retaining a say over what happens.

## MORE DECENTRALISATION

- Environment is complex, uncertain.
- Lower-level managers are capable and experienced at making decisions.
- Lower-level managers want a voice in decisions.
- Decisions are relatively minor.
- Corporate culture is open to allowing managers to have a say in what happens.
- Company is geographically dispersed.
- Effective implementation of company strategies depends on managers having involvement and the flexibility to make decisions.

# Organizational Structure (Cont'd)

## Formalization

The degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.

- Highly formalized jobs offer little discretion over what is to be done.
- Low formalization means fewer constraints on how employees do their work.

# Mechanistic versus Organic Organization

## Mechanistic

- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

## Organic

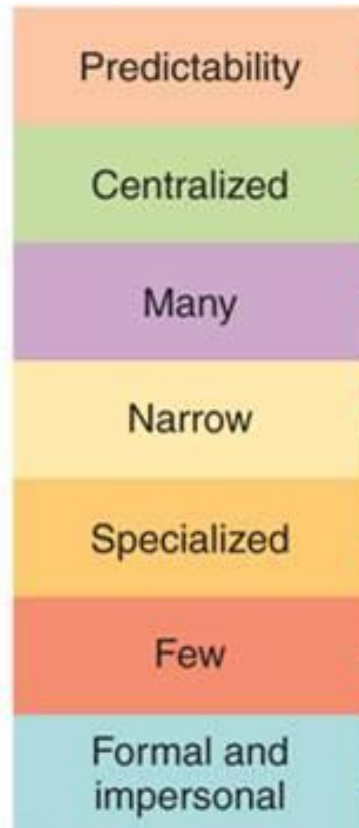
- Cross-functional teams
- Cross-hierarchical teams
- Free flow of information
- Wide spans of control
- Decentralization
- Low formalization



# Mechanistic versus Organic Organization

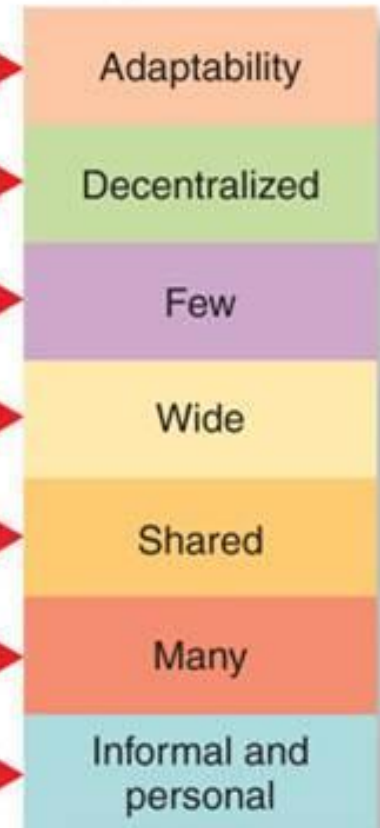
## MECHANISTIC DESIGNS

Bureaucratic  
organizations



## ORGANIC DESIGNS

Adaptive  
organizations



Goal

Authority

Rules and procedures

Spans of control

Tasks

Teams and task forces

Coordination

Adaptability

Decentralized

Few

Wide

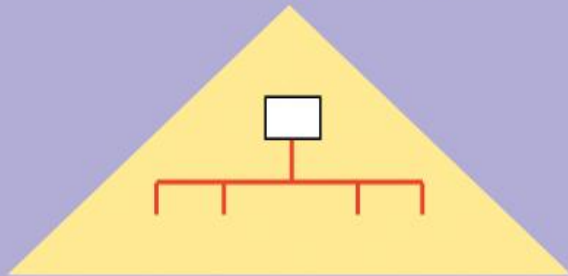
Shared

Many

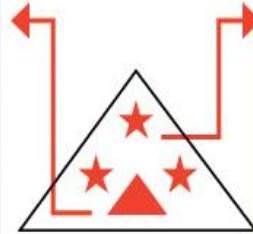
Informal and  
personal

# Mechanistic versus Organic Organization

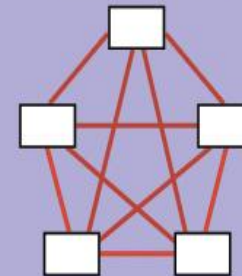
## Mechanistic Designs



- Work efforts centrally coordinated.
- Standard interactions in well-defined jobs.
- Limited information-processing capability.
- Best at simple and repetitive tasks.
- Good for production efficiency.



## Organic Designs



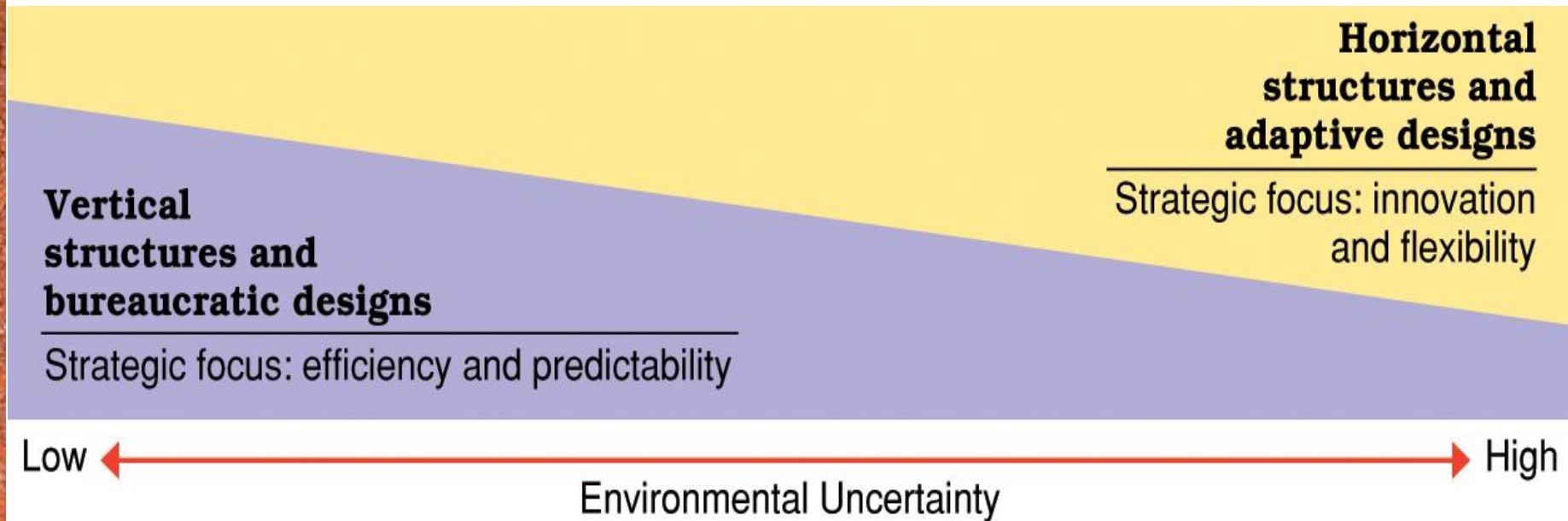
- Work efforts highly interdependent.
- Intense interactions in self-defined jobs.
- Expanded information-processing capability.
- More effective at complex and unique tasks.
- Good for innovation and creativity.

# Contingency Factors

**Structural decisions** are influenced by:

- **Overall strategy of the organization**  
Organizational structure follows strategy.
- **Size of the organization**  
Firms change from organic to mechanistic organizations as they grow in size.
- **Technology use by the organization**  
Firms adapt their structure to the technology they use.
- **Degree of environmental uncertainty**  
Dynamic environments require organic structures; mechanistic structures need stable environments.

# Environmental uncertainty and the performance of vertical and horizontal designs

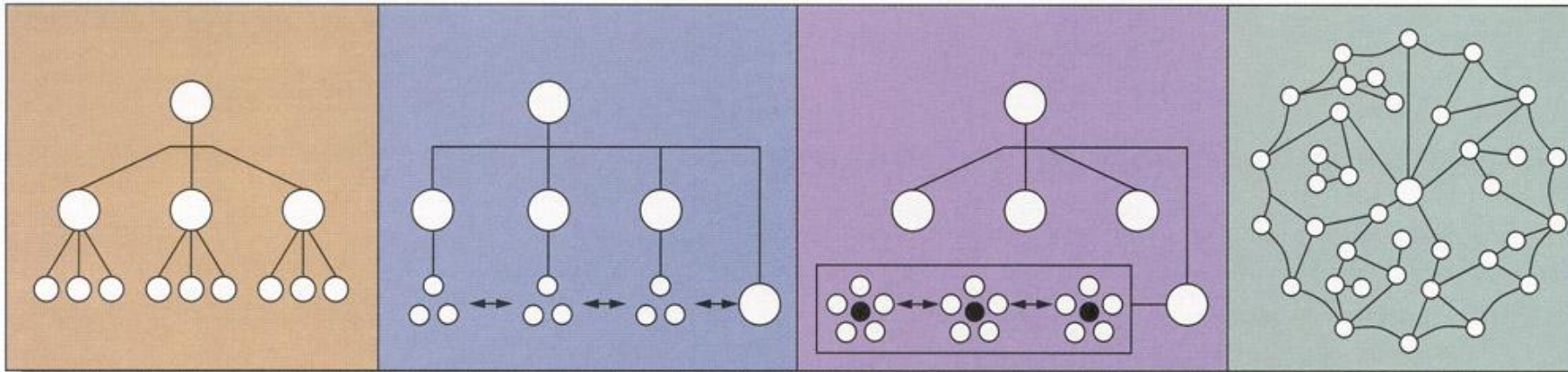


# Woodward's Findings on Technology, Structure, and Effectiveness

	Unit Production	Mass Production	Process Production
Structural characteristics	Low vertical differentiation Low horizontal differentiation Low formalization	Moderate vertical differentiation High horizontal differentiation High formalization	High vertical differentiation Low horizontal differentiation Low formalization
Most effective structure	Organic	Mechanistic	Organic



# Evolution of Organization Structures



# Contemporary structures

**TABLE 12.6** Contemporary organisational designs

## TEAM STRUCTURE

- **What it is:** A structure in which the entire organisation is made up of work groups or teams.
- **Advantages:** Employees are more involved and empowered. Reduced barriers among functional areas.
- **Disadvantages:** No clear chain of command. Pressure on teams to perform.

## MATRIX–PROJECT STRUCTURE

- **What it is:** Matrix is a structure that assigns specialists from different functional areas to work on projects but who return to their areas when the project is completed. Project is a structure in which employees continuously work on projects. As one project is completed, employees move on to the next project.
- **Advantages:** Fluid and flexible design that can respond to environmental changes. Faster decision making.
- **Disadvantages:** Complexity of assigning people to projects. Task and personality conflicts.

## BOUNDARYLESS STRUCTURE

- **What it is:** A structure that is not defined by or limited to artificial horizontal, vertical or external boundaries; includes virtual, networked and modular types of organisations.
- **Advantages:** Highly flexible and responsive. Draws on talent wherever it is found.
- **Disadvantages:** Lack of control. Communication difficulties.

## LEARNING ORGANISATION STRUCTURE

- **What it is:** A structure that supports an organisation's capacity to adapt and change continuously.
- **Advantages:** Employees are continuously sharing and applying knowledge. Ability to learn can be a source of sustainable competitive advantage.
- **Disadvantages:** Getting employees to share what they know can be difficult. Collaboration conflicts can arise.

# Organizing for Collaboration

## Internal Collaboration

### Cross-functional team

A work team composed of individuals from various functional specialties.

### Task force (or ad hoc committee)

A temporary committee or team formed to tackle a specific short-term problem affecting several departments.

### Communities of practice

Groups of people who share a concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in that area by interacting on an ongoing basis.

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# Benefits and Drawbacks of Collaborative Work

## Benefits

- Increased communication and coordination
- Greater innovative output
- Enhanced ability to address complex problems
- Sharing of information and best practices

## Drawbacks

- Potential interpersonal conflict
- Different views and competing goals
- Logistics of coordinating

# Making Communities of Practice Work

- Have top management support and set clear expectations.
- Create an environment that will attract people and make them want to return for advice, conversation, and knowledge sharing.
- Encourage regular meetings of the community, whether in person or online.
- Establish regular communication among community members.
- Focus on real problems and issues important to the organization.
- Have clear accountability and managerial oversight.



# Organizing for Collaboration

## External Collaboration

### Open innovation

Opening up the search for new ideas beyond the organization's boundaries and allowing innovations to easily transfer inward and outward.

### Strategic partnerships

Collaborative relationships between two or more organizations in which they combine their resources and capabilities for some business purpose.

# Benefits and Drawbacks of Open Innovation

## Benefits

- Gives customers what they want—a voice
- Allows organizations to respond to complex problems
- Nurtures internal and external relationships
- Brings focus back to marketplace
- Provides way to cope with rising costs and uncertainties of product development

## Drawbacks

- High demands of managing the process
- Extensive support needed
- Cultural challenges
- Greater need for flexibility
- Crucial changes required in how knowledge is controlled and shared

# Flexible Work Arrangements

## Telecommuting

A work arrangement in which employees work at home and are linked to the workplace by computer.

## Compressed workweek

A workweek where employees work longer hours per day but fewer days per week

## Flextime (or flexible work hours)

A scheduling system in which employees are required to work a specific number of hours a week but are free to vary those hours within certain limits.

## Job sharing

The practice of having two or more people split a full-time job.

# Contingent Workforce

## Contingent workers

Temporary, freelance, or contract workers whose employment is contingent upon demand for their services.



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thank you!