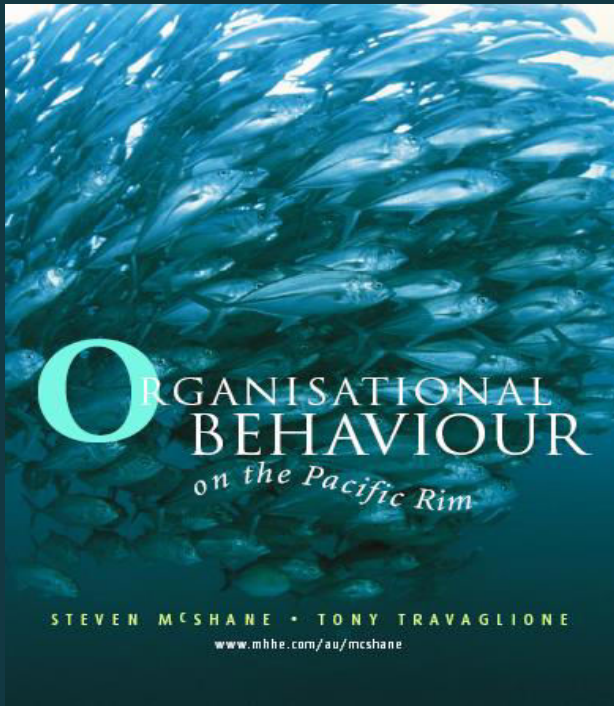


CHAPTER

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Organisational structure and design



Chapter learning objectives

1. Describe the two fundamental requirements of organisational structures.
2. Summarise the three main forms of coordination.
3. Explain why companies can have a wider span of control than previously believed.
4. Discuss the advantages and disadvantages of centralisation and formalisation.
5. Contrast functional structures and divisional structures.
6. Outline the features and advantages of the matrix structure.
7. Describe four features of team-based organisational structures.
8. Describe the network structure.
9. Summarise the contingencies of organisational design.
10. Explain how organisational strategy relates to organisational structure.

Tribal structure of Flight Centre

Flight Centre has a unique 'tribal' organisational structure that facilitates easy replication and fuels organic growth. The Brisbane-based travel agency is organised into families, villages and tribal countries.



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Division of labour

- ◆ Subdivision of work into separate jobs assigned to different people
- ◆ Potentially increases work efficiency
- ◆ Necessary as company grows and work becomes more complex



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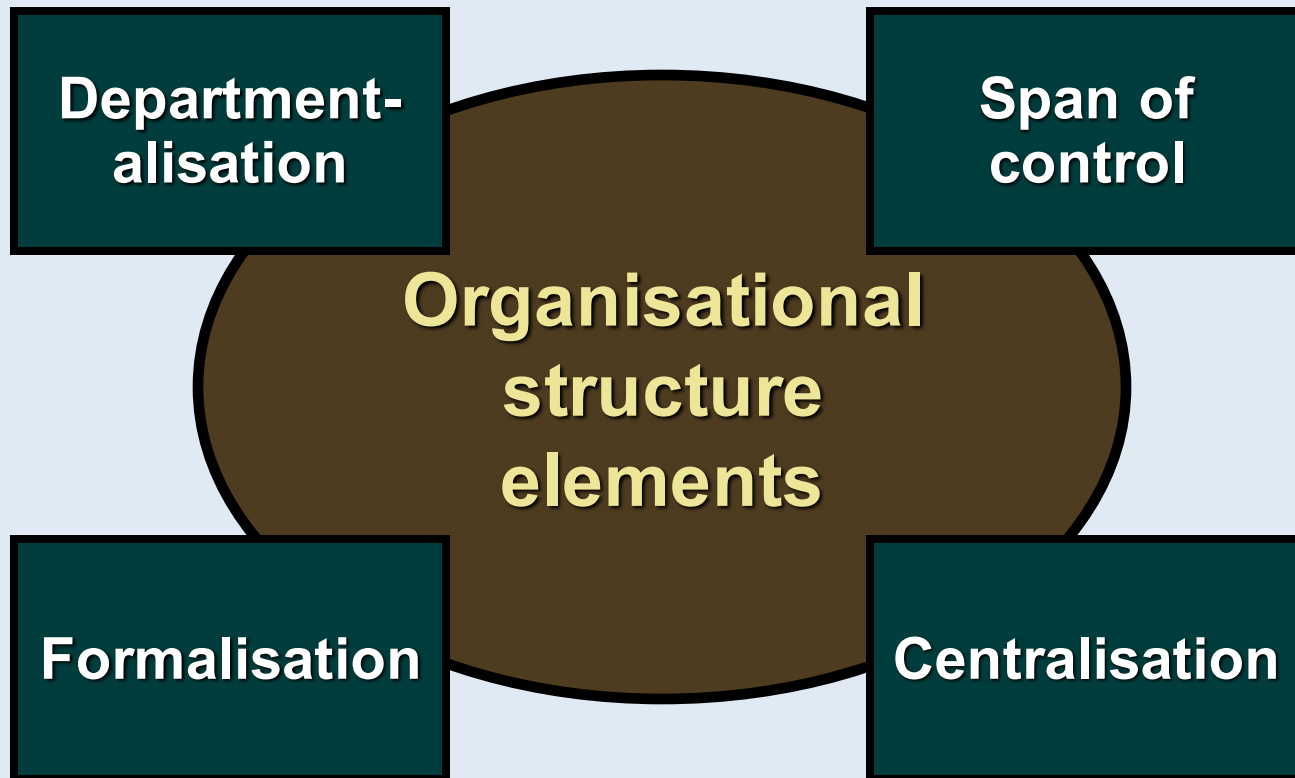
Forms of work coordination

- ♦ Informal communication
 - sharing information
 - high media-richness
 - important in teams
- ♦ Formal hierarchy
 - direct supervision
 - common in larger firms
 - problems – costly, slow, less popular with young staff
- ♦ Standardisation
 - formal instructions
 - clear goals/outputs
 - training/skills

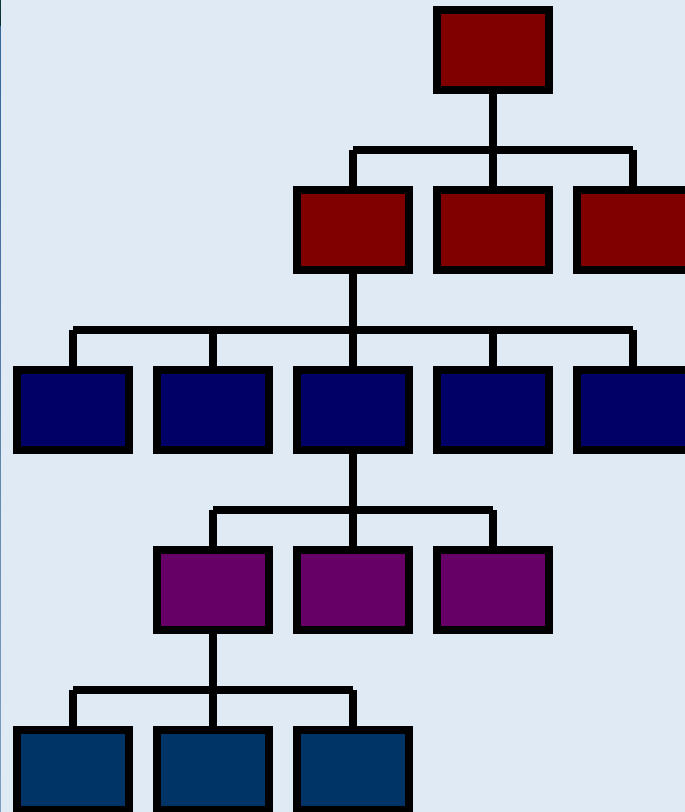


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Elements of organisational structure



Span of control



- ◆ Number of people directly reporting to the next level
- ◆ Assumes coordination through direct supervision
- ◆ Wider span of control possible when
 - used with other coordinating methods
 - subordinates' tasks are similar
 - tasks are routine
- ◆ Flatter structures require wider span (if same number of people in the firm)

The decentralisation of Coca-Cola

Coca-Cola decentralised its organisational structure by cutting half of the staff at its Atlanta headquarters and moving the regional chieftains closer to their local markets. In India, decision making has been moved further down to different areas of that diverse country.



© AFP/CORBIS

Forces for (de)centralisation



Centralisation

- Organisational crises
- Management desire for control
- Increase consistency, reduce costs

- Complexity – size, diversity
- Desire for empowerment

Decentralisation

Mechanistic vs organic structures

Mechanistic

- High formalisation
- Narrow span of control
- High centralisation

Organic

- Low formalisation
- Wide span of control
- Low centralisation

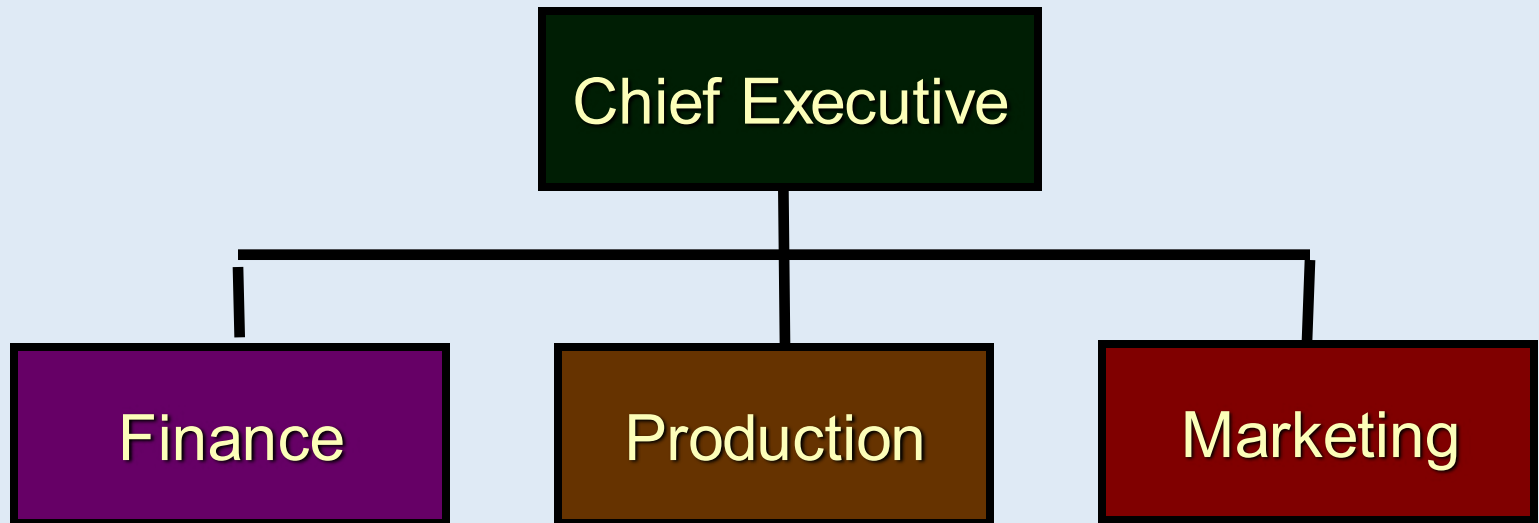


Effects of departmentalisation

- ◆ Establishes work teams and supervision structure
- ◆ Creates common resources, measures of performance, etc
- ◆ Encourages informal communication among people and subunits

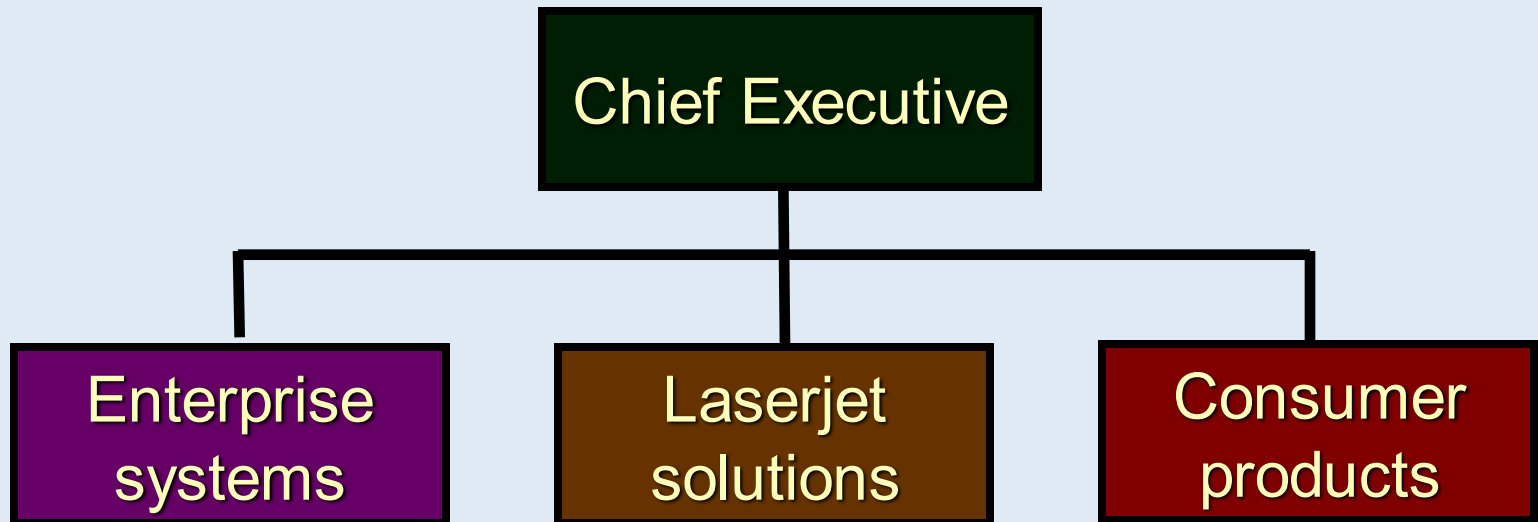
Functional organisational structure

Organises employees around skills or other resources (marketing, production)



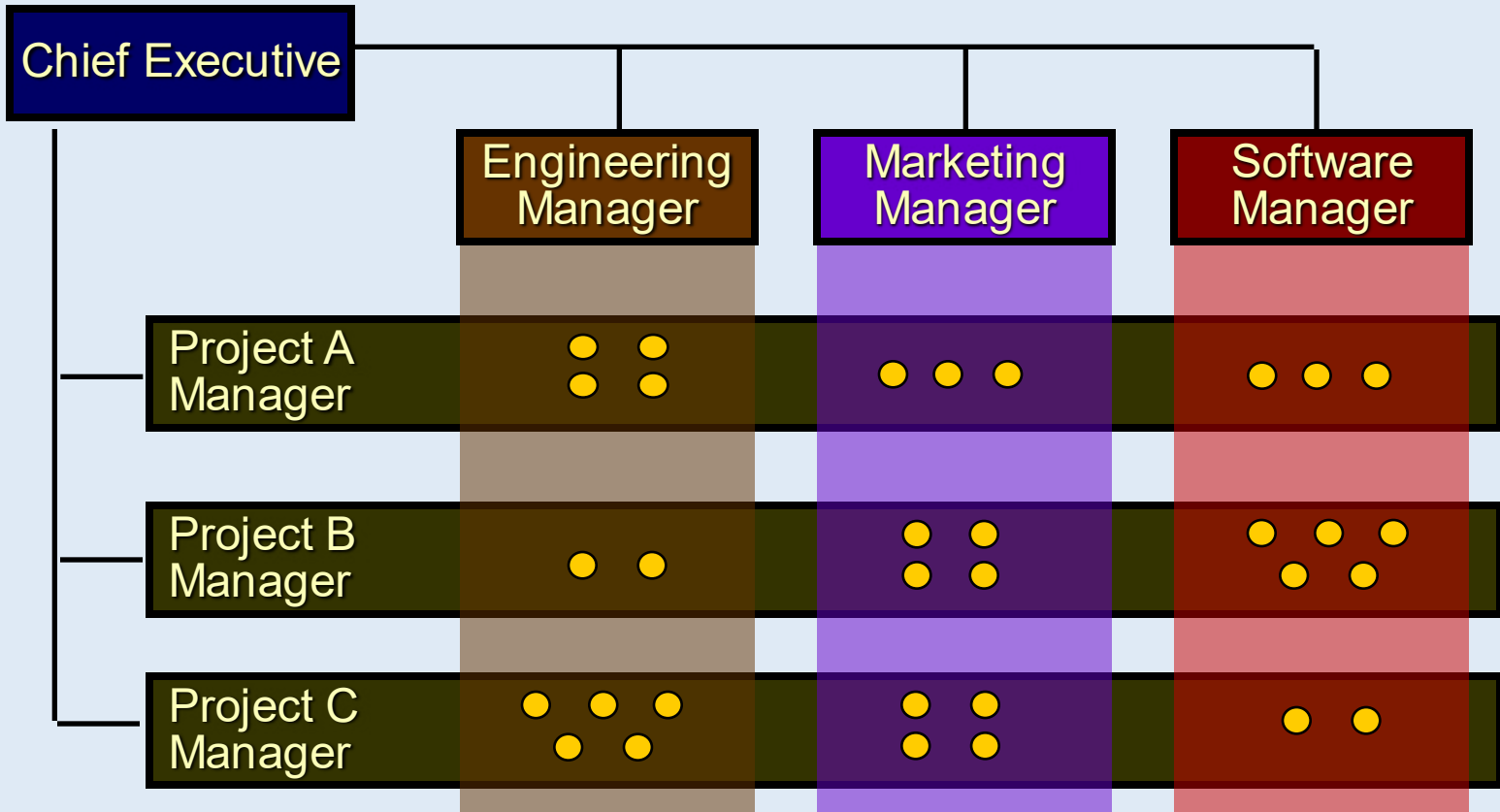
Divisionalised structure

Organises employees around geographic areas, products or clients



Project-based matrix structure

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

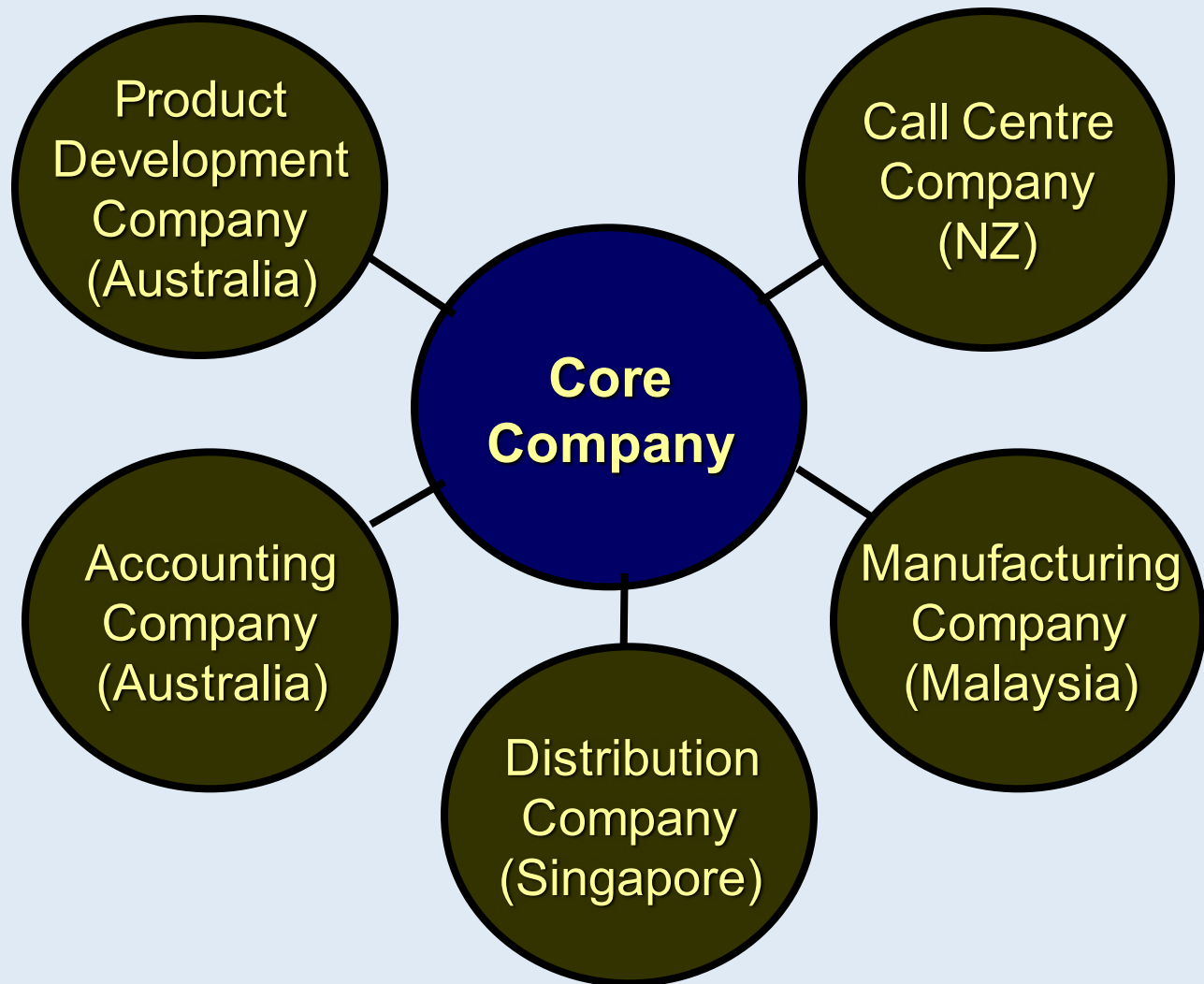




Features of team-based structures

- ♦ Self-directed work teams
- ♦ Teams organised around work processes
- ♦ Very flat span of control
- ♦ Very little formalisation
- ♦ Usually found within divisionalised structure

Network organisational structure



Types of organisational technology

**High
analysability**

**Assembly
line**

**Engineering
projects**

**Low
analysability**

**Skilled
trades**

**Scientific
research**

**Low
variety**

**High
variety**

Org environment and structure

Dynamic

- High rate of change
- Use organic structure

Stable

- Steady conditions, predictable change
- Use mechanistic structure

Complex

- Many elements (such as stakeholders)
- Decentralise

Simple

- Few environmental elements
- Less need to decentralise

Org environment and structure (cont)

Diverse

- Variety of products, clients, locations
- Divisional form aligned with the diversity

Integrated

- Single product, client, location
- Don't need divisional form

Hostile

- Competition and resource scarcity
- Use organic structure for responsiveness

Munificent

- Plenty of resources and product demand
- Less need for organic structure

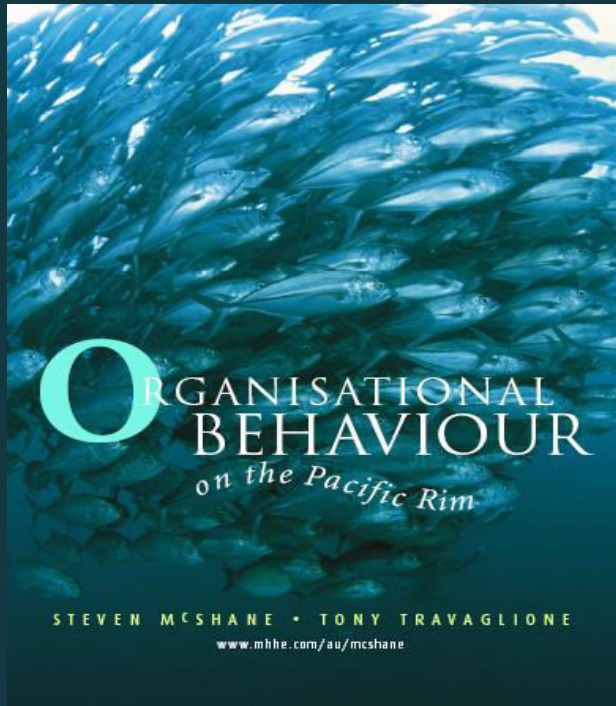


Overview of the next chapter

- ◆ Elements of organisational culture
- ◆ Importance of organisational subcultures
- ◆ Types of corporate culture artefacts
- ◆ Functions of organisational culture
- ◆ Organisational culture on business ethics
- ◆ Four strategies for merging organisational cultures
- ◆ How to strengthen an organisation's culture

CHAPTER

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Organisational structure and design