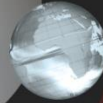


GLOBAL
EDITION



Management

THIRTEENTH EDITION

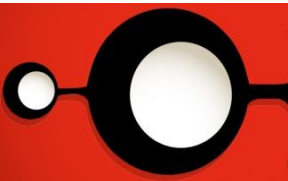
Stephen P. Robbins • Mary Coulter

DESIGNING ORGANIZATIONAL STRUCTURE— BASIC DESIGNS

10

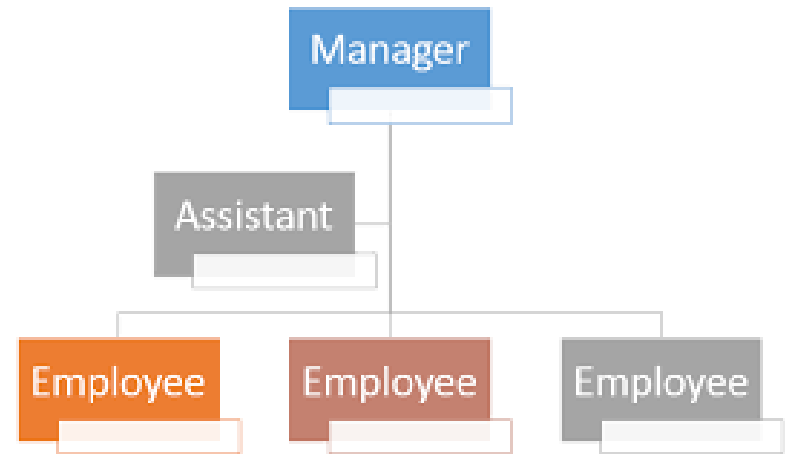
LEARNING OBJECTIVES

1. **Describe** six key elements in organizational design.
 - Know how to delegate work to others and develop your skill at delegating.
2. **Contrast** mechanistic and organic structures.
3. **Discuss** the contingency factors that favor either the mechanistic model or the organic model of organizational design.
4. **Describe** traditional organizational designs.



DESIGNING ORGANIZATIONAL STRUCTURE

- ▶ **Organizing** – arranging and structuring work to accomplish an organization's goals.
- ▶ **Organizational Structure** – the formal arrangement of jobs within an organization.



- ▶ **Organizational Chart** – the visual representation of an organization's structure.

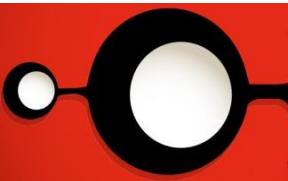
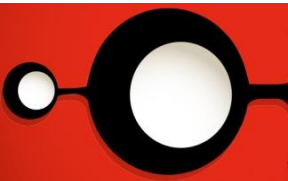


EXHIBIT 10-1

PURPOSES OF ORGANIZING

- 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.



DESIGNING ORGANIZATIONAL STRUCTURE

- ▶ **Organizational Design** – a process involving decisions about **six key elements**:

Work
specialization

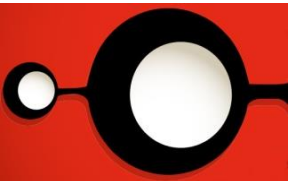
Depart-
mentalization

Chain of
command

Span of control

Centralization
and
decentralization

Formalization



ORGANIZATIONAL STRUCTURE

- ▶ **Work specialization** – dividing work activities into separate job tasks.
 - Early proponents of work specialization believed it could lead to great increases in productivity.
 - **Overspecialization** can result in human **diseconomies** such as boredom, fatigue, stress, poor quality, increased absenteeism, and higher turnover.

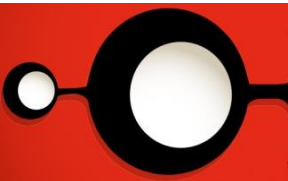
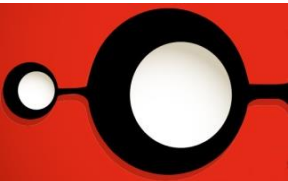
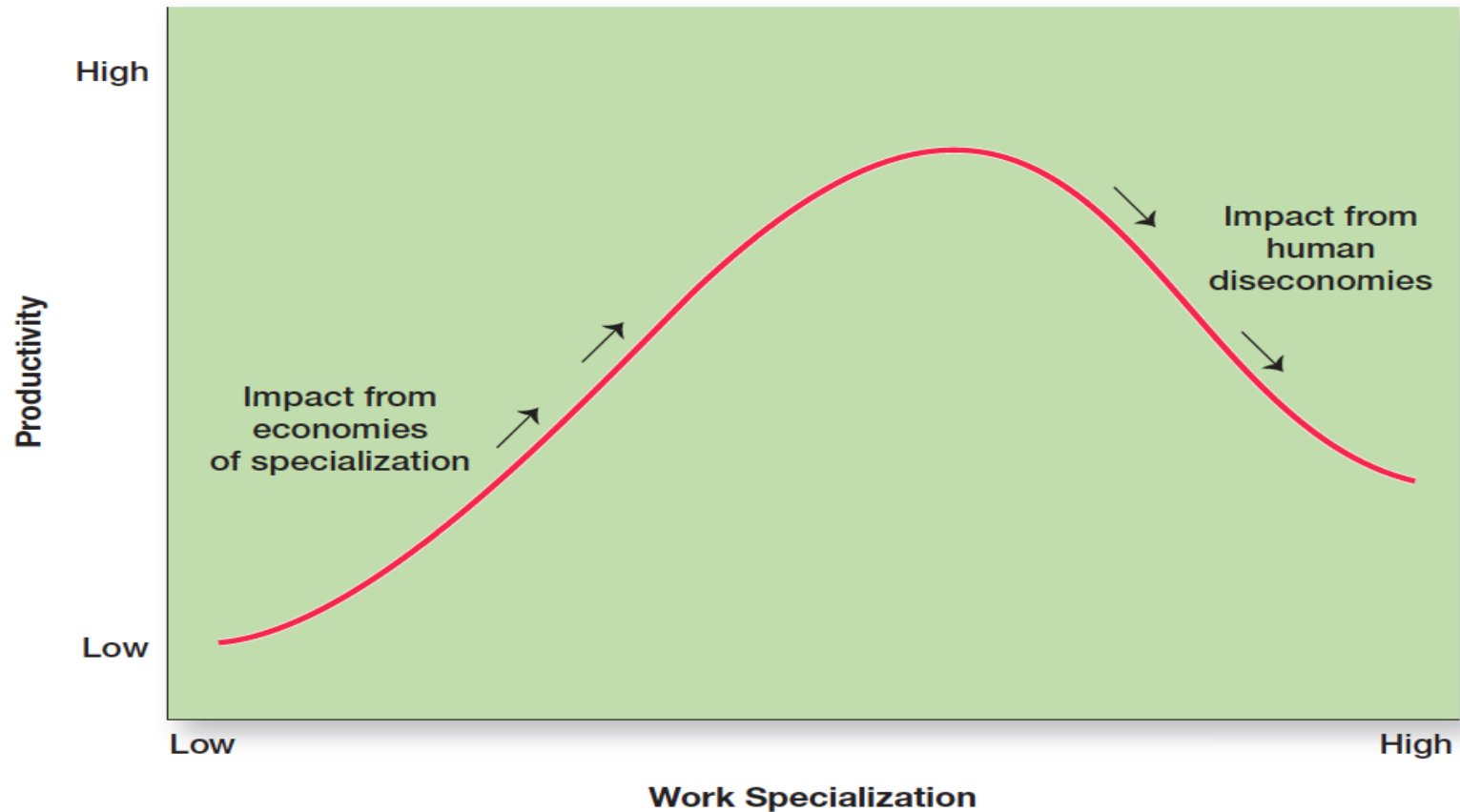


EXHIBIT 10-2

ECONOMIES AND DISECONOMIES OF WORK SPECIALIZATION



DEPARTMENTALIZATION

▶ **Departmentalization** – the basis by which jobs are grouped together.

- **Functional**
 - Grouping jobs by functions performed
- **Product**
 - Grouping jobs by product line
- **Geographical**
 - Grouping jobs on the basis of territory or geography
- **Process**
 - Grouping jobs on the basis of product or customer flow
- **Customer**
 - Grouping jobs by type of customer and needs

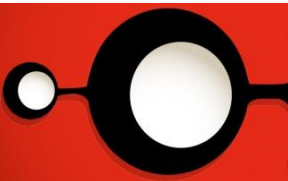
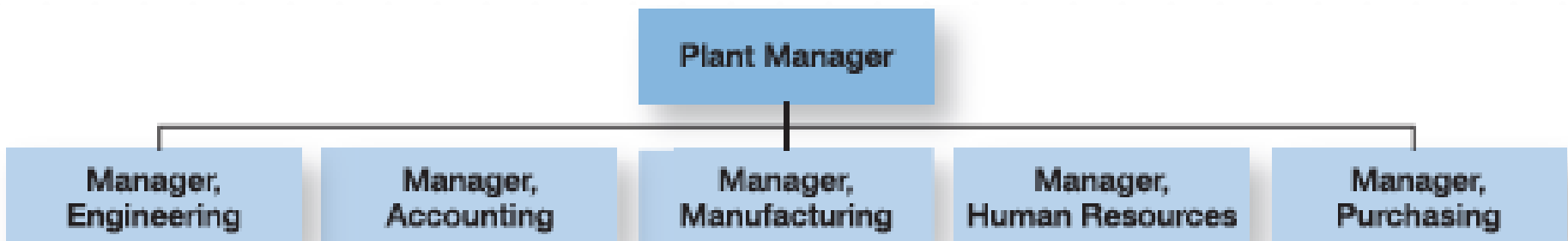


EXHIBIT 10-3

THE FIVE COMMON FORMS OF DEPARTMENTALIZATION

FUNCTIONAL DEPARTMENTALIZATION – Groups Jobs According to Function



- + Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations
- + Coordination within functional area
- + In-depth specialization
- Peer communication across functional areas
- Limited view of organizational goals

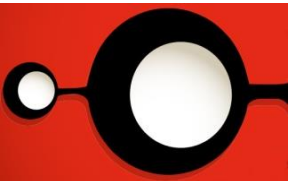


EXHIBIT 10-3

THE FIVE COMMON FORMS OF DEPARTMENTALIZATION

GEOGRAPHICAL DEPARTMENTALIZATION—Groups Jobs According to Geographic Region



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

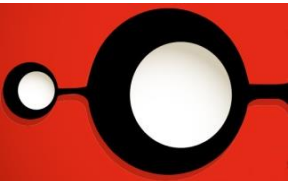


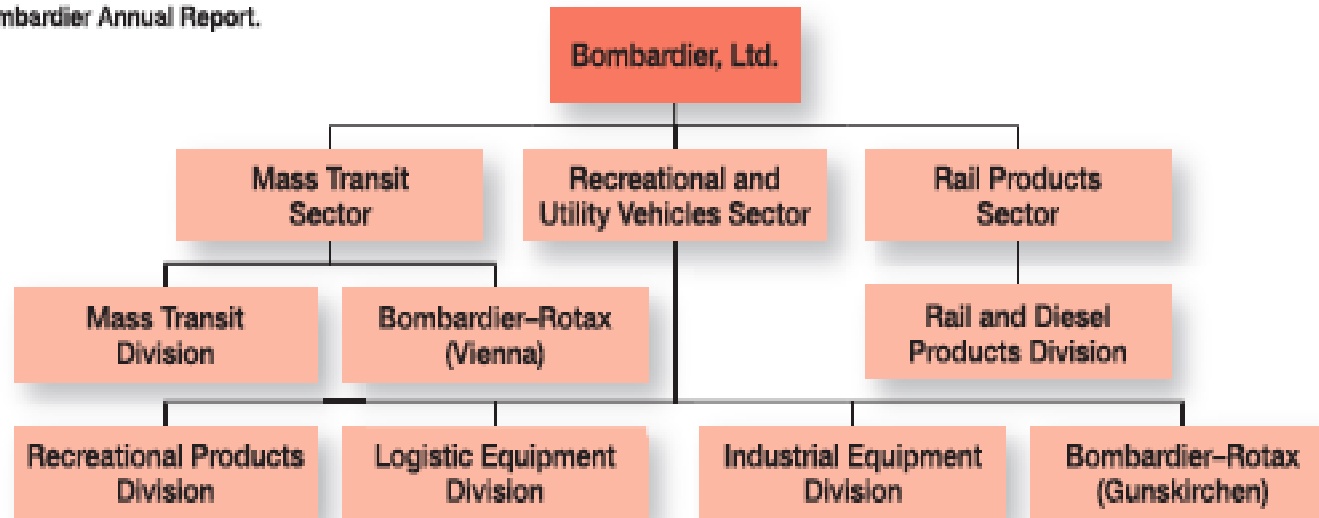
EXHIBIT 10-3

THE FIVE COMMON

FORMS OF DEPARTMENTALIZATION (CONT.)

PRODUCT DEPARTMENTALIZATION—Groups Jobs by Product Line

Source: Bombardier Annual Report.



- + 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

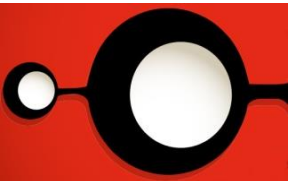
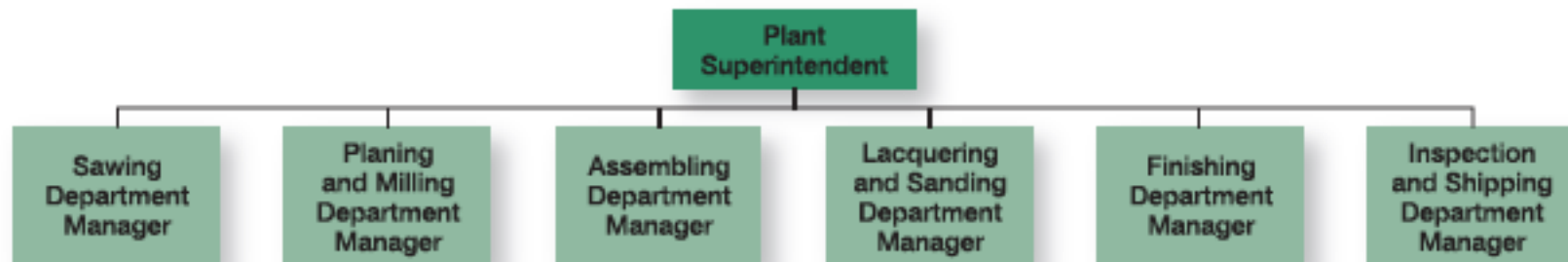


EXHIBIT 10-3

THE FIVE COMMON FORMS OF DEPARTMENTALIZATION (CONT.)

PROCESS DEPARTMENTALIZATION—Groups Jobs on the Basis of Product or Customer Flow

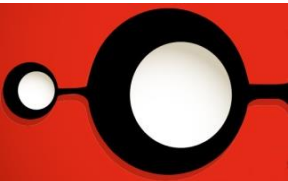


- + More efficient flow of work activities
- Can only be used with certain types of products

CUSTOMER DEPARTMENTALIZATION—Groups Jobs on the Basis of Specific and Unique Customers Who Have Common Needs

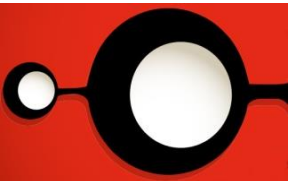


- + Customers' needs and problems can be met by specialists
- Duplication of functions
- Limited view of organizational goals



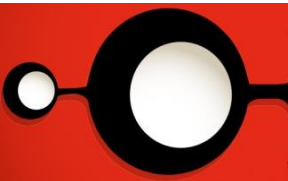
DEPARTMENTALIZATION TRENDS

- ▶ Increasing use of **customer departmentalization**
- ▶ Increasing use of **teams**
 - ▶ **Cross-functional team** – a work team composed of individuals from various functional specialties.



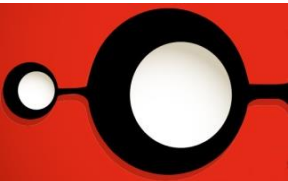
CHAIN OF COMMAND

- ▶ **Chain of Command**— the continuous line of authority that extends from upper levels of an organization to the lowest levels of the organization—**clarifies who reports to whom.**



AUTHORITY

- ▶ **Authority** – the **rights** inherent in a **managerial position** to tell people what to do and to expect them to do it.
- **Acceptance theory of authority** – the view that authority comes from the willingness of subordinates to accept it.



AUTHORITY (CONT.)

- ▶ **Line authority** – authority that entitles a **manager** to **direct** the work of an employee.
- ▶ **Staff authority** – positions with some authority that have been created to **support, assist, and advise** those holding line authority.

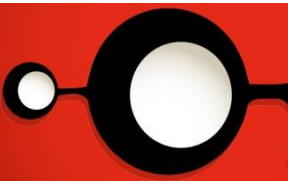


EXHIBIT 10-4

CHAIN OF COMMAND AND LINE AUTHORITY

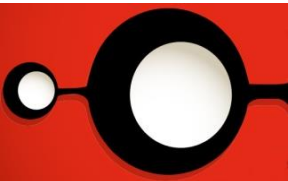
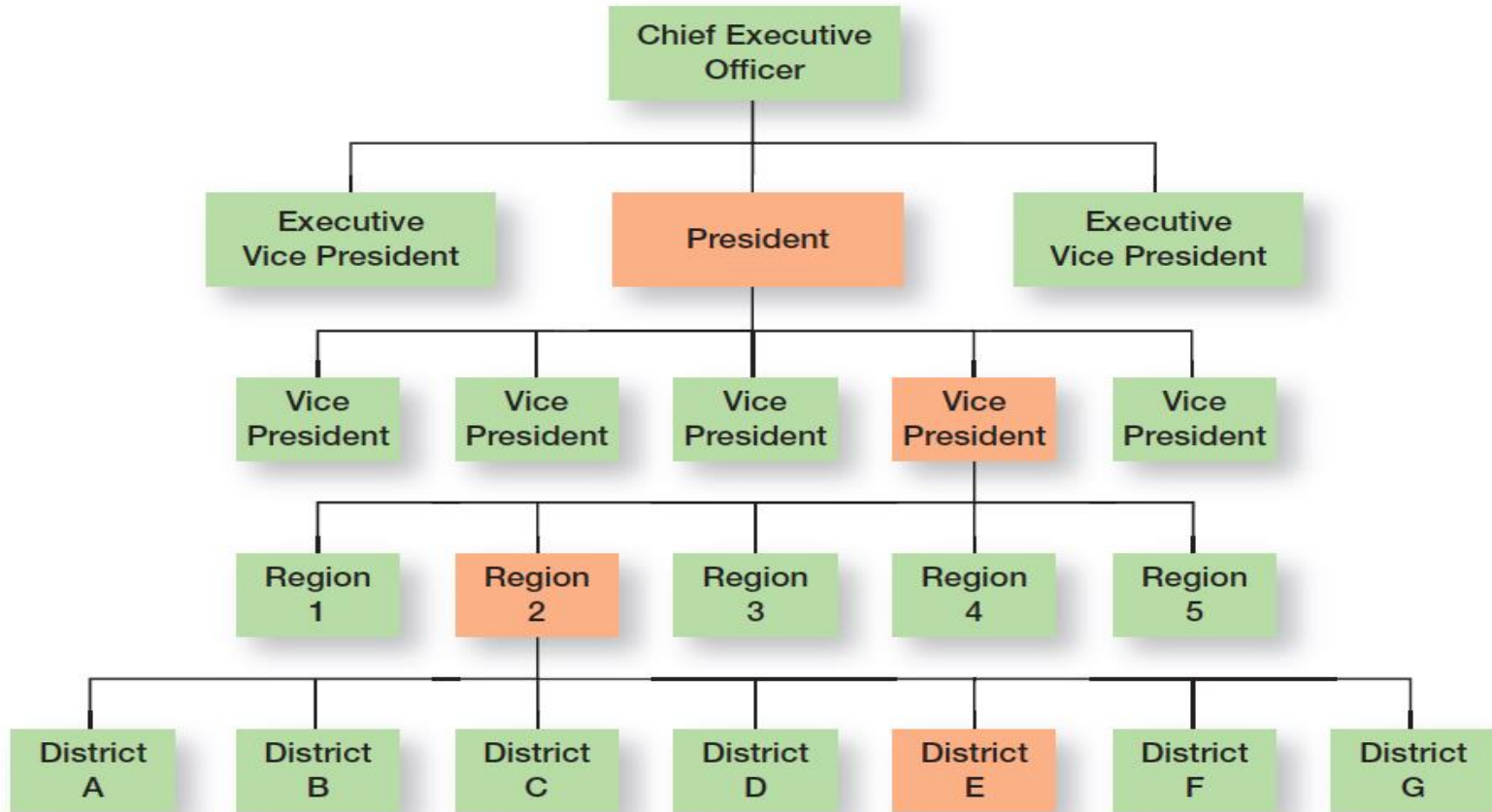
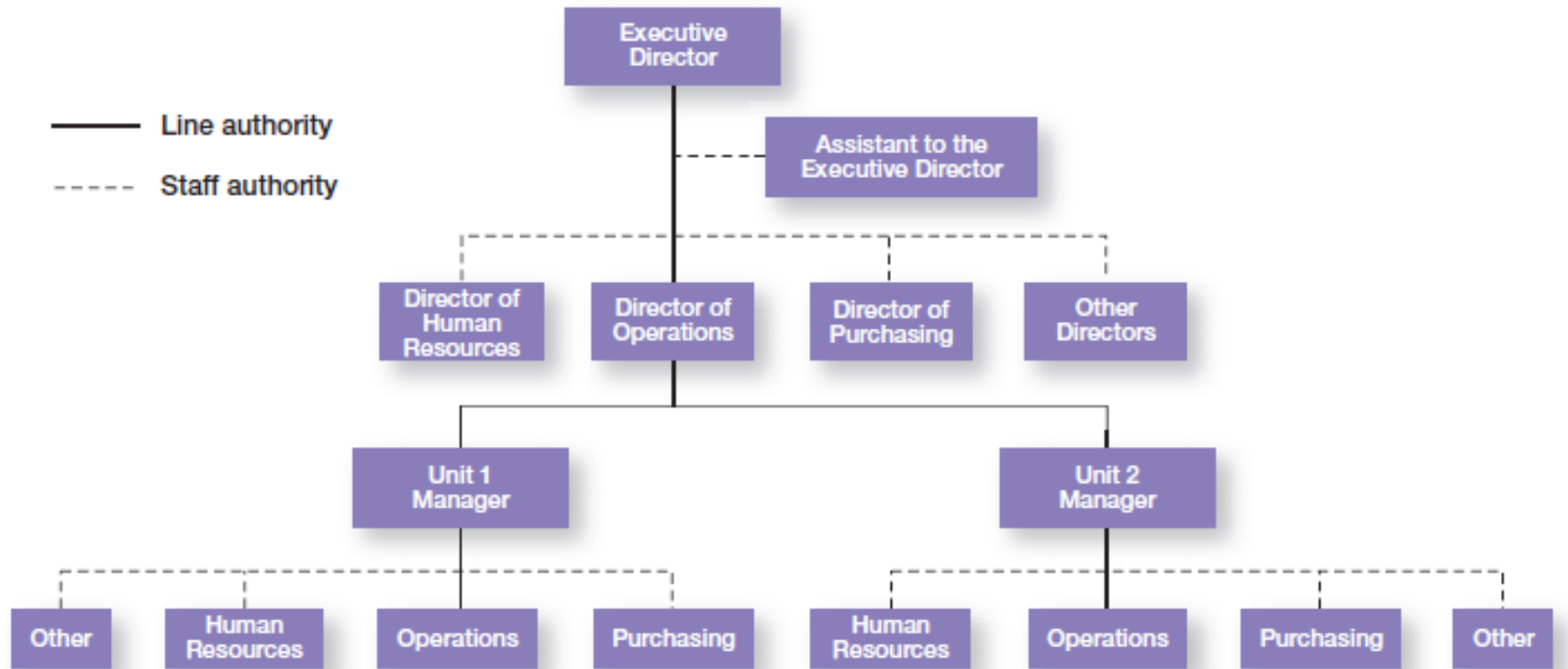


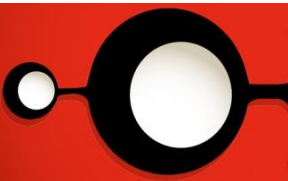
EXHIBIT 10-5

LINE VERSUS STAFF AUTHORITY



RESPONSIBILITY AND UNITY OF COMMAND

- ▶ **Responsibility** – the obligation or expectation to perform.
- ▶ **Unity of command** – the management principle that each person should **report to only one manager**.



SPAN OF CONTROL

▶ **Span of control**

- ▶ the **number of employees** who can be effectively and efficiently supervised by a manager.

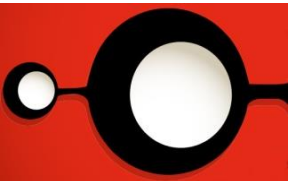
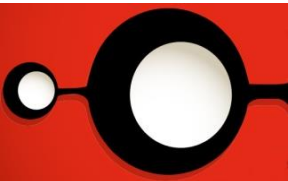
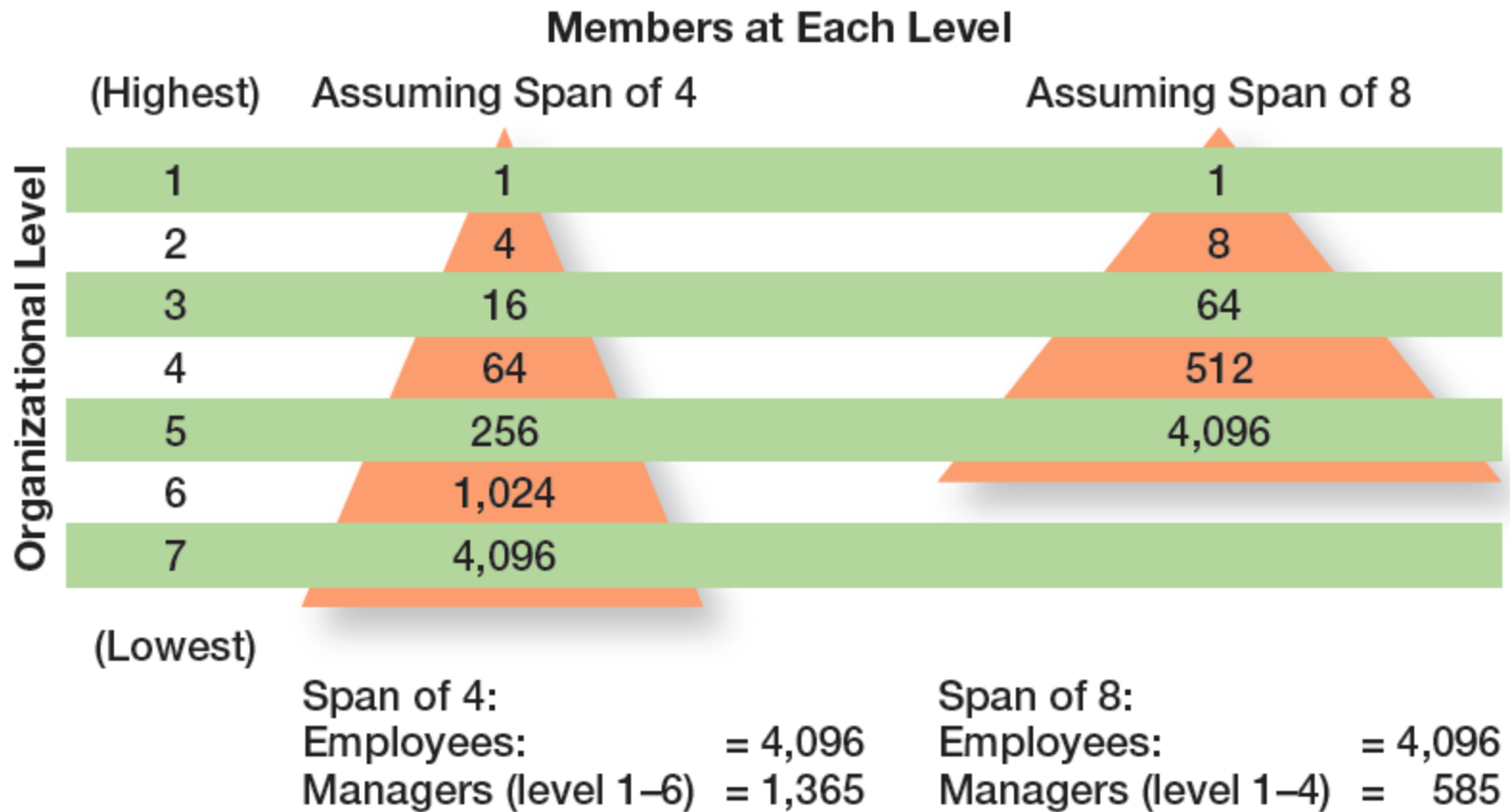


EXHIBIT 10-6

CONTRASTING SPANS OF CONTROL



CENTRALIZATION AND DECENTRALIZATION

▶ **Centralization**

- ▶ the degree to which decision-making is **concentrated at the upper levels** of the organization.

▶ **Decentralization**

- ▶ the degree to which **lower-level employees** provide input or actually make decisions.
- ▶ **Employee empowerment**
 - ▶ giving employees more authority (power) to make decisions.

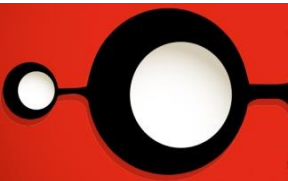


EXHIBIT 10-7

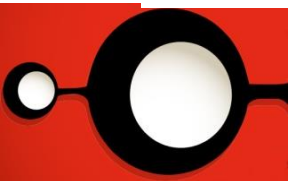
CENTRALIZATION OR DECENTRALIZATION

More Centralization

- 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 a say in decisions.
- Decisions are relatively minor.
- Organization is facing a crisis or the risk of company failure.
- Company is large.
- Effective implementation of company strategies depends on managers retaining say over what happens.

More Decentralization

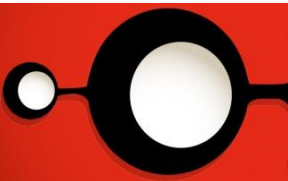
- Environment is complex, uncertain.
- Lower-level managers are capable and experienced at making decisions.
- Lower-level managers want a voice in decisions.
- Decisions are significant.
- Corporate culture is open to allowing managers a say in what happens.
- Company is geographically dispersed.
-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



FORMALIZATION

▶ **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 AND ORGANIC STRUCTURES

▶ **Mechanistic organization**

- ▶ an organizational design that's rigid and tightly controlled.

▶ **Organic organization**

- ▶ an organizational design that's highly adaptive and flexible.

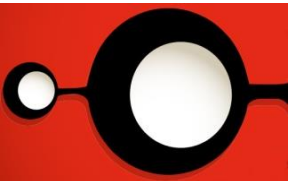


EXHIBIT 10-8

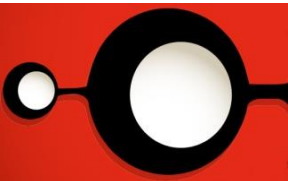
MECHANISTIC VERSUS ORGANIC ORGANIZATIONS

Mechanistic

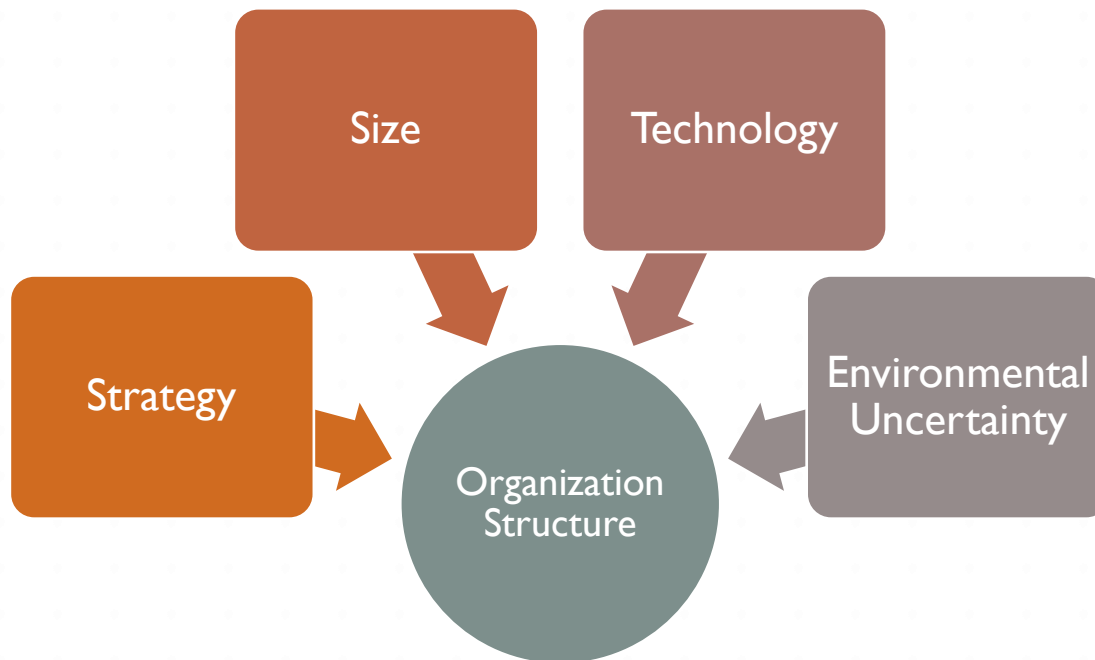
- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

Organic

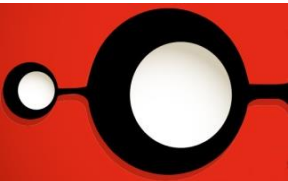
- Cross-functional teams
- Cross-hierarchical teams
- Free flow of information
- Wide spans of control
- Decentralization
- Low formalization



CONTINGENCY FACTORS AFFECTING STRUCTURAL CHOICE



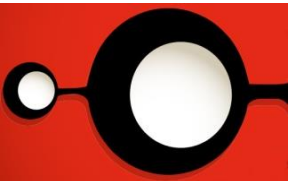
Structural decisions are influenced by organization's strategy, size, technology and environmental uncertainty



CONTINGENCY FACTORS AFFECTING STRUCTURAL CHOICE

► Strategy and Structure

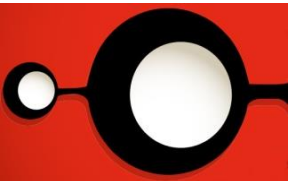
- Changes in corporate strategy should lead to changes in an organization's structure that support the strategy.
- Certain structural designs work best with different organizational strategies.
 - The **organic** structure works well for organizations pursuing meaningful and unique **innovations**.
 - The **mechanistic** organization works best for companies wanting to **tightly control costs**.



CONTINGENCY FACTORS (CONT.)

► Size and Structure

- As an organization grows **larger**, its structure tends to **change from organic to mechanistic** with increased specialization, centralization, departmentalization, and rules/regulations.



CONTINGENCY FACTORS (CONT.)

▶ Technology and Structure

- ▶ Organizations adapt their structures to their technology.
 - Woodward's classification of firms based on the complexity of the technology employed:
 - **Unit production** of single units or small batches.
 - **Mass production** of large batches of output.
 - **Process production** in continuous process of outputs.

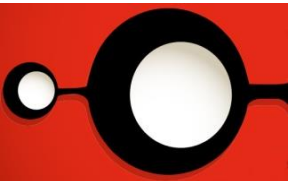
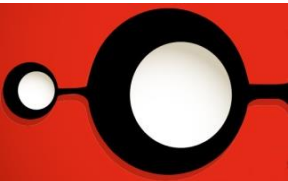


EXHIBIT 10-9

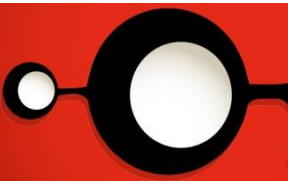
WOODWARD'S FINDINGS ON TECHNOLOGY AND STRUCTURE

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



CONTINGENCY FACTORS (CONT.)

- ▶ Environmental Uncertainty and Structure
 - ▶ Mechanistic organizational structures tend to be most effective in stable and simple environments.
 - ▶ The flexibility of organic organizational structures is better suited for dynamic and complex environments.



TRADITIONAL ORGANIZATIONAL DESIGNS

Simple structure

- an organizational design with low departmentalization, wide spans of control, centralized authority, and little formalization.

Functional structure

- an organizational design that groups together similar or related occupational specialties.

Divisional structure

- an organizational structure made up of separate, semiautonomous units or divisions.

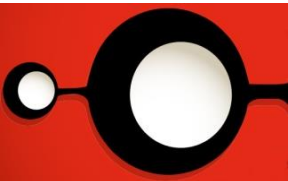


EXHIBIT 10-10

TRADITIONAL ORGANIZATIONAL DESIGNS

