



Management

8th edition

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Chapter

10

Organizational Structure
and Design

Organizing

"Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives."



Purposes of Organizing

- ❑ Divides work to be done into specific jobs & departments.
- ❑ Assigns tasks and responsibilities associated with individual jobs.
- ❑ Coordinates diverse organizational tasks.
- ❑ Establishes relationship among individual, groups and departments.
- ❑ Establishes formal line of authority.
- ❑ Allocates and deploys organizational resources.

Defining Organizational Structure

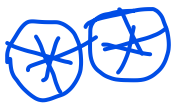
✓ Organizational Structure

- 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.

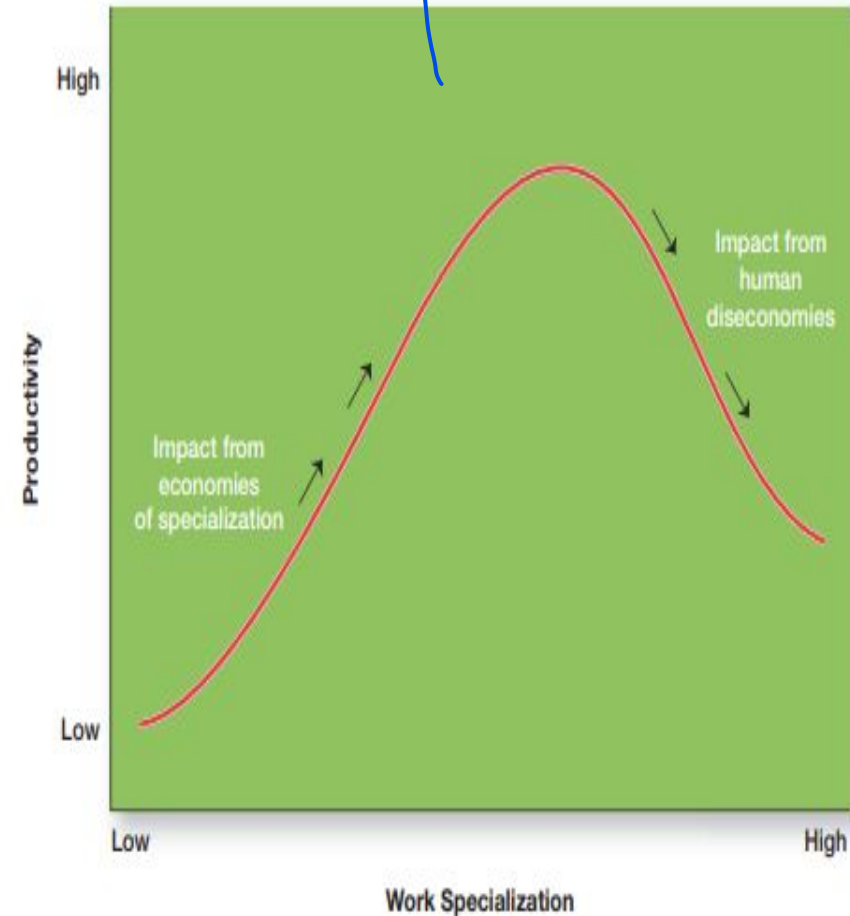


Work Specialization ✓

Early proponents of work specialization believed that it could lead to great increases in productivity

EXHIBIT 10-2

Economies and Diseconomies of Work Specialization



TODAY'S VIEW. Most managers today continue to see work specialization as important because it helps employees be more efficient. For example, McDonald's uses high work specialization to get its products made and delivered to customers efficiently and quickly—that's why it's called "fast" food. One person takes orders at the drive-through window, others cook and assemble the hamburgers, another works the fryer, another gets the drinks, another bags orders, and so forth.

Departmentalization



The basis by which jobs are grouped together.

Functional

- Grouping jobs by functions performed.

Product

- Grouping jobs by product line.

Geographic

- 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.

Organization 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.



Organization Structure (cont'd)

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.

Organization Structure (cont'd)

✓ Chain of Command

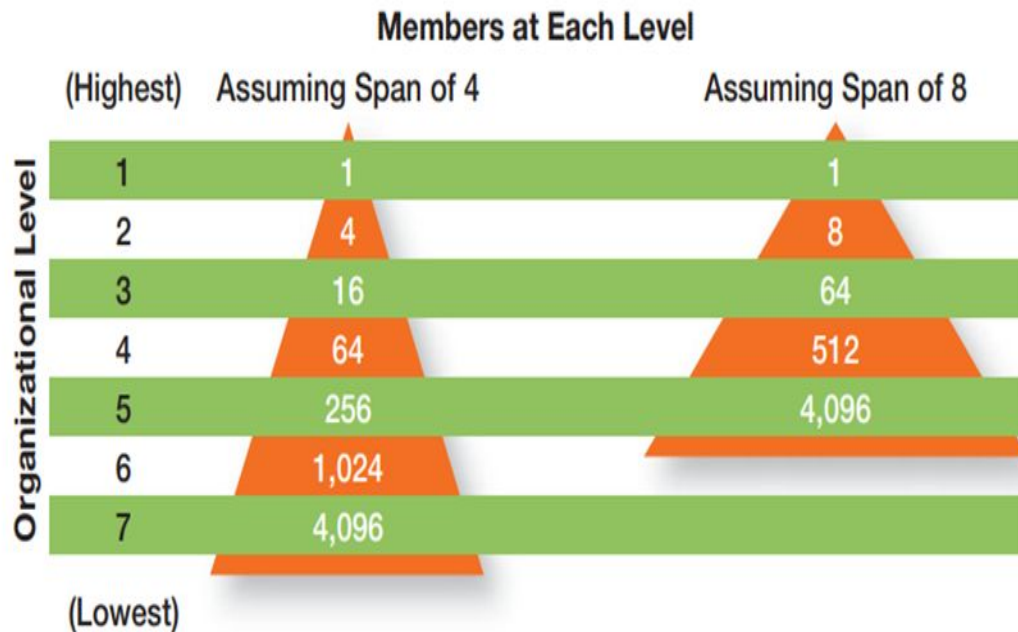
Barnard contended that subordinates will accept orders only if the following conditions are satisfied:

- 1. They understand the order.
- 2. They feel the order is consistent with the organization's purpose.
- 3. The order does not conflict with their personal beliefs.
- 4. They are able to perform the task as directed.

Organization Structure (cont'd)

Span of Control

- The number of employees who can be effectively and efficiently supervised by a manager.



Span of 4:
Employees: = 4,096
Managers (level 1-6) = 1,365

Span of 8:
Employees: = 4,096
Managers (level 1-4) = 585

EXHIBIT 10-6

Contrasting Spans of Control

Organization Structure (cont'd)

□ Width of span 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

Organization Structure (cont'd)

Centralization

- The degree to which decision-making is concentrated at a single point in the organizations.
 - ❖ Organizations in which top managers make all the decisions and lower-level employees simply carry out those orders.

Decentralization

- Organizations in which decision-making is pushed down to the managers who are closest to the action.

Employee Empowerment

- Increasing the decision-making,

Organization Structure (cont'd)

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.

Organization 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.



Organizational Design Decisions

Mechanistic Organization

- A rigid and tightly controlled structure
 - ❖ High specialization
 - ❖ Rigid departmentalization
 - ❖ Narrow spans of control
 - ❖ High formalization
 - ❖ Limited information network (downward) ✓
 - ❖ Low decision participation ✓

Organic Organization

- Highly flexible and adaptable structure
 - ❖ Non-standardized jobs
 - ❖ team-based structure
 - ❖ Little direct supervision
 - ❖ Minimal formal rules
 - ❖ Open communication network ✓
 - ❖ Empowered employees ✓

Structural 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.

Common Organizational Designs

✓✓ Traditional Designs →

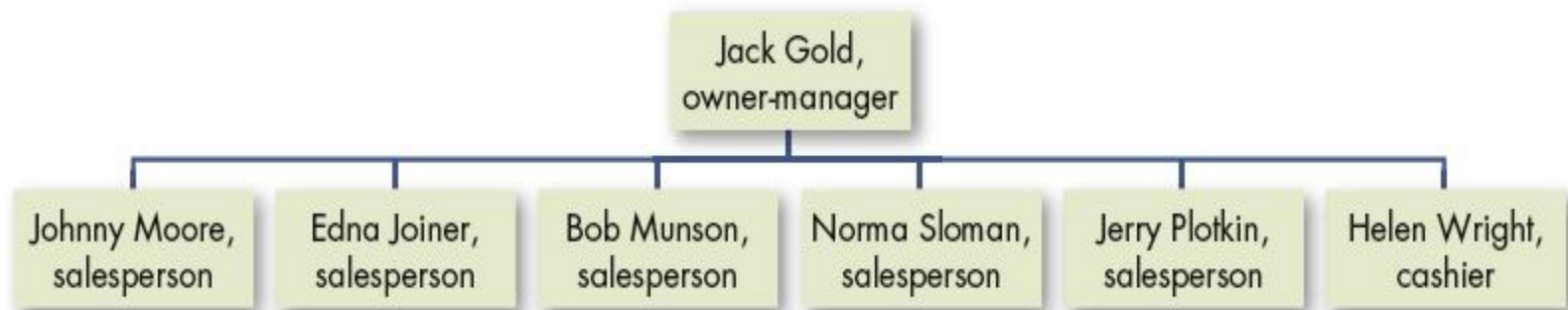
- ✓ ☐ Simple structure
- ✓ ☐ Functional structure
- ✓ ☐ Divisional structure

Organizational Designs

Traditional Designs

□ Simple structure

- ❖ Low departmentalization, wide spans of control, centralized authority, little formalization

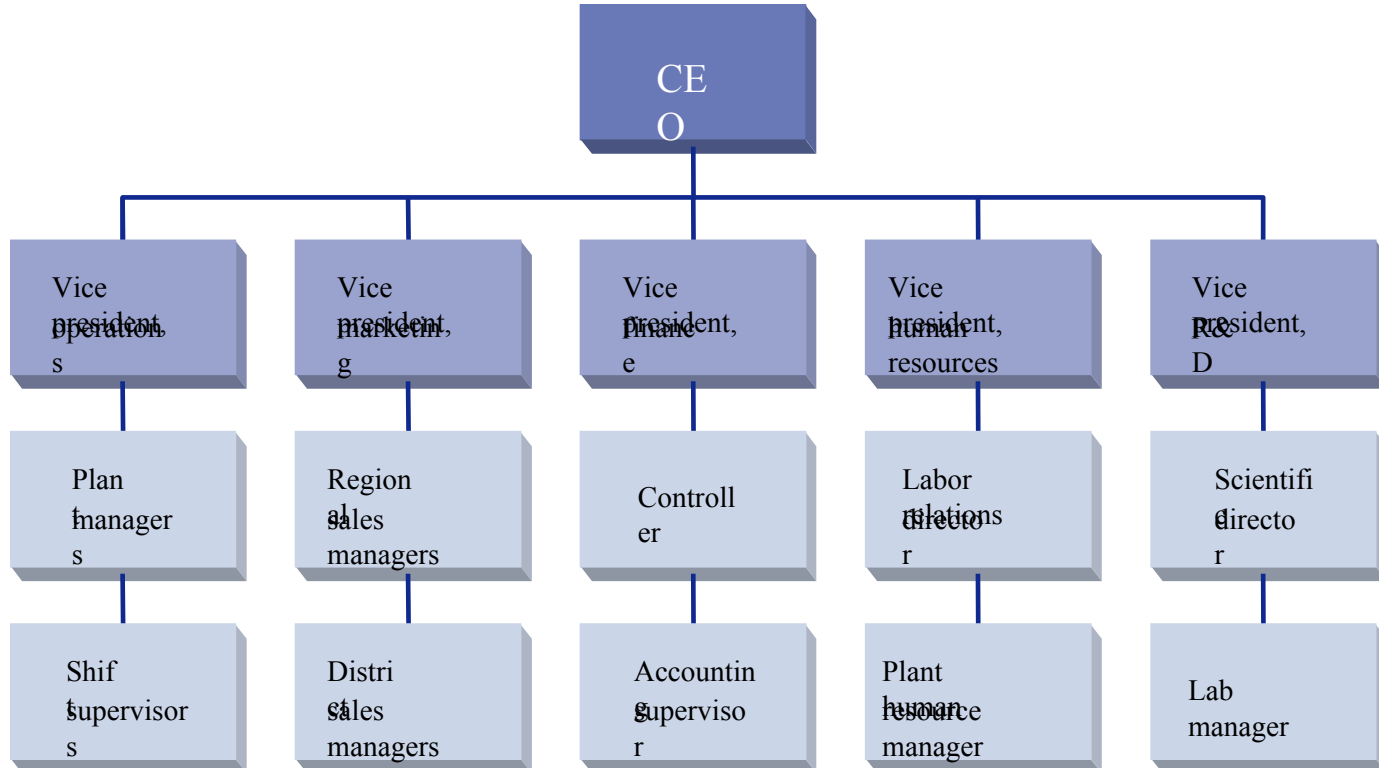


Organizational Designs

□ Functional structure

❖ Departmentalization by function

- Operations, finance, human resources, and product research and development

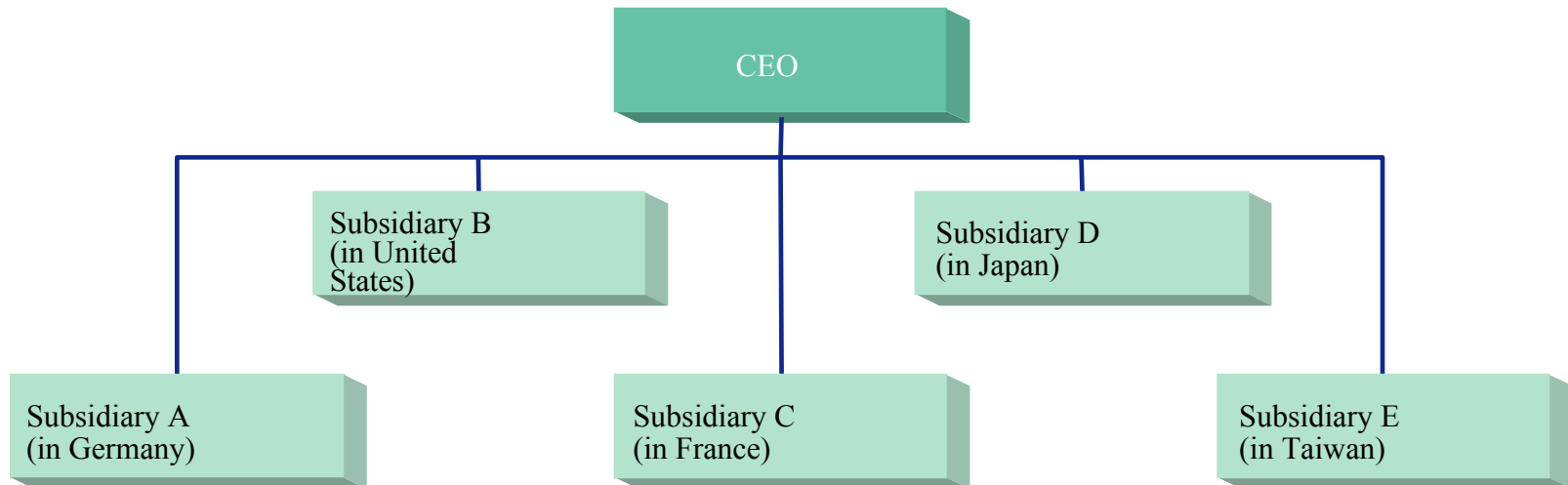


Organizational Designs

□ Divisional structure

- ❖ Composed of **separate business units or divisions** with limited autonomy under the coordination and control the parent corporation

Multidivisional Structure



Organizational Designs (cont'd)

Contemporary Organizational Designs

□ Team structures

- ❖ The entire organization is made up of work groups or self-managed teams of empowered employees.

□ Matrix/Project structures

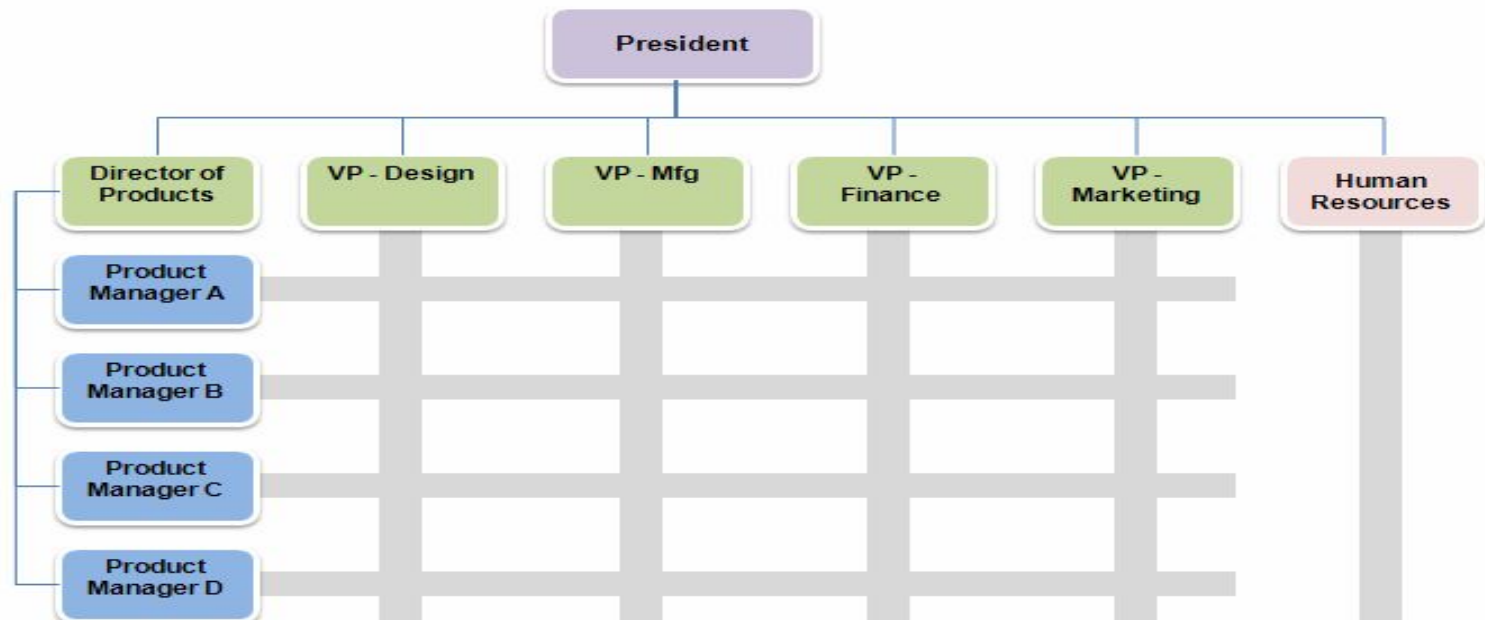
- ❖ Employees work continuously on projects; moving on to another project as each project is completed.

Contemporary Organizational Designs

□ Matrix structures

- ❖ Specialists for different functional departments are assigned to work on projects led by project managers.
- ❖ Matrix participants have two managers.

Sample Matrix Organizational Structure



Organizational Designs (cont'd)

Contemporary Organizational Designs (cont'd)

□ Boundaryless Organization

- ❖ A flexible and unstructured organizational design that is intended to break down external barriers between the organization and its customers and suppliers.
- ❖ Removes internal (horizontal) boundaries
 - Eliminates the chain of command
 - Has limitless spans of control
 - Uses empowered teams rather than departments
- ❖ Eliminates external boundaries
 - Uses virtual, network, and modular organizational structures to get closer to stakeholders.



Removing Boundaries

Virtual Organization

- An organization that consists of a small core of full-time employees and that temporarily hires specialists to work on opportunities that arise. (Movie Industry)

Network Organization

- A small core organization that outsources its major business functions (e.g., manufacturing) in order to concentrate what it does best. (Manufacturing Industry)

Modular Organization

- A manufacturing organization that uses outside suppliers to provide product components for its final assembly operations. (Automobile Industry)