

ORGANISATIONAL BEHAVIOUR

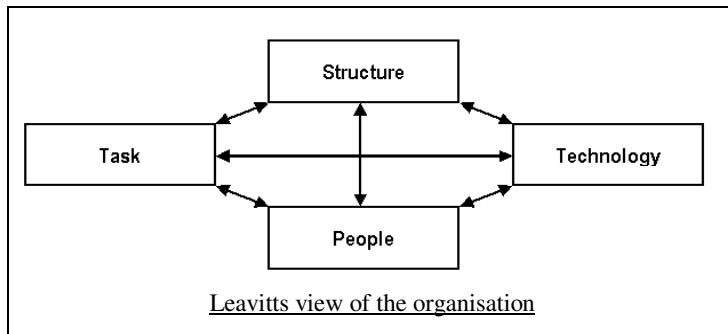
Organisational Structures and Design

Organisational Structures & Design

Structure is the pattern of relationships among positions in the organisation and among members of the organisation. Structure makes possible the application of the process of management and creates a framework of order and command through which the activities of the organisation can be planned, organised, directed and controlled.

Importance of good structure

No amount of reorganising and reshuffling will increase the long term capability of a business unless you suit the organisation to the people and to a genuinely shared purpose
(Heller)



Good organisation structure does not by itself impose good performance. But a poor structure makes good performance impossible, no matter how good the individual managers may be. To improve organisation structure... will therefore always improve performance.
(Drucker)

The allocation of responsibilities, the grouping of functions, decision making, co-ordination, control and reward- all these are fundamental requirements for the continued operation of an organisation. The quality of an organisations structure will affect how well these requirements are met.
(Child)

Structure:

- is the pattern of relationships among positions in the organisation & among members of the organisation
- allows the application of the process of management
- creates a framework of order & command through which the activities of the organisation can be planned, organised, directed & controlled

Objectives:

- The economic & efficient performance of the organisation & the level of resource utilisation
- Monitoring the activities of the organisation
- Accountability for areas of work undertaken by groups & individual members of the organisation
- Co-ordination of different parts of the organisation & different areas of work
- Flexibility in order to respond to future demands & developments & to adapt to changing environmental influences
- The social satisfaction of members working in the organisation

(Knight)

The human element

- The actual operation of the organisation & success in meeting the business objectives will depend on the behaviour of people who work within the structure & who give shape & personality to it
- In an IMD survey, the commitment & involvement of employees ranked second only to top management as a key success factor in restructuring

Argyris- a critic of formal organisations

- Argyris argues that formal, bureaucratic organisations restrict individual growth & self fulfillment
- In the psychologically healthy person, this causes a feeling of failure, frustration, & conflict
- He argues that organisations should provide a more authentic relationship for its members

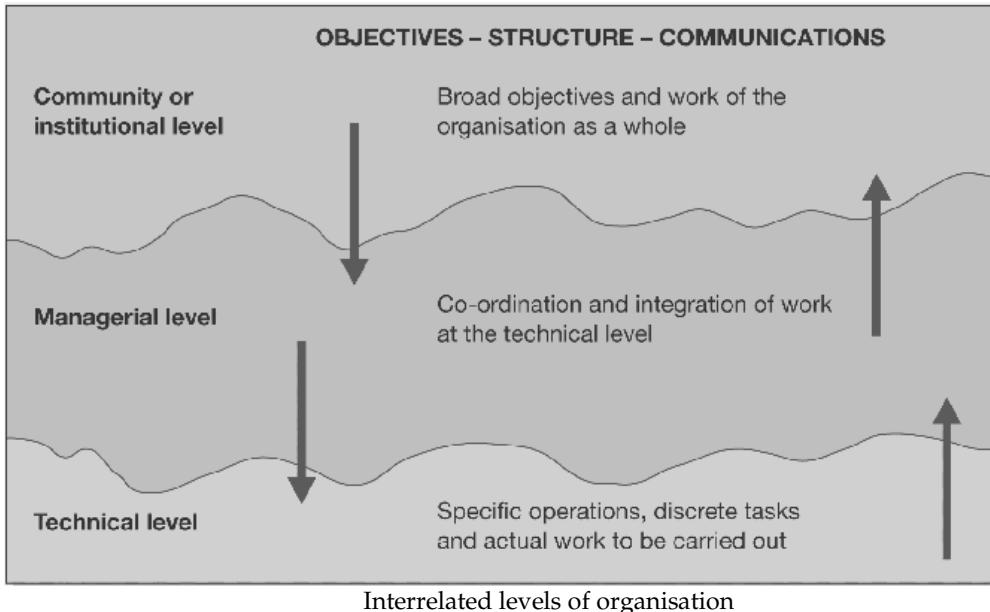
ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

The relationship between people & organisations

The operation of the organisation & actual working arrangements will be influenced by:

- Style of management
- Personalities of members
- The informal organisation



Levels of organisation

Technical level – involves

- specific operations & discrete tasks
- the actual job or tasks to be done
- the performance of the technical function

Managerial level – involves

- the co-ordination & integration of work at the technical level

Community level – involves

- broad objectives & the work of the organisation as a whole

Importance of the hierarchy

Authority is & is likely to continue to be less acceptable than in the past. Better educated & more independent people expect to be consulted rather than told what to do. (Stewart)

The hierarchy is not dead, it has just changed its form. The trappings of power in the modern workplace may have been toned down, but the boss is still the boss. To confuse informality with the end of the organisational pecking order is a mistake. (Jebb)

Organisational Structure

Organisations are structured in a variety of ways, dependant on their objectives and culture. The structure of an organisation will determine the manner in which it operates and its performance. Structure allows the responsibilities for different functions and processes to be clearly allocated to different departments and employees. The wrong organisation structure will hinder the success of the business. Organisational structures should aim to maximize the efficiency and success of the Organisation. An effective organisational structure will facilitate working relationships between various sections of the organisation. It will retain order and command whilst promoting flexibility and creativity.

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

Internal factors such as size, product and skills of the workforce influence the organisational structure. As a business expands the chain of command will lengthen and the spans of control will widen. The higher the level of skill each employee has the more the business will make use of the matrix structure to maximize these skills across the organisation.

Examples of purpose and implications for organisational design:

Purpose	Implications for organisation design
'Ideas factory' such as an advertising or promotions agency	Loose, fluid structure with limited formalised relationships. As it grows in size, however, more formal structures are usually inevitable
Multinational company in branded goods	Major linkage and resource issues that need carefully co-ordinated structures, e.g. on common suppliers or common supermarket customers for separate product ranges
Government civil service	Strict controls on procedures and authorisations. Strong formal structures to handle major policy directions and legal issues
Non-profit-making charity with a strong sense of mission	Reliance on voluntary members and their voluntary contributions may require a flexible organisation with responsibility devolved to individuals
Major service company such as a retail bank or electricity generating company	Formal structures but supported by some flexibility so that variations in demand can be met quickly
Small business attempting to survive and grow	Informal, willingness to undertake several business functions such as selling or production, depending on the short-term circumstances

There is some debate as to the relevance of hierarchical structures, or rather as to their dominance in a knowledge economy. Here are two contrasting views

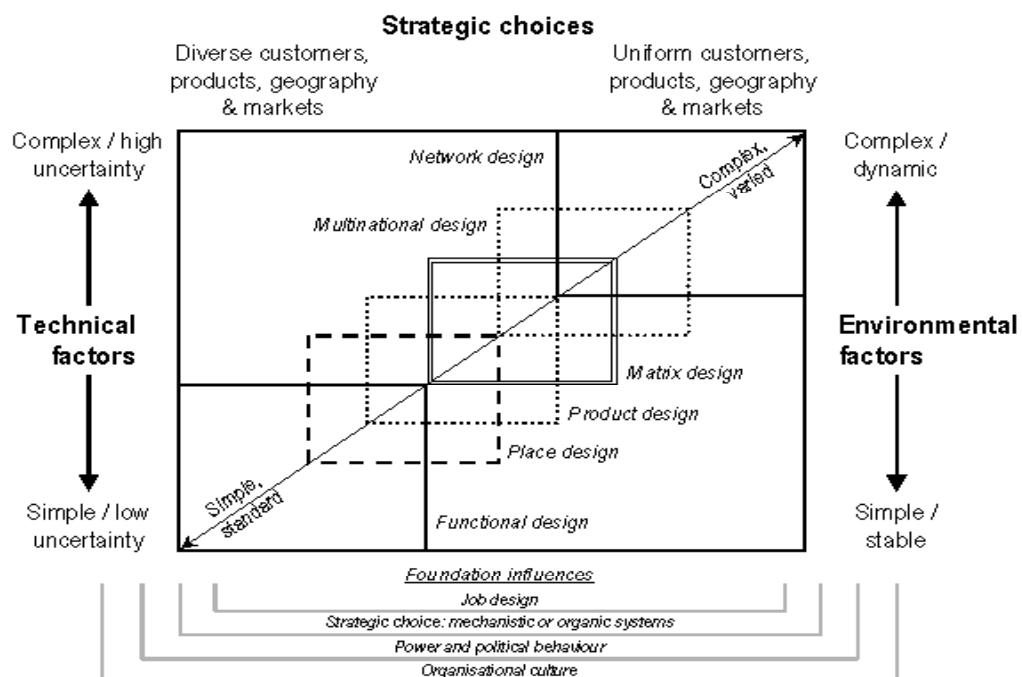
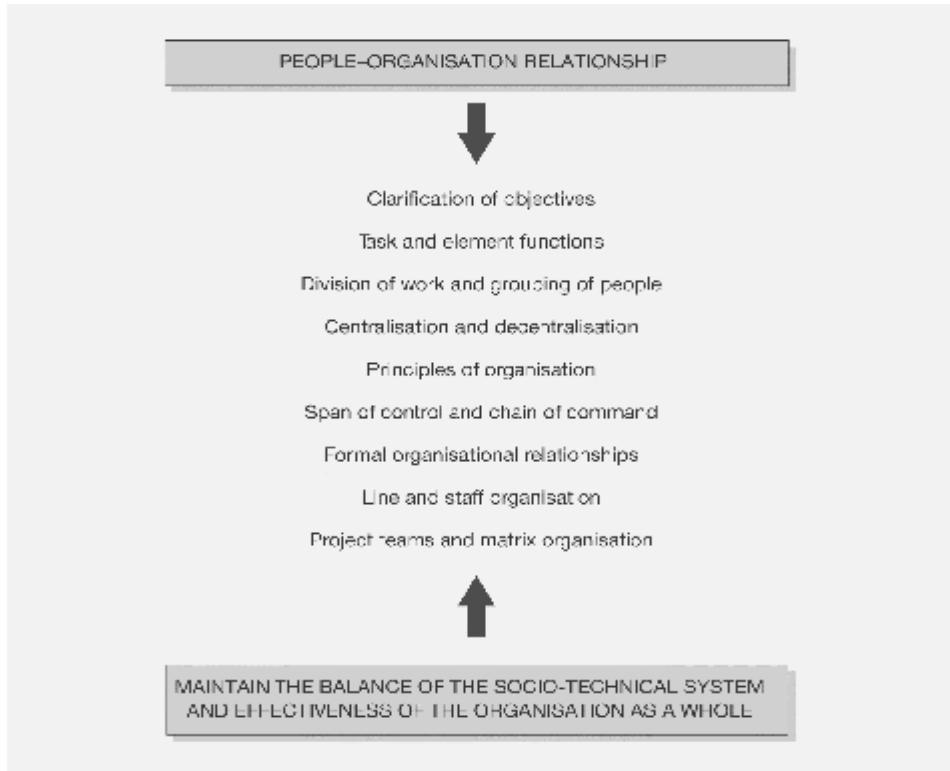
There is a lot of muddled thinking about hierarchies and the whole issue of how equally we treat people.... But treating someone as an equal does not mean that they are equal. Any smart person wanting the best out of a person treats them as an equal. However informal the environment, you can't escape from a functional hierarchy although the more skilled the company's work, the fewer tiers of management... should be required (Turner)

Intellectual capital possesses by knowledge workers implies management based on fragile coalition rather than control. The arguments for de-emphasising hierarchical control are now well rehearsed. Hierarchical assignments of tasks worked well when central planning worked well, but those days are gone. Local autonomy and accountability are essential for creating organisational ability. (Butcher)

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

Basic considerations in organisational structure design



Key factors in organisational design

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

Organisational structure refers to the way that an organisation arranges people and jobs so that its work can be performed and its goals can be met. When a work group is very small and face-to-face communication is frequent, formal structure may be unnecessary, but in a larger organisation decisions have to be made about the delegation of various tasks. Thus, procedures are established that assign responsibilities for various functions. It is these decisions that determine the organisational structure.

In an organisation of any size or complexity, employees' responsibilities typically are defined by what they do, who they report to, and for managers, who reports to them. Over time these definitions are assigned to positions in the organisation rather than to specific individuals. The relationships among these positions are illustrated graphically in an organisational chart. The best organisational structure for any organisation depends on many factors including the work it does; its size in terms of employees, revenue, and the geographic dispersion of its facilities; and the range of its businesses (the degree to which it is diversified across markets).

There are multiple structural variations that organisations can take on, but there are a few basic principles that apply and a small number of common patterns. The following sections explain these patterns and provide the historical context from which some of them arose. The first section addresses organisational structure in the twentieth century. The second section provides additional details of traditional, vertically-arranged organisational structures. This is followed by descriptions of several alternate organisational structures including those arranged by product, function, and geographical or product markets. Next is a discussion of combination structures, or matrix organisations. The discussion concludes by addressing emerging and potential future organisational structures.

ORGANISATIONAL STRUCTURE DURING THE TWENTIETH CENTURY

Understanding the historical context from which some of today's organisational structures have developed helps to explain why some structures are the way they are. For instance, why are the old, but still operational steel mills such as U.S. Steel and Bethlehem Steel structured using vertical hierarchies? Why are newer steel mini-mills such as Chaparral Steel structured more horizontally, capitalizing on the innovativeness of their employees? Part of the reason, as this section discusses, is that organisational structure has a certain inertia—the idea borrowed from physics and chemistry that something in motion tends to continue on that same path. Changing an organisation's structure is a daunting managerial task, and the immensity of such a project is at least partly responsible for why organisational structures change infrequently.

At the beginning of the twentieth century the United States business sector was thriving. Industry was shifting from job-shop manufacturing to mass production, and thinkers like Frederick Taylor in the United States and Henri Fayol in France studied the new systems and developed principles to determine how to structure organisations for the greatest efficiency and productivity, which in their view was very much like a machine. Even before this, German sociologist and engineer Max Weber had concluded that when societies embrace capitalism, bureaucracy is the inevitable result. Yet, because his writings were not translated into English until 1949, Weber's work had little influence on American management practice until the middle of the twentieth century.

Management thought during this period was influenced by Weber's ideas of bureaucracy, where power is ascribed to positions rather than to the individuals holding those positions. It also was influenced by Taylor's scientific management, or the "one best way" to accomplish a task using scientifically-determined studies of time and motion. Also influential were Fayol's ideas of invoking unity within the chain-of-command, authority, discipline, task specialization, and other aspects of organisational power and job separation. This created the context for vertically-structured organisations characterized by distinct job classifications and top-down authority structures, or what became known as the traditional or classical organisational structure.

Job specialization, a hierarchical reporting structure through a tightly-knit chain-of-command, and the subordination of individual interests to the super-ordinate goals of the organisation combined to result in organisations arranged by functional departments with order and discipline maintained by rules,

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

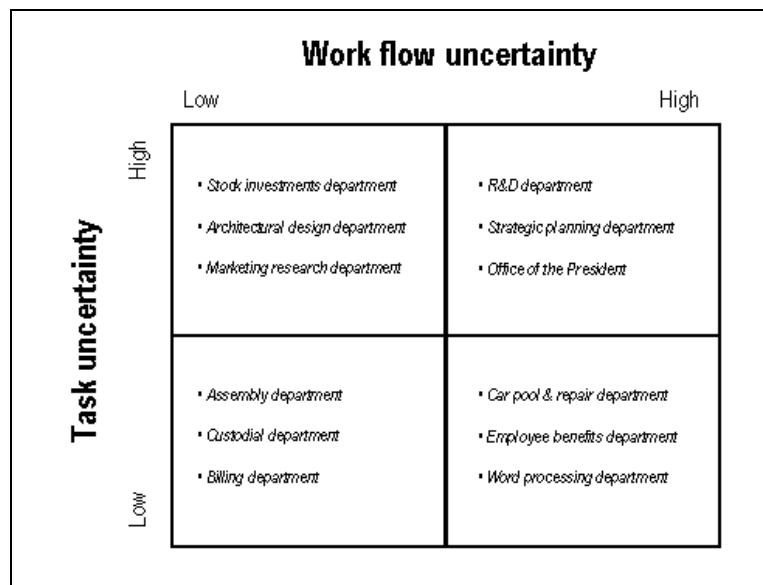
regulations, and standard operating procedures. This classical view, or bureaucratic structure, of organisations was the dominant pattern as small organisations grew increasingly larger during the economic boom that occurred from the 1900s until the Great Depression of the 1930s. Henry Ford's plants were typical of this growth, as the emerging Ford Motor Company grew into the largest U.S. automaker by the 1920s.

The Great Depression temporarily stifled U.S. economic growth, but organisations that survived emerged with their vertically-oriented, bureaucratic structures intact as public attention shifted to World War II. Postwar rebuilding reignited economic growth, powering organisations that survived the Great Depression toward increasing size in terms of sales revenue, employees, and geographic dispersion. Along with increasing growth, however, came increasing complexity. Problems in U.S. business structures became apparent and new ideas began to appear. Studies of employee motivation raised questions about the traditional model. The "one best way" to do a job gradually disappeared as the dominant logic. It was replaced by concerns that traditional organisational structures might prevent, rather than help, promote creativity and innovation—both of which were necessary as the century wore on and pressures to compete globally mounted.

Structure provides the framework for the activities of the organisation and must harmonise with goals and objectives.

To provide a good or service, there are four essential functions:

1. Good/service must be developed
2. Something of value must be created
3. The product/service must be marketed- and distributed or made available to those that are to use them
4. Finance is needed to make available the appropriate resources to carry out the tasks



Task functions

- Developing the goods / services
- Manufacturing the goods / services
- Marketing the goods / services
- Financing the organisation

Basic activities of the organisation related to the actual completion of the production process & directed towards specific & definable end results.
(Woodward)

Element functions

- Supportive of the task functions
- An intrinsic part of the management process

Examples include personnel, planning, management services, public relation, etc. (Woodward)

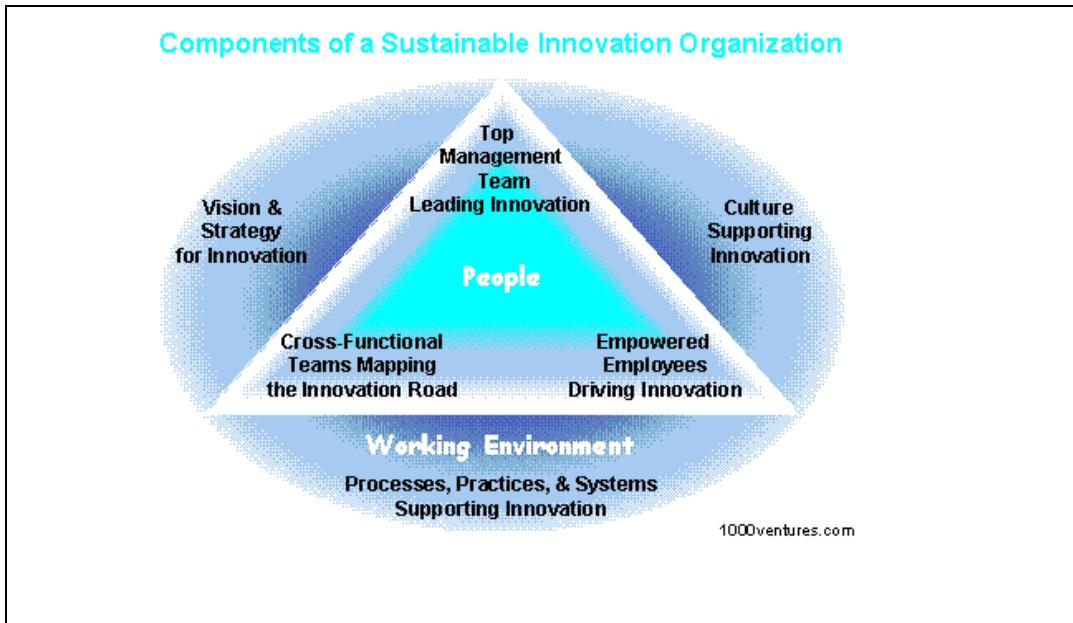
Task & element functions – implications of organisational structure

Failure to distinguish between the two types of functions can lead to confusion in the planning of structure & in the relationship between members of the organisation

ORGANISATIONAL BEHAVIOUR

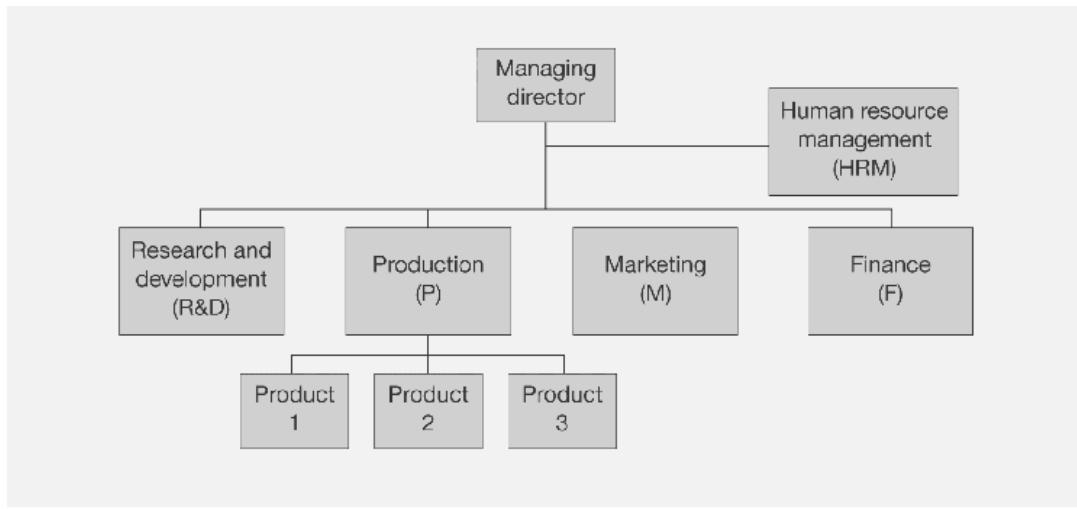
Organisational Structures and Design

"Every organisation ... (and not only business)... have to be designed for a specific task, time, and place (or culture)" (Peter Drucker)



The Division of Work

Within the formal structure of an organisation work has to be divided among its members and different jobs related to each other. The most common used basis for grouping activities is according to specialisation, the use of the same set of resources, or the shared expertise of members of staff.



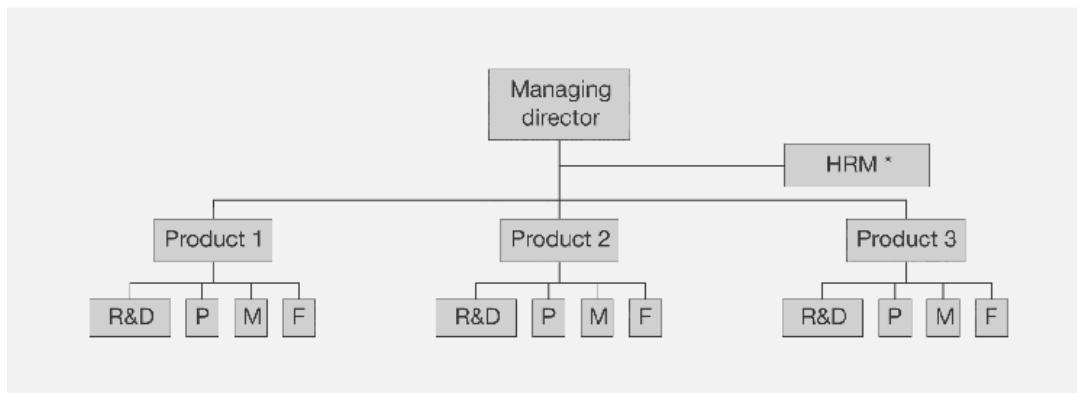
Division of work by major purpose or function

Each organisation must decide what activities are important enough to be organised into separate functions/departments/sections. Every organisation of a given type must perform certain jobs in order do its work. For example, key functions of a manufacturing company include production, purchasing, marketing, accounting, and personnel. The functions of a hospital include surgery, psychiatry, nursing, housekeeping, and billing. Using such functions as the basis for structuring the organisation may, in some instances, have the advantage of efficiency. Grouping jobs that require the same knowledge, skills, and

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

resources allows them to be done efficiently and promotes the development of greater expertise. A disadvantage of functional groupings is that people with the same skills and knowledge may develop a narrow departmental focus and have difficulty appreciating any other view of what is important to the organisation; in this case, organisational goals may be sacrificed in favour of departmental goals. In addition, coordination of work across functional boundaries can become a difficult management challenge, especially as the organisation grows in size and spreads to multiple geographical locations.



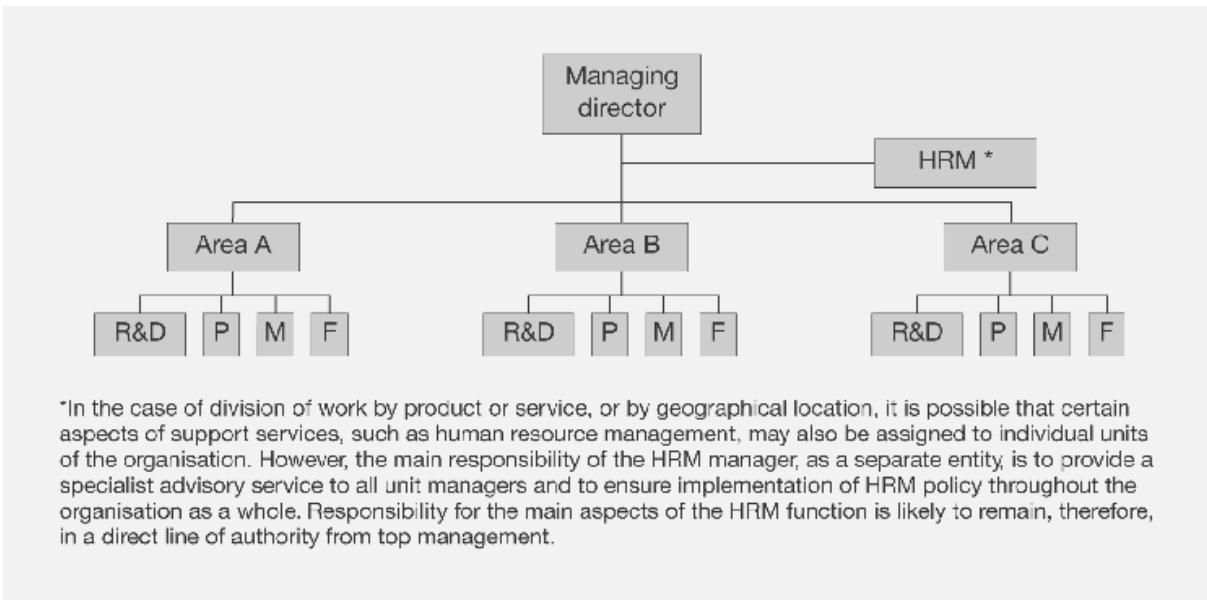
Division of work by product or service

Here the contributions of different specialists are integrated into separate semi-autonomous units with collective responsibility for a major part of the business process or for a complete cycle of work- common to larger diversified organisations. There is a danger that the divisions may attempt to become too autonomous, presenting a problem with co-ordination and control.

Large, diversified companies are often organised according to product. All the activities necessary to produce and market a product or group of similar products are grouped together. In such an arrangement, the top manager of the product group typically has considerable autonomy over the operation. The advantage of this type of structure is that the personnel in the group can focus on the particular needs of their product line and become experts in its development, production, and distribution. A disadvantage, at least in terms of larger organisations, is the duplication of resources. Each product group requires most of the functional areas such as finance, marketing, production, and other functions. The top leadership of the organisation must decide how much redundancy it can afford.

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design



Division of work by location

STRATEGIC BUSINESS UNITS

Here, different services are provided by area according to needs. The improvement in communications technology has reduced the importance of location.

As corporations become very large they often restructure as a means of revitalizing the organisation. Growth of a business often is accompanied by a growth in bureaucracy, as positions are created to facilitate developing needs or opportunities. Continued changes in the organisation or in the external business environment may make this bureaucracy a hindrance rather than a help, not simply because of the size or complexity of the organisation but also because of a sluggish bureaucratic way of thinking. One approach to encourage new ways of thinking and acting is to reorganise parts of the company into largely autonomous groups, called strategic business units (SBUs). Such units generally are set up like separate companies, with full profit and loss responsibility invested in the top management of the unit—often the president of the unit and/or a senior vice president of the larger corporation. This manager is responsible to the top management of the corporation. This arrangement can be seen as taking any of the aforementioned departmentalisation schemes one step further. The SBUs might be based on product lines, geographic markets, or other differentiating factors.

Grouping considerations

Decisions on the methods of grouping will be based on –

- The nature of the work performed
- Common time scales
- Staff employed (experience/qualification)
- Customer or people to be served
- The need for co-ordination
- The identification of clearly-defined divisions of work
- Economy
- The process of managing the activities
- Avoiding conflict
- The design of work organisation taking into account the nature of staff employed, their interests & job satisfaction

Principles of organisation
Objective
Specialisation
Co-ordination
Authority
Responsibility
Definition
Correspondence
Span of control
Balance
Continuity

ORGANISATIONAL BEHAVIOUR

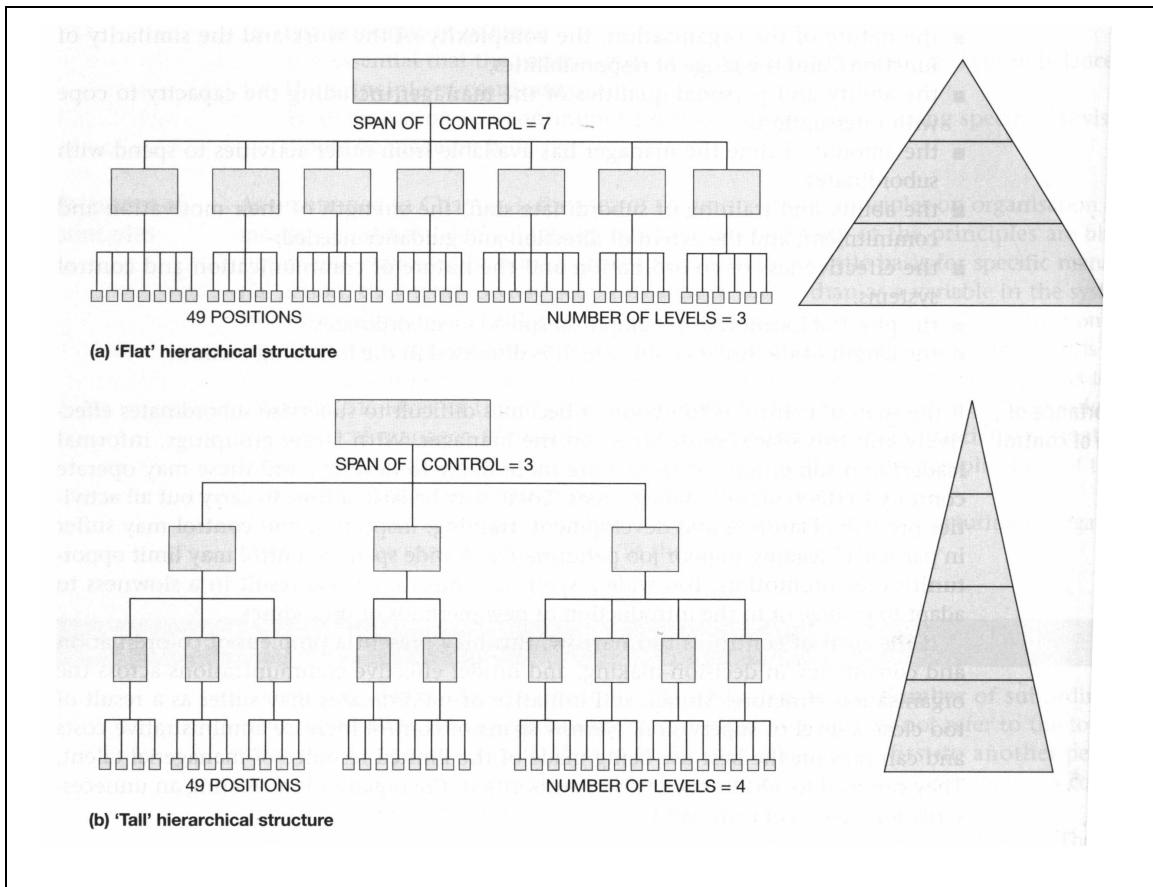
Organisational Structures and Design

Span of Control

This term is used to describe the number of employees that each manager/supervisor is responsible for. The span of control is said to be wide if a superior is in charge of many employees and narrow if the superior is in charge of a few employees.

Factors influencing the span of control –

- Nature of the organisation, complexity of work, range of responsibilities, similarity of function
- Ability & personal qualities of the manager
- Amount of time manager is available to spend on subordinates
- Ability & training of subordinates
- Effectiveness of co-ordination & nature of communication
- Physical location
- Length of scalar chain



Too wide, it becomes difficult to supervise subordinates effectively & places more stress on the manager & may result in slowness to adapt to change

Too narrow, it may present problems of co-ordination & consistency in decision-making & wider communication across the organisational structure

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

Chain of command

- The number of different levels in the structure of the organisation, the chain of hierarchical command
- Establishes the vertical graduation of authority & responsibility & the framework for superior-subordinate relationships

Within any of the aforementioned structures, the following structures can also apply:

Different Structures affecting spans of control

- Tall
- Flat
- Hierarchical
- Centralised and decentralised

TALL

However, tall structures rarely exceed 8 levels of management. This is firstly because the number of layers (i.e. management levels) decreases the span of control. Secondly the disadvantages of the tall structure begin to outweigh the advantages of a tall structure.



Tall Advantages	Tall Disadvantages
Narrow span of control, i.e. each manager has a small no. employees => closer supervision Clear management structure Function, responsibility and control of each layer is clear Clear promotion and progression ladder	Freedom and responsibility of each employee is restricted Decision making can be slowed down Due to approval at each level and communication bottlenecks between layers High management costs (wages higher for managers)

FLAT

The “Chain of Command” from top to bottom is short and the “span of control is wide”. Due to the small number of management layers, flat organisations are often small organisations



Flat Advantages	Flat Disadvantages
Greater communication between management and workers Better team spirit Less bureaucracy- easier decision making Less layers of management => lower costs	May reduce opportunities for promotion Function of each dept. can be blurred- Workers can have more than one boss May limit growth of company and opportunities for training and development of future managers Structure generally only suited to small organisations

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

HIERARCHICAL

In a hierarchical organisation employees are ranked at various levels within the organisation, each level is one above the other. At each stage in the chain, one person has a number of workers directly under them, within their span of control. A tall hierarchical organisation has many levels and a flat hierarchical organisation will only have a few. The chain of command (ie the way authority is organised) is a typical pyramid shape.



In a traditional hierarchy, senior managers make up the board of directors and are responsible for establishing strategy and overall business direction, whilst middle managers have responsibility for a specific function such as finance or marketing.

A traditional hierarchical structure clearly defines each employee's role within the organisation and defines the nature of their relationship with other employees. Hierarchical organisations are often tall with narrow spans of control, which gets wider as we move down the structure. They are often centralised with the most important decisions being taken by senior management.

In the twentieth century as organisations grow bigger, hierarchical organisations were popular because they could ensure command and control of the organisation. However with the advent of globalisation and widespread use of technology, in the 1990's tall hierarchical organisations began to downsize and reduce their workforce. Technology was able to carry out many of the functions previously carried out by humans.

Hierarchical Advantages	Hierarchical Disadvantages
Authority and responsibility are clearly defined Clearly defined promotion path Encourages the use of specialist managers Employees very loyal to their dept.	Can be bureaucratic and respond slowly Communication can be poor horizontally Dept.s can make decisions that benefit them rather than the business

CENTRALISED & DECENTRALISED

In a centralised organisation head office (or a few senior managers) will retain the major responsibilities and powers. Conversely decentralised organisations will spread responsibility for specific decisions across various outlets and lower level managers, including branches or units located away from head office/head quarters. An example of a decentralised structure is Tesco the supermarket chain. Each store of Tesco has a store manager who can make certain decisions concerning their store. The store manager is responsible to a regional manager .

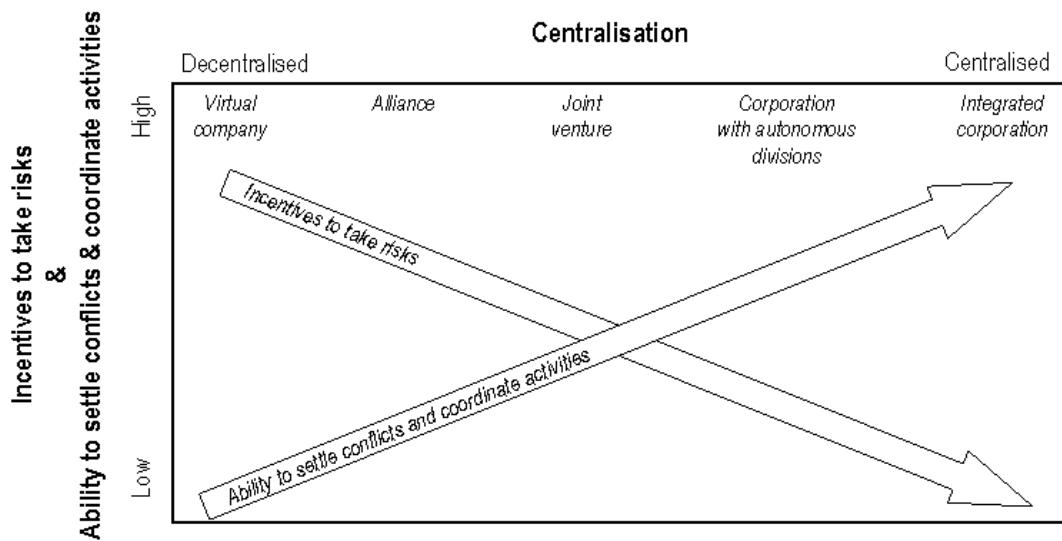
Organisations may also decide that a combination of centralisation and decentralisation is more effective. For example functions such as accounting and purchasing may be centralised to save costs. Whilst tasks such as recruitment may be decentralised as units away from head office may have staffing needs specific only to them.

Certain organisations implement vertical decentralisation which means that they have handed the power to make certain decisions, down the hierarchy of their organisation. Vertical decentralisation increases the input, people at the bottom of the organisation chart have in decision making. Horizontal decentralisation spreads responsibility across the organisation. A good example of this is the implementation of new technology across the whole business. This implementation will be the sole responsibility of technology specialists

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

Centralised Advantages	Decentralised Advantages
<p>Easier implementation of a company wide policy-SOPs (Standard Operating Procedures) can save costs</p> <p>Consistent strategy across the organisation</p> <p>Prevents sub-units becoming too autonomous</p> <p>Decisions to benefit the entire organisation</p> <p>Improved economies of scale – reduction in overheads</p> <p>Benefit from the decision making of experienced senior managers- improved decision making</p> <p>Greater use of specialisation</p> <p>In uncertain times the org. will need strong leadership and pull in the same direction- strong leadership is often given from above</p>	<p>Decision making a form of empowerment- can increase motivation resulting in increased output</p> <p>People on the “front line” have greater understanding of the environment- this knowledge/skill/experience may enable better decision making</p> <p>Increased response to local circumstances</p> <p>More in keeping with flatter, flexible structures</p> <p>Empowerment enables faster change and makes it easier for people to accept more responsibility successfully</p>



Finding the right amount of centralisation

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

Formal Organisational Relationships

- **Line** – flows directly down through the structure
- **Functional** – relationship between people in specialist or advisory positions
- **Staff** – arise from the appointment of personal assistants to senior managers
- **Lateral** – exist between individuals in different departments or sections especially those on the same levels

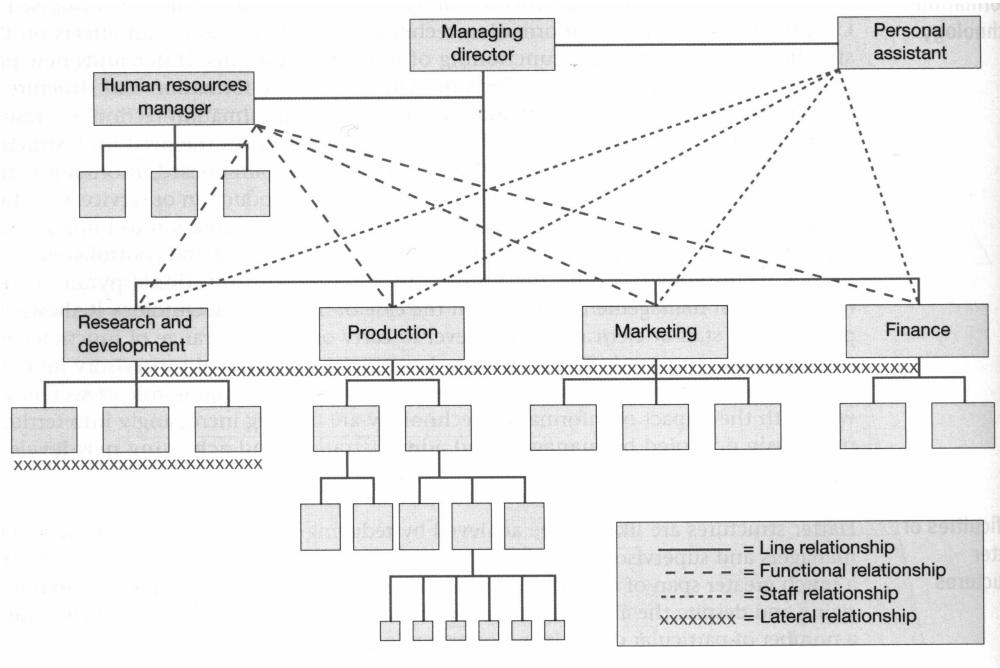


Illustration of formal organisational relationships

Inverted organisations

- These place customers at the summit and top management at the base
- Will be accompanied by the devolution of power and delegation to the empowered, self-managing workers near the top of the inverted pyramid

LINE-AND-STAFF ORGANISATIONS

Organisational structure involves, in addition to task organisational boundary considerations, the designation of jobs within an organisation and the relationships among those jobs. There are numerous ways to structure jobs within an organisation, but two of the most basic forms include simple line structures and line-and-staff structures.

In a line organisation, top management has complete control, and the chain of command is clear and simple. Examples of line organisations are small businesses in which the top manager, often the owner, is positioned at the top of the organisational structure and has clear "lines" of distinction between him and his subordinates.

The line-and-staff organisation combines the line organisation with staff departments that support and advise line departments. Most medium and large-sized firms exhibit line-and-staff organisational structures. The distinguishing characteristic between simple line organisations and line-and-staff organisations is the multiple layers of management within line-and-staff organisations. The following sections refer primarily to line-and-staff structures, although the advantages and disadvantages discussed apply to both types of organisational structures.

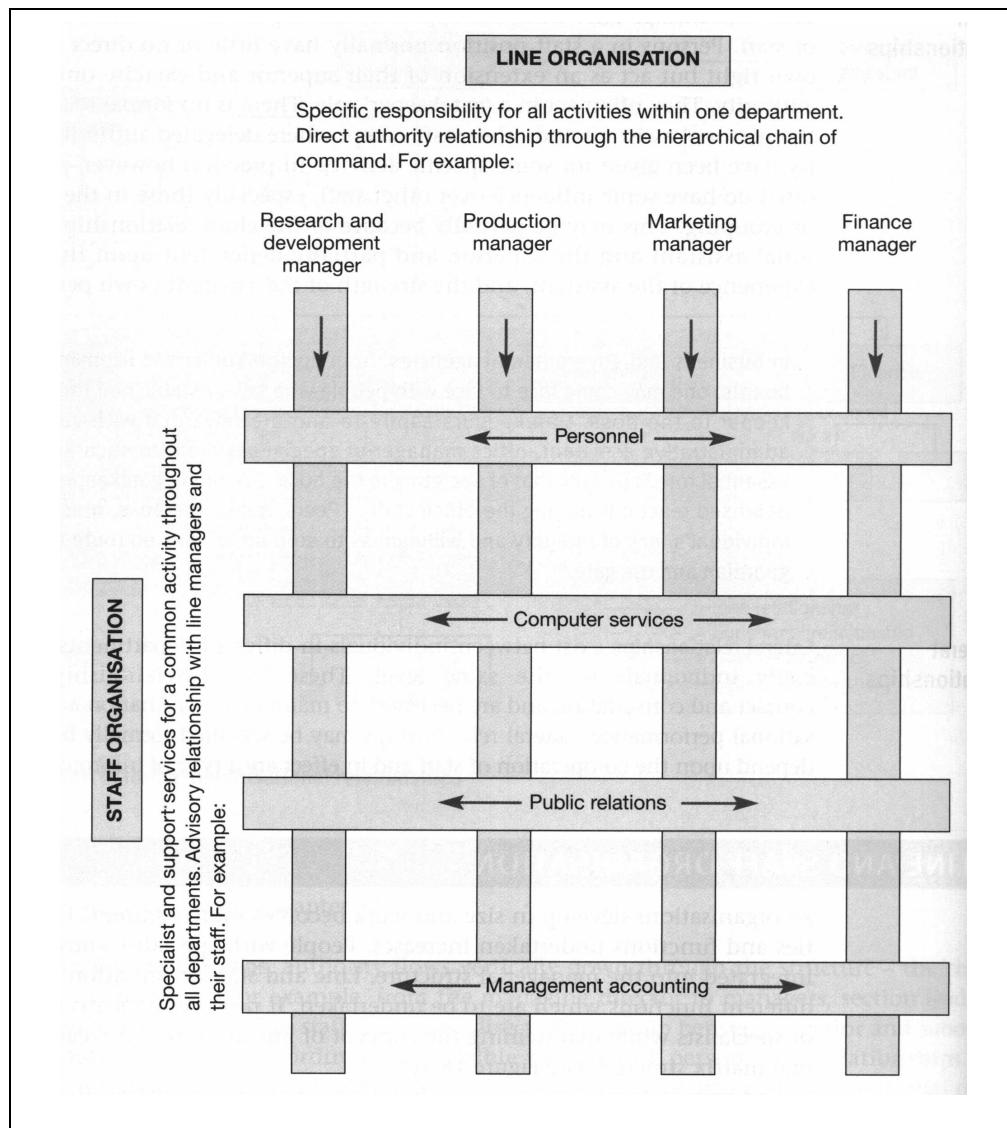
ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

Several advantages and disadvantages are present within a line-and-staff organisation. An advantage of a line-and-staff organisation is the availability of technical specialists. Staff experts in specific areas are incorporated into the formal chain of command. A disadvantage of a line-and-staff organisation is conflict between line and staff personnel.

LINE-AND-STAFF POSITIONS

A wide variety of positions exist within a line-and-staff organisation. Some positions are primary to the company's mission, whereas others are secondary—in the form of support and indirect contribution. Although positions within a line-and-staff organisation can be differentiated in several ways, the simplest approach classifies them as being either line or staff.



A line position is directly involved in the day-to-day operations of the organisation, such as producing or selling a product or service. Line positions are occupied by line personnel and line managers. Line personnel carry out the primary activities of a business and are considered essential to the basic functioning of the organisation.

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

Line managers make the majority of the decisions and direct line personnel to achieve company goals. An example of a line manager is a marketing executive.

Although a marketing executive does not actually produce the product or service, he or she directly contributes to the firm's overall objectives through market forecasting and generating product or service demand. Therefore, line positions, whether they are personnel or managers, engage in activities that are functionally and directly related to the principal workflow of an organisation.

Staff positions serve the organisation by indirectly supporting line functions. Staff positions consist of staff personnel and staff managers. Staff personnel use their technical expertise to assist line personnel and aid top management in various business activities. Staff managers provide support, advice, and knowledge to other individuals in the chain of command.

Although staff managers are not part of the chain of command related to direct production of products or services, they do have authority over personnel. An example of a staff manager is a legal adviser. He or she does not actively engage in profit-making activities, but does provide legal support to those who do. Therefore, staff positions, whether personnel or managers, engage in activities that are supportive to line personnel.

LINE-AND-STAFF AUTHORITY

Authority within a line-and-staff organisation can be differentiated. Three types of authority are present: line, staff, and functional. Line authority is the right to carry out assignments and exact performance from other individuals.

LINE AUTHORITY.

Line authority flows down the chain of command. For example, line authority gives a production supervisor the right to direct an employee to operate a particular machine, and it gives the vice president of finance the right to request a certain report from a department head. Therefore, line authority gives an individual a certain degree of power relating to the performance of an organisational task.

Two important clarifications should be considered, however, when discussing line authority: (1) line authority does not ensure effective performance, and (2) line authority is not restricted to line personnel. The head of a staff department has line authority over his or her employees by virtue of authority relationships between the department head and his or her directly-reporting employees.

STAFF AUTHORITY.

Staff authority is the right to advise or counsel those with line authority. For example, human resource department employees help other departments by selecting and developing a qualified workforce. A quality control manager aids a production manager by determining the acceptable quality level of products or services at a manufacturing company, initiating quality programs, and carrying out statistical analysis to ensure compliance with quality standards. Therefore, staff authority gives staff personnel the right to offer advice in an effort to improve line operations.

FUNCTIONAL AUTHORITY.

Functional authority is referred to as limited line authority. It gives a staff person power over a particular function, such as safety or accounting. Usually, functional authority is given to specific staff personnel with expertise in a certain area. For example, members of an accounting department might have authority to request documents they need to prepare financial reports, or a human resource manager might have authority to ensure that all departments are complying with equal employment opportunity laws. Functional authority is a special type of authority for staff personnel, which must be designated by top management.

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

LINE-AND-STAFF CONFLICT

Due to different positions and types of authority within a line-and-staff organisation, conflict between line and staff personnel is almost inevitable. Although minimal conflict due to differences in viewpoints is natural, conflict on the part of line and staff personnel can disrupt an entire organisation. There are many reasons for conflict. Poor human relations, overlapping authority and responsibility, and misuse of staff personnel by top management are all primary reasons for feelings of resentment between line and staff personnel. This resentment can result in various departments viewing the organisation from a narrow stance instead of looking at the organisation as a whole.

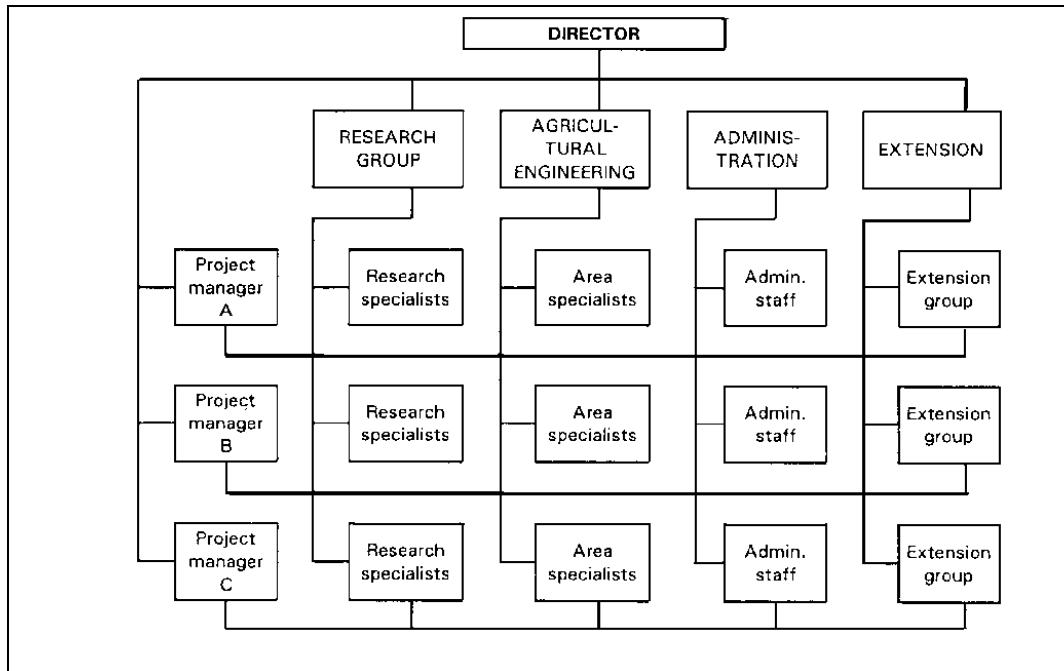
Fortunately, there are several ways to minimize conflict. One way is to integrate line and staff personnel into a work team. The success of the work team depends on how well each group can work together in efforts to increase productivity and performance. Another solution is to ensure that the areas of responsibility and authority of both line and staff personnel are clearly defined. With clearly defined lines of authority and responsibility, each group may better understand their role in the organisation. A third way to minimize conflict is to hold both line and staff personnel accountable for the results of their own activities. In other words, line personnel should not be entirely responsible for poor performance resulting from staff personnel advice.

Line-and-staff organisations combine the direct flow of authority present within a line organisation with staff departments that offer support and advice. A clear chain of command is a consistent characteristic among line-and-staff organisational structures. Problems of conflict may arise, but organisations that clearly delineate responsibility can help minimize such conflict.

MATRIX (PROJECT-BASED)

The matrix organisation is a combination of:

- Functional departments providing the stable base for specialised activities and a permanent location for members
- Units that integrate various activities of different functional departments in a project team



A Matrix structure organisation contains teams of people created from various sections of the business. These teams will be created for the purposes of a specific project and will be led by a project manager. Often

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

the team will only exist for the duration of the project and matrix structures are usually deployed to develop new products and services. The advantages of a matrix include:

- Individuals can be chosen according to the needs of the project.
- The use of a project team that is dynamic and able to view problems in a different way as specialists have been brought together in a new environment.
- Project managers are directly responsible for completing the project within a specific deadline and budget.

Whilst the disadvantages include:

- Responsibility and jurisdiction are not clearly defined in matrix organisations. Bosses are also not clearly identified. Consequently, matrix organisations could lean towards chaos and disorder, and even lead to power struggles unless power between line and project manager is skilfully balanced.
- Within the organisation, matrix organisations may encourage the formation of cliques since all decisions are made in a group. This could reinforce group loyalties and create inter-group conflicts.
- Matrix organisations need more human resources, particularly during initial periods. This means higher overheads and increased expenditure.
- Matrix organisation forms are usually found at the lower level of the organisation.
- If teams have a lot of independence can be difficult to monitor.
- Costs can be increased if more managers (i.e. project managers) are created through the use of project teams.

Consequences of badly designed structures

- Low motivation & morale
- Late & inappropriate decisions
- Conflict & lack of co-ordination
- Poor response to new opportunities & external change
- Rising costs

(Child)

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

EMERGING TRENDS IN ORGANISATIONAL STRUCTURE

Except for the matrix organisation, all the structures described above focus on the vertical organisation; that is, who reports to whom, who has responsibility and authority for what part of the organisation, and so on. Such vertical integration is sometimes necessary, but may be a hindrance in rapidly changing environments. A detailed organisational chart of a large corporation structured on the traditional model would show many layers of managers; decision-making flows vertically up and down the layers, but mostly downward. In general terms, this is an issue of interdependence.

In any organisation, the different people and functions do not operate completely independently. To a greater or lesser degree, all parts of the organisation need each other. Important developments in organisational design in the last few decades of the twentieth century and the early part of the twenty-first century have been attempts to understand the nature of interdependence and improve the functioning of organisations in respect to this factor.

One approach is to flatten the organisation, to develop the horizontal connections and de-emphasize vertical reporting relationships. At times, this involves simply eliminating layers of middle management. For example, some Japanese companies- even very large manufacturing firms- have only four levels of management: top management, plant management, department management, and section management. Some U.S. companies also have drastically reduced the number of managers as part of a downsizing strategy; not just to reduce salary expense, but also to streamline the organisation in order to improve communication and decision making.

In a virtual sense, technology is another means of flattening the organisation. The use of computer networks and software designed to facilitate group work within an organisation can speed communications and decision-making. Even more effective is the use of intranets to make company information readily accessible throughout the organisation. The rapid rise of such technology has made virtual organisations and boundaryless organisations possible, where managers, technicians, suppliers, distributors, and customers connect digitally rather than physically.

A different perspective on the issue of interdependence can be seen by comparing the organic model of organisation with the mechanistic model. The traditional, mechanistic structure is characterized as highly complex because of its emphasis on job specialization, highly formalized emphasis on definite procedures and protocols, and centralized authority and accountability. Yet, despite the advantages of coordination that these structures present, they may hinder tasks that are interdependent. In contrast, the organic model of organisation is relatively simple because it de-emphasizes job specialization, is relatively informal, and decentralizes authority. Decision-making and goal-setting processes are shared at all levels, and communication ideally flows more freely throughout the organisation.

A common way that modern business organisations move toward the organic model is by the implementation of various kinds of teams. Some organisations establish self-directed work teams as the basic production group. Examples include production cells in a manufacturing firm or customer service teams in an insurance company.

At other organisational levels, cross-functional teams may be established, either on an ad hoc basis (e.g., for problem solving) or on a permanent basis as the regular means of conducting the organisation's work. Aid Association for Lutherans is a large insurance organisation that has adopted the self-directed work team approach. Part of the impetus toward the organic model is the belief that this kind of structure is more effective for employee motivation. Various studies have suggested that steps such as expanding the scope of jobs, involving workers in problem solving and planning, and fostering open communications bring greater job satisfaction and better performance.

Saturn Corporation, a subsidiary of General Motors (GM), emphasises horizontal organisation. It was started with a "clean sheet of paper," with the intention to learn and incorporate the best in business practices in order to be a successful U.S. auto manufacturer. The organisational structure that it adopted is described as a set of nested circles, rather than a pyramid. At the centre is the self-directed production cell, called a Work

ORGANISATIONAL BEHAVIOUR

Organisational Structures and Design

Unit. These teams make most, if not all, decisions that affect only team members. Several such teams make up a wider circle called a Work Unit Module. Representatives from each team form the decision circle of the module, which makes decisions affecting more than one team or other modules. A number of modules form a Business Team, of which there are three in manufacturing. Leaders from the modules form the decision circle of the Business Team. Representatives of each Business Team form the Manufacturing Action Council, which oversees manufacturing. At all levels, decision-making is done on a consensus basis, at least in theory. The president of Saturn, finally, reports to GM headquarters.

THE FUTURE

Industry consolidation: creating huge global corporations through joint ventures, mergers, alliances, and other kinds of inter-organisational cooperative efforts- has become increasingly important in the twenty-first century. Among organisations of all sizes, concepts such as agile manufacturing, just-in-time inventory management, and ambidextrous organisations are impacting managers' thinking about their organisational structure. Indeed, few leaders were likely to blindly implement the traditional hierarchical structure common in the first half of the century. The first half of the twentieth century was dominated by the one-size-fits-all traditional structure. The early twenty-first century has been dominated by the thinking that changing organisational structures, while still a monumental managerial challenge, can be a necessary condition for competitive success.