



Week 14





الجمهورية الجزائرية الديمقراطية الشعبية
وزارة التعليم العالي والبحث العلمي

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المدرسة الوطنية العليا للذكاء الاصطناعي

National High School of Artificial Intelligence

(ENSIA)

Academic Year
2023-2024
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YOUR MANAGEMENT COURSE

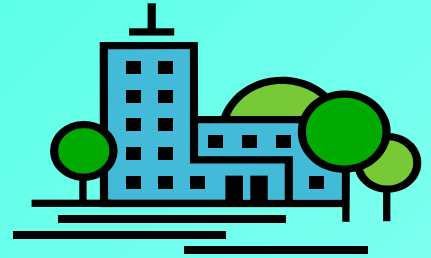
Introduction to
BUSINESS

Introduction to Business / NHSAI (ENSIA) 2024 / Instructor: Prof. Oukil



Chapter 16: DESIGNING ORGANISATIONS

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Texas A&M University



4 Learning Goals:



1. Explain the **2 fundamental principles** of designing organisations;
2. State the **major concepts** of vertical organisational design;
3. Describe **4 types** of horizontal organisational design;
4. Describe the **major options** for achieving organisational integration.



Fundamentals of Organizing



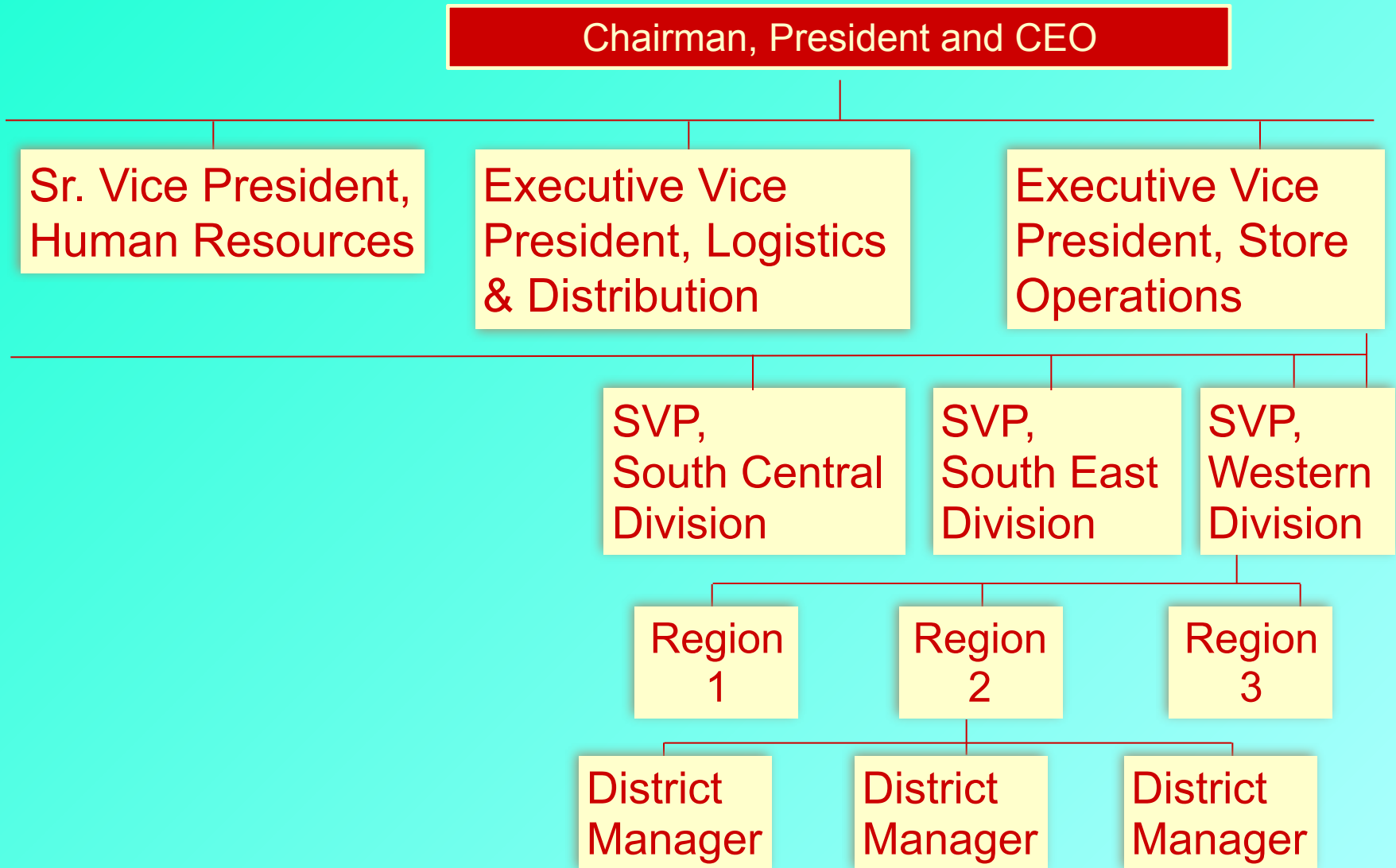
If you remember, **organising** was defined as the process of creating a structure of jobs that help employees to implement goals and plans. If you also remember, **organising** was presented as one of the 4 general managerial functions besides planning, controlling and leading.

Now, you need to know that the process by which management forms jobs and relationships is termed **ORGANISATION DESIGN**. This refers to the decisions and actions that result in a structure represented by an **ORGANIZATION CHART**.

❑ **Organization chart**: a diagram that illustrates the reporting lines between units (teams, groups or departments or divisions) and people within the organisation.

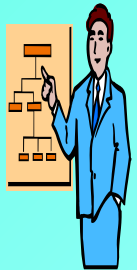


An example of an Org. Chart

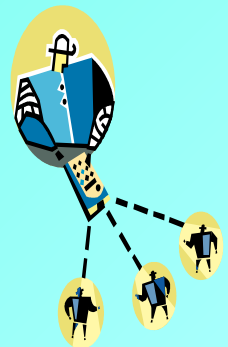




❑ The importance of an **organization chart** is that it conveys 4 kinds of information?



- 1- Boxes representing different units;
- 2- Titles in each box show the work performed by that person;
- 3- Reporting relationships are shown by the lines connecting superiors and subordinates;
- 4- Levels of the organisation are indicated by the number of vertical layers in the chart.





Fundamentals of Organizing:

1st: Differentiation

➤ **Differentiation** means that organisations are composed of units that work on **specialised tasks** using different work methods and requiring employees with **unique competencies**:

- Division of labor: work organisations is divided into smaller tasks;
- Specialisation: process of identifying particular tasks and assigning them to departments, teams, or divisions.



Fundamentals of Organizing :

2nd: Integration



☐ **Integration** means that the various units coordinate their work to achieve common goals.

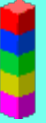
☐ Note that:

Achieving integration is not easy, and there is a cost (meeting time, travel, uniform policies) to achieving integration.



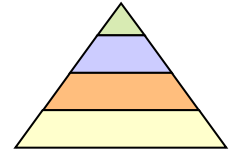


Vertical Design



Organisations may use different ways to ease work

A) Hierarchy: a pyramid showing relationships among levels;



B) Span of control: refers to the number of employees directly reporting to a person:



The span of control in any situation can be influenced

By the following **4 key factors**:

1. Competence of both the manager and the employee;
2. Similarity or dissimilarity of tasks being supervised;
3. Incidence of new problems in the manager's department;
4. Extent of clear operating standards and rules.

(continued)



C) Authority: right to make a decision.

D) Responsibility: an employee's duty to perform the assigned task.

E) Accountability: manager's expectation that the employee will accept credit or blame for his or her work.





E) Delegation: process of giving authority to a person (or group or team) to make decisions and act in certain situations.

➤ Barriers to delegation:



- ✓ **Failure to define authority and responsibility clearly;**
- ✓ Managers fear to delegate to others;
- ✓ Cultural values.



Building Blocks for Effective Delegation

Establish goals
and standards



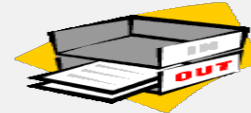
Ensure clarity



Involvement



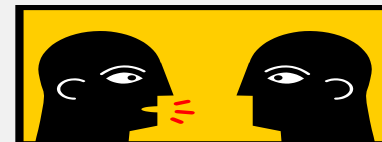
Expect completed
work

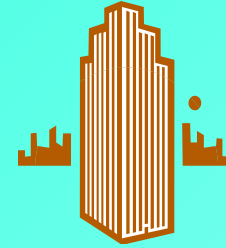


Provide training



Timely feedback





G) **Centralisation**: concentration of authority at the top of an organisation or department.

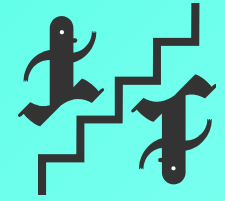


H) **Decentralisation**: delegation of authority to lower level employees or departments.

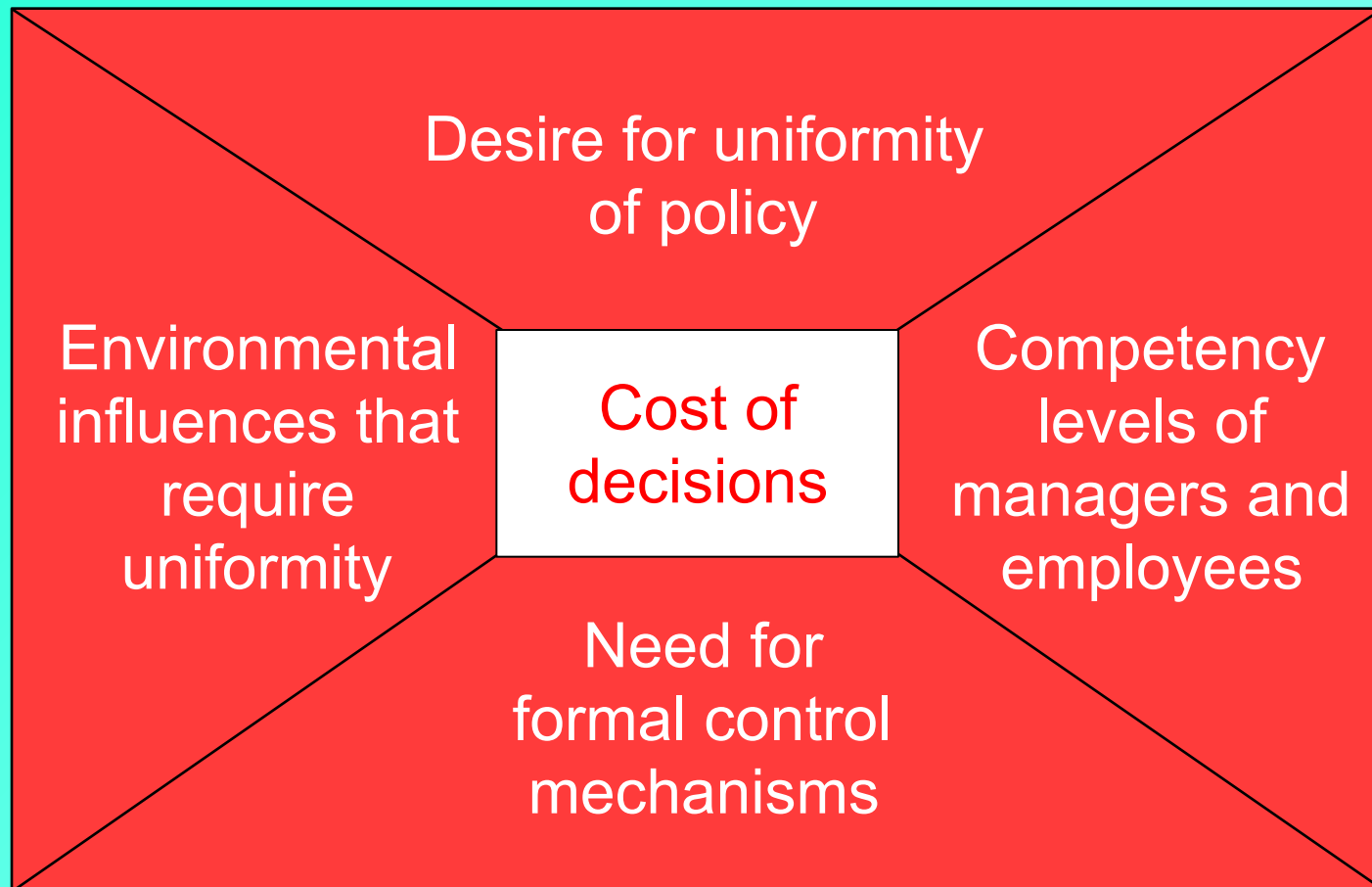


NB: No absolutes for centralisation versus decentralisation.



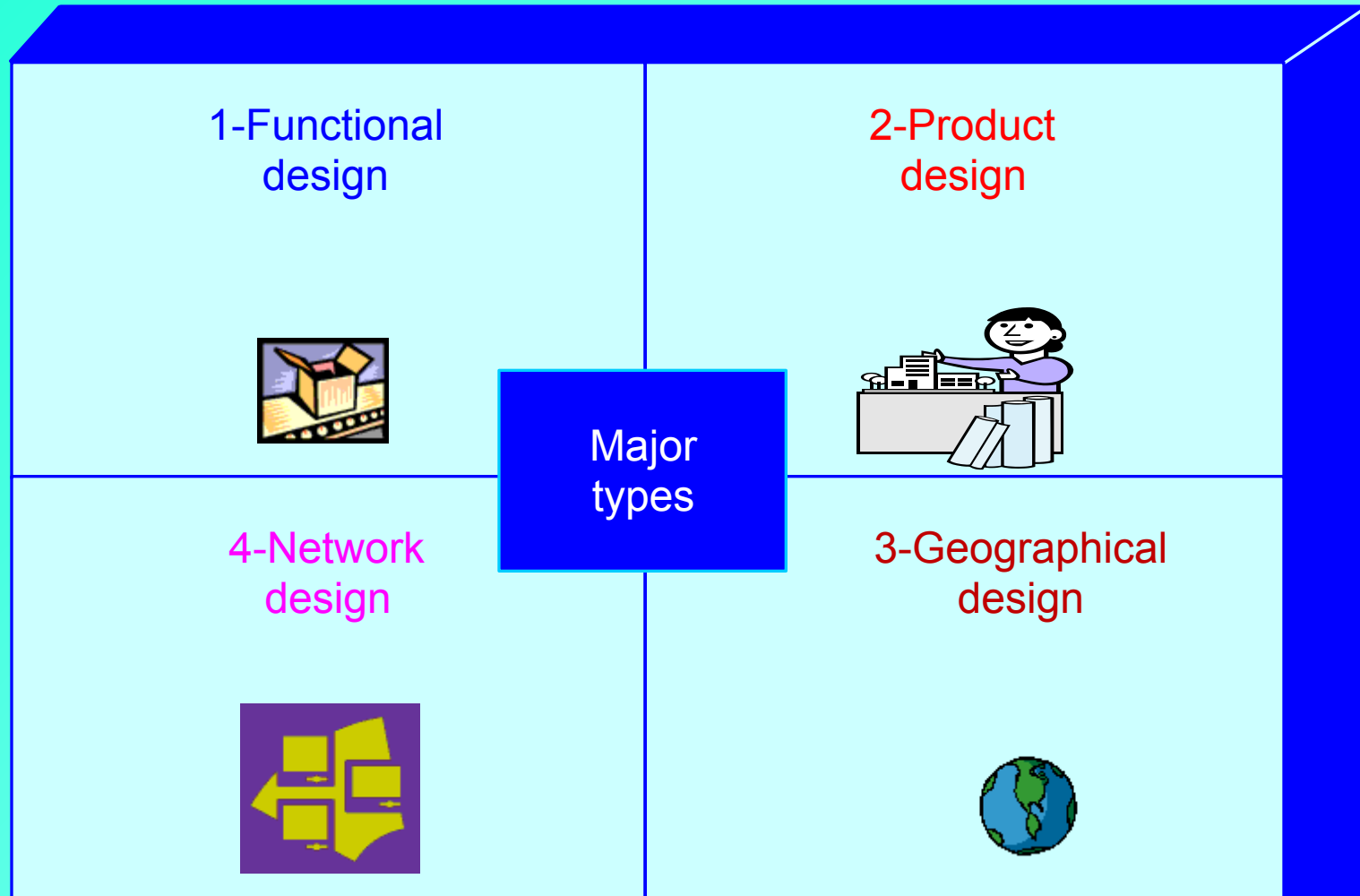


Interrelated Factors Affecting Decision to Centralise or Decentralise





Horizontal Design





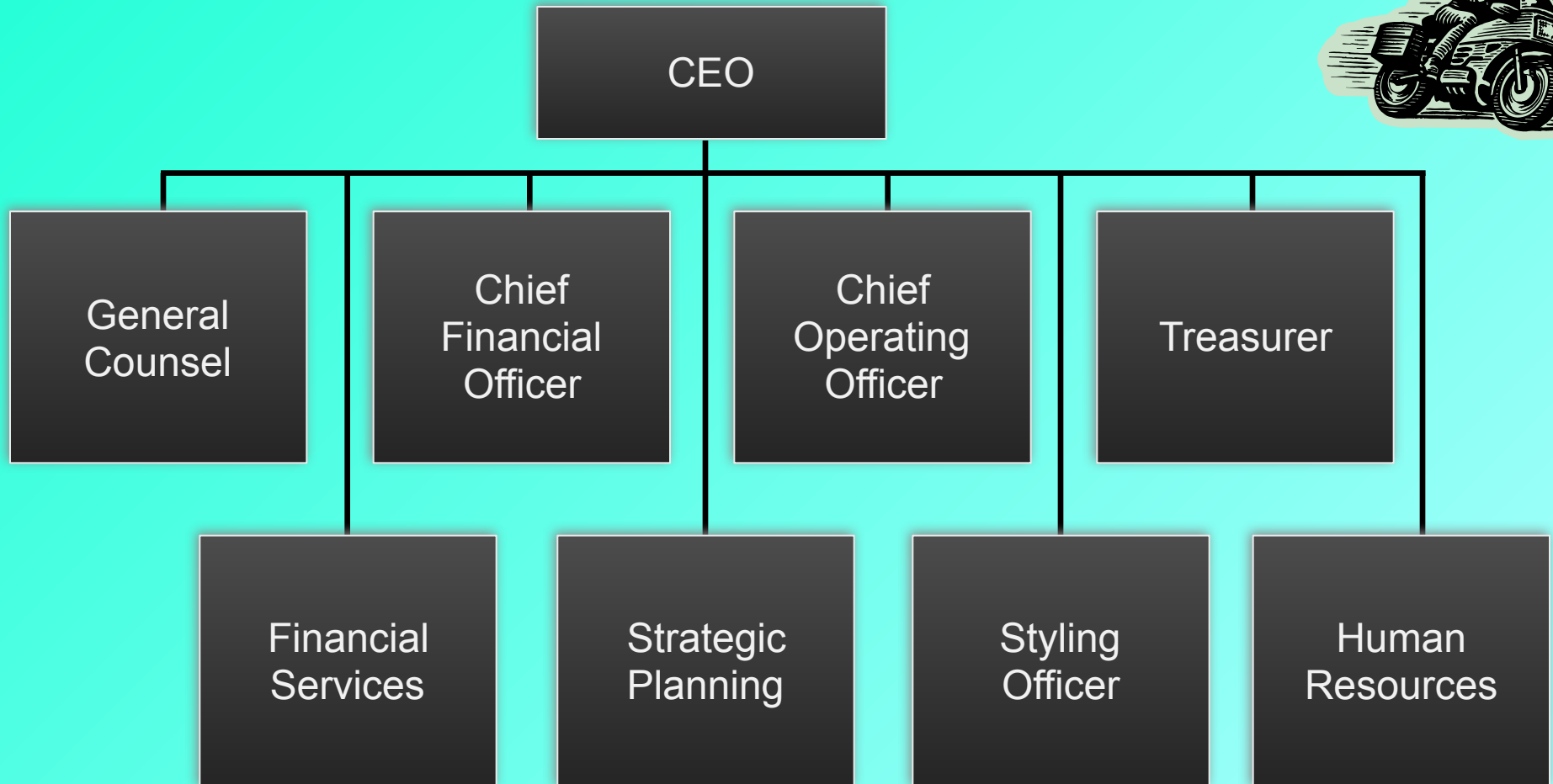
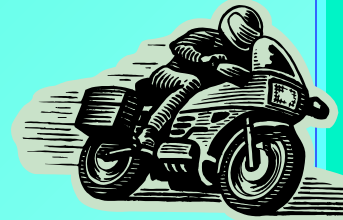
1- Functional Design

- ❑ Grouping managers and employees according to their areas of expertise and the resources they use to perform their jobs.





Functional Design: Ex of Harley-Davidson Organization Chart





Potential Benefits Versus Pitfalls of Functional Design

Potential Benefits:

- Supports skill specialisation
- Reduces duplication of resources & increases coordination with the function;
- Enhances career development & training within functional area;
- Allows superiors and subordinates to share common expertise
- **Promotes high-quality technical decision making.**



Potential Pitfalls:

- **Inadequate communication across functional areas;**
- Conflicts over product priorities;
- Focus on departmental rather than organisational issues and goals;
- Develops managers who are experts only in a narrow field.



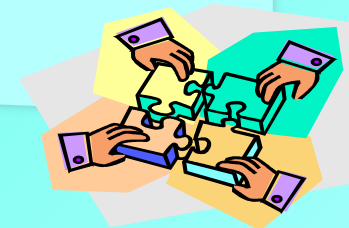
2-Product Design



- ❖ All functions that contribute to a product are organised under one manager.

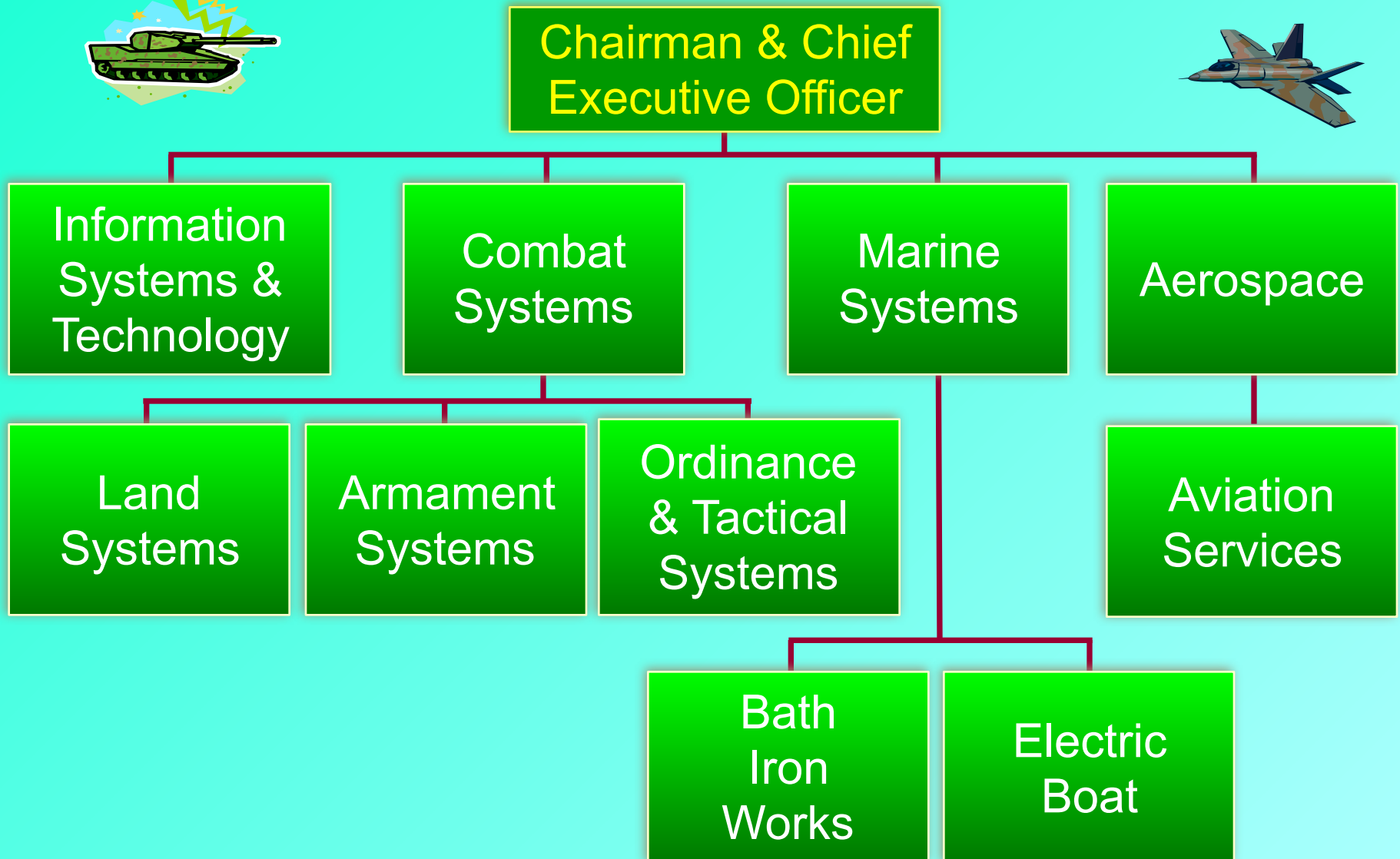


- ❖ Divides the organisation into self-contained units.





Product Design: Ex of General Dynamics Organization Chart

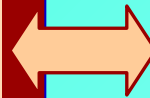




Potential Benefits and Pitfalls of Product Design

Potential Benefits:

- Permits fast changes in a product line;
- Allows greater product line visibility;
- **Fosters a concern for customer demand;**
- Clearly defines responsibilities for each product line;
- Develops managers who can think across functional lines.



Potential Pitfalls:

- **Inefficient utilisation of skills and resources;**
- Not fostering coordination of activities across product lines;
- Encourages politics and conflicts in resource allocation across product lines;
- Limits career mobility for personnel outside their own product lines.



3- Geographical Design



- ❑ Organises activities around location.
- ❑ Helps to develop competitive advantage in each region according to that area's customers, competitors, and other factors.

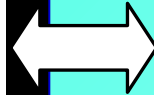




Potential Benefits and Pitfalls of Geographical Design:

Potential Benefits:

- Facilities and the equipment used for production and/or distribution all in one place, saving time and costs;
- **Able to develop expertise in solving problems unique to one location;**
- Understanding of customers' problems and desires in the location;
- Getting production closer to raw materials and suppliers.



Potential Pitfalls:

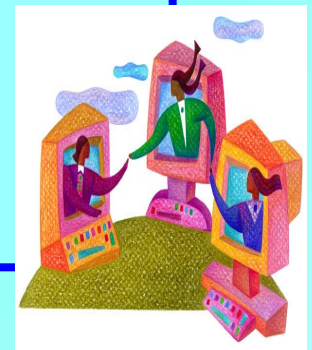
- Duplication of functions, to varying degrees, at each regional or individual unit location;
- **Conflict between each location's goals and the organisation's goals;**
- Adds levels of management and extensive use of rules and regulations to coordinate and ensure uniformity of quality among locations.



4- Network Design



- ❖ Subcontracts some or many of its operations to other firms and coordinates them to accomplish specific goals.
- ❖ Sometimes called virtual organisations.
- ❖ Connects people regardless of their locations.

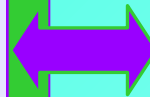




Potential Benefits and Pitfalls Of Network Design

Potential Benefits:

- Ability to gain special knowledge and skills of others without having to hire employees;
- Allows managers the flexibility to work with a wide variety of different suppliers, customers, and other organisations.

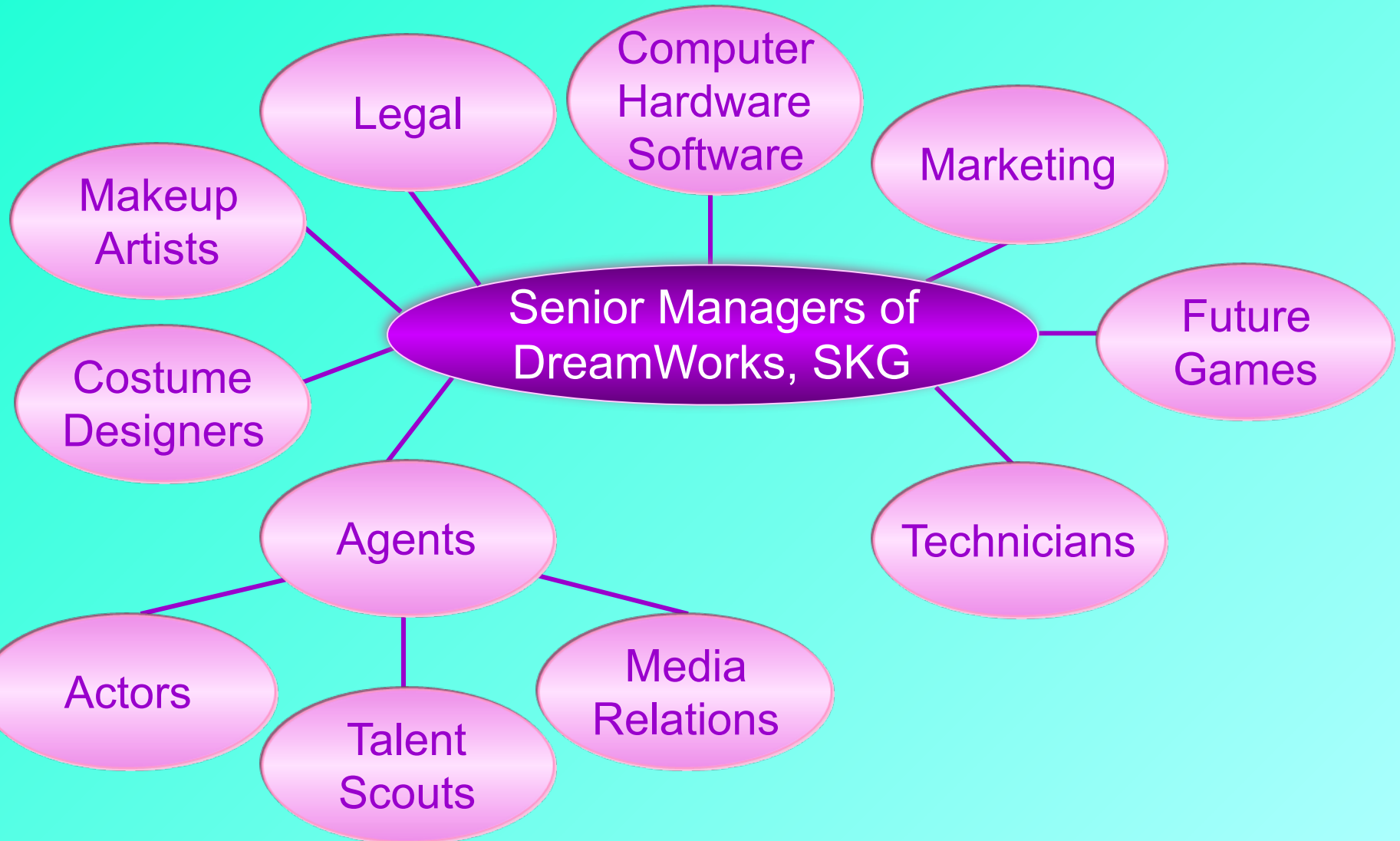


Potential Pitfalls:

- Other organisations may fail to live up to established deadlines;
- Managers must constantly monitor the quality of work provided by other organisations;
- Employees in the outsourced organisation may not hold the same values and sense of time urgency to which employees in the organisation are committed.



Network Design: DreamWorks SKG Network Design



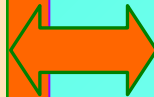


Organizational Integration: Mechanistic and Organic Systems



Organic:

- Tasks tend to be ill defined;
- Tasks are continually adjusted and redefined through communication as situations change;
- Network structure of control, authority, and communication.

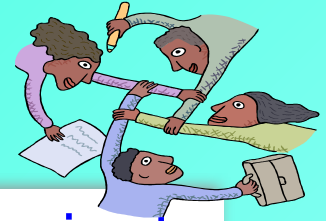


Mechanistic:

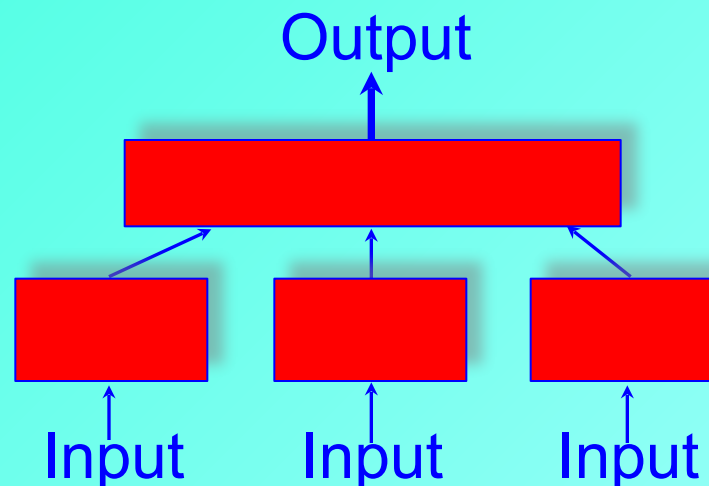
- Tasks are highly specialized;
- Tasks tend to remain rigidly defined unless changed by top management;
- Specific roles are prescribed for each employee.



Organisational Integration: Types of Interdependence



- ❑ Interdependence: the degree of coordination required between individuals and units to transform information and raw materials into goods and services;
- ❑ 1-Pooled interdependence: little sharing of information or resources among individuals within a unit or among units in the performance of tasks (e.g., golf teams).

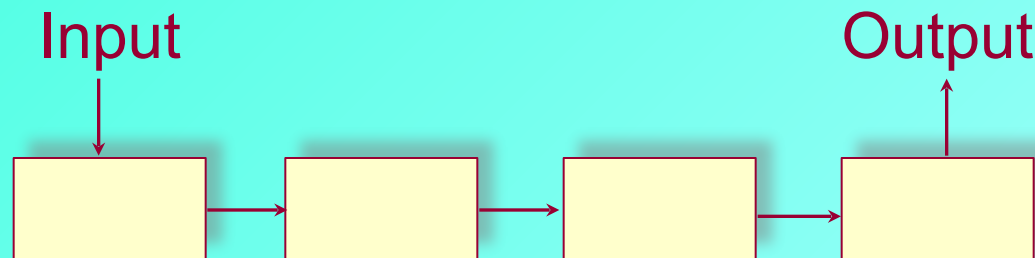




Organisational Integration: Types of Interdependence (cont'd)



- **2-Sequential interdependence:** the orderly step-by-step flow of information, tasks, and resources from one individual or team to another within the same unit or from one unit to another (e.g., football teams).

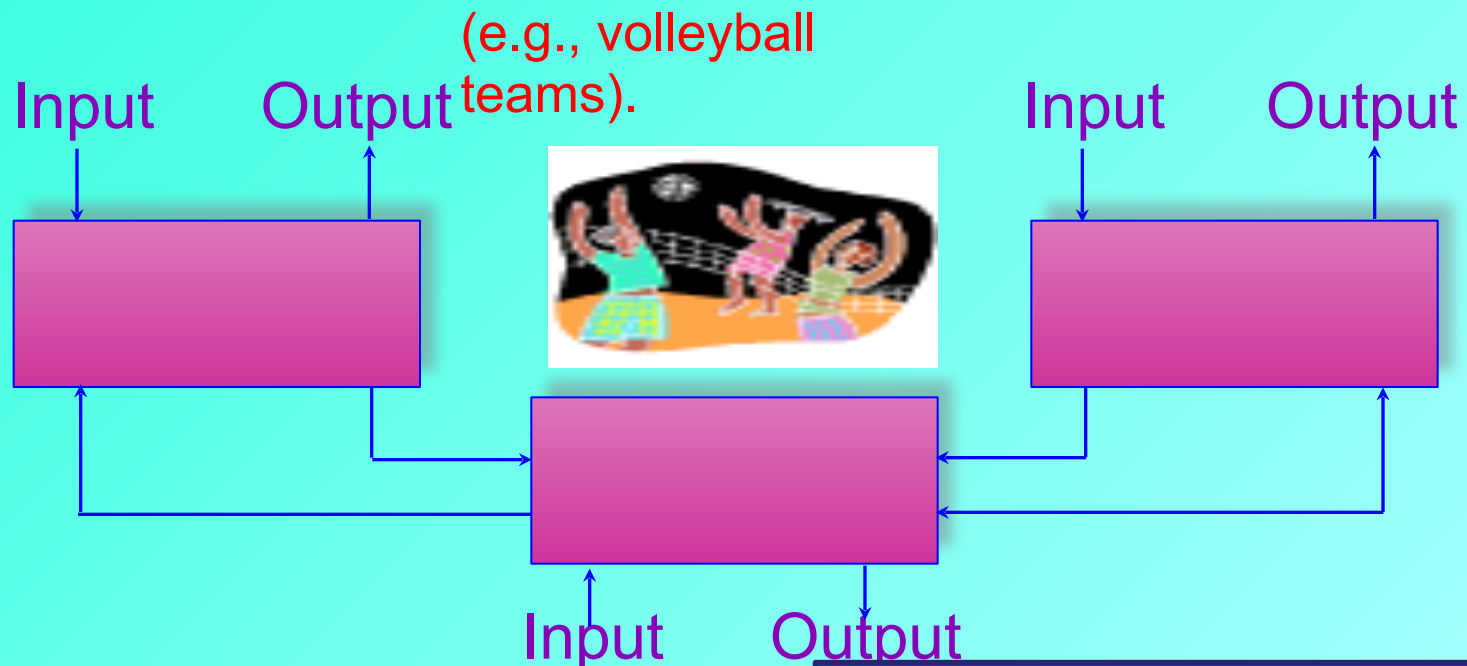




Organisational Integration: Types of Interdependence (cont'd)



- ❑ 3-Reciprocal interdependence: the need for every individual and unit to work with every other individual and unit; information and resources flow back and forth freely until the goal is achieved





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