

Organizational Structure and Design

IPE 4111

Presented By

Mahjabin Moon

Lecturer

Department of Mechanical and Production Engineering
Ahsanullah University of Science and Technology

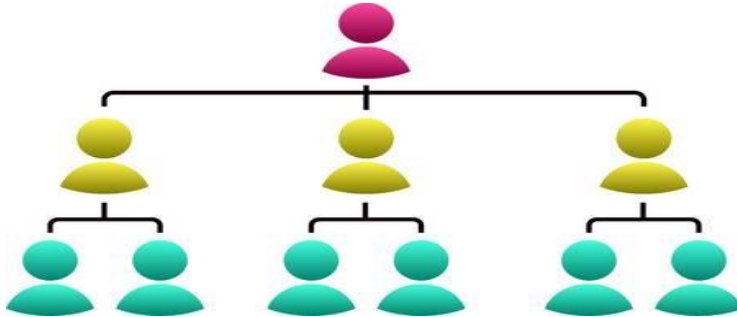
OUTLINE

- Organizational Structure
- Work specialization
- Departmentalization
- Chain of Command
- Span of Control
- Centralize vs. Decentralize
- Formalization
- Basic Organizational Design

Defining Organizational Structure

Organizational Structure

The formal arrangement of jobs within an organization.



Purpose of Organizing

- ▶ Divides work to be done into specific jobs and departments.
- ▶ Assigns tasks and responsibilities associated with individual jobs.
- ▶ Coordinates diverse organizational tasks.
- ▶ Establishes relationships among individuals, groups, and departments.
- ▶ Establishes formal lines of authority.
- ▶ Allocates and deploys organizational resources.

Organizational Design

A process that involves decisions about six key elements:

1. Work specialization
2. Departmentalization
3. Chain of command
4. Span of control
5. Centralization and decentralization
6. Formalization

Organizational Design

Work Specialization

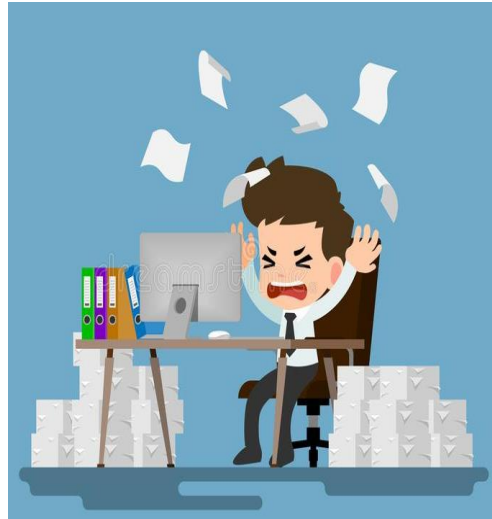
- The degree to which work activities are divided into separate job tasks.
- Individual employees “specialize” in doing part of an activity rather than the entire activity to increase work output.



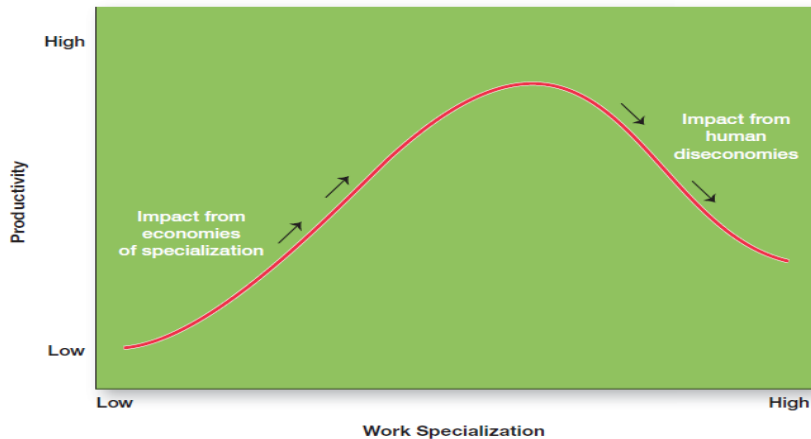
Organizational Design

Work Specialization

- Overspecialization can result in human diseconomies from boredom, fatigue, stress, poor quality, increased absenteeism, and higher turnover.



Economies and Diseconomies of Work Specialization



Organizational Design

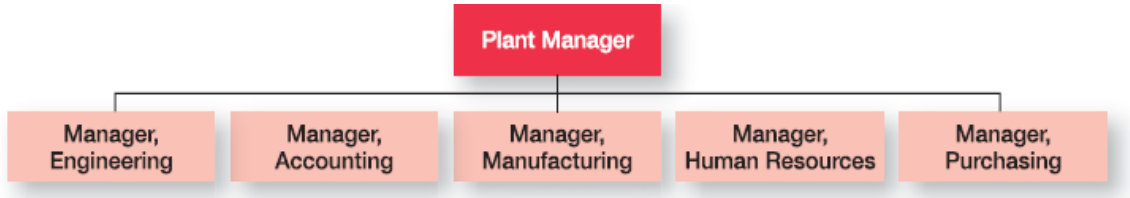
Departmentalization

- The basis of grouping common work activities together so the work gets done in a coordinated and integrated way.
- Five common forms of departmentalization-
 1. Functional
 2. Geographical
 3. Product
 4. Process
 5. Customer

Departmentalization

Functional

- ▶ Grouping jobs by functions performed.



Departmentalization

Functional

- Advantages

- Efficiencies from putting together similar specialties and people with common skills, knowledge and orientations.
- Coordination within functional area.
- In depth specializations.

Departmentalization

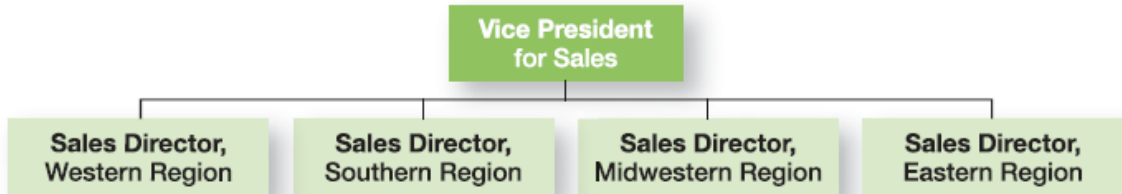
Functional

- Disadvantages
 - Poor communication across functional areas
 - Limited views of organizational goals

Departmentalization

Geographical

- Grouping jobs on the basis of territory or geography.



Departmentalization

Geographical

- Advantages
 - More effective and efficient handling of specific regional issues that arise.
 - Serve needs of unique geographic market better.

Departmentalization

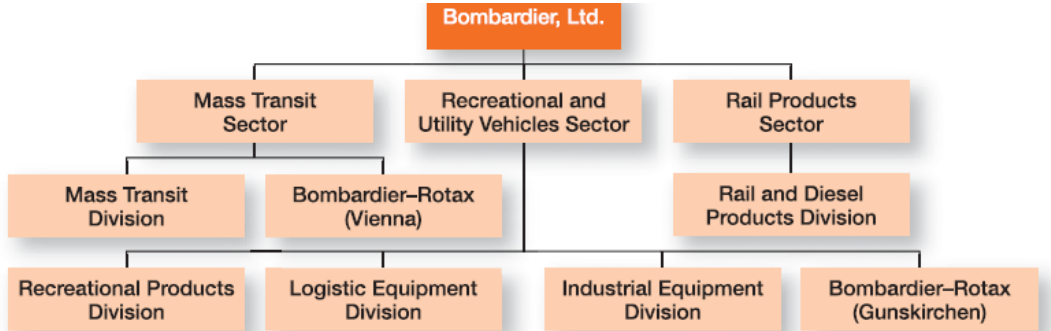
Geographical

- Disadvantages
 - Duplication of functions.
 - Can feel isolated from other organizational areas.

Departmentalization

Product

- Grouping jobs by product line.



Departmentalization

Product

- Advantages
 - Allow specialization in particular product and services.
 - Managers can become experts in their industry.
 - Closer to customers.

Departmentalization

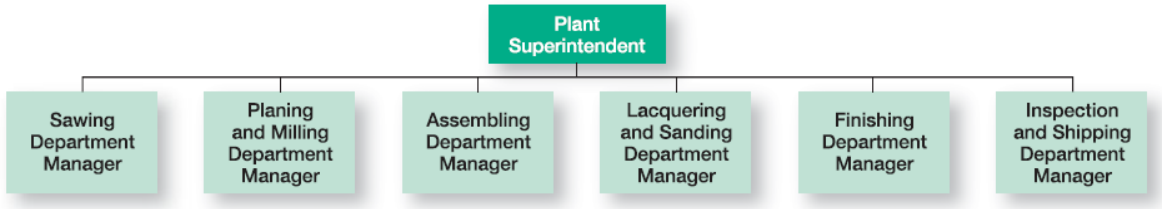
Product

- Disadvantages
 - Duplication of functions.
 - Limited views of organizational goals.

Departmentalization

Process

- Grouping jobs on the basis of product or customer flow.



Departmentalization

Process

- Advantages

- More efficient flow of work activities.

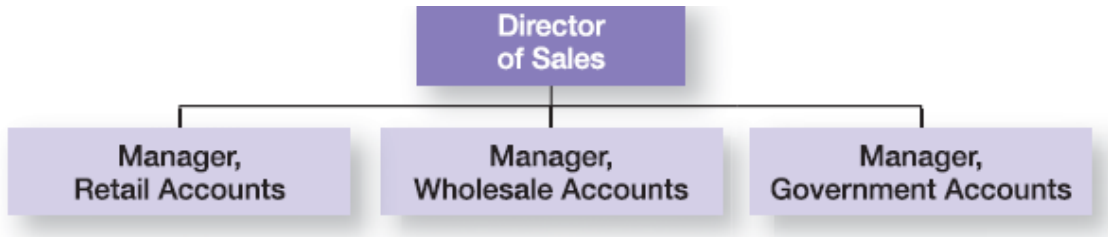
- Disadvantages

- Can only be used with certain types of products.

Departmentalization

Customer

- Grouping jobs by type of customer and needs.



Departmentalization

Customer

- Advantages

- Customers' needs and problems can be met by specialists.

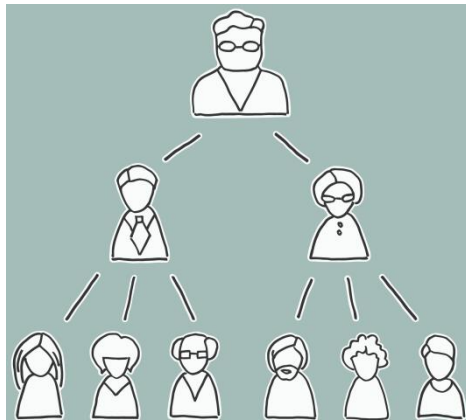
- Disadvantages

- Duplication of functions.
- Limited views of organizational goals

Organizational Design

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 whom.



Organizational Design

Authority

- The rights to tell people what to do and to expect them to do it.
- Acceptance theory of authority

Acceptance theory of authority

- The view that authority comes from the willingness of subordinates to accept it.

Organizational Design

Acceptance theory of authority

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.

Organizational Design

Line Authority

- Authority that entitles a manager to direct the work of an employee.
- The president, the production manager, and the sales manager are examples of line managers.

Staff Authority

- Positions with some authority that have been created to support, assist, and advise those holding line authority.

Organizational Design

Responsibility

- The obligation or expectation to perform.

Unity of Command

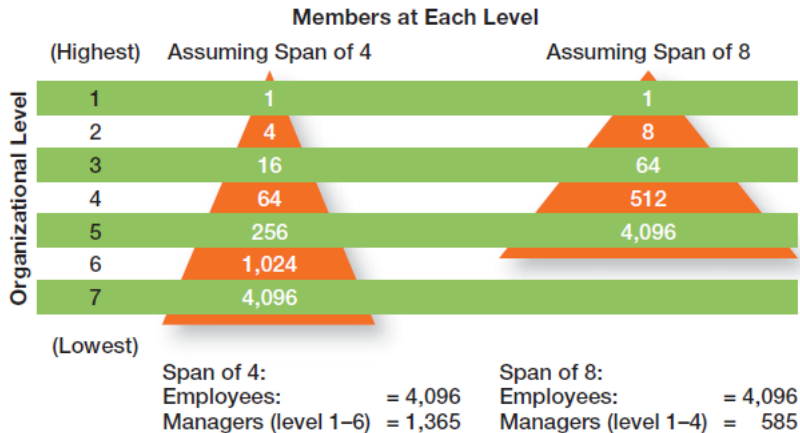
- The concept that a person should have one boss and should report only to that person.

Organizational Design

Span of Control

- The number of employees who can be effectively and efficiently supervised by a manager.
- It determines the number of levels and managers in an organization

Exhibit 10.6 Contrasting Spans of Control



Organizational Design

- Width of span is affected by:
 - Skills and abilities of the manager and the employees
 - Characteristics of the work being done
 - Similarity of tasks
 - Complexity of tasks
 - Standardization of tasks
 - Strength of the organization's culture etc.

Organizational Design

Centralization

- Decision making is concentrated at a single point in the organization.
- Organizations where top managers make all the decisions and lower-level employees simply carry out those orders.

Organizational Design

Decentralization

- Lower-level employees provide input or actually make decisions.
- Employee Empowerment.

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.

Organizational Design

Formalization

- The degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.

Basic Organizational Design

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

Structural Contingency Factors

Structural decisions are influenced by:

- Strategy and structure
- Size and structure
- Technology and structure
- Environmental uncertainty and structure

Common Organizational Designs

Traditional Designs

- Simple Structure
 - Low departmentalization, wide spans of control, centralized authority, little formalization
- Functional Structure
 - Operations, finance, human resources, and product research and development
- Divisional Structure
 - Composed of separate business units or divisions

Exhibit 10.10 Traditional Organizational Design

Simple Structure

- Strengths: Fast; flexible; inexpensive to maintain; clear accountability.
- Weaknesses: Not appropriate as organization grows; reliance on one person is risky.

Functional Structure

- Strengths: Cost-saving advantages from specialization (economies of scale, minimal duplication of people and equipment); employees are grouped with others who have similar tasks.
- Weaknesses: Pursuit of functional goals can cause managers to lose sight of what's best for the overall organization; functional specialists become insulated and have little understanding of what other units are doing.

Divisional Structure

- Strengths: Focuses on results—division managers are responsible for what happens to their products and services.
- Weaknesses: Duplication of activities and resources increases costs and reduces efficiency.

Common Organizational Designs

Contemporary Organizational Designs

- Team Structures
- Matrix & Project Structures
- Boundary less structure
 - Virtual
 - Network
- Learning structure

Thank You