



**MDIS** Tashkent

*Where lifelong learning begins*

<b>Week (Lecture &amp; Tutorial)</b>	<b>Topics</b>
1	Approaches to management and organisation
2	The organisational environment
3	Motivation
4	Organisational design
5	Organisational architecture
6	Leadership
7	Mid-term examination (Consultation Week – Assignment Briefing)
8	Managing change
9	Decision making
10	Managing conflict
11	Managing human resources
12	Academic Writing – Individual Assignment

# **Principles of Business Management**

## **ASB1105**

### **Topic 4**

# Topic 4:

## Organisational design

### Learning Objectives:

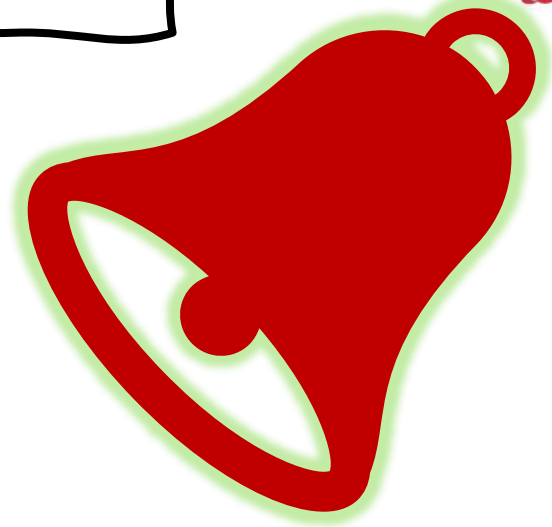
1. Distinguish between charismatic, traditional and legitimate forms of authority.
2. State the main characteristics of a bureaucratic organisation structure by Max Weber
3. Understand different organisation structure design
4. Discuss technological and environmental determinism that affect organisation structure
5. Discuss the managerial skills needed at the different levels of management
6. Distinguish Fayol's six managerial activities
7. Distinguish Mintzberg's ten management roles



Why study organisation design?

# Organisation design

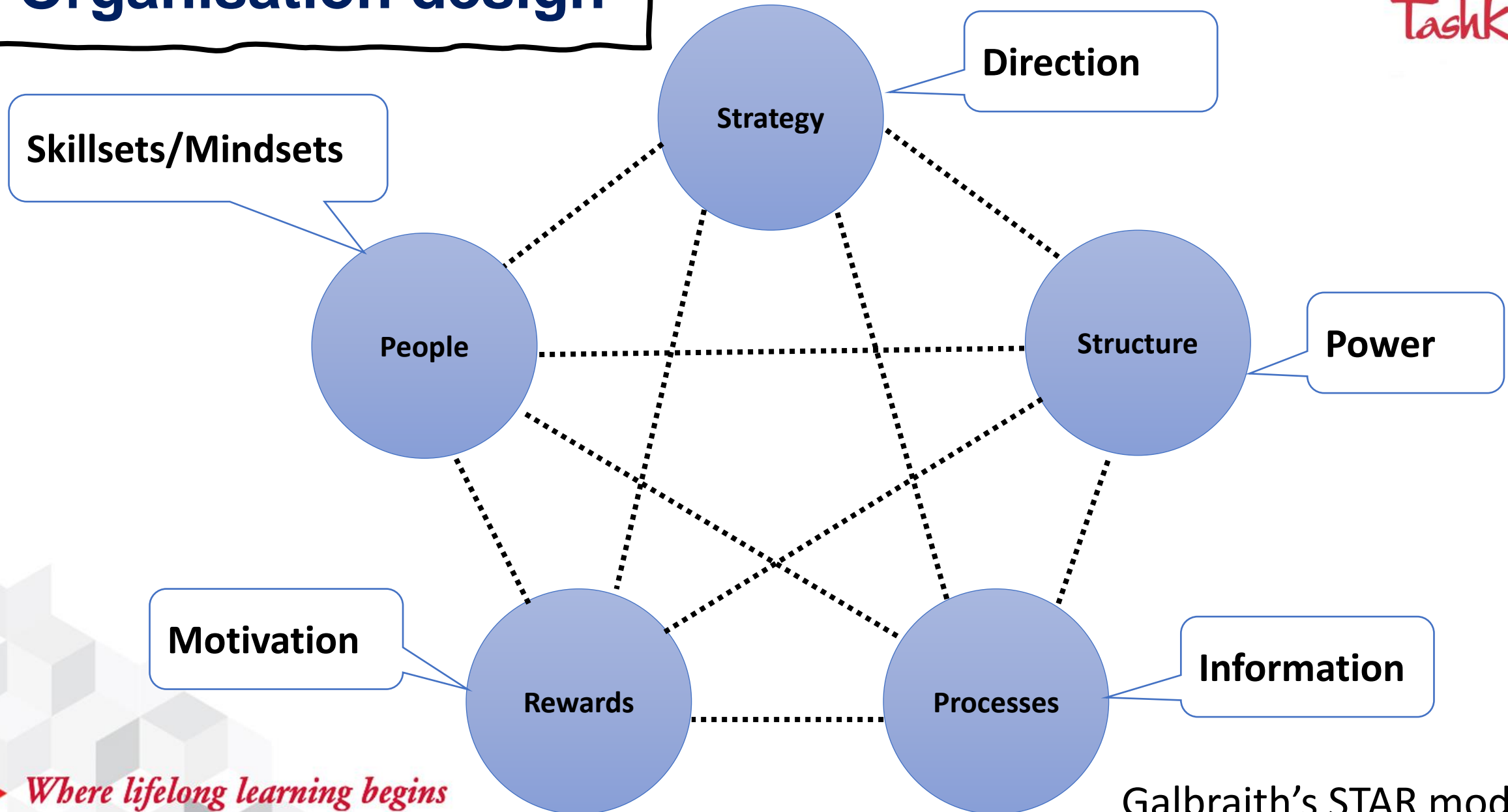
- The design of an organisation is the **outcome of the senior management's decision about its corporate strategy** which refers to establishing the aims of a company and the means by which these will be achieved.



# Organisation design

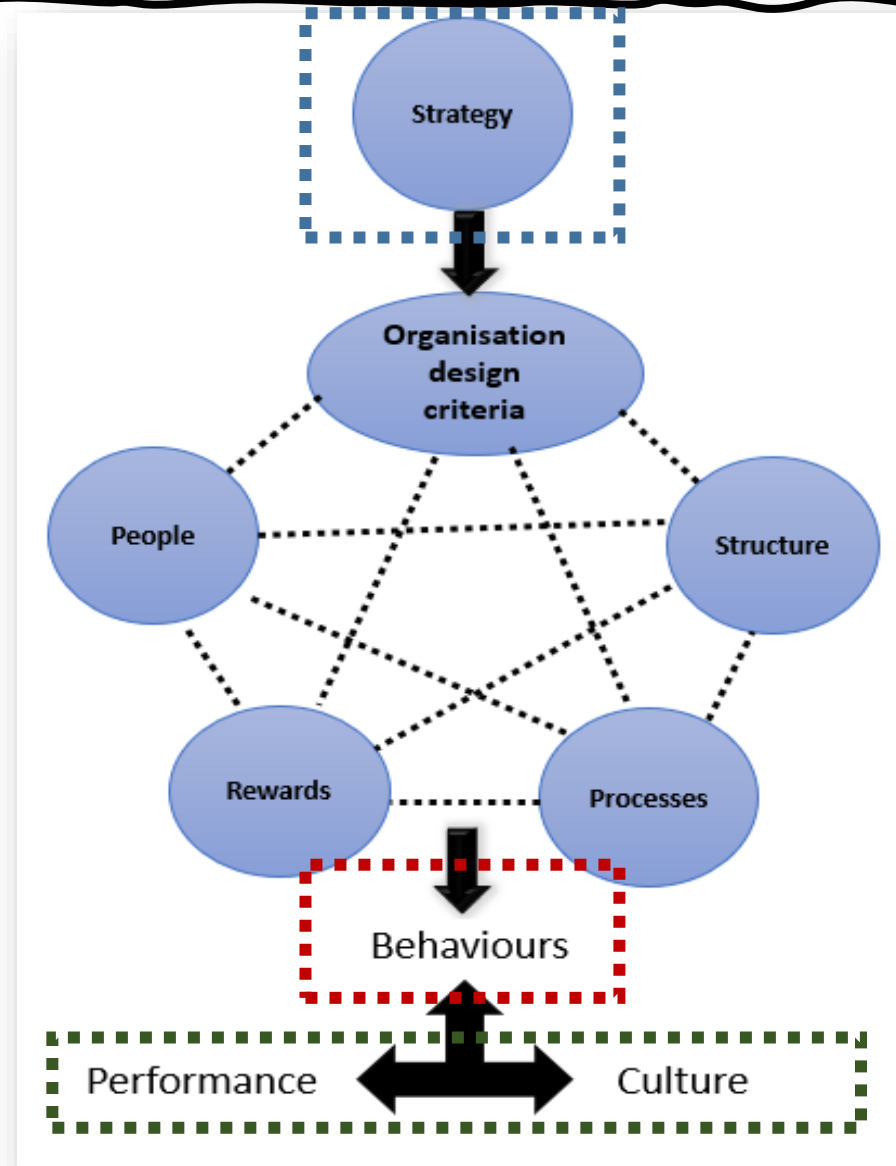
- Organisation design refers to the **integration** of structure, people, rewards and processes to support the implementation of an organisation's corporate strategy.

# Organisation design





# How Organisation Design Affects Behaviour and Culture?



Source: Galbraith, J.

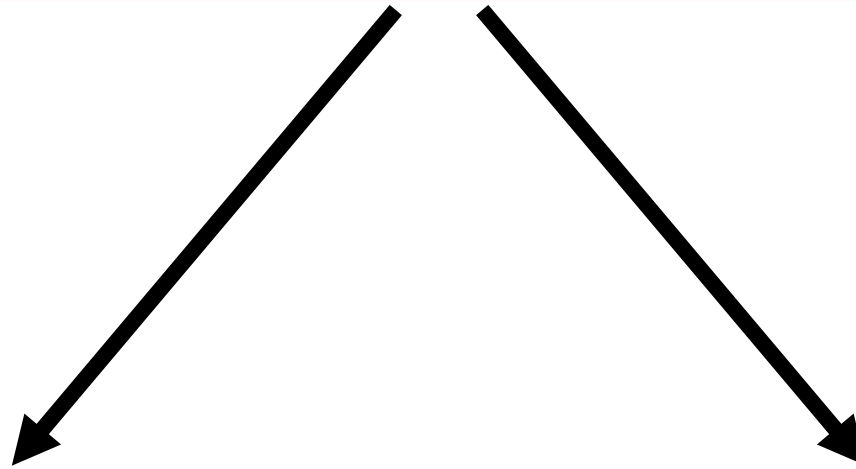
# Formal power and authority

- Organisation's structure determines where formal power and authority is located
- **Power** refers to the capacity of individuals to exert their will and to produce results consistent with their interests and objectives.

Max Weber distinguish 3 different types of authority:

- **Traditional authority** is the belief that the ruler has a natural right to rule. This authority is given by descent, as with the kings and queens.
- **Charismatic authority** is the belief that the ruler has some special unique virtue as with the authority of religious leader, charismatic politicians and film star.
- **Legitimate authority** base on formal written rules that have the force of law. For example, the authority of president, manager etc.

# Sub-groups of classical approach



Scientific  
Management

F.W.Taylor

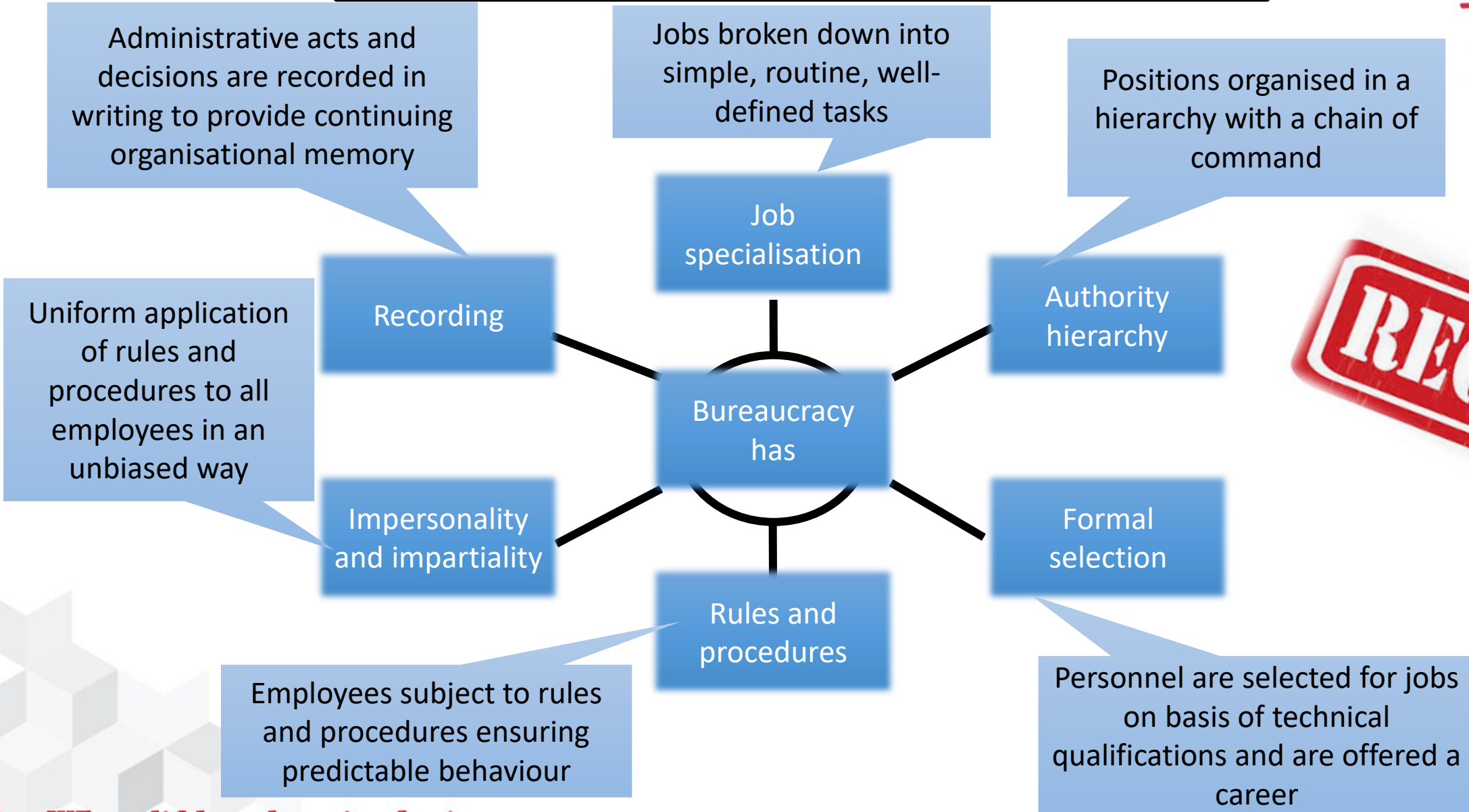
Bureaucracy

Max Weber

# The bureaucratic model

The bureaucratic model, as defined by Weber (1946), in some ways resembled the classical school. The features of a bureaucratic organisation are **maximum specialisation, clear job definition, vertical authority patterns, the maximum use of rules, and impersonal administration.**

# Characteristics of bureaucracy

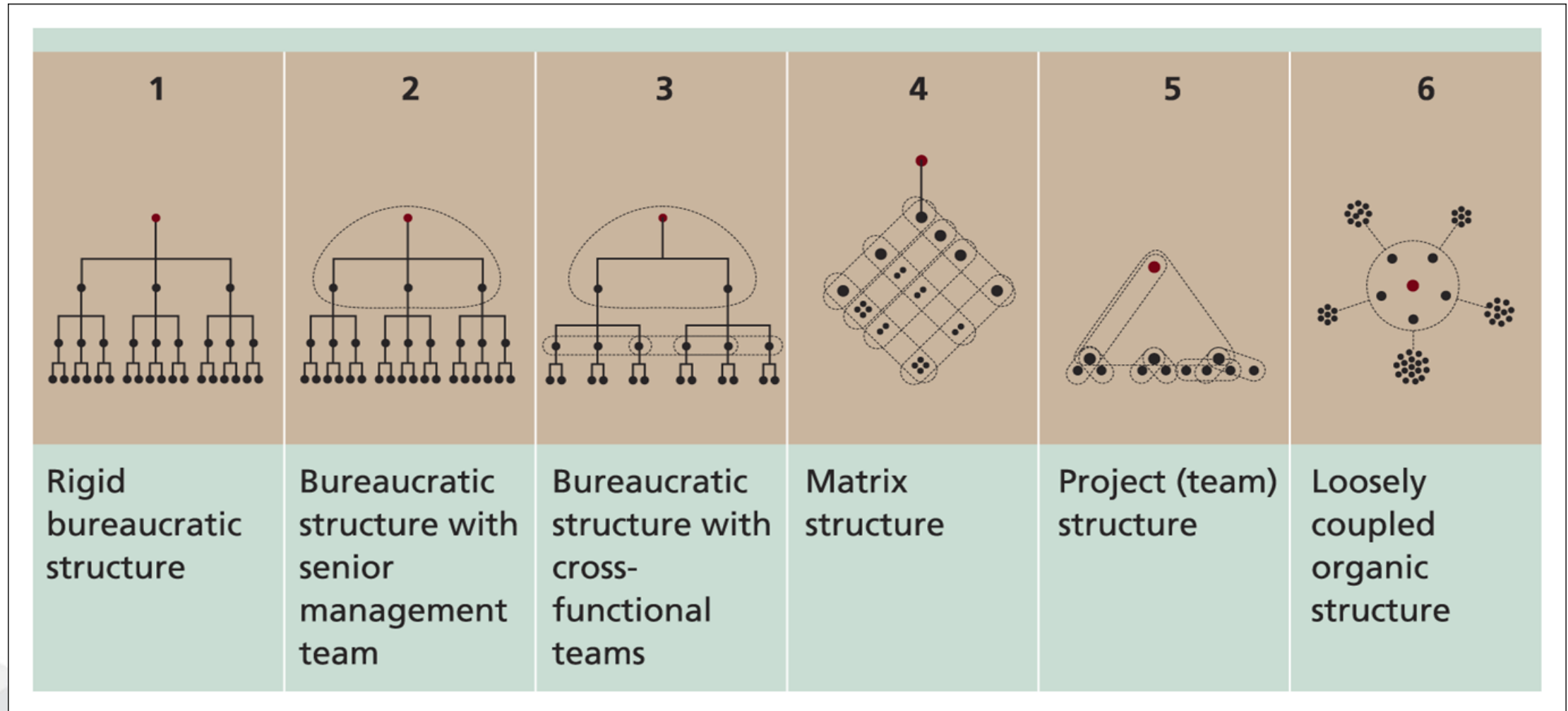


# Positive and Negative Consequences of a Bureaucracy

Characteristics	Positive consequences	Negative consequences	
		For the individual	For the organisation
Job specialisation	Produces efficient, repetitive working	Over specialisation of employees' skills and knowledge prevents them recognising or caring about problems not in their domain.	Inhibits job rotation and hence flexible use of personnel, and thus can reduce overall productivity.
Authority hierarchy	Clarifies who is in command	Prevents employees contributing to decisions.	Allows errors to be hidden
Formal selection	Most appropriate person appointed to a position and promoted	Can restrict the psychological growth of the individual in their job.	Individuals throughout the company are promoted to their level of incompetence.
Rules and procedures	Employees know what is expected of them	Introduces delays, stifles initiative and creativity.	Leads to individual and sub-unit goals replacing organisation objectives, rules define minimum levels of acceptable performance.
Impersonality and impartiality	Fosters efficiency, reduces bias	Dehumanises those it purports to serve – officials are prevented from responding to unique features of clients who are treated as standard cases.	Creates a climate of alienation through the firm as employees come to see themselves as small cogs in a wheel
Recording	Creates an organisation history that is not dependent on individual memory	Employees come to see record-keeping as an end in itself rather than a means to an end.	Recorded precedents stifle attempts at the company innovation inhibits flexibility, adaptability and responsiveness.



# Types of organisation structure



Source: Huczynski & Buchanan, 2017. *Organizational Behaviour*. 9<sup>th</sup> Edition, @ Pearson Education Limited.

# Contingency approach – Argument?

The contingency approach to organisation structure argues that to be effective, a business must adjust its structure to take account **external factors**.



# Contingency approach to organisation structure

- To be effective, organisation needs to **adjust its structure** that takes account the type of technology it uses, the environment within which it operates and other context factors.

Contingency approach holds that:

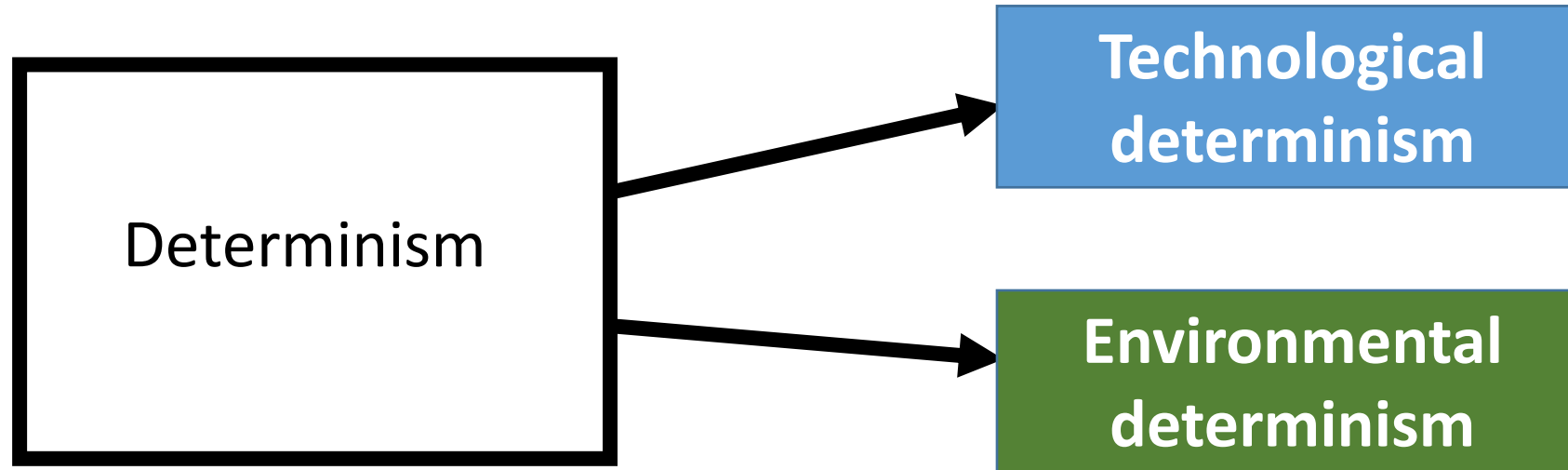
- There is no one best way to design an organisation
- An organisation's structure needs to '**fit**' its environment
- The better the 'fit' between an organisation's structure and its environment, the more effective it will be
- Employees' needs are best met when a company is properly structure and its management style is appropriate for the task at hand

# Contingency approach based on Determinism

Determinism

- **‘Contextual’ factors** such as an organisation’s size, ownership, technology or environment, impose certain constraints on the choices that the managers can make about the type of structure to adopt.
- If the organisation’s structure was not adapted to suit its context, **then....**
  - opportunities would be lost
  - costs would rise
  - performance would be reduced
  - the organisation’s existence could be threatened

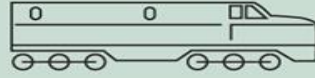
# Contingency approach based on Determinism



# Technological determinism

- John Woodard & James Thompson are the leading figures in the school of technological determinism.
- Technology requires that certain tasks be performed and that this in turn determines job, organisation structure, skill and knowledge requirements.

# Woodward's classification of 100 British manufacturing firms according to their systems of production



*Unit production*

- 1 Production of simple units to customers' orders
- 2 Production of technically complex units
- 3 Fabrication of large equipment in stages
- 4 Production of small batches



*Mass production*

- 5 Production of components in large batches subsequently assembled diversely
- 6 Production of large batches, assembly line type
- 7 Mass production

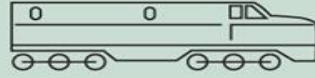


*Process production*

- 8 Process production combined with the preparation of a product for sale by large-batch or mass production methods
- 9 Process production of chemicals in batches
- 10 Continuous flow production of liquids, gases, and solid shapes



# Woodward's classification of 100 British manufacturing firms according to their systems of production



## Unit production

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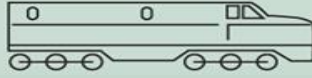
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**Span of  
Control**

# Woodward's classification of 100 British manufacturing firms according to their systems of production



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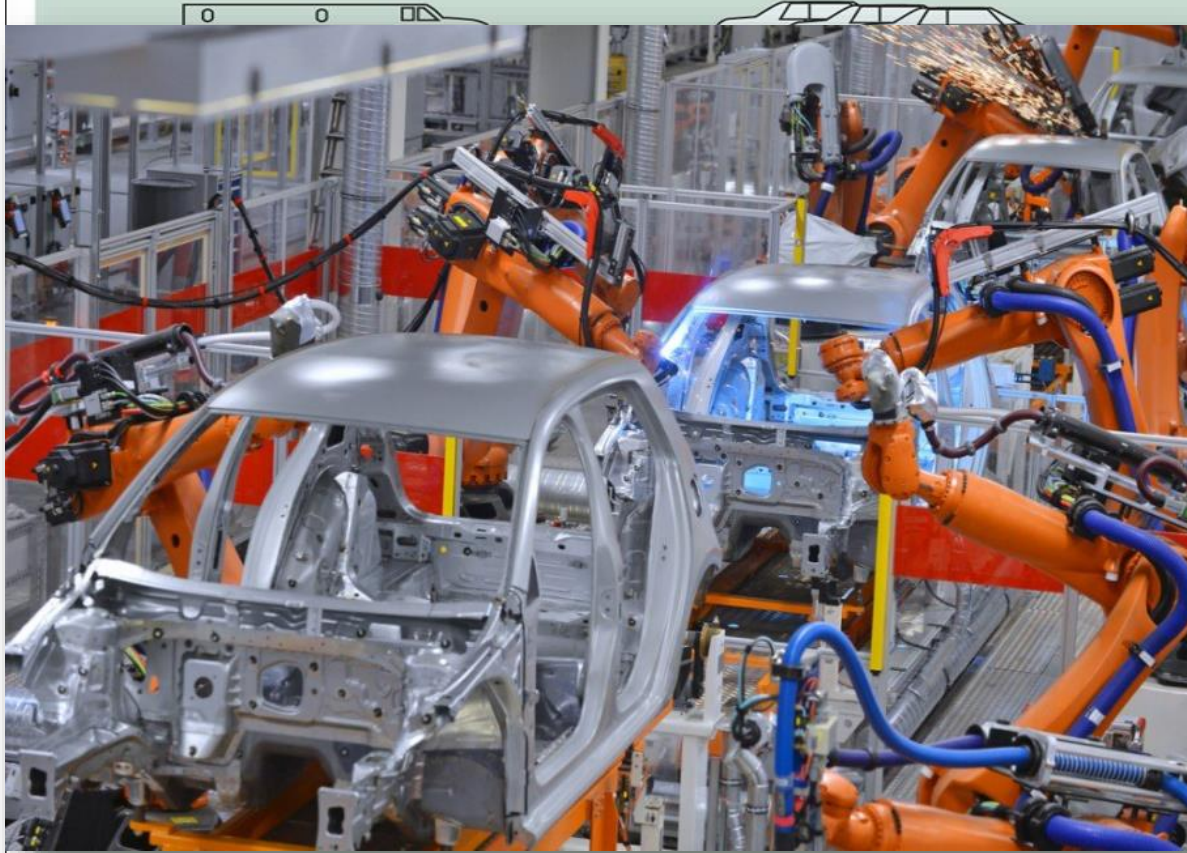
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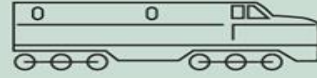


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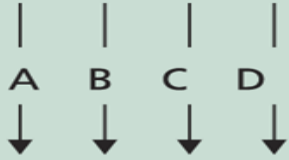
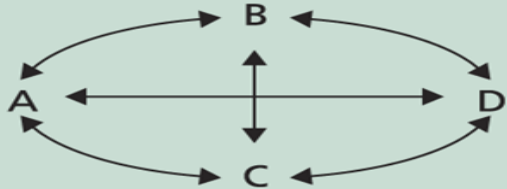
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**Span of Control**

# Thompson's typology of technology, interdependence and co-ordination

Type of technology	Form and degree of task interdependence	Main types of co-ordination used	Cost of co-ordination	Examples
Mediating	<b>'Pooled'</b>  Low interdependence	<i>Categorization</i> <i>standardization</i> rules and procedures	low	Bank and branches University departments Baseball teams
Long-linked	<b>'Sequential'</b> A → B → C → D Medium interdependence	<i>Planning</i> scheduled meetings, committees	medium	Assembly line Fast food restaurants American football teams
Intensive	<b>'Reciprocal'</b>  High interdependence	<i>Mutual adjustment</i> unscheduled meetings, face-to-face discussions, physical proximity, interdepartmental teams	high	Hospitals Airports Basketball teams

# Thompson's typology of technology, interdependence and co-ordination

Type of technology	Form and degree of task interdependence	Main types of co-ordination used	Cost of co-ordination	Examples
Mediating	<b>'Pooled'</b> <pre> graph TD     A --&gt; A     B --&gt; B     C --&gt; C     D --&gt; D             </pre> <p>Low interdependence</p>	<i>Categorization</i> <i>standardization</i> rules and procedures	low	Bank and branches University departments Baseball teams
	<b>Long-linked 'Sequential'</b> <pre> graph LR     A --&gt; B --&gt; C --&gt; D             </pre> <p>Medium interdependence</p>	<i>Planning</i> scheduled meetings, committees	medium	
	<b>Intensive 'Reciprocal'</b> <pre> graph LR     A &lt;--&gt; B     A &lt;--&gt; C     A &lt;--&gt; D     B &lt;--&gt; C     B &lt;--&gt; D     C &lt;--&gt; D             </pre> <p>High interdependence</p>	<i>Mutual adjustment</i> unscheduled meetings, face-to-face discussions, physical proximity, interdepartmental teams	high	



# Thompson's typology of technology, interdependence and co-ordination

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Mediating	<b>'Pooled'</b> <pre>                           A   B   C   D       ↓   ↓   ↓   ↓           </pre> Low interdependence	<i>Categorization</i> <i>standardization</i> rules and procedures	low	Bank and branches University departments Baseball teams
	<b>Long-linked 'Sequential'</b> <pre>       A → B → C → D           </pre> Medium interdependence	<i>Planning</i> scheduled meetings, committees	medium	Assembly line Fast food restaurants American football teams
	<b>Intensive 'Reciprocal'</b> <pre>       A ↔ B   C ↔ B           </pre> High interdependence			Hospitals Airports Basketball teams





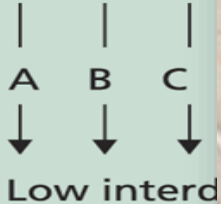
# Thompson's typology of technology, interdependence and co-ordination

Type of technology

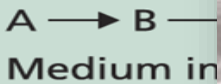
Form and of task int

Mediating

'Pooled'



Long-linked 'Sequential'

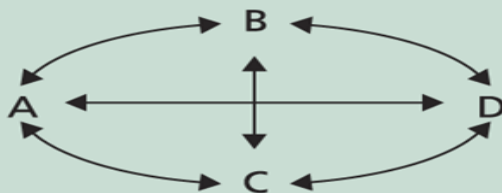


Examples

Bank and branches  
University departments  
Baseball teams

Assembly line  
Fast food restaurants  
American football teams

Intensive 'Reciprocal'



High interdependence

*Mutual adjustment*  
unscheduled meetings,  
face-to-face discussions,  
physical proximity,  
interdepartmental teams

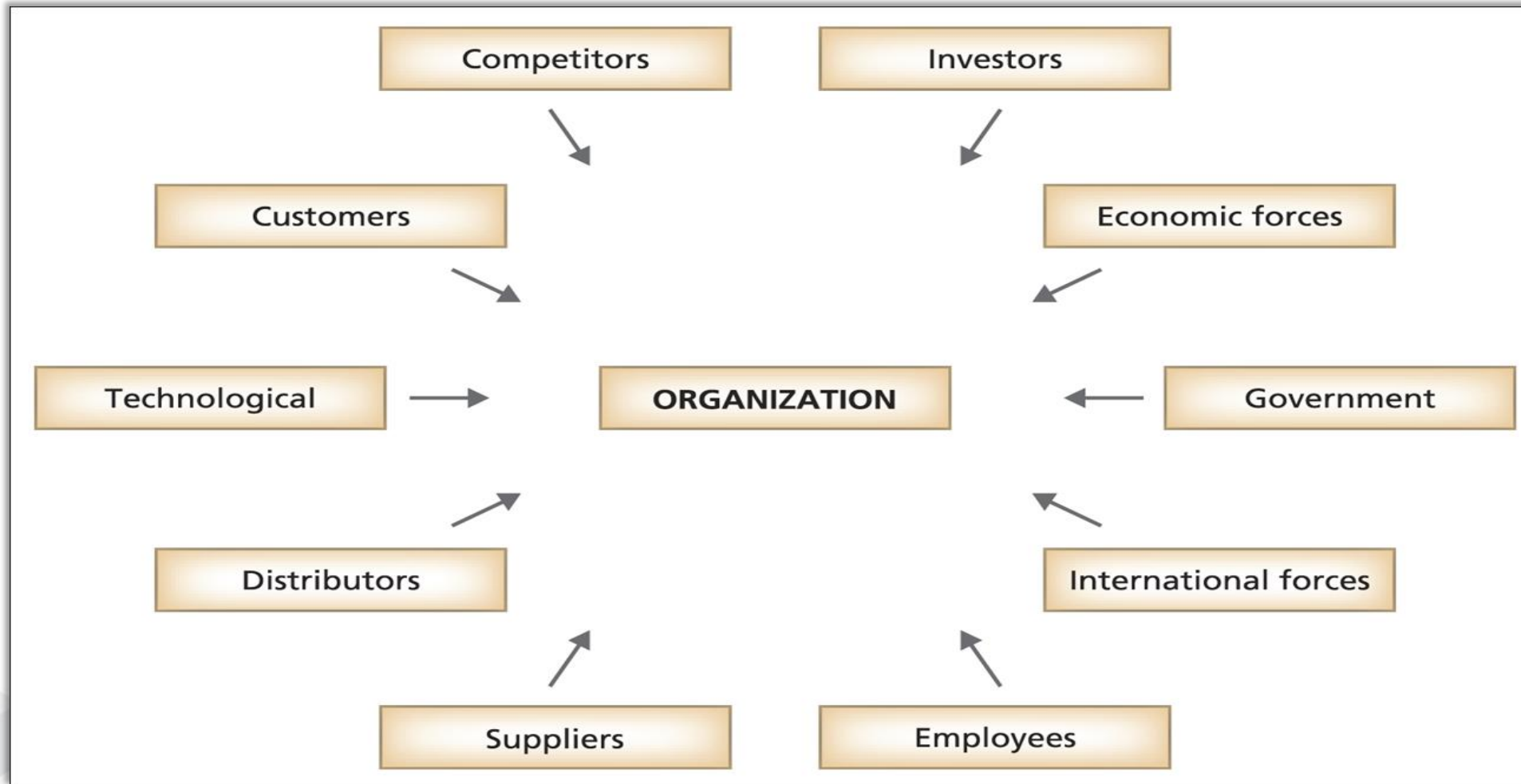
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Hospitals  
Airports  
Basketball teams

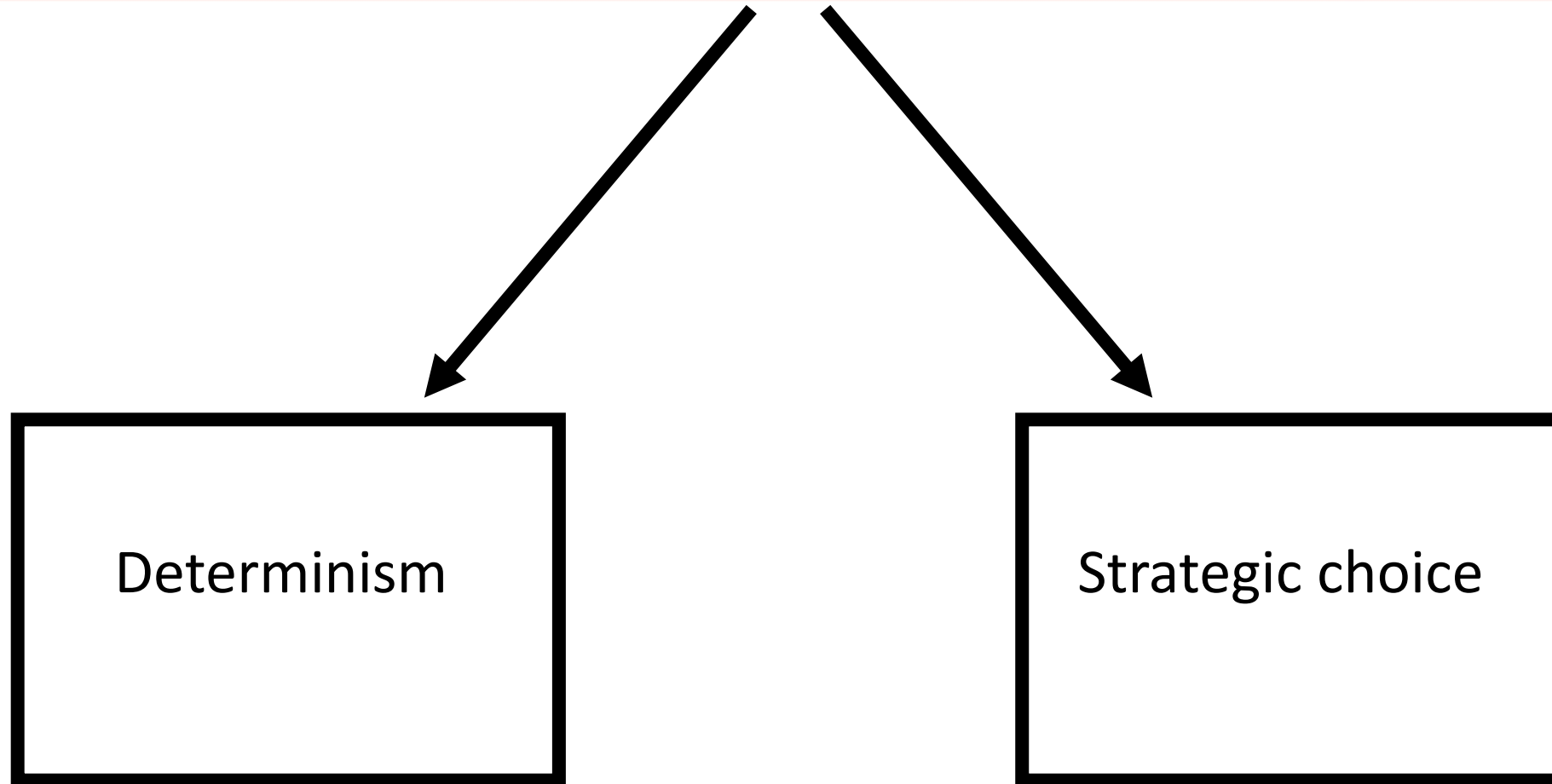
# Environmental determinism

- Environmental determinists see the organisation as being in **constant interaction with the environment** within which it exists.
- That environment consists of 'actors' or 'networks' such as competitors, investors, customers, economic situation, the market, the competitive scene and so on.
- Each organisation has its own unique environment.
- The **more** the actors or networks that are relevant to a given company, the **more complex** its environment is said to be.

# An organisation depicted in its environment consisting of different actors, stakeholders, and networks



# Sub-groups of contingency approach





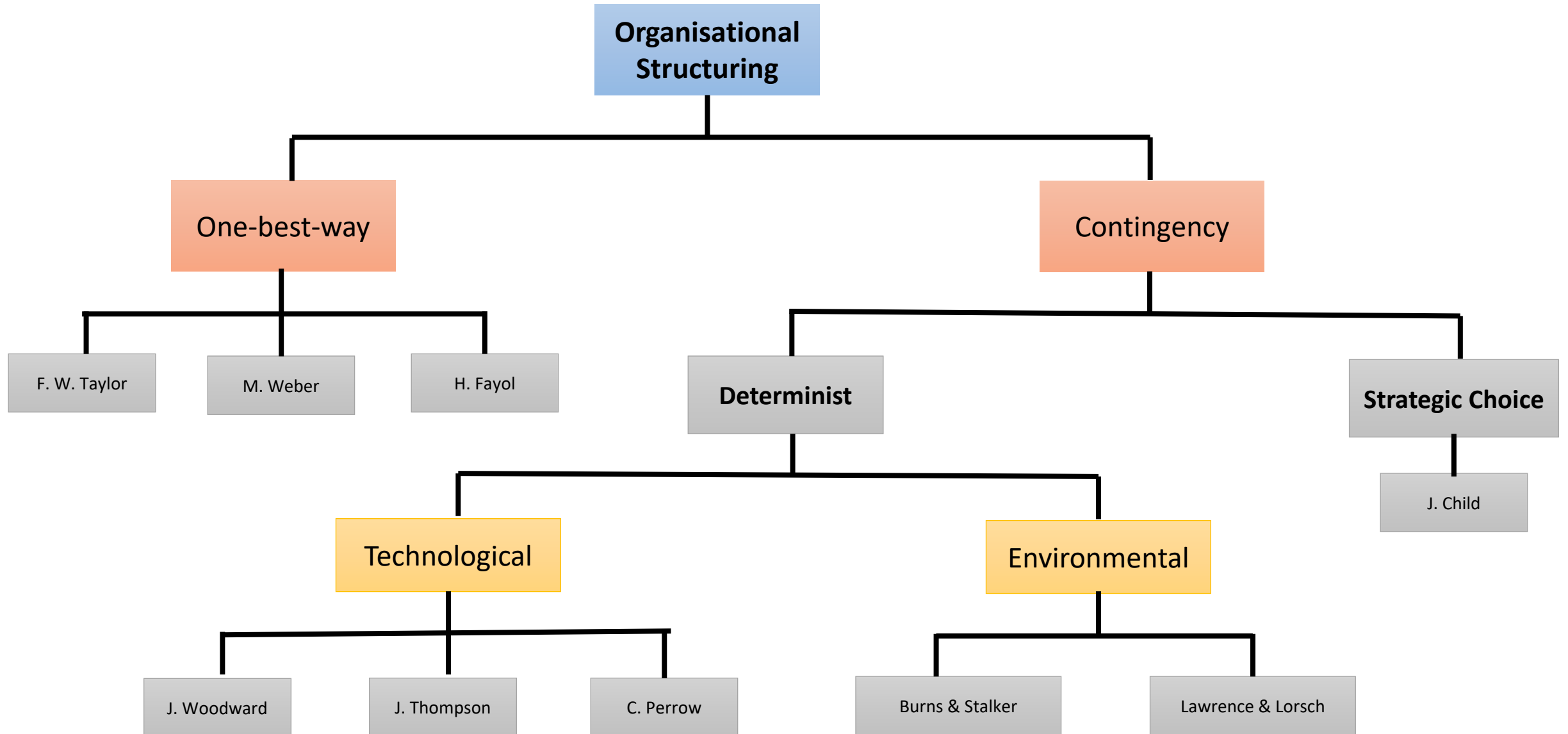
# Sub-groups of contingency approach

- Focus on the outcome of a choice made by those in positions of power.
- Strategic choice holds that senior executives who control an organisation make a strategic choice about what kind of structure it will have.
  - company operates (i.e. which markets to enter)
  - how its performance is measured (i.e. market share, annual profit or shares price)
- Their decisions about the number of hierarchical levels, the span of control, and division of labour are ultimately based on their own personal beliefs and political manoeuvrings.



Strategic choice

# Contrasting theoretical approaches to organisation structuring



TUTORiAL



# Preparation – Each Group

## TUTORIAL



- Review the organisation structure of Hyatt Hotels Corporation

(<https://www.hospitalitynet.org/organization/17001488/hyatt.html>)

(<https://www.hyatt.com/development/>)

In Presentation  
Slides  
(PowerPoint  
Slides)

- Identify the organisation structure of Hyatt Hotels Corporation:
  - Classical School or Contingency School (**Explain Why?**)
- Do you think that the management of Hyatt Hotels Corporation apply the following:
  - Fayol's six managerial activities
  - Mintzberg's ten management roles**Yes? or No? (Explain Why?)**

# Fayol's six managerial activities

Forecasting	Predicting what might happen in the future
Planning	Devising a course of action to meet that expected situation
Organizing	Allocating separate work tasks to different departments, units and individuals
Commanding	Providing direction to employees, now more commonly referred to as <i>directing, motivating or leadership</i> .
Coordinating	Making sure that previously separated, assigned work tasks are integrated and people are working well together
Controlling	Monitoring progress to ensure that plans are being carried out properly

Source: Huczynski & Buchanan, 2017. *Organizational Behaviour*. 9<sup>th</sup> Edition, @ Pearson Education Limited.

# Mintzberg's ten managerial roles

- Henry Mintzberg offers an alternative view of the manager's job.
- Based on his research on the activities of senior managers and executives, he identified ten managerial roles and grouped them into three distinctive groups
  - Interpersonal roles
  - Informational roles
  - Decisional roles



# Mintzberg's ten managerial roles

Role	Description	Examples
<b>Interpersonal roles</b> arise directly from a manager's formal authority and concern relations with others.		
Figurehead	Performs symbolic, representative obligatory ceremonial, legal and social duties.	Greets visitors, presents retirement gifts, signs contracts, takes clients to lunch, opens premises, attends annual dinners.
Leader	Creates the necessary culture and structure to motivate employees to achieve organizational goals.	Increases productivity through hiring, staffing, developing, coaching, training and directing employees. Provides challenging assignments.
Liaison	Maintains a network of contacts with those inside and outside own unit or organization who provide information and favours.	Attends staff and professional meetings, lunches with customers, meets departmental managers. Also uses email and phone.

Source: Huczynski & Buchanan, 2017. *Organizational Behaviour*. 9<sup>th</sup> Edition, @ Pearson Education Limited.

# Mintzberg's ten managerial roles

Role	Description	Examples
<b>Informational roles</b> concern how information is used in the manager's job, where it comes from and to whom it is communicated.		
Monitor	Scans environment for information to understand the working of own organization and its environment.	Questions subordinates and contacts, receives information from network contacts, reads business magazines, talks to customers and attends conferences.
Disseminator	Transmits information received from outsiders to the members of own organization ( <i>internal</i> direction).	Makes phone calls, sends emails, writes reports, holds meetings with bosses, peers and subordinates.
Spokesperson	Transmits information to outsiders on organisation's views, policies, actions and results ( <i>external</i> direction).	Gives press conferences; media interviews; speeches to external groups; prepares weekly status reports; conducts internal team briefings.

Source: Huczynski & Buchanan, 2017. *Organizational Behaviour*. 9<sup>th</sup> Edition, @ Pearson Education Limited.



# Mintzberg's ten managerial roles

Role	Description	Examples
<b>Decisional roles:</b> their requirements are determined by the manager's role, seniority and availability of information.		
Entrepreneur	Searches the organization and its environment for new opportunities, and initiates planned, <i>voluntary</i> changes.	Develops new products, processes and procedures; reorganizes departments, and implements innovative employee payment systems.
Disturbance handler	Takes corrective action when organization has to react to important, <i>involuntary</i> , unexpected changes.	Intervenes to avoid a strike, deals with customer complaints, resolves personal conflicts between staff.
Resource allocator	Allocates resources to different departments by making approval decisions.	Budgets, schedules, programmes, assigns personnel, plans strategically, determines manpower load, sets targets.
Negotiator	Participates in sales or labour negotiations. Resolves inter-departmental arguments.	Negotiates merger details, supplier contracts, wage settlements and internal disputes.

Source: based on Mintzberg (1973, 1975)

Source: Huczynski & Buchanan, 2017. *Organizational Behaviour*. 9<sup>th</sup> Edition, @ Pearson Education Limited.

# Recap Your Learning

- Charismatic, traditional and legitimate forms of authority
- Main characteristics of a bureaucratic organisation structure
- Organisation structure design
- Managerial skills needed at the different levels of management
  - Fayol's six managerial activities
  - Mintzberg's ten management roles

# Apply your learning

- What does the term 'technological determinism' in the organisational structure mean? Identify two leading authors in the school of technological determinism and state their main individual contributions.
- Explain how technology and environment might influence the structure of an organisation. Provide examples to support your explanation.

# Essential Reading – Core Textbook

- Chapter 16 – Organisation design

Buchanan, D. A. & Huczynski, A. A. 2019. *Organisational Behaviour*. 10<sup>th</sup> ed. UK: Pearson Education.

# References

- Buchanan, D. A. & Huczynski, A. A. 2019. *Organisational Behaviour*. 10<sup>th</sup> ed. UK: Pearson Education.