

# Structures and Management of Organizations

## Chapter 4

# Organizational Models

- Group of people working in FORMAL way
- Rules about who does what
- How work is shared
- The Bureaucratic Model
  - Tasks are split into specialist roles and people become expert in these
  - The performance of each task is governed by rules. No variation in each task, so no issue of coordination
  - Each individual/unit is accountable to only one manager
  - Formal interactions employee to employee and employee to customer
  - Recruitment is based on qualification, employees are protected from arbitrary sacking, promotion is based on seniority and achievement

# The Bureaucratic Model

- **Hierarchical organization**
- **Structure -> Tree**
- **Advantages**
  - **Central authority in bureaucracy makes it effective in organizing.**
  - **It supports the hiring of specialized officials.**
  - **It follows Standard Operating Procedure.** – efficiency and predictability
  - **It sets no room for favoritism.**
  - **It allows for merit-based hiring and promotion.**
  - **It plays an important role in policy making.**
- **Disadvantages**
  - **It can hamper achievement of results in time.**
  - **It breeds boredom and can affect productivity.** –same routine – less productivity
  - **It results to passive and rule-based human beings. (restricts freedom of individual)**
  - **It can result to inefficiency. (fixed salary and tasks)**

# Organic Model

- **Organic Model** (Likert): “... ensure a maximum probability that in all interactions and in relationships within the organization, each member, in the light of their background, values, desires and expectations, will view the experience as supportive and one which builds a sense of personal worth and importance” – small professional companies
- Organic organization model is a structure that is highly adaptive and flexible according to changing environment.
- They are more flexible and open.
- Tasks and role are less rigidly defined, allowing people to adjust to situational requirements.
- Communication is more multidirectional.
- Manager’s role is to help employees to achieve their work rather than supervision

# Organic Model

- Characteristics of Organic Model
  - **Cross Functional teams**
  - **Cross hierarchical teams**
  - **Free flow of information**
  - **Wide span of control**
  - **Low formalization**
  - **Jobs are less standardized**
  - **Fewer rules and regulations**
  - **Decentralization of decision**
  - **Emphasize on expertise rather than authority**

# Matrix Management

- Accepts that bureaucratic model is too restrictive
- Work may be project-based
- Employees may be working on several projects simultaneously
- Employees may answer to several managers at once
- Requires rules that will enable possible conflicts to be resolved.
- Advantages
  - 1. Combination of Skills and Competencies
  - 2. Collaboration and Cooperation
  - 3. Innovation
  - 4. Flexibility
- Disadvantages
  - 1. Potential Loss of Accountability
  - 2. Dual-reporting and Potential Conflicts
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# Structuring Principles

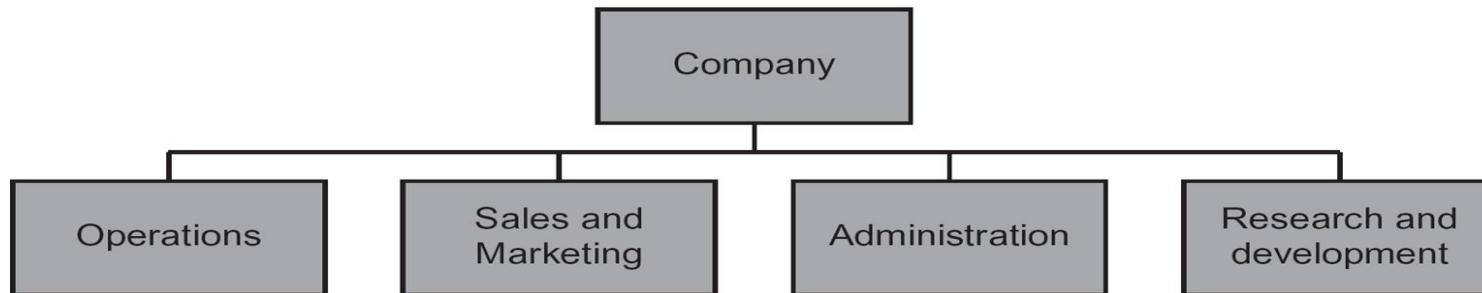
## Structure by Function

- How to group together activities and tasks
- Primary Activities
  - Operations – Core business
- Administration
  - Pay bills
  - Hire staff
- Sales and Marketing
- Research and Development
- Different operations in different organizations but administration varies less
- Sales and Marketing activity not specific to commercial organizations

# Structuring Principles

## Structure by Function

- Structure based on – Medium Sized Companies
  - Administrative division
  - Operations division
  - Sales and Marketing division
  - R&D Division





# Structuring Principles

## Structure by Geography

- Multinational Companies
- Linguistic and Cultural factors
  - Sales and Marketing locally based
- CGI – Big IT services company based in Montreal
  - Operates in 40 countries
  - Operations structured into 6 geographically based divisions

# Structuring Principles

## Product Line Structure

- Based on different types of products
- Motor Vehicle Industry
  - Cars and light vans
  - Heavy goods vehicles
  - Replacement parts
- Software for Corporate Customers
  - Development
  - Maintenance and Support
  - Training

# Structuring Principles

## Market Sector

- Based on different market sectors to which its customer/prospective customers belong
- Popular in IT industry
  - Sales and Marketing point of view, each division can clearly identify customers
  - Staff (sales and technical both), familiar with customers problems
  - Within company, divisions unaware of each other's expertise
  - Too much focus on traditional areas, new opportunities missed

# Structuring Principles

## Structure by Technology

- Divisions of software companies
  - AI
  - Communications
  - Web-based systems
  - Real-time systems
- Problems
  - Different technologies to meet customer's needs
  - Many software engineers competent in many technologies
  - Difficult for sales and marketing to predict which possible client need which technology
    - Not **sufficiently customer focused**, rather selling the technologies they have

# Structuring Principles

## Operational Structure

- Project based organizations
  - Custom Software
  - System Integration
  - R&D can be organized on project basis
  - Administrative activities also can be organized on project basis
    - Transferring company's head office
- Project activity normally long, team stays only for the time of the project
- Product activity normally short, but teams stay
  - Motor vehicle manufacturing
  - Oil refining
  - Dairy farming
  - Central data processing
  - Payroll, accounts etc

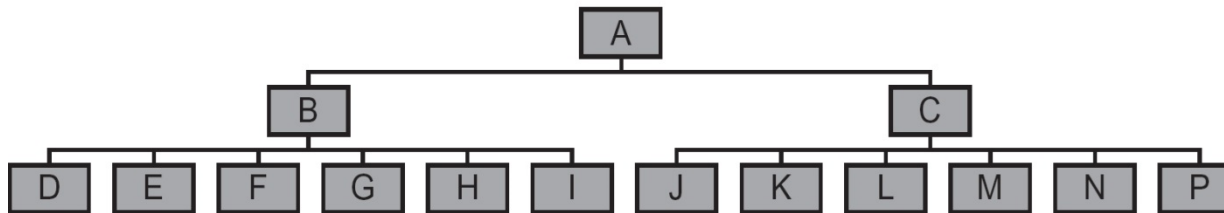
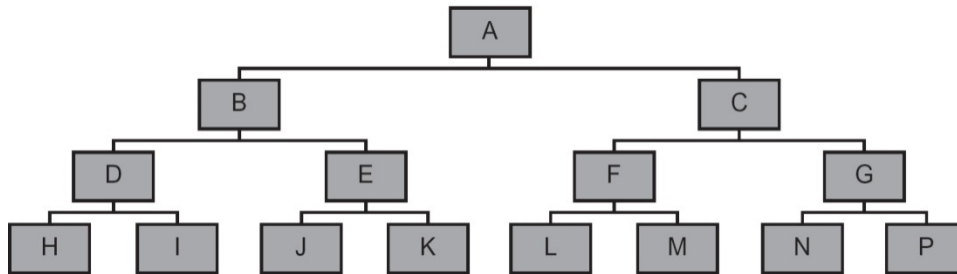
# Structuring Principles

## Operational Structure

- Product activity normally short, but teams stays
  - Motor vehicle manufacturing
  - Oil refining
  - Dairy farming
  - Central data processing
  - Payroll, accounts etc
- From employee point of view, activities structured on project base, environment, colleagues and clients constantly changing
- In production based, change is slower and gradual

# Depth of Structure

- Number of layers – Max number of layers
- Manager's Span of Control
- Professionals prefer flatter structure



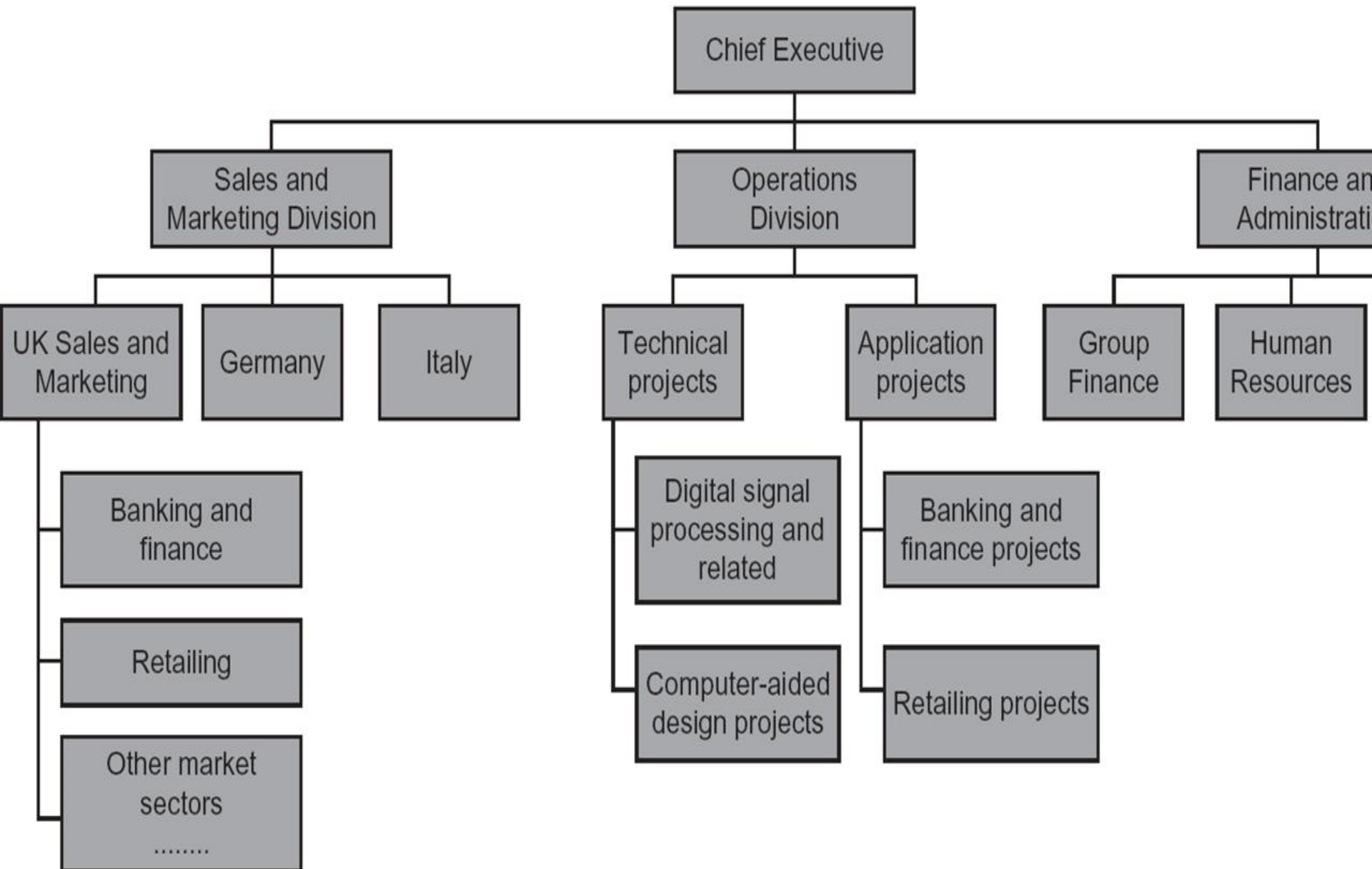
# Centralization

- Centralized
  - Maximum power at top
- Decentralized
  - Power and Control at lowest level
- Software Company Example ?
- Decentralization found in hi-tech companies
- Centralization is common in manufacturing company – long-established companies
- Flexible Centralization?



# Structure in Practice Medium Size Company

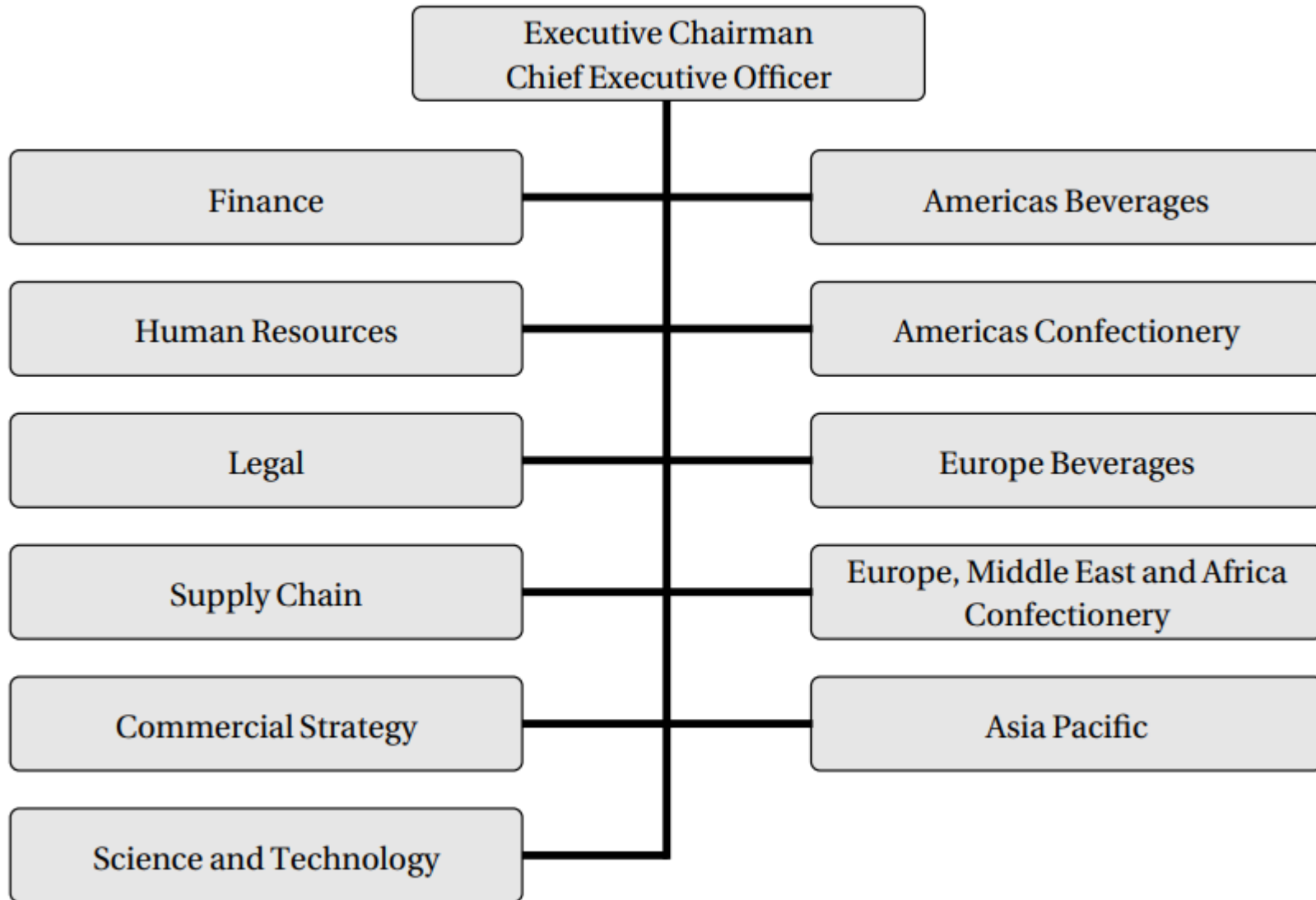
- Medium size UK based software company
- Software development and Consultancy in UK , other European countries
- It could go with market sector structure
  - Each division responsible for sales and marketing and operations
- It could also adopt functional structure
  - With sales and marketing and operations department
  - All programmers, analysts, designers and project managers in one group and sales and marketing in another group
  - Easy to organize and good flexibility
  - Structure sales and marketing according to market sector
- Structure within operations division ?
  - Project based for each contract
  - Do we group projects by market sector or technical characteristics ?
  - Maybe both on requirement of importance
  - Where risks and problems are technical – technology based
  - Where application considerations are important – market sector
- In either case it seems sensible to have finance and administrative department



# Cadbury Schweppes

- Functional units: Human Resources, Legal, Finance, Supply Chain, Commercial Strategy and Science and Technology
- It also has five operating units that are defined partly in geographical terms and partly in terms of the two major product lines, beverages and confectionery

# Cadbury Schweppes



# Structuring Principles

## Mixed Structure

- Large organizations use mixture of functional, geographical and product line structure
- Microsoft based on product line structure
  - Windows division
  - Servers and Tools
  - Online Services division
    - MSN, Bing, adCenter etc
  - Microsoft Business division
    - MS Office etc
  - Entertainment and Devices division
    - Xbox, Skype
  - R&D Separate corporate activity, spread geographically but structured on project base
  - Support services (HR, Finance, Legal Services), structured by function

# Job Design

- Project based Organizations
  - Jobs when project plan is developed
- Bureaucratic model
  - Narrow and tightly defined jobs
  - Dull and unsatisfying – high turnover
- Solution
  - Job rotation
  - Job enlargement
  - Job enrichment
- In IT industry jobs suffer from extremes of job specialization in product line jobs
  - Large turnover

# Job Design

## IT Industry

- Job enlargement and job enhancement are almost the same
- Software Maintenance being unpopular task
  - Analyze and specify user request for changes
  - Programmer will implement changes
- Solution – job enlargement
  - Analyze changes
  - Specify changes
  - Obtains change control board approval
  - Implements
  - test