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Edition 1

Module
05

Organizing

Prof. Dr. Mamduh M. Hanafi, M.B.A.

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Introduction

This module discusses the second management function, which is organizing. Organizing is the process of classifying organizational activities into a certain structure so that decisions and tasks within the organization can be carried out. The right organizational structure will result in the organization running effectively and efficiently. But if the organizational structure isn't appropriate, organizational "diseases" will emerge, such as low productivity, high labor turnover, difficulty growing, and a mismatch between technology and decision-making.

On January 13, 2012, an Italian cruise ship, Costa Concordia, hit a reef, then swerved and sank in the Mediterranean Sea. The casualties totaled 32 people. Total losses were estimated at $2 billion, including passenger compensation, clean-up costs, and more. The ship itself cost $612 million to build. An inappropriate organizational structure is considered one of the causes of the failure to manage the ship properly. The evacuation order from the captain was executed 70 minutes after the order was issued. Why did it take that long? One of the crew members said that all passengers could have reached the shore without even getting wet. There was enough time and space (no unnecessary crowds) to evacuate everyone. No one had to die from the incident. It seems that the orders from the captain were not properly carried out onto the field. There was something lacking in the organizational structure of the ship.[1]

This module consists of three learning activities. Learning activity 1 discusses organizational design. Organizational design addresses how organizational structures are created. There are two views of organizational design: classical and situational. The classical view tries to find the best design for all situations (universal approach). The situational or environmental view seeks to understand the link between organizational design and its environment. The discussion then moves on to organisational types, the need for coordination, and finally to decentralisation and centralization. Learning Activity 2 discusses the components of organizational structure. The components of organizational structure discussed in Learning Activity 2 include authority, departmentalization, reporting relations, and work design. Learning Activity 3 discusses adaptive organizational design. Adaptive organizational design is influenced by the recent rapid development of digital technology. Digital technology demands a new organizational design. In summary, digital technology calls for flexibility and collaboration. Traditional work designs are becoming less relevant with the development of today's technology. Contemporary work designs discussed include hollow organizations, modular organizations, virtual organizations, matrix organizations, and borderless organizations.

1 Wandeler, Christian A., 2010, How Bad Organizational Structure Contributed to Italy's Cruise Ship Disaster, TLNT blog, Refrieved from https://www.tlnt.com/how-bad-organizational- structure-contributed-to-italys-cruise-ship-disaster, on December 10th 2019.

After studying this module, students are expected to be able to explain the following.

1. Classical view of organizational design.
2. The Neo-Classical view of organizational design.
3. Situational approach to organizational design.
4. Organization types based on their function.
5. Organization types based on product or market.
6. Matrix structure.
7. Coordination.
8. Decentralization and Centralization.
9. Classical view on authority.
10. Acceptance view of authority.
11. Line and Staff Authority.
12. Functional Authority.
13. Delegation of Authority.
14. Reporting Relationships.
15. Work Grouping (Departmentalization).
16. Some Approaches to Work Design.
17. Adaptive organization design.
18. Hollow structure.
19. Modular structure.
20. *Flextime.*
21. Work compaction.
22. *Job sharing.*

Learning Activity 1

Organizational Design

Organizational design is the process of choosing an organizational structure that fits a particular strategy and environment. Organizational design is the overall pattern of how an organization is structured. Organizational design is a tool to achieve organizational strategy. Organizational design can be a key factor that determines the survival of the organization. There are many examples of organizations that failed to survive because they didn't have the right organizational design. There are basically two views of organizational design: the classical, which seeks the best design for all situations (a universal approach); and the situational or environmental view, which seeks to understand the link between organizational design and its environment. This learning activity discusses organizational design, starting with a general or theoretical discussion of organizational design, continuing with types of organizations, continuing with the need for coordination, and ending with decentralization and centralization.

A. CLASSICAL VIEW

The classical view that seeks to find the best way for organizational design believes in organizations with hierarchical structures and formal authority. Such structures are the most efficient and effective. Henry Fayol, Frederick W. Taylor, and Max Weber are the main contributors to the classical view. Max Weber, a German sociologist famous for his book, Protestant Ethics, mentioned the term "bureaucratic organizational design." According to Weber, bureaucracy is a logical, rational, and efficient organizational design. Members of the organization are guided by a sense of duty and a clear and rational set of rules. Bureaucratic organizations have the following characteristics:

1. clear division of labor (specialization), where each position is filled by people who are experts in that field.
2. a consistent and clear set of rules to ensure uniformity of tasks.
3. there's a hierarchy of positions that creates a chain of command from top management to the lowest employees.
4. managers conduct business in an impersonal manner, maintaining a social distance between themselves and their subordinates.
5. careers in the organization are based on merit and expertise. Employees should not be treated unfairly.

With such characteristics, bureaucracy refers to an organization characterized by task specialization, clear authority and responsibility, clear evaluation of achievement, and an impersonal working atmosphere. The classical view has a positive side as it encourages efficiency and further study of organizations. The negative sides include: (1) disregard for the human side; (2) belief in the universality of their model, which sometimes does not work in certain environments; and (3) the word "bureaucracy," is often associated with the opposite meaning. In the popular sense, bureaucracy has the impression of an oversized organization (a large number of employees) that is affected by many political interests and is slow and unresponsive to its environment.

B. NEO-CLASSICAL VIEW

The neo-classical view seeks to highlight the human side of organizations. According to this view, organizations have two goals: economic ones and employee satisfaction. It is therefore often referred to as the behavioral view. The word "classical" is still attributed to the view because they do not reject the classical view, and just like the earlier classical view, the neo-classical view seeks to find the one best way for all situations. The impetus for this view stems from the Hawthorne study (see the module on the development of management theory). Based on the results of this study, the neo-classical school argues that organizations can be improved by making them less formal and by encouraging employee participation. Some of the luminaries of the Neo-Classical school are McGregor, Chris Argyris, and Rensis Likert.

1. Rensis Likert

In one study, Likert (1967) found that managers with a traditional style (bureaucracy) tended to be less effective than managers who encouraged their employees with a humane approach (by rewarding work and encouraging teamwork). Likert then developed an organizational model based on eight key processes: leadership, motivation, communication, interaction, decision-making, goal-setting, control, and performance goals. According to the model he developed, there are four organizational stages: systems 1, 2, 3, and 4. Systems 1 and 4 are two polar opposites, while systems 2 and 3 are intermediate systems. The characteristics of systems 1 and 4 can be seen below.

Table 5.1
Rensis Likert Model

System 1	System 4
Leadership Process	
There is a lack of trust on the part of superiors; subordinates are not able to freely discuss	There is mutual trust between superiors and subordinates on all issues. Subordinates feel free
work issues with their superiors. Superiors, on the hand, may find it difficult to provide suggestions or ideas to solve the problem.	to discuss work problems with superiors, and superiors are easy to give opinions or suggestion
Motivation Process	
Focus on physical motivation, safety, and economy. Using the threat approach and sanctions. Employee attitude towards the organization generally less positive.	Motivation is aimed at fulfilling the needs of diverse employees through participation methods Employees' attitude towards the organization is generally positive.
Communication Process	
Information flows from top to bottom. But often the information is not accurate, deviating from the original information, and received with suspicion by employees.	Information flows smoothly within the organization, either from above, below, or horizontal information. They are accurate does not deviate from the original information.
Interaction Process	
Closed and limited interaction process. Subordinates cannot influence the goal, methods, and organizational Activities.	Open and extensive interaction process. Subordinates and superiors actively. Compare methods and organizational activities.
Decision-Making Process	
Decisions are only made by top management Centralization exists in this system.	Decisions can be made at all levels of the organization, and relatively decentralized.
Goal-Setting Process	
Conducted by top management, does not encourage participation.	Participation is encouraged in setting high but realistic goals.
Controlling Process	
Control is decentralized, and emphasized on error correction.	Control occurs at all levels of the organization emphasis is placed on self-control and problem solving.
Achievement Objective	
Achievement goals are low and managers passively try to achieve these goals. No commitment to develop the organization's human resources.	Achievement goals are set high, and managers actively seek to achieve these goals. Managers are fully committed to developing the organization's human resources.

According to Likert, System 4 is the structure that an organization should have. Participation and control in this system are the most intensive. The task of the manager in this system is to create a group capable of making decisions and carrying them out.

The organization in this case must: (1) accept that managers and work activities can encourage feelings of need or worth; (2) use group decision-making where necessary; and (3) set high goals.

2. Douglas McGregor

McGregor's (1960) theory will relate to the discussion of motivation. McGregor believes that bureaucratic organizational structures use negative assumptions about employees. These negative assumptions include that people are fundamentally lazy, have no ambition, and see security as the most important thing (characteristic X). Formal hierarchical organizations are necessary to deal with employees who share these assumptions. McGregor argues that organizations would be better off if they adopted positive assumptions that people desire to achieve, aren't fundamentally lazy, and are willing to take responsibility. If these assumptions (characteristic Y) are embraced, then the organization will become more flexible, encouraging participation in decision-making, giving greater freedom to employees, and having more open communication within the organization.

Table 5.2
McGregor's X and Y Characteristics

Characteristic X	Characteristic Y
Workers are lazy, dislike work, and prefer to avoid it. Therefore, workers must be forced or punished to work. Workers prefer to be guided and directed, have little ambition, do not like responsibility, and prioritize safety.	Work is human nature. Humans like to learn, are creative in accomplishing tasks, and therefore do not like to be forced or directed. External control and punishment are not the best ways to solve problems. Humans like to seek responsibility. Organizations should provide opportunities for individuals to develop their potential. Task completion gives satisfaction to the individual.

3. Chris Argyris

Just like other Neo-Classical figures, Argyris disliked the classical organizational model. According to him, since managerial activities such as planning and control are centred on management, employees will become passive and dependent on superiors, reducing their sense of responsibility and self-control. This condition is contrary to the human need to achieve and not be dependent on others. Such conditions make employees, especially lower-level ones, frustrated and dissatisfied with working conditions. Absenteeism and labor turnover rates may rise, which means increased production costs. An organizational design that meets the human needs and increases the satisfaction of organizational members will overcome these problems. Such designs are those that allow greater freedom in decision-making and work execution and more informal working situations.

4. Criticisms of the Neo-Classical View

The Neo-Classical approach has the advantage of emphasizing the human side. But the approach is not without criticism. The approach is still seeking the single best way for all situations. Experience has shown that not all approaches can be effective in all situations. The focus on motivation is considered too simplistic. Employees enter organizations with very complex goals: monetary, social, and otherwise. Therefore, the challenge is not as simple as the neo-classical view, which focuses solely on employee motivation.

C. SITUATIONAL APPROACH

In contrast to the classical approach that believes in a single optimal way for all situations, the situational approach believes that the optimal organizational design depends on relevant situational factors, including: technology, environment, size, and organizational life cycle.

1. Environmental Influence

Tom Burns and G.M. Stalker are two British researchers who, through their 1961 book, The Management of Innovation, noticed the link between environmental elements and organizational design. They distinguished two types of organizations: mechanistic and organic. Mechanistic organizations are characterized by high levels of work specialization; goals and authority for each individual in the organization are defined in detail by management; command is as described in bureaucratic organizations. In contrast, organic organizations are characterized by group work and not individual work. The emphasis is not on unilateral orders or suggestions (from superiors), but on communication for information and suggestions at all levels of the organization. More detailed differences between the two models can be seen as follows:

Table 5.3
Comparison of Mechanical and Organic Models

Mechanical	Organic
(1) Work is highly specialized; there is very little explanation of the relationship between work and organizational goals.	(6) Work is interdependent; Emphasis on the relevance of work and organizational goals.
(2) Work is rigidly defined. Only formally changed by the top management of the organization.	(7) Work is continuously adjusted and redefined through interaction between members.
(3) Role definition is quite specific (rights, obligations, and work methods for each member).	(8) Role definitions are broad and flexible. Organizational members accept general responsibility for achieving goals beyond their individual tasks.

Mechanical	Organic
(4) Hierarchical structure of control, authority, and communication; Sanctions are based on employees' employment contracts with the organization.	(9) Control, authority, and communication structures are networked; Sanctions are based between employees on mutual interests, not on employment contracts.
(5) Information relevant to the organization is formally considered to be held by the organization's top management.	(10) Top management is not assumed as all-knowing. People considered to possess information are dispersed throughout the organization.
(11) Communication is mainly vertical between superiors and subordinates. Communication mainly takes the form of orders and explanations of decisions taken by superiors; inputs for decisions are provided by subordinates.	(6) Communication moves both vertically and horizontally, depending on the need of information. Communication is mainly in the form of information and advice.
(12) Loyalty to the organization and superiors is expected.	(7) Commitment to tasks and organizational goals is valued more than loyalty and obedience to the organization.
(13) Prestige and status are related to identification within the organization and its members.	(8) Prestige and status are related to affiliation and expertise. The external environment determines the prestige.

Mechanistic design is suitable for a stable environment. In a stable environment, the same work will be done over and over again, making specialization suitable in this environment. Whereas in a turbulent environment, work is constantly changing and employees are required to possess the necessary skills for various types of work rather than just one type of work. Group or team work with more intensive communication is also more suitable to solve this problem. The organic design is more suitable in this case.

Their ideas were later expanded by two researchers from the United States, Paul L. Lawrence and Jay W. Lorsch, through their 1967 book "Organization and Environment." They believe that the environment affects not only the organization as a whole but also the parts (departments or divisions) within it. They used two concepts to measure the influence of the environment: differentiation and integration. Differentiation means the extent to which the organization is broken down to the smallest unit. Organizations with many sub-units are more differentiated than organizations with few sub-units. An organization with few sub-units has a low level of differentiation. Integration is the degree to which subunits must coordinate and work together. If the divisions in the organization produce different types of products (different markets, different raw materials), then integration is not much needed in this regard.

Lawrence and Lorsch (1967) predicted that organizations with stable environments would have a lower degree of differentiation than organizations with rapidly changing environments. Parts of the organization are expected to have different structures from other parts because the influence of the environment will not be the same for all parts of the organization. Effective organizations are expected to have a higher level of integration because high integration indicates a high level of coordination in the organization. A high level of coordination better ensures organizational effectiveness.

With these three hypotheses, they then conducted research. The results of the research do not refute their hypothesis.

2. Task-Technology Approach

Technology is used to convert inputs into outputs. Although organizations use a variety of technologies, there are some that are central to the organization (core technologies). Research on the link between technology and organization was pioneered by Joan Woodward (Industrial Organization), 1965. With a sample of 100 manufacturing companies in the UK, Woodward divided organizations into three types of groups based on the relationship between work (tasks) and technology.

a. unit and small batch production. Products are made to order or produced in small quantities. Sometimes the products produced are ready for further processing (such as machine parts). Examples of this group are clothing makers (convection), based on orders or business cards.
b. mass production and large batch technology. Products are made on a large scale and then assembled into the final product. An example of this kind of organization is car assembly.
c. process production. Products are made in a continuous flow through rows of machines or complex transformation processes. An example of this type of organization is an oil or chemical refinery.

The three types of organizations are ranked by technological complexity, ranging from the simplest to the most complex. Woodward found:

a. organizational design varies depending on the level of technology. The more complex the technology, the taller (larger) the organization, which means that the levels of management and the number of managers increase. The more complex the technology, the more coordination and supervision are required.
b. the span of control increases from the unit production organization to the mass production organization. But the gap is getting smaller from mass production to process production. In small unit and process organizations, work requires high skills, so work groups become smaller and smaller. In this case, stricter supervision is required. In contrast, in mass production organizations, work tends to be the same and repeated, supervision is not as necessary, and the span of control will tend to expand.
c. the more complex the technology, the larger the administrative work and staff. Managers need help with administrative work so that they can concentrate on the main work.

Woodward also found that for small unit and process organizations (the two extremes), the organizational structure tends to follow Likert's System 4. While for mass production organizations, the organizational structure tends to follow a bureaucratic system, or Likert's System 1. Work in mass production organizations tends to be repetitive, so it is necessary to apply the said system. Organizational performance depends on aspects that affect the level of technology. For example, in process production, an effective organization is one that tends to follow Likert's System 4 type. While using the same technology, less effective organizations are those that follow Likert's System 1. For each category, Woodward (1980) found that successful organizations share common structural characteristics. Such organizations tend to be within the median value for each category of management range. For example, if process-type organizations have a median management range of five (five subordinates to one superior), then organizations with successful process technology will tend to have a management range of about 5. In general, Woodward's findings indicate that technology has an influence on organizational structure. Some other researchers see the influence of size on organizational structure rather than technology.

3. Size Influence

The research team from the University of Aston, Birmingham, UK (Pugh et al., 1963) noticed that the sample in Woodward's study was dominated by small organizations (2/3 of the sample companies had less than 500 employees). Therefore, Woodward could not find a link between size and organizational structure. The research team then conducted a study with a more varied sample in terms of size and looked at how size and technology affect organizational structure.

They found that technology affects organizational structure, especially for small firms. Small firms tend to concentrate on their core technologies. As for large firms, the link between technology and organizational design tends to weaken. Large corporations do not focus solely on one technology. The technologies they have are more varied. They also found that large organizations tend to be more specialized, with more standard operating procedures and rules and a greater degree of decentralization.

4. Organizational Life Cycle and the Need for Reorganization

Just like any living thing, organizations grow, develop, and experience decline (or possibly shut down). For each stage, the required organizational design will be different. For example, when the organization is still relatively small, the working atmosphere will still be informal. Interaction can still be done face-to-face (through personal contact). A functional organizational design can be applied at this stage. As the organization gets bigger, face-to-face contact becomes increasingly difficult.

Verbal procedures can no longer be carried out, and functional organizational design has made monitoring more difficult. A different organizational design is required in this case. Work procedures are standardized, work documentation is required, and a divisional organizational design might be necessary.

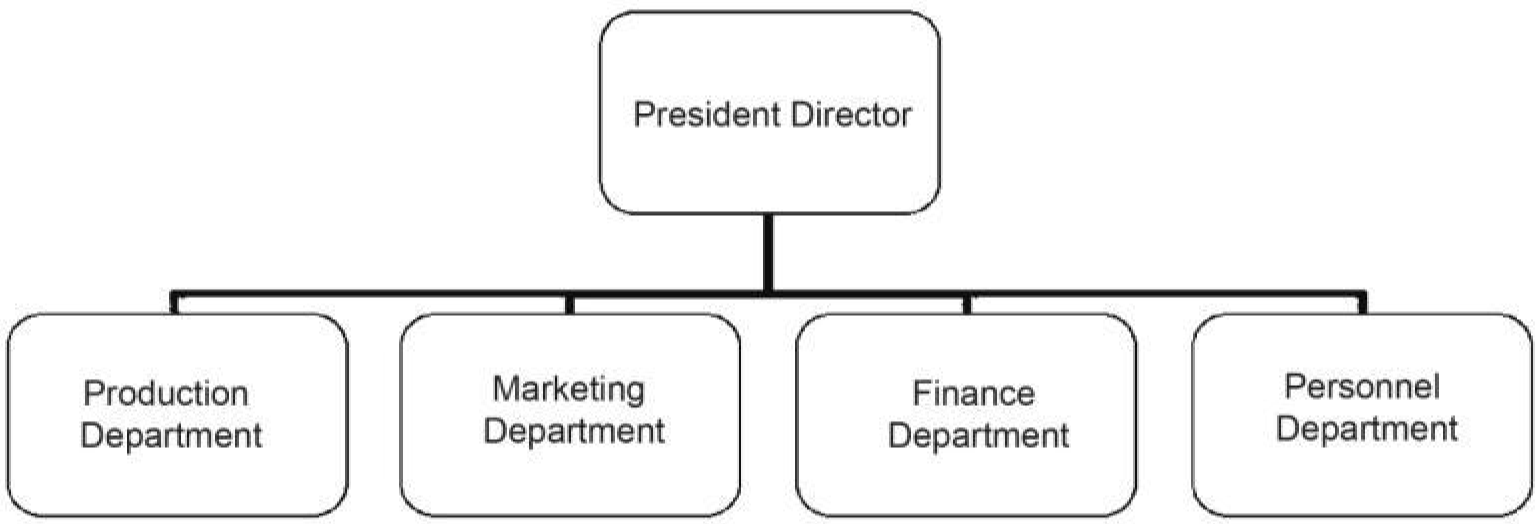
The manager in this case must understand that the factors that influence optimal organizational design are always changing. Changes in these factors drive the need for organizational design changes or reorganization. Some symptoms that indicate it is time for reorganisation are: information fails to reach the right people at the right time; the organization cannot respond appropriately to changes in the environment; and it cannot predict changes in the environment. When such symptoms appear, the organization needs to be reorganized.

D. TYPES OF ORGANIZATIONS

Organizations can be organized in three general ways based on their function, product or market, and matrix.

1. Based on Function

In this form, the organization is organized into sections that have similar or related activities. For example, the organization is grouped into marketing, finance, production, and personnel sections. Each section is led by a manager or section head who reports to the managing director. The managing director carries out coordination and integration tasks between departments or sections. (See Figure 5.1).



Source: Arranged by the Author

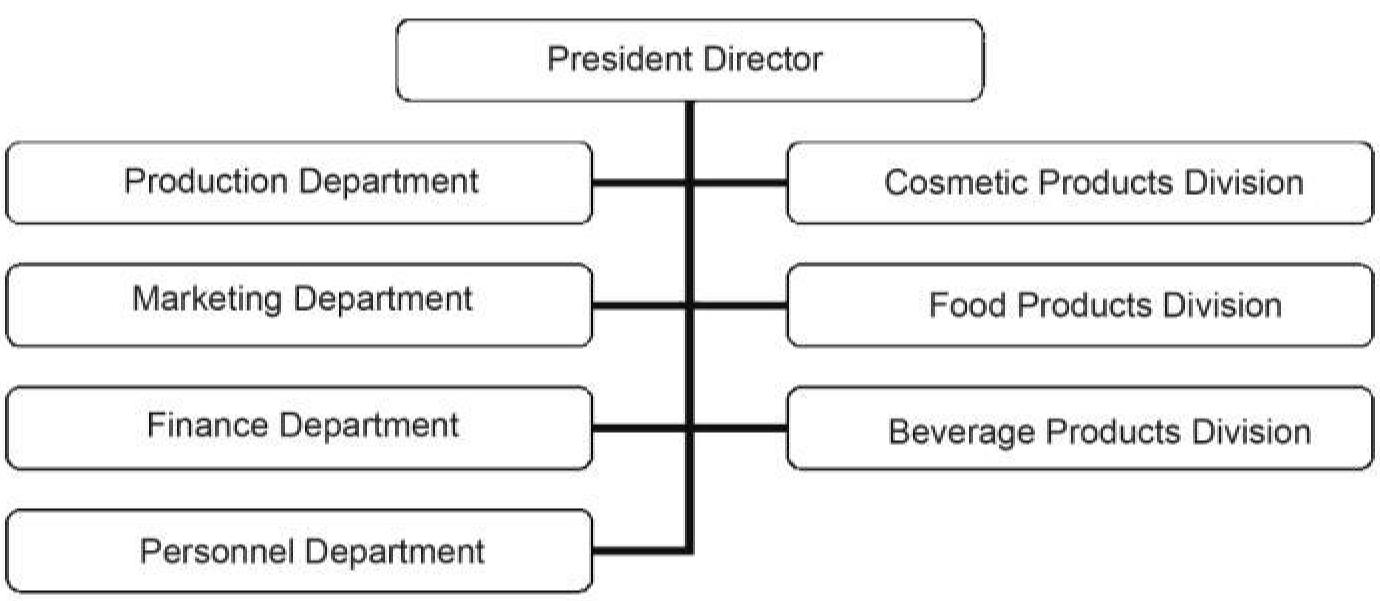
Figure 5.1
Organizational Structure

This structure has advantages, such as: more efficient work due to the unification of related activities; supervision becomes easier since it is carried out on uniform work; and mobilization of resources is easier to do. The negatives of such a structure include: it is more difficult to integrate and coordinate departments that are separate and different from each other. Each department will have a tendency to try to achieve the goals of its section, perhaps at the expense of the overall organizational goals. The marketing department, for example, will always try to launch new products, while the finance department will always try to reduce budget expenditures, which means, among other things, reducing new product launches. Another weakness is that decision-making tends to be slower, as decisions are always made by the managing director. Accountability is also less clear. For example, if a new product is launched and it turns out to be less successful, who's to blame: the finance department, marketing, or the managing director?

Because of these disadvantages and advantages, functional organization is used mainly by small organizations. As the organization grows larger, either expanding geographically or offering more product lines, the functional form becomes less advantageous. Decision-making becomes slower, and supervision becomes more difficult. In this case, another structure is needed.

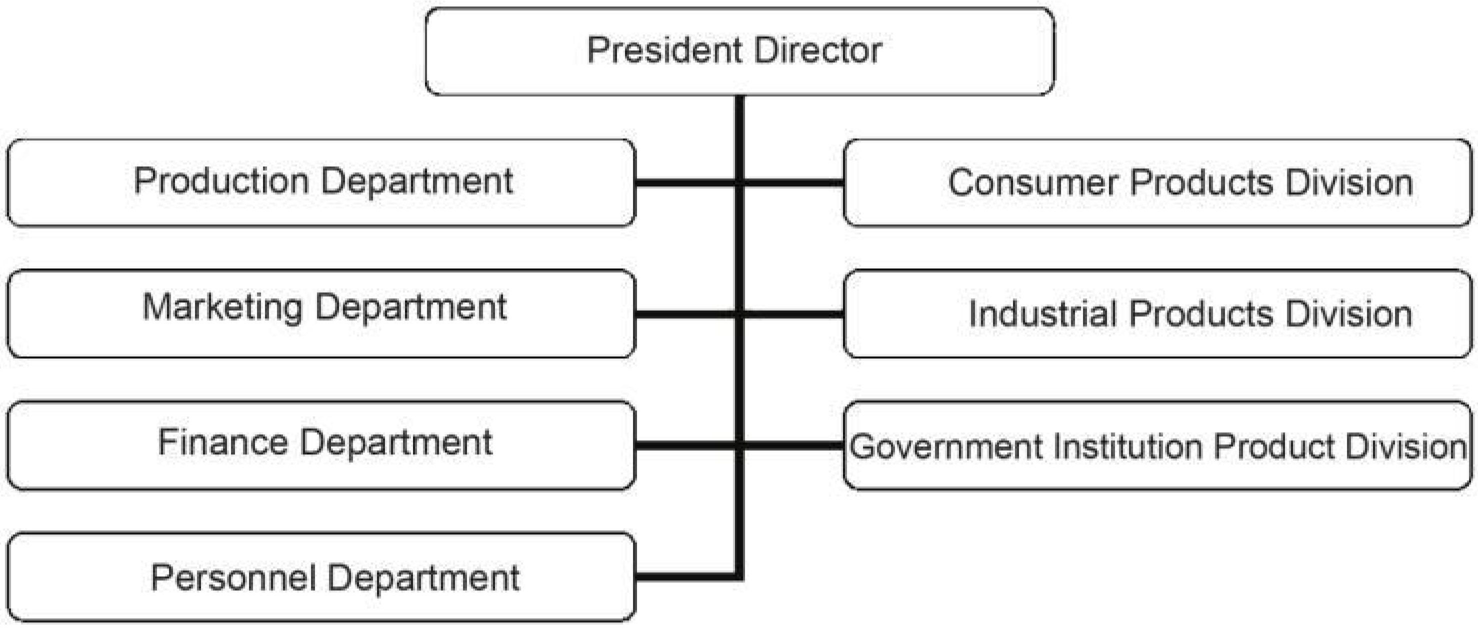
2. Market or Product Organization

As the organization grows larger, it can be organized according to its products, markets, or consumers. The following image shows an organization organized by product, then by market, and then geographically. Note that the word "division" is used here. A division is a relatively autonomous part of the organization. It can make its own decisions without the need for approval from the managing director, except for some decisions that concern other divisions or the organization as a whole. This autonomy allows the organization to respond more quickly to changes that occur. Divisions differ from departments, as departments are still considered a part of the organization. Departments do not have as much autonomy as divisions. If the organization isn't too big, departments may be more suitable than divisions. But as the organization gets bigger, divisions may be more suitable.



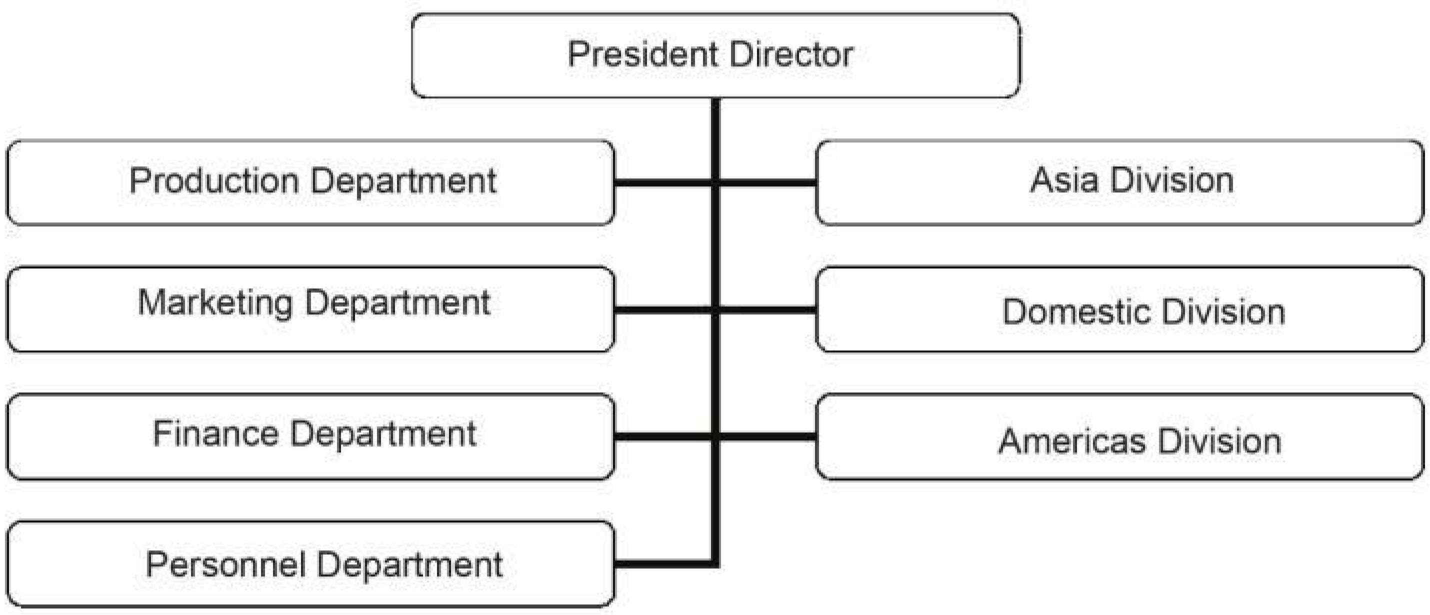
Source: Arranged by the Author

Figure 5.2
Organization by Product



Source: Arranged by the Author

Figure 5.3
Organization by Market/Consumer



Source: Arranged by the Author

Figure 5.4
Organization by Geography

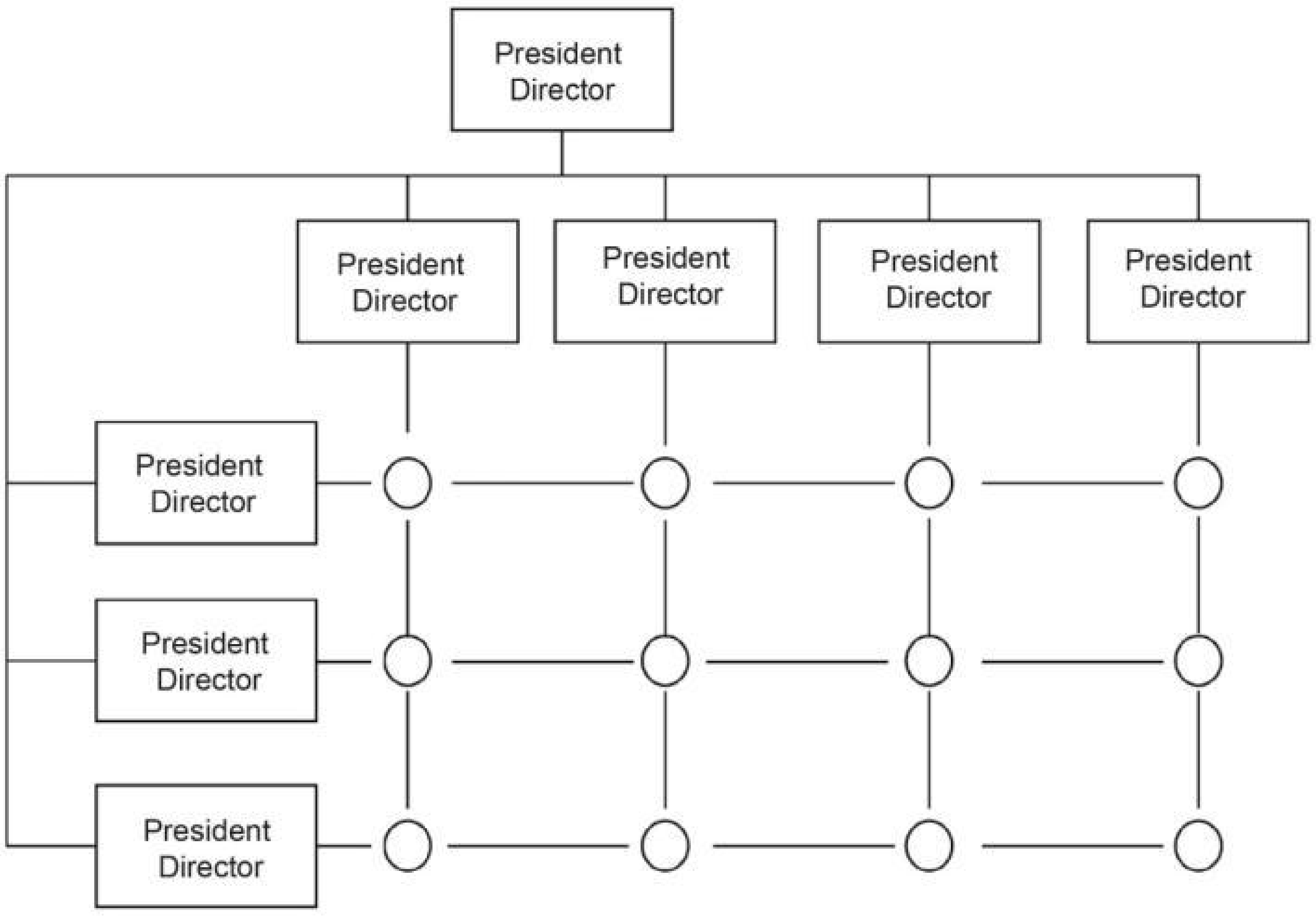
If each product or group of products requires different production technology and marketing methods, organization based on products is appropriate. The geographical organization is done for several reasons. For example, if the factory is to be set up near raw materials, the organization wants to reach consumers, or the company wants to reach experts, for instance, if the company wants to reach US consumers, it will create a US division to serve US consumers. Grouping by consumers is done when the organization wants to serve a group of consumers better. For example, a bank may have retailer consumers (individual consumers) and organizational or corporate consumers. These two types of customers have very different characteristics. The bank may establish two divisions: a retailer division and a corporate division (for companies).

Grouping the organization in such a divisional way has several benefits. The organization allows for faster decision-making, which means the organization becomes more responsive to its customers and/or environment. In addition, resources and expertise can be concentrated under one roof, which makes coordination easier. The burden on top management is also reduced as, through autonomy, division managers can make their own decisions. Accountability also becomes apparent. If the US market did not perform well, the US division manager would be held accountable. The downside of this organization is the increase in operating costs as staff and employees grow and there is duplication of activities and functions within the organization. Divisional managers may be tempted to achieve divisional goals at the expense of overall organizational goals, and the temptation is heightened because divisional managers have considerable autonomy.

Another variation of divisional organization is conglomeration. A company with a conglomerate design oversees a number of divisions that are unrelated to each other. For example, a company may oversee a number of subsidiaries engaged in newspaper publishing, banking, the chemical industry, and a number of other fields. Conglomeration is a form of business diversification. With diversification, business risk can be reduced because if one line of business makes a loss, it will be compensated by the profits of others. Thus, the total profit will be relatively stable. Conglomeration can also result from an organization aggressively pursuing emerging business opportunities. An entrepreneurial spirit underlies this action. For example, if there is an opportunity to enter the financial sector, the organization will enter the sector even though it does not have a clear link to the field of the parent company. The downside of conglomeration is the lack of coordination between divisions and the difficulty in capitalizing on synergies between divisions. According to some studies, conglomerate organisations have poor or maximum financial performance with ordinary (average) performance.

3. Matrix Structure

The matrix organizational structure attempts to combine the positives of both functional and divisional structures. Functional structures have the positive side of encouraging specialization, but they make coordination harder. The divisional structure encourages coordination but not so much specialization of skills. In a matrix organization structure, employees have two types of supervisors: functional and divisional. Figure 5.5 below shows this structure.



Source: Arranged by the Author

Figure 5.5
Matrix Structure

Vertical lines indicate functional orders, while horizontal lines indicate divisional orders. The horizontal lines show the activities being performed by the organization and are led by the project manager. Due to this structure, the matrix structure is often referred to as a "multiple command system." For example, project manager A leads project A, a project to build a new model of car. The project manager "borrows" engineers from the Production Department, accountants from the Finance Department, and marketing experts from the Marketing Department. These employees or experts are gathered for the purpose of preparing a new model of car. When the car manufacturing project is completed, the experts and employees will be returned to their original departments. On another occasion, the employees will be borrowed for another project.

The matrix organization was first developed by the United States space industry. The United States government required a project manager for each project undertaken by the United States space company that won the tender for the space project. To fulfil this requirement, a project manager was appointed to work with existing functional managers. Subsequent developments led to the matrix organizational structure. The matrix organizational structure is now widely used in many organizations, such as management consulting firms, industries, and advertising agencies. But not all organizations are suitable for using this structure. Some companies that have used the matrix structure eventually abandoned the structure for several reasons. Not all organizations are ready for the matrix structure. Coordination issues are usually a hindrance to the matrix structure.

The matrix structure has several advantages. First, it is flexible, as work teams can be formed, changed, or disbanded as they are completed. Second, by working as a team and making decisions together, employees are expected to be more motivated. Third, employees get a good opportunity to learn new knowledge. Fourth, the organization can utilize resources efficiently. Flexibility and savings can be obtained. Fifth, employees in matrix organizations are also employees of functional departments. With this dual status, they can bridge the two projects functionally and further promote coordination. Sixth, the matrix design encourages decentralization. Top management can focus more on long-term goals.

But the matrix design has some disadvantages. Employees may not feel certain in relation to multiple bosses. This can be frustrating for them. Reporting relationships becomes unclear and leads to chaotic situations. Managers, on the other hand, feel that their authority over employees is restricted. Matrix design relates to work teams. Group decision-making tends to take longer than individual decision-making. In groups, compromise also tends to be greater, limiting creativity and achievement. An individual may end up dominating the group, and such situations are not favorable. Teamwork also requires good human relations skills. Employees who lack such skills may not do well on a work team. When employees switch work teams, they must restart from the beginning. To overcome this problem, organizations can train employees before assigning them to matrix work teams.

E. COORDINATION

The more specialized an organization becomes, the more efforts are needed to connect the separate parts. Coordination is essential in this situation. Coordination is the process of connecting or integrating parts of an organization so that organizational goals can be achieved more effectively. The level of dependency between parts and the need for communication in carrying out certain jobs will determine the extent to which coordination is required. For example, non-routine work requires quite intensive communication, so the need for coordination is higher. If one job depends on another, the need for coordination will be greater.

Dependency can be divided into three types:

1. ***pooled interdependence***. This kind of interdependence does not require much interaction. For example, an organization with a conglomerate structure has divisions that are different and unrelated to each other. The profit of the organization is the sum of the profits of each division.
2. ***sequential interdependence***. This form of interdependence is characterized by the use of one division's output as input for another division. The level of interdependence between parts is more complex than pooled interdependence, but influence still moves in one direction. An automobile assembly line is an example of this kind of dependency.

3. ***reciprocal interdependence***. This kind of dependency arises when parts influence each other. The direction of dependence is not only one direction; it can be more than one direction. This level of interdependence is the most complex, and therefore coordination is even more necessary in this case.

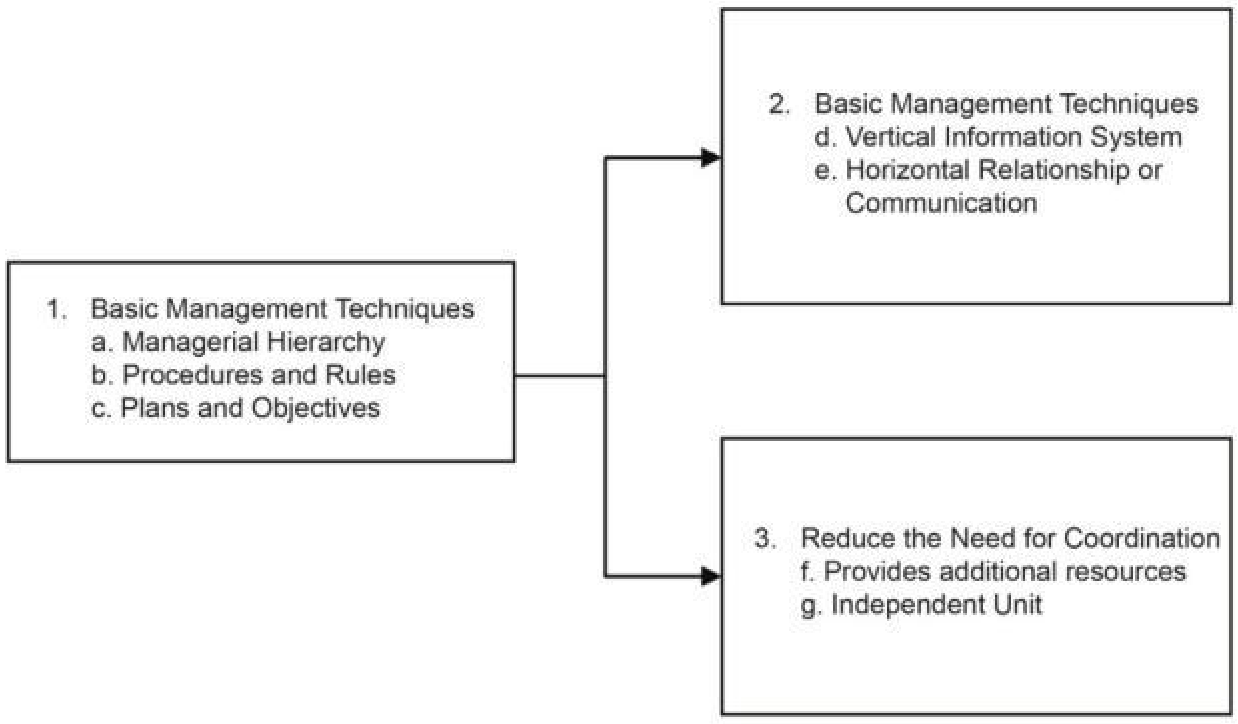
Effective coordination is not easy to achieve, especially as work becomes increasingly specialized. Lawrence and Lorsch use the term "differentiation" to describe the increasingly specialized parts of the organization. According to them, there are four types of differentiation, as follows:

1. various parts of the organisation tend to develop goals, methods, and habits for achieving these goals. For example, the production department will be accustomed to cost efficiency measures such as product standardization, while the marketing department prefers to produce a variety of products, which means it will increase costs.
2. the time orientation between departments may differ. The production department has a shorter orientation with monthly or daily targets compared to the research and development department, which has an annual orientation.
3. interaction style. For example, the production department wants fast-paced communication and clear answers because production targets are quite short. The research and development department prefers to develop creativity because it is not driven by short-term targets.
4. the level of formality. The production department may have clear and formal procedures, while the personnel department is not so strict in its level of formality. IBM, for example, is known as a highly formal company, while Microsoft is known as a very informal organization.

These differences will encourage conflict between individuals and parts of the organization. Lawrence and Lorsch use the term "integration" (instead of "coordination") to describe the extent to which the parts of an organization work together.

1. Approaches to Coordination Effectiveness

Figure 5.6 below illustrates three approaches to coordination.



Source: Arranged by the Author

Figure 5.6
Approach to Coordination

a. *Basic management techniques*

If the need for coordination is not very high, basic management techniques can be used to improve coordination. Managerial hierarchy means establishing a chain of command that specifies the relationships between members and units in the organization. The flow of information is established by the chain of command, and coordination can be established based on the chain of command. If the work to be coordinated is routine, standardized procedures and rules can be used as guidelines. In the event of conflicting interests or goals, the plans and goals of the organization as a whole are used as the glue for different interests. All interests must be aimed at achieving the interests of the organization.

b. *Increasing the potential for coordination*

As the need for coordination increases or the size of the organization increases, basic management techniques are no longer sufficient, and coordination is increasingly required. Vertical information systems allow information to flow freely down and up organisational levels. This improved flow of information enables better planning, coordination, and control. Horizontal relationships allow the flow of information to be more flexible. If a subordinate wants information, he does not have to ask his superior.

He is allowed to ask fellow employees who are experienced, and thus the flow of information is more flexible. Flexible information flow will increase the potential for coordination.

If the contacts between parts become increasingly numerous and complex, a liaison role between parts can be created. The role becomes one of a mediator that bridges parts that have very different characteristics. For example, engineers are very different from marketers or accountants. The liaison role can take the form of a committee or task force. A committee is usually a formally constituted group with members from different backgrounds that has a regular schedule of meetings with a chairperson. Committees are relatively permanent and deal with recurring issues. Task forces, on the other hand, are formed to deal with specific issues. When their task is completed, the committee can be disbanded.

c. Reducing the need for coordination

If the need for coordination becomes so great that previous methods are no longer sufficient, it can be reduced. Reducing the need for coordination is an active method of anticipating the possibility of conflict and, hence, reducing the need for coordination. The example of allocating additional resources (slack resources) is as follows: Suppose a company anticipates an increase in exports of 1 million units next year (January 1). The company can produce 1.2 million units and finish production in September. Thus, the company produces more than needed and ships well before the target sales date to anticipate conflicts that may occur if the production and marketing plans do not match the target.

The need for coordination can also be reduced by creating independent units. An independent unit, which can work on its own, does not require consultation with top management or other departments, thereby reducing the need for coordination.

F. DECENTRALIZATION AND CENTRALIZATION

Decentralization is the process of delegating authority and responsibility to lower levels of an organisation in a systematic manner. Centralization is the process of withholding authority and responsibility from top management. Decentralization has the benefits described in delegation of authority, including faster decisions, increased initiative, and improved employee morale. There seems to be an impression that decentralization is a good thing while centralization is a bad thing, despite the fact that both have positive and negative sides depending on the situation at hand. In practice, decentralization and centralization are two polar extremes. Managers can choose the extent of decentralization they'd like to apply. In this case, the manager may apply the proper combination of decentralization and centralization.

There are several factors that influence the level of decentralization.

(1) environment, (2) organization size, and (3) other characteristics such as corporate culture, management preferences, employee capabilities, and decision costs.

1. Environment

The environment affects the level of decentralization. For example, Alfred Chandler (1962) found that if the level of competition is quite intense and the industry changes quite dynamically, the company may develop products through its own research and development, and the organization will tend to have a decentralized structure. Whereas organizations operating in a stable, predictable environment where technology does not change easily will choose a centralized structure.

2. Size

The larger the organization, the more complex it will be. Decentralization is necessary, as centralization will place an overwhelming burden on management. If the organization grows rapidly, decentralization will be even more necessary.

3. Other Factors

If the risks and costs associated with a decision are high, managers will be more cautious about delegating their authority. Centralization is likely to occur in such a situation. Managers have different preferences for delegation of authority. Managers who enjoy delegating authority will create a more decentralised structure. Organizational culture also determines the level of decentralization. Culture can be formed from the history of the organization. If an organization is founded by people who dislike authority distribution, the organizational culture is likely to favor centralization over decentralization. The ability of subordinates also determines the level of decentralization; if the number of capable employees is high, the level of decentralization will be higher.

It seems that decentralization is being increasingly used by organizations. Environmental pressures, such as increased competition and more capable employees, may explain the popularity of decentralization. Decentralization is also considered better than centralization because it encourages the human need for achievement or self-actualization.

Exercise

To understanding of the material above, please complete the following exercise!

Choose a public company; it can be an Indonesian company or a foreign company. Take the company's annual financial report. You can also visit the company's website. Observe and study the organizational structure of the company. Explain the organizational structure used by the company.

Key Ideas for Exercise Answer

In this learning activity, read the section on Organizational Types. Study the descriptions in that section carefully. Use the descriptions in the section to discuss the organizational structure used by the company you selected.

Summary

Organizational design is the process of choosing an organizational structure that fits a particular strategy and environment. Basically, there are two approaches to organizational design, namely, classical and situational. The classical approach tries to find a universal model that applies to all situations, while the situational model believes that the best approach depends on the situation at hand. One example of the classical approach is Max Weber's efficient bureaucratic organization, where there is a hierarchical structure with clear formal authority. The downside of the classical approach is its lack of attention to the human side, despite its universality. The Neo-Classical approach seeks to highlight the human side and is often referred to as the behavioral view. This view was pioneered by Hawthorne's studies. Some of the Neo-Classical figures are Rensis Likert, Douglas McGregor, and Chris Argyris. The Neo-Classical view has a weakness because it still considers their model to be universally applicable.

The situational view recognizes the role of the environment. Burns and Stalker developed two models, namely mechanical and organic. Mechanical organizations resemble classic bureaucratic organizations, while organic organizations are characterized by working groups and intensive communication between members. They found that mechanical organizations are more suitable for stable environments, while the organic model is more suitable for changing environments. Technology also influences organizational design. Joan Woodward conducted a study and found that technology affects management levels (tall or flat) and span of control. The study was criticized by a team of researchers from the University of Aston, Birmingham, who found that size affects organizations. According to them, Woodward's study only applies to small companies where the organization is dependent on their underlying technology. For large organizations, such dependency is not pronounced because they do not have a particular dominant underlying technology. The life cycle of the organization also affects it.

There are three common types of organization design: functional, product, and matrix. Functional organization classify the same or similar activities under one roof, such as marketing, finance, and production functions, whereas product organizations classify activities based on a product or group of products. Departments or divisions are the ones who may supervise these classifications. Divisions are more autonomous compared to departments. The matrix type seeks to combine functional positives with product positives. In this model, specialists are grouped into functional groups, which are then borrowed to help with projects. Once the project is completed, they are returned to their departments.

The need for coordination is growing as specialization increases. The degree of interdependence in the organization will determine the extent to which coordination is required. Managers can use several techniques to improve coordination. Decentralization is the systematic delegation of authority and responsibility to lower organisational levels. Centralization retains authority and responsibility with top management. There are several factors that affect decentralization, such as environment, size, and other factors such as risk.

TERMS INDEX

Sense of duty	Joan Woodward
Bureaucracy	TaskTechnology
Max Weber	Functional type
Neo-classical	Product type
Rensis Likert	Matrix Type
Douglas McGregor	Division
Chris Argyris	Department
System 1	*Pooled interdependence*
System 4	*Sequential interdependence*
Tom Burns and G.M. Stalker	*Reciprocal interdependence*
Mechanical	Decentralization
Organic	Centralization

Formative Test 1

Choose the correct answer!

1) Bureaucratic organization design was introduced by ....
   A. Henry Fayol
   B. Frederick W. Taylor
   C. Max Weber
   D. Chester I Barnard

2) The following are the characteristics of System 1 of the Rensis Likert model ....
   A. information flows downwards from the top
   B. there is mutual trust between superiors and subordinates
   C. the motivation does not only focus on meeting physical, security, and economic needs
   D. information flows within the organization from and to various directions

3) An organizational structure in which there is a project manager who is then supported by functional managers is called ....
   A. functional structure
   B. product structure
   C. geographical structure
   D. matrix structure

4) For a small company, the following structure will be more suitable ....
   A. functional
   B. divisional
   C. geographical
   D. conglomerate

5) According to Alfred Chandler, the level of competition tends to encourage organizations to do ....
   A. centralization
   B. decentralization
   C. combined centralization and decentralization
   D. departmentalization

6) Dependence on conglomerate companies, when there isn't much interaction, is referred to as ....
   A. *sequential interdependence*
   B. *reciprocal interdependence*
   C. *pooled interdependence*
   D. *simultaneous interdependence*

Use key answers for Formative Test 1 which is located at the end of this module to determine the correctness of your answer. To make sure your mastery of the learning materials use the following formula.

$$\text{Level of mastery} = \frac{\text{Number of correct answers}}{\text{Number of test item}} \times 100$$

Level of master is as follows

<70%	70% - 79%	80% - 89%	90% - 100%
lower than expected	adequate	good	very good

When you attain level of mastery 80% or more, very good, you may continue to Learning Activity 2. Otherwise you have to review the material of Learning Activity 1. Pay attention to parts which you don't master yet.

Authority, Departmentalization, Reporting Relationships, and Work Design

Learning Activity 2

This learning activity will discuss organizational issues, which include the components of organizational structure. Previous learning activities discussed organizational design and types of organizations. The components of organizational structure discussed in this learning activity include authority, departmentalization, reporting relationships, and work design.

A. AUTHORITY

How can managers tell employees what to do? Under normal circumstances, managers are able to get employees to do what they tell them to. The question arises as to why managers have the right to issue commands. In the leadership module, we will discuss the sources of authority and the authority of managers. There are two views that explain the formal (official) authority that managers have: the classical view and the acceptance view.

1. The Classical View

According to the Classical view, authority originates at the highest level and then gradually passes down to lower ones. The top level of authority begins with perhaps God, then passes down to the government, the king, or society as a whole, and then down to the individual. According to this view, managers have the right to command because they are perceived as being at a higher level, and employees have the obligation to carry out these orders. If an individual lives in a country or organization, it means that he must obey the laws that apply in that country or organization. If he does not want to obey the applicable rules, then as a consequence, he must leave the organization or change the rules if possible.

2. The Acceptant View

According to this view, the point of view of authority is the recipient of the order rather than the issuer of the order. This view starts with the observation that not all orders are obeyed by the recipient. The recipient of the order can decide whether to accept the order or not. Although it seems that this view may lead to organizational chaos (as employees don't just take orders), most orders will still be accepted by employees.

This view has a positive side because it puts pressure on employees. Chester I. Barnard (1938) was one of the proponents of this view. According to Barnard, a person will accept orders if the following four conditions are met: (1) He can understand the communication; (2) He believes that the order is not against the organizational goals; (3) The order is not against his overall interests; and (4) He is physically and mentally capable of carrying out the order.

This view leads to the term "region of acceptance" or "region of indifference." The region is the area where a person is willing to accept an order if it is within the normal range. If the order falls within an abnormal range, then it is likely that the employee will not accept the order.

3. Line and Staff Authority

In organizations, authority can be divided into line authority and staff authority, although sometimes there are authors who prefer not to distinguish between the two.

a. Line authority

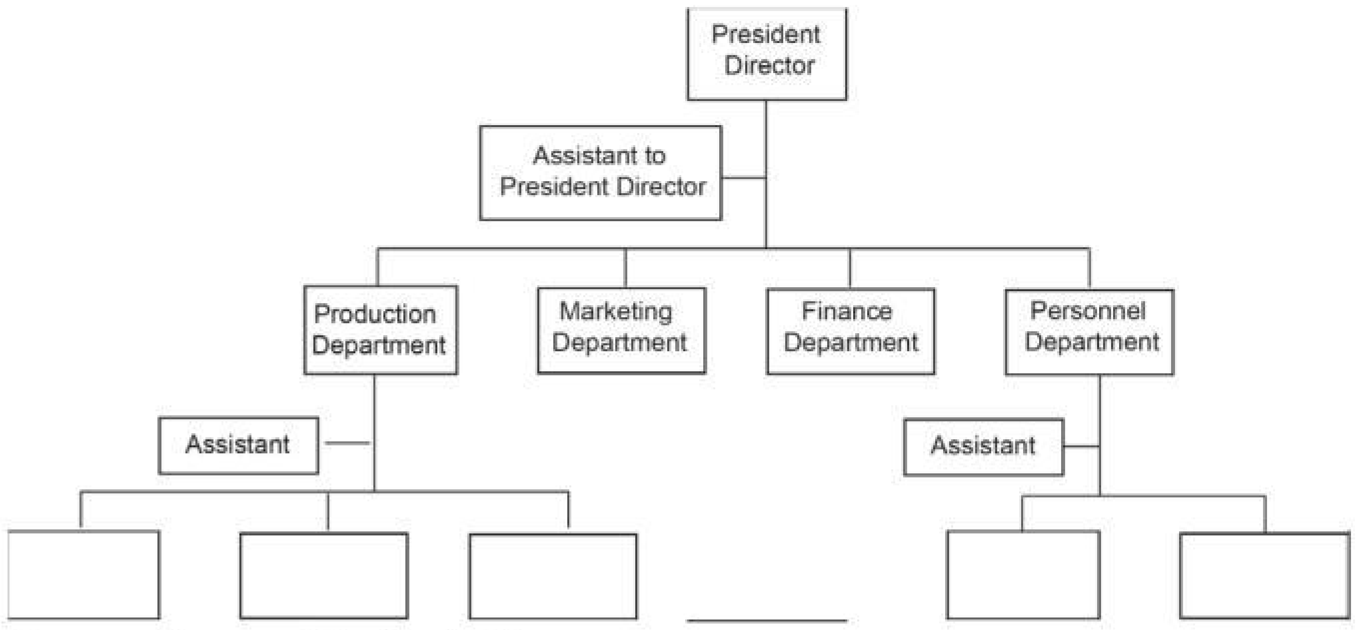
Line authority is held by line managers, who make decisions to achieve organizational goals directly. In an organizational chart, line authority is depicted by a line connecting top management to lower-level management. What constitutes line authority will differ from one organization to another, depending on the organization's objectives. In a manufacturing company, line authority will probably be limited to the production and sales functions. Other departments, such as accounting and finance, are not included as line authorities. In a supermarket company, line authority would be limited to sales and purchasing, as procurement is the core function of the supermarket business. Line authority will also differ depending on the size of the organization. In a small company, perhaps all managers are line managers. As the company grows, more specialized staff are needed to assist line managers.

b. Staff authority

Staff authority is performed by a person or group of people who provide services or advice to line managers. "Staff expert" is usually the term suitable to describe the position. Staff experts, because of their specialization, provide advice to managers. The advice is then used as a consideration in decision-making by the manager. An "advisor" is also a term that is often used to describe the position. Expert advisors or advisors are common in business, government, and royal organizations.

Expert staff provides advice based on their expertise, experience, or necessary research and analysis. They can also provide assistance with policy implementation, monitoring, and control. The work performed by expert staff will be largely determined by the needs of line managers. For example, if the company is facing a lawsuit, a legal expert may be called upon. The legal expert may also be asked to form a committee to resolve the lawsuit.

Therefore, it is sometimes difficult to distinguish between line work and staff work. Line managers sometimes carry out staff work, while staff carries out line work. But the obvious difference is that while staff focuses on providing services and advice to line managers, line managers make decisions aimed at directly achieving organizational goals. Figure 5.7 below shows the difference between line managers and staff.



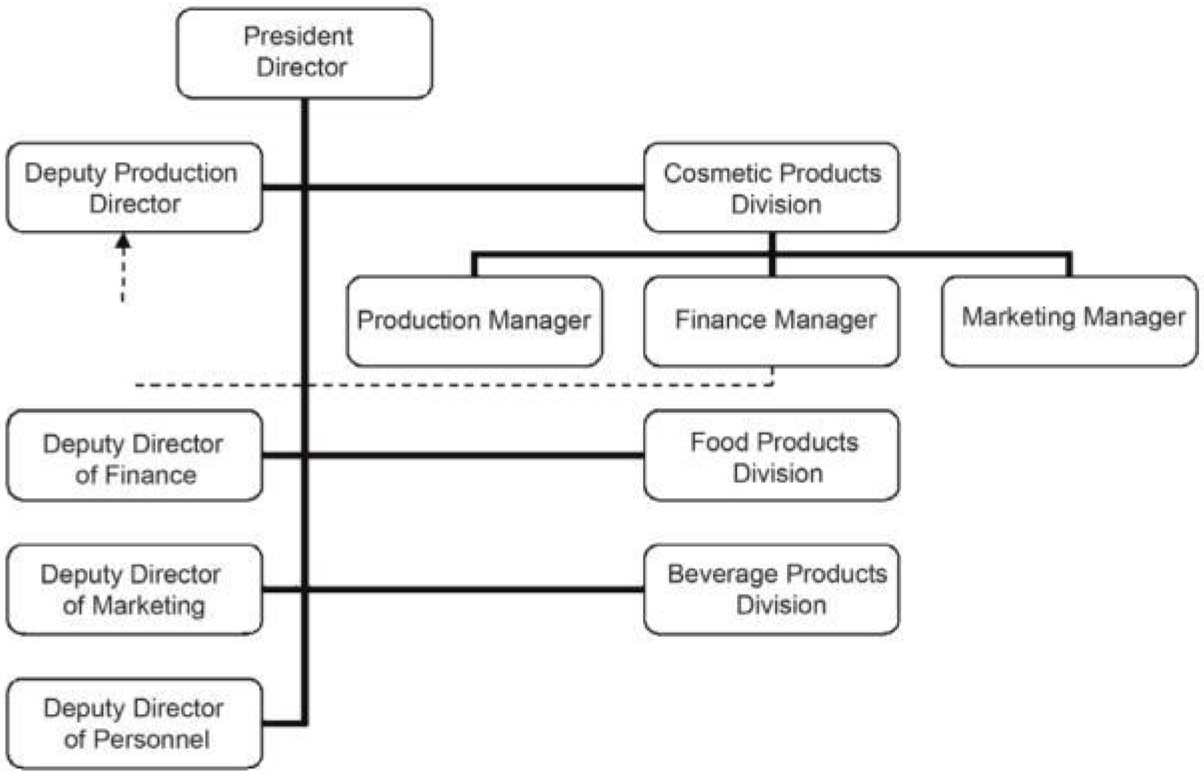
Source: Arranged by the Author

Figure 5.7
Managers and Staff

Notes:
- Assistant is classified as a staff position
- Division presidents and managers are classified as line positions
- Functional Deputy Directors are specialist staff

c. *Functional authority*

Sometimes organizations have managers or departments with functional authority. Finance and accounting functions are the ones commonly given functional authority. The following figure shows the functional authority structure.



Source: Arranged by the Author

Figure 5.8
Functional Authority

Notes:
- Dotted lines indicate the command line of functional authority
- Straight line indicates the line authority

The picture shows that the finance manager is a staff member who reports directly to the managing director. Note that the finance director cannot give direct orders to division managers A, B, or C. But the finance manager of each division reports to the division manager as well as the finance director. This sort of structure is necessary to maintain uniformity of financial policies and procedures for the organization. The accounting function is also often assigned functional authority. The accounting manager reports to the division manager and also reports to the finance director. One of the purposes of this structure is to maintain the independence of the control function performed by the accounting function. If the accounting function is only accountable to the division manager, there is a risk that the accounting reports to the managing director may be affected by the pressure of the division manager.

4. Delegation of Authority

When designing an organizational structure, the distribution of authority is an important factor to consider. Authority can be defined as the power that is legitimized (officialized) by the organization. A high distribution of authority leads to a more decentralized organization, while a low distribution of authority leads to a more centralized organization. The distribution of authority is sometimes necessary, especially when the organization grows larger and managers cannot possibly handle all the decisions that must be made. At this time, a delegation of authority is required. Delegation of authority can be defined as the assignment of formal organizational authority and responsibility to another person, in this case, an employee. Authority can be delegated according to the scalar principle of classical management, which says that the line of authority should be clearly established from top management to the lowest employee. What about responsibility? Does it mean that managers can abdicate responsibility? The answer is no. The responsibility remains with the manager who delegated the authority. Employees who get delegated authority are responsible for the work to be done, while the manager is responsible for the overall work. Delegation of authority is not an abdication of responsibility.

a. Advantages and obstacles to delegation of authority

Delegation of authority allows managers to get more work done compared to doing everything themselves. Sometimes for certain things, subordinates may have more expertise compared to the manager. Subordinates or employees are usually front-liners who dealt directly with the field. The information obtained by subordinates may be better than the information obtained by managers. In such situations, a delegation of authority can lead to better-quality decisions. Effective delegation allows decisions to be made more expediently. Slow decision-making can therefore be avoided. The delegation also helps train employees, who learn to make decisions, implement decisions, or solve problems. The managerial skills of subordinates can also be improved. Thus, a delegation of authority should not only delegate routine or operational tasks. Tasks that require thinking and initiative also need to be delegated to improve employees' managerial skills.

Unfortunately, the delegation of authority isn't as easy as one might think. There are several obstacles to the delegation of authority. Managers may be reluctant to delegate authority for several reasons: they are unsure of their subordinates' abilities; they feel they can do it themselves; it is inefficient to teach their subordinates to do the task; they are afraid that they will lose their authority; or they are afraid that their subordinates can do the task better than they can. On the other hand, employees or subordinates are sometimes reluctant to accept delegation of authority for several reasons: they are afraid of failure, they don't feel they'd be rewarded for the work they do, or they don't want to take risks, all risks are handed over or borne by the manager.

b. Effective delegation of authority

Communication is expected to reduce problems in the delegation of authority. Subordinates must understand their responsibilities and authority. Managers must also recognize the importance of delegation of authority. Good employee achievement is not a threat to the manager, but rather an achievement for the manager and subordinates because the manager was able to successfully train subordinates to achieve good performance. Managers should tolerate mistakes that may occur, as employees will be able to learn from them. Thus, the managers will support the employees, and the employees will also feel supported by the managers. Managers should also analyze factors that will affect the effectiveness of delegation of authority, including the type of work, employee capabilities, and organizational culture.

The effectiveness of delegation of authority will include the following:

1) deciding which work to delegate. Not all work can be delegated. Routine operational work, such as controlling machine maintenance schedules, can be delegated easily. But the decision to build a new factory cannot be delegated as simply.
2) deciding whom to assign the work to. In this case, several considerations can be used: the time available to the employee, the ability of the employee, and the opportunities that the employee will take advantage of. If there is an employee who is capable and prepared for promotion, the employee can be given a managerial assignment, for example, coordinating sales in a certain region.
3) delegate tasks. Tasks are delegated with sufficient information and authorization. As far as possible, tasks are given in the form of expected results, for example, sales are expected to increase by 10 percent so that subordinates have the freedom to choose and determine methods that are felt to be effective in achieving these results. At this stage, open communication should be encouraged.
4) establish feedback. Feedback is useful to monitor the progress made by subordinates.

Classical management paid considerable attention to the delegation of authority. Some of their guidelines on creating delegation of authority can be seen below, with some modifications.

1) Establish a clear line of authority from top management to the lowest employee. This principle is often referred to as the scalar principle. With the scalar principle, members of the organization can understand who can delegate authority, to whom authority is delegated, and to whom he is responsible.
2) To avoid ambiguity, each subordinate must report/be accountable to only one superior. This principle is known as the unity of command principle.
3) Specific jobs are assigned to lower-level employees, where information and skills can be acquired to perform the job. For example, controlling the machine maintenance schedule card can be delegated to the machine operations employee instead of the production manager.
4) Subordinates are given sufficient authority to carry out the delegated work. If a sales manager is given the task of selling products to a certain region then he is given the power to, for example, coordinate salesmen for that region.
5) Subordinates should be told specifically that they are responsible for certain results. The sales manager should be told that he is responsible for increasing sales by 10 percent through his new duties. Communication is done to ensure that subordinates know their responsibilities, and they accept the authority that comes with those responsibilities. This does not mean that the manager who delegates authority to the sales manager is absolved of responsibility.

B. REPORTING RELATIONSHIP

Organizations are structured based on reporting relationships, with subordinates reporting to superiors. The relationships that exist in an organization are certainly very complex, but they can be summarized in the organizational picture. The organizational picture illustrates the relationship between subordinates and superiors when superiors give tasks to subordinates and subordinates report to superiors. The relationship is depicted by lines connecting the boxes in the figure and is often referred to as the "chain of command." The boxes themselves reflect the departmentalization or grouping of work in the organization. The chain of command is an old idea that began to develop in the era of classical management in the early 20th century. According to classical management, the chain of command has components of unity of command and the scalar principle. The unity of command states that subordinates only report to one superior. Meanwhile, the scalar principle states that the line of authority must be passed down clearly and uninterruptedly from the top level to the lowest level in an organization. Someone in an organization must ultimately be responsible for every decision taken.

1. Span of Control

By observing an organizational picture, the span of control will be visible. The span of control or management span can be defined as the number of subordinates reporting to a particular superior. The span of control has been an object of interest starting from classical management to modern management. What is the ideal number of subordinates reporting to one superior? A.V. Graicunas, a classic management writer, tried to quantify the span of management. According to him, managers have three types of interactions: (1) direct with subordinates (face-to-face relationship), (2) cross, which is the relationship between subordinates, and (3) group, which is the relationship between groups of subordinates. The number of all types of interactions between managers and subordinates can be determined by the following formula:

$$\text{Interaction} = N\ (2^N/2+N-1)$$

For example, if there are two subordinates, the potential interaction is (2 (22/2 + 2 - 1)) = 6. If the number of subordinates increases to five, the potential interactions become 100. The more subordinates there are, the more complex the interactions will become. Unfortunately, Graicunas did not explain what the optimal number of subordinates is. Another management writer, Ralph C. Davis, describes two types: operational ranges for lower-level managers and executive ranges for middle and upper-level managers. Davis argues that operational ranges can be as high as 30, while executive ranges should be limited to between three and nine, depending on influencing factors. Lyndall F. Urwick argues that the management span should not exceed six subordinates.

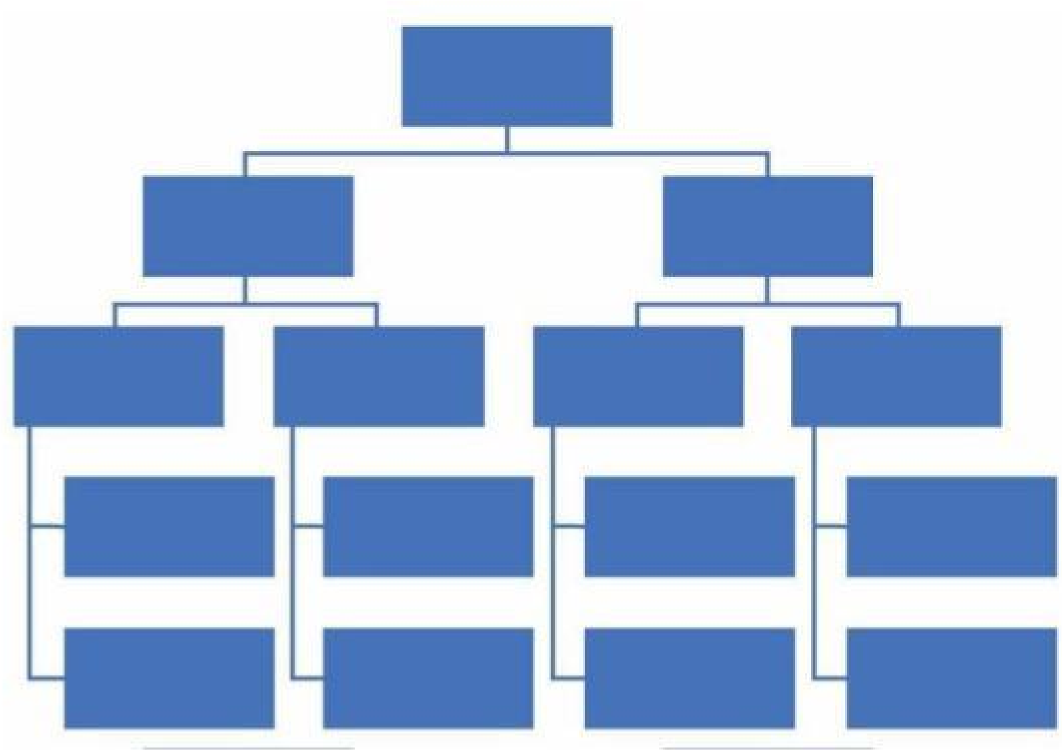
The modern view no longer tries to calculate the ideal management range. The ideal management range will be determined by several factors, so there is no amount of ideal management range that applies. Nonetheless, the classical view makes its contribution by recognizing the limitations of managers in supervising their subordinates. The ideal range will be determined by the following factors.

a. Experience and ability of the manager and subordinates. If managers and subordinates have high experience and ability, a wider management range can be established.
b. Physical dispersion. If subordinates are dispersed, for example, one is assigned to one province, while the other is assigned to another province on another island, the management range will be narrower.
c. The level of interaction required. If the required interaction is more intense, the management range will be narrower.
d. Level of standardization of procedures. If the standardized procedures are higher, the management span will be wider.
e. Similarity of supervised work. If there are more similar jobs, the potential management span will be wider.

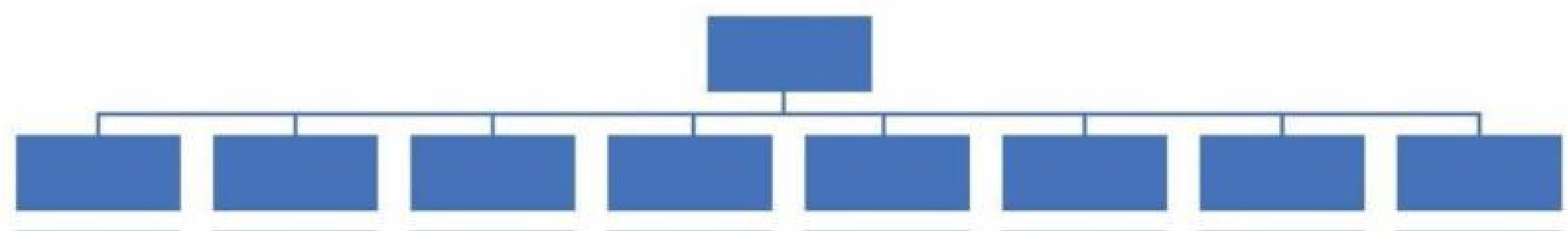
The above factors will determine the ideal management range, which will determine the level of organizational efficiency. If the management span is too wide, subordinates will receive less supervision and guidance. Mistakes, even very serious ones, may occur and will reduce the organization's performance. In contrast, if the management range is too narrow, managers' abilities will not be optimally utilized.

The management range will determine the shape of the organization. A too-narrow management range leads to a taller organization, while a too-wide management range leads to a flatter organization. Figure 5.9 below shows the tall and flat organizations.

a. *Tall organization*



b. *Flat organization*



Source: Arranged by the Author

Figure 5.9
Tall and Flat Organization

Large organizations tend to have tall organizations. Such organizations have negative sides such as poor communication from subordinates to superiors, or vice versa. As the communication chain gets too long, costs become higher due to the increasing number of managers. To overcome these problems, larger companies can cut down the layers of the organization so that the organization becomes flatter. On the other hand, a flat organization, although comes with some advantages, also has disadvantages such as more administrative work for managers as there are few subordinates and less supervision as there are too many subordinates. If these downsides become too detrimental, the organizational structure can be made taller.

2. Limitations of Formal Organization

What is depicted in an organizational picture is a formal organizational picture. Although the organizational picture clarifies the division of labor and communication of responsibility within the organization, people sometimes interpret it incorrectly. For example, people at the bottom of the organizational picture may feel distant from the managing director. This situation can lead to a decline in work performance. Formal organizations may also fail to capture the dynamics of informal relationships between employees or managers. If a difficulty occurs, employees may not report directly to their superiors, but instead, ask other employees. Subordinates may also ask other managers who, although not their superiors, have close personal relationships with them, like originating from the same area. Thus, although the organizational picture helps to clarify the organizational situation, it must be reminded of the limitations of the organizational picture.

C. WORK GROUPING (DEPARTMENTALIZATION)

Work grouping is the basis of departments. In a small organization, all tasks may be handled by one person, who is the founder of the organization. As the organization grew, the founder could no longer do and supervise all the activities in the organization. New managerial positions are created to oversee the work in the organization. The supervised work was grouped into specific sections based on certain criteria. This grouping of work became the basis of departments. This section discusses general forms of departments, while in the previous learning activity when discussing types of organizations, more complex forms of organizations were discussed.

Grouping by Function. The same or similar activities are grouped into one particular section. For example, marketing, finance, and production activities can be grouped into marketing, finance, and production sections. The function here means certain activities that are homogeneous. This grouping is often found in small or medium organizations. This kind of grouping has advantages, namely: (1) each section or department is filled with people who are experts in their fields, (2) supervision can be carried out with more ease because managers only need relatively narrow skills, and (3) it is easier to coordinate uniform activities in each section. However, this grouping has several disadvantages, namely: (1) when the organization grows large, decision-making tends to become slower. The organization tends to become bureaucratic because every series of decisions must go through several sections, (2) employees tend to become too narrow in their views because they concentrate on their functions, and lose the vision of the organization as a whole, and (3) accountability becomes unclear. For example, if a product fails, it is difficult to determine who should be responsible for it between the marketing manager, production manager, and finance manager.

Grouping by Product. This type of grouping is also a popular one. Activities are grouped around a specific product or group of products. Large organizations that produce several types of goods usually use this type of grouping. This grouping has several advantages, namely: (1) activities related to a particular product can be integrated and coordinated easily, (2) the speed and effectiveness of decision-making can be improved, and (3) the performance of each product can be evaluated more easily and objectively. Moreover, accountability can also be clearly defined. This grouping has disadvantages, namely: (1) each section or manager tends to focus only on their section, regardless of other sections or the organization as a whole, and (2) administrative costs become higher because each department or section has its own function specialist, such as its marketing or finance expert.

Customer-based Grouping. Under this method, activities are grouped based on the customers or buyers of the organization's products. An example of such grouping is a bank that has a section that specializes in serving retail customers and corporate customers. Retail customers usually consist of individuals or households, while corporate customers consist of companies or other organizations. The behavior between the two types of buyers is certainly different. Corporate (or industrial) buyers are usually more rational with greater bargaining power and are involved in transactions with a large amount of value. This kind of grouping has the benefit of being able to cater specifically to certain customers. Coordination is becoming increasingly important to ensure consistency with overall organizational goals and policies. For example, a bank may have a policy of spreading out loans to reduce risk. Coordination is needed to ensure that loans are not concentrated in certain areas or borrowers.

Grouping by Location. Based on this method, activities are grouped by region or location. Multinational companies often use this method. Activities are grouped into domestic regions, such as Asia Pacific, Europe, and such. This grouping has the advantage of allowing the organization to serve customers in specific locations, which have different environmental characteristics. The downside of this method is the high administrative cost of monitoring activities in separate regions.

Grouping based on other Criteria. In addition to the criteria discussed above, organizations can use other bases. For example, an organization may use a time basis. Activities are grouped into morning and evening activities, with complete personnel for each part. Airline companies have work teams for each road (route). Student registration activities can be grouped based on the alphabetical order of student names. Alphabets A-J, K-S, and T-W are served by different work groups.

Other Considerations. Parts or work groups are often referred to by different names, such as departments or divisions. Departments are different from divisions. Divisions have greater autonomy, while departments are still part of an organization. Organizations may use more than one basis of grouping. For example, a multinational company may use a location basis, then for each location, a functional basis is used. Changes in basis are also often made to adjust to changes in the environment. When the organization is still small, it uses a functional basis, then after it grows large, it changes to a product basis, then when it develops into a multinational company, the location basis is used.

D. WORK DESIGN

Work design can be defined as the assignment of individual work responsibilities. A machine operator may have a job design that includes the types of machines the employee can operate and the expected work performance. A manager may have a working design that includes setting goals and targets, establishing indicators of progress, as well as the extent of his authority to hire subordinates. Thus, the structure of authority in the organization will be influenced by the work design. If employees are given loose freedom in decision-making, the level of decentralization in the organization will be high. However, if employees are not given more freedom, the level of decentralization will be lower and the level of specialization tends to be higher. Each approach has its negatives and positives.

1. Approaches to Work Design

There are four approaches to work design: mechanical (specialization), motivational, biological, and perceptual/motor.

a. Mechanical or specialization approach

The idea of the mechanized approach can be traced to scientific management developed by Frederick W. Taylor. According to Taylor, complex jobs should be broken down into simpler jobs, which are easier to learn and do. If employees do the work (which has been broken down) repeatedly, then work efficiency will increase. This idea of specialization can be traced back to classical economists such as Adam Smith (18th century). Adam Smith advocated the division of labor to increase productivity. Specialization can dramatically increase work productivity, as seen in the automobile assembly plants popularized by Henry Ford (Ford cars) in the United States in the early 20th century. The assembly idea even started to influence services such as fast food restaurants like McDonald's and such. The mechanized approach, while capable of increasing productivity, tends to lead to tedious work, for example, imagine an employee's job all year long is just to install tires on an automobile assembly line. Employees with such jobs tend to experience high job dissatisfaction, high absenteeism, and a high incidence of workplace accidents.

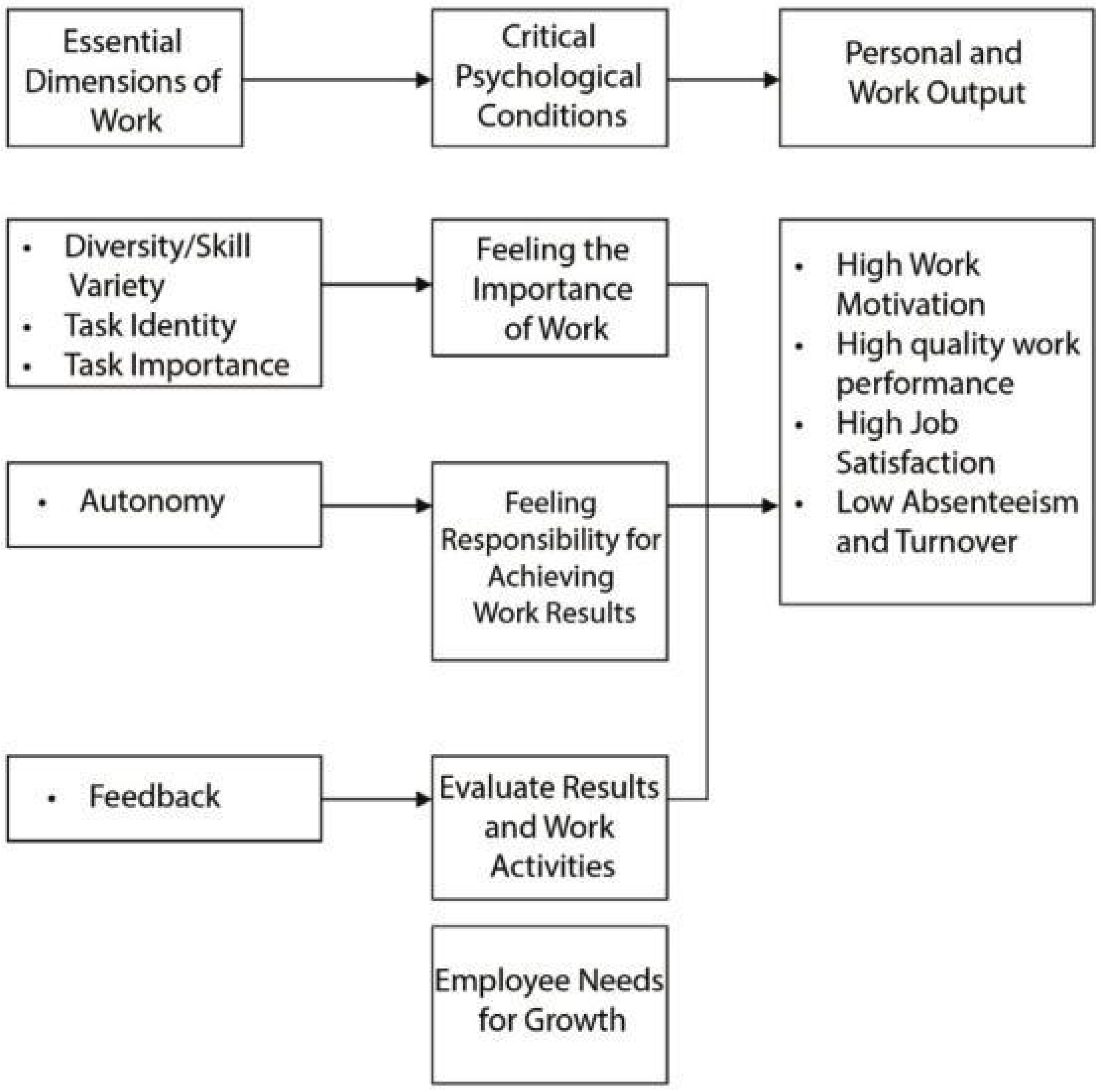
b. Motivational approach

With the limitations of the mechanical approach, other authors began to look for other approaches. J. Richard Hackman and G.R. Oldham (1976) developed a work design model to motivate employees. According to them, the key dimensions of work include five things: skill variety, task identity, task meaning or importance, autonomy, and feedback (see Figure 5.10 below).

The model is also referred to as the work characteristics approach. According to them, work should be diagnosed and improved through these five dimensions of work. If these five dimensions of work are high, the employee will feel the importance of work, feel a sense of responsibility to achieve certain results, and he/she will know the progress of his/her work. As a result, the employee will be more motivated and have high job satisfaction. The organization will also be benefited from such a situation with high-quality work and low turnover as well as absenteeism. Employees' growth needs also play a role in the model. For employees with high growth needs, high levels of the work dimensions (for all five dimensions) show increasingly higher effects compared to employees who do not have high growth needs. The model can be used to understand how to increase employee motivation. Here are more specific ways to increase job satisfaction.

Job enlargement. If simple work is done continuously, the work atmosphere becomes monotonous and boring. To reduce the boredom of the work, the scope of work can be expanded. The expansion is done horizontally, that is, following the work sequence. For example, if an employee on the assembly line previously only fitted car tires, with work expansion, the employee's job is added to several other types of work.

Another variation of job expansion is job rotation. Employees do the same job but move from one section to another. With job rotation, it is expected that employees will get a new atmosphere that will increase work motivation. Job rotation does not solve the problem of work motivation completely. For example, job rotation may increase work motivation when the employee has just moved. However, over time the employee will become bored with the same job again. Another downside is the high cost of training or relocation.



Source: Stoner *et al.*, 1995

Figure 5.10
Tall and Flat Organization

Job enrichment. While in job expansion the employee's tasks are increased horizontally, in job enrichment the employee's tasks are increased in depth, meaning they are increased vertically. Several work sequences are vertically combined into one work sequence, thereby giving the employee greater autonomy. With greater autonomy, employees are expected to be more challenged and have a greater sense of responsibility. With a greater sense of responsibility, job satisfaction and work quality are expected to increase. For example, in a bicycle factory, employees are "challenged" by managers to improve product quality on their own terms. Employees do not need to be supervised nor do they need to be taught. Employees may eventually be challenged, and the quality of the product improves along with the challenge. Note that job enrichment means giving employees the greater authority to make their own decisions. The granting of greater authority is also often referred to as empowerment.

Work Schedule Arrangement. Another motivational alternative is to provide flexibility in work schedules. This flexibility can be done in two ways: compressed work schedules and flextime. With a compressed work schedule, working hours are condensed into more compact hours. For example, if the working day is seven days a week, starting from 7:00 am to 2:00 pm, the working hours are condensed into five working days starting from 7:00 am to 4:00 pm. On the other hand, flextime requires employees to be present in the office during certain hours, and the rest of the work can be done at home. For example, employees are required to be in the office for four hours per day. The work schedule is self-organized together with other employees. An employee may choose to work from 8:00 am to 2:00 pm while others choose other hours (hence there is always someone waiting in the office). The benefit of flextime is that employees have more time to spend with their families, in addition to improving motivation and work quality.

c. *Biological approach*

The biological approach attempts to design work by incorporating considerations of the human body, with the aim of creating work that is as safe as possible. Not only are work accidents kept to a minimum, but fatigue can also be kept to a minimum. This approach is often referred to as ergonomics. Some examples of ergonomic work or product design often emerge, for example, computer keyboards are designed with the concept of ergonomics, with the aim of reducing fatigue from typing on a computer. The current standard keyboard is not ergonomic enough, therefore, another product emerged to solve this problem. Another example is that work tables and chairs are ergonomically arranged to reduce fatigue for those who sit a lot.

d. *Motor/perceptual approach*

This approach resembles the biological approach. In the biological approach, the human body is the main consideration in work design, and work is designed so that the human body can perform work safely. In the motor approach, however, the main consideration is the mental capabilities of workers. A manager's job can be highly stressful. Information overload, the pressure to accomplish time, and other targets may exceed a manager's mental capacity.

Table 5.4
Summary of Work Design Approach

Approach	Positives	Negatives
Mechanistic	More efficient training. High utilization rate. High possibility of work errors. Work stress will be lower as work is simpler.	Lower job satisfaction. Low motivation. High absenteeism and turnover.

Approach	Positives	Negatives
Motivational	High job satisfaction. High motivation. High work engagement. Higher work performance. Lower absenteeism and turnover.	High training time and cost. Low work utilization. High possibility of work errors. Higher possibility of work stress.
Biological	Less physical labor. Less physical fatigue. Job satisfaction is high. Work absenteeism is reduced. Health-related complaints and events will be reduced.	High cost to design ergonomic equipment and work environment.
Perceptual/Motor	Low probability of work errors. Low probability of work accidents. Low probability of work stress. Cheaper training. Higher work utilization.	Low job satisfaction. Low work motivation (because the work is not challenging enough).

2. Work Design and Job Satisfaction

Every work design approach has its positives and negatives. They are polar extremes, which in practice can be combined with each other to achieve optimal work design. On one extreme is the mechanical approach, and on the other extreme is the motivational approach.

How does work design relate to job satisfaction? The link turns out to be quite complex. While motivational theorists say that their approach can lead to higher job satisfaction, some researchers point out that job satisfaction will be largely determined by the attitude of the employees themselves. If the employee has a high growth need then the employee will not be satisfied with a mechanistic approach. The employee will be better suited to a motivational approach (see the model of the characteristics approach to job design earlier). For employees with low growth needs, situational characteristics - such as the work environment, relationships with fellow employees, and management support - will have more influence on employee job satisfaction. The social environment also affects job satisfaction. For example, informal conversations, such as a compliment to an employee, or a conversation between a manager and an employee, will affect job satisfaction. Job satisfaction is a complex issue. The models above can only answer part of the job satisfaction problem. Many other parts remain unanswered.

Exercise

To understanding of the material above, please complete the following exercise!

You are asked to design a job for a printing employee. The work in the printing department includes three main jobs: manuscript typing, manuscript layout including the design of book covers, and printing (using a printing press). Use mechanical, motivational, and biological approaches to design the job.

Key Ideas for Exercise Answer

Read the Work Design section in this Learning Activity. There are several approaches to work design. Each approach focuses on different things. Mechanical: specialized to increase productivity, Motivational: designed to increase motivation, Biological: designed to reduce fatigue. Using these three approaches, you can design a work design for the job at the print shop.

Summary

This learning activity discusses the components of organizational structure including authority, departmentalization, reporting relationships, and work design. Authority is the legitimate power possessed by managers. There are two views of authority, namely the classical view and the acceptance. The classic view says that authority comes from above and hierarchically descends downwards. According to the acceptance view, authority occurs because subordinates are willing to accept orders. In an organization, there is line and staff authority. Line authority is possessed by line managers, that is, managers who make decisions for organizational purposes directly. Staff authority is held by people who advise line managers. The definition of staff and line depends on the organization being discussed. In addition to these two authorities, there are also functional authorities.

Departmentalization is the classification of work. There are several types of departmentalization, namely product, functional, regional, and others. Departmentalization is intended to help the organization be more effective in achieving its goals. Reporting relationships to explain who reports to whom. Reporting relationships can be seen through the organizational picture. The span of control or management span describes the number of subordinates who report to one superior. The ideal span of control depends on several factors, and there is no exact formula. An organizational picture shows a formal organization. Although the Figure is quite useful, it has some limitations.

Work design defines the work responsibilities of an individual. There are four approaches to work design: mechanical/specialized, motivational, biological, and motor (perceptual). Each approach has its advantages and disadvantages. The mechanical approach aims to increase work efficiency by breaking down work into smaller units. These smaller units make the work easy to learn and do repetitively. The motivational approach tries to eliminate the negative side of the classical approach that does not pay attention to job satisfaction. The work characteristics approach model aims to increase motivation and job satisfaction. Some ways to increase motivation are job enlargement, job enrichment, and flextime. Biological and perceptual approaches try to design work by taking into account human physical or mental limitations.

TERMS INDEX

Authority	Unity of Command	*Job enlargement*
Classical View	Scalar Principle	*Job enrichment*
Acceptance View	*Span of control*	*Flextime*

Region of Acceptance
Line Authority
Staff Authority
Functional Authority
Departmentalization
Chain of Command
Characteristics
Management span
Graicunas
Flat Organization (*perceptual*)
Tall Organization
Work Design
Work
Biological approach
Motor Approach

Formative Test 2

Choose the correct answer!

1) According to the Classical view ....
   A. authority is related to the region of acceptance
   B. authority originates from above
   C. authority originates from horizontal sources
   D. authority is seen from the point of view of the recipient

2) The authority possessed by managers who make decisions is called ... authority.
   A. staff
   B. tactical
   C. managerial
   D. line

3) Establishing a clear line of authority from top management to the lowest employee is called the principle of ....
   A. scalar
   B. work design
   C. *flextime*
   D. work expansion

4) According to Graicunas, if there are three subordinates, the number of interactions between managers and subordinates will amount to about (closest) ....
   A. 6
   B. 44
   C. 100
   D. 20

5) The modern view of the control range says ....
   A. there is an ideal span of control that can be calculated by a certain formula
   B. if the geographical distribution of subordinates is high, the management range will be wider
   C. if the work being supervised is relatively the same, the management range will be wider
   D. the experience and ability of managers and subordinates will not determine the management range

6) An employee in the printing department is used to typing manuscripts. Then, his job is added so that he can type, lay-out the manuscript, and design the cover so that it is ready to be printed. The addition of the job is called ....
   A. *job enlargement*
   B. *job enrichment*
   C. *job specification*
   D. *job analysis*

7) A furniture company designed a comfortable manager's seat and desk to reduce work fatigue. This approach is called ....
   A. ergonomics
   B. motivational
   C. scientific management
   D. physical

Use key answers for Formative Test 2 which is located at the end of this module to determine the correctness of your answer. To make sure your mastery of the learning materials use the following formula.

$$\text{Level of mastery} \quad \frac{\text{Number of correct answers}}{\text{Number of test item}} \times 100$$

Level of master is as follows

<70%	70% - 79%	80% - 89%	90% - 100%
lower than expected	adequate	good	very good

When you attain level of mastery 80% or more, very good, you may continue to Learning Activity 3. Otherwise you have to review the material of Learning Activity 2. Pay attention to parts which you don't master yet.

Learning Activity 3

Adaptive Organizational Design

The company's environment is always changing. Companies that can adapt to the environment have a better chance of survival. Such an opinion is in accordance with Darwin's evolutionary idea that the surviving living creature is not the strongest living creature, but the living creature that can best adapt to change. The previous learning activity discussed organizational design and components. This learning activity discusses organizational design today, which is characterized by a new technological environment. Rapid technological change demands an organizational design that matches the demands of the technological environment. Companies must also be able to take advantage of these technological changes by designing organizational designs that are more optimal for these developments.

This learning activity begins with a discussion of contemporary organizational design, then continues with dynamics in organizational structure, and concludes with a discussion of what is needed to support adaptive organizations.

A. CONTEMPORARY ORGANIZATIONAL DESIGN

1. Team Structure

Through this structure, human resources are organized based on teams. The team structure in large companies is relatively new. They are less hierarchical, less rigid, and more flexible than traditional structures. A team is a group of staff (employees) working towards a specific goal. Ideally, team members are people who have skills that support each other, so that synergy can be created between them. Teams are formed to achieve a specific goal or to solve a specific problem using specific skills (formed from the group). The team can change and adapt to achieve organizational goals. Teams that work on a specific project are disbanded once the project is completed. Teams often include a management structure within the team.

Cross-functional team. Teams that come from different functional areas are known as cross-functional teams. Ideally, members arrive at the team with their functional boundaries removed and focus on achieving specific, assigned goals.

Team structures can be combined with other structures, such as functional structures. The combination allows for clear authority and responsibility, and at the same time, the benefits to the team such as the completion of specific tasks, and cross-functional expertise. For example, suppose a company is going to create a new product, as well as test the business viability of the new product. A team can be formed with members from marketing, finance, operations, and HR. Then they work together, for example, eight hours per day for four days in a team. On Friday, everyone returns to their respective departments (Finance, Marketing, Operations, and HR). After the new product project is completed, each of these staff can be returned to their respective departments. If there is a new task then a new team can be formed again.

One criticism of teams is that they can refer to a group of people who come together, not just for purposes related to achieving official organizational goals. For example, suppose a company forms a committee to commemorate the seventeenth of August (Indonesian independence day). The committee can be referred to as a team. Therefore, all groups of people can be called a team. Thus the team has a meaning that is too broad and does not clearly refer to the notion of organizational design. However, as long as the team can be useful to the organization, the unclear meaning will not be a problem.

Task Force. A task force, also known as an ad-hoc committee, is a temporary team to solve certain problems that occur in a company or organization and are cross-departmental. Task force members are still on duty in their respective departments, while carrying out their duties in the task force. In the task force, task force members are expected to work together with other members to solve certain assigned problems. If the problem is solved, the task force will be disbanded. An example of a task force is a team formed to provide training for new recruits for one month, including designing the materials and implementation. Once completed, the task force will be disbanded.

2. Hollow Structure

The hollow structure follows the outsourcing trend. Outsourcing is a growing trend that began in the 1980s with the transfer of US factories to the cheaper Asian region. The outsourced processes made the company hollow as some of the processes moved outside the company. Today, outsourcing has become a business 'norm', and not something strange or foreign. Outsourcing has been proven to increase the value of the company because the company can do some processes at a lower cost, and can focus on its core activities such as design and marketing.

Hollow organization design is done by determining non-core processes, which are processes that are not critical to business performance and do not create current or future business advantages. Then, secondly, the company needs to look for outsiders who can do the process more efficiently and effectively. Third, the company needs to create an interface so that the results of the outside work can be integrated into the company better.

There are many examples of companies that outsource, such as Apple, IBM, Wal-Mart, and others. Even companies in other countries such as Singapore have also started outsourcing. Outsourcing can reduce production costs. As an illustration, manufacturing labor costs in the United States can be as high as \$27 per hour, while in Eastern Europe it can be as high as \$8 per hour, in East Asia (excluding Japan) it is about \$13 per hour, in Brazil it is about \$8 per hour, and in the Philippines, it is about \$2 per hour (US Bureau of Labor, 2011). Furthermore, the advantage of such outsourcing, besides cost savings, is that companies can acquire better resources or better technology. Market discipline makes some other companies more specialized in certain parts.

However, there are several criticisms of outsourcing, such as that the company will lose certain skills by not doing the work itself, innovation capabilities may be reduced, the company must work hard to monitor the partner (outside party) so that it can do the process as the company wants, the process of integrating the results of the work into the company can be long and energy-consuming, and there is a loss of control over input supplies. Outsourcing activities have both benefits and costs from a macroeconomic standpoint, such as making the country's macroeconomic system more efficient. However, outsourcing activities will reduce domestic employment opportunities.

3. Modular Structure (Network Organization)

Modular structures were popularized in the early 1990s. The structure is often described as a puzzle board. On the board, there are several parts of the board that must be arranged to form a certain pattern or image. Modular structures group the organization's human resources into small strategic business units (SBUs), which focus on specific elements of the organization's processes. For example, the manufacturing of Bombardier's Continental business jet by the aircraft manufacturing company Bombardier. The aircraft can fly from the east coast of the United States to the west coast of the United States directly, without stopping for refuel. Bombardier broke down the design of the aircraft into 12 major parts, such as the cockpit, mid and front fuselage, tail section, stabilizers, and rear fuselage, engines, wings, equipment to improve aerodynamics, gear for landing, and avionics. Of these 12 parts, Bombardier only produces the cockpit and the center and front fuselage, while the other parts are produced by other companies. Once all the parts have arrived and are ready, Bombardier assembles the parts into an airplane. This takes only four days. By doing so, Bombardier's partners share in the development costs. Bombardier can cut the time it takes to launch a new product, and can save on production costs.

Modular design is based on four principles. First, it breaks a product into parts that can be worked on independently. Second, design interfaces between parts, so that the parts that are done separately can be installed and integrated properly. Third, outsource the parts that can be done by outsiders more efficiently. Fourth, assemble the parts that are done outside and inside, into a final product. Modular structures have similarities with hollow structures, both of which use outsiders. However, if the hollow structure outsources the process, the modular structure outsources the product part.

The advantages of the modular structure are its efficiency and speed of response. The modular structure also allows the company to obtain expertise from outside so that it does not need to do its own work. If the company is forced to do something, despite its lack of expertise in that area, the results obtained will be less than optimal, and the costs will also be higher. Another advantage of a modular structure is that companies can recombine certain modules to produce new products quickly.

Some disadvantages of the modular structure. First, not all products can be broken down into modules that can be done independently. Secondly, the company must be able to develop a good interface so that the parts of the product can be assembled properly when they arrive. Then, the company must be able to manage its partners at the same time that it manages the internal parts of the company. It is certainly not an easy thing to manage like that.

4. Virtual Organization

In today's fast-paced conditions, high demands from consumers, rapidly changing conditions, and competitors can be partnered with to achieve certain goals. Competitors can also be partners at the same time. Organizations in the world today have developed complex networks of cooperation, which means they can compete in certain markets and collaborate in others.

For example, Sony Ericsson (SE) is a joint venture company established in 2001 between the Sony Corporation of Japan and the Swedish telecommunications company Ericsson to produce mobile phones. Each company owns 50% of Sony Ericsson. The joint venture will combine Sony's expertise in electronics and Ericcson's technology and market expertise in mobile telecommunications. Some other examples are General Motors and Toyota for car assembly; Siemens and Philips for developing semiconductors; and Canon for supplying photocopiers to Kodak. Cooperation with competitors usually takes the form of virtual organizations, that is, new companies (outside the current company) created specifically to respond to good market opportunities, which are usually temporary.

5. Boundaryless Organization

Some companies have a structure similar to a boundaryless organization. For example, the $6 billion Laege Hadron Collider particle accelerator is located in a tunnel 175 meters underground, near Geneva, Switzerland. It is used to smash atoms, which is a very complicated job, involving 2,900 scientists from 34 countries, using 100,000 computers to process data. The work practically requires massive support, crossing boundaries both vertical and horizontal, internal and external.

6. Matrix Organization

The matrix organization was discussed in the previous learning activity. This organization combines a departmental structure with an assignment structure. Resources are placed in departments. If there is a specific assignment, such as a product launch that involves resources from various departments, then resources from the marketing, finance, operations, and human resources departments will be gathered to work on the new product.

B. ORGANIZATIONAL STRUCTURE DYNAMICS

In the previous section, the contemporary organizational structure was discussed. In this section, we will discuss new dynamics in organizational structure, which do not require changing the organizational structure. These dynamics still work within the current organizational structure and can drive the organization to be more effective and efficient in achieving its goals. Some of the dynamics discussed here are flex-time or flex-arrangement with its various variations and community of practice.

1. Flextime

Flextime is an hours schedule that allows workers to shift their working hours. Flextime is different from a traditional working hours schedule that requires workers to work during a certain set time, e.g. from 8:00 am to 4:00 pm. Flextime can be further regulated, for example by specifying the basic hours, when workers must come to the office, for example from 11:00 am - 2:00 pm, and the flextime period, when workers must work within that period, e.g. from 5:00 am - 8:00 pm. With this schedule, workers must come to the office from 11:00 am - 2:00 pm but are free to determine their working hours within the time limit of 5:00 am - 8:00 pm. The total number of working hours in flextime and the traditional schedule will be the same.

Flextime has several advantages, such as working hours that can be adjusted to family schedules, or traffic flow. For example, the peak hours that cause traffic jams are between 07:00-09:00 am. With flextime, workers are able to avoid these peak hours.

2. Telecommuting

Flextime can be combined with telecommuting, especially in this era where communication technology has improved. Telecommuting is a type of work arrangement where workers can do their tasks at home, and then connect to the workplace through computer and other telecommunications technology.

Flextime and Telecommuting have advantages and disadvantages. Some of the advantages are as follows. They provide flexibility to employees and give employees greater control. Employees can organize their work schedules with their family schedules so that both goals will be achieved. From the company's side, the method can provide cost savings, for example, the company does not need to provide workspace, does not need to provide transportation subsidies, and does not need to provide parking facilities.

If employees come to the company, they only need to be provided with a co-working space or a table that can be used by other employees. In terms of society, flextime is expected to reduce congestion on the road, and reduce air pollution.

The disadvantages of flextime are as follows: Some managers are concerned that if employees work from home, there will be less supervision of them. Employees are more likely to play on the internet or play games. If employees work from home, the opportunity for face-to-face meetings is reduced. Physical meetings (face-to-face) can provide benefits, such as easier and more effective communication. Face-to-face meetings will also encourage trust between managers and employees. Working from home can create the feeling of not working, so that employees do not feel involved as members of the company. Companies can make engagement more effective, for example, by intensifying communication via the web or internet so that employees will still feel involved in organizational activities.

Academic studies show that flextime, which was launched in the 1970s, is an interesting study to discuss. The study shows that flextime is increasingly used in many countries. Highly skilled or educated workers, or supervisors, are the type of workers who make the most use of the method. Female workers were found to have no greater access to it than male workers. Flextime has been shown to improve employee job satisfaction.Companies are able to reap many benefits from the method, such as improved performance, increased productivity, and reduced employee absenteeism.

3. Work Compression

Another variation of flextime is work compression. For work compaction, the number of hours worked during a certain time can be compressed. For example, in a university, lecturers must come in for a minimum of five hours per day for five days, or a total of 25 hours per week. However, the university provides options for compression. For example, lecturers can work from 8:00 a.m. to 6:00 p.m. (a total of 10 hours) in one day. The lecturer structures the schedule to work full-time for two days (from 8:00 a.m. to 6:00 p.m.), plus five hours on the third day. The total working hours will be the same, which is 25 hours.

Sometimes certain regions provide opportunities for compressed work for their employees. For example, in one state in the United States (Utah), in order to reduce energy costs, the state government launched the 4-40 work program, which is working for 10 hours per day, four days a week. Full-time work requires a total of 40 hours of work per week. The state's employees were off from Friday to Sunday. After one year, the state government found that energy use had decreased by 13%. The state government saved about $6 million in gasoline costs.

4. Job Sharing

Job sharing is when certain jobs are shared and done by several people. For example, in a mining company in Kalimantan, accounting work is done by several people in turn. One shift of workers comes from Java to do the work for the first two weeks.In the second week, another shift of workers will come to continue the work. The first shift of workers would return home in the third week. McDonald's in the UK experimented in some of its restaurants with a programme called "Family Contract," with the aim of reducing absenteeism and employee turnover. Under the program, close family members (father, mother, and son) can cover each other's work without having to get approval from their manager each time.

Such division of labor can be applied both to low-skilled jobs and professional jobs. Some companies use such schemes to avoid dismissals or layoffs or to work around employment strategies during economic downturns.

5. Community of Practice

Communities of practice are communities developed for knowledge sharing. Formally, a community of practice can be defined as a method to improve organizational learning through information sharing. For example, an organization can form a community through, for example, a WhatsApp group or a Telegram group. Community members can discuss and share information through the group. If the desired scale is larger, the company can use social media such as Facebook or Instagram as a medium for socialization and discussion of problems surrounding the product, the company, or others. If the scale wants to be enlarged again, the company can develop a more sophisticated online forum using the internet. With internet technology, there are currently thousands of online forums that can be a place to share information. For example, a statistical software development company can develop a statistical forum. If there is a software user who asks something, the question can be thrown into the forum. The person who answers does not have to come from the company. Other users who have experience and solutions can submit answers to the forum.

Companies can direct such forums to generate new ideas related to the product. The innovation that emerges from this process is often referred to as open innovation. Many companies have successfully used this type of innovation. Here are some examples. Unilever, one of the world's largest consumer goods companies with more than 400 brands operating in 190 countries and 2.5 billion users, launched its Open Innovation platform in 2010. Unilever presents several challenges to the public, encouraging individuals to answer them, with challenge topics ranging from packaging to refrigeration systems and more. If the suggestions were successful, Unilever could offer contracts for their solutions as well as professional recognition. The global response has been encouraging, with more than 1,000 proposals for mid-2012 alone. The effort also encourages an open culture, with more than 60% of Unilever's research now involving collaboration with external parties.

Another example is LEGO. LEGO is famous for its creativity. However, in the early 2000s, LEGO had financial problems. Then, in 2004, LEGO launched LEGO Ideas, where outsiders were invited to make suggestions. The platform attracted suggestions from more than 1 million people. In return for successful suggestions, LEGO gives product creators the opportunity to give final approval, be recognized on all packaging and marketing, and even earn a share of product sales. The idea for one LEGO product, a replica of the Saturn V moon rocket, came from a LEGO fan. Such initiatives can encourage customer loyalty and improve the company's performance.

C. FUTURE CHALLENGES

1. Flexibility

Today's conditions are far different from those when most traditional organizational theories were designed. The traditional organizational structure envisioned the workings of the organization as originating from a superior's order, then going downward and being carried out by subordinates within the company's premises with supervision from the superior. Work was relatively predictable, most workers were full-time, and work was done forever. Conditions have now changed considerably. Communication technology and mobile calculations have made a lot of difference. Nowadays, it is not uncommon for employees in an organization to not have a dedicated workspace or even a dedicated desk. One desk can be used by many people, depending on who is present. The room is designed with a co-working space model, and there are several desks arranged in the room. If an employee arrives, he or she will look for an empty desk. Then, he opens his laptop, logs into the company's computer network, and connects to the company's computer network. The employee then works on his laptop. If the employee needs a room for a meeting, the company will provide the room. After the meeting is over, the employee will leave the room and return to find an empty desk to do his tasks. Communication between employees can also be done through communication technology such as Skype, Webex, Zoom, and others. Such a work model's image is already very different from the traditional work image.

The work image shows a high degree of flexibility and mobility, using the power of technology. One issue that is important to consider in such a situation is security. Only authorized parties can access the computer network. If other parties, such as hackers, steal the security code, the company will face serious problems. Therefore, the company must always maintain the security of its network. For example, employees are required to regularly update passcodes, data and communications sent are always encrypted, and so on.

2. Collaboration Skills

The development of communication and mobile technology has led to the development of impersonal or non-face-to-face communication. On the one hand, impersonal communication provides a quick and easy alternative to traditional communication. Oftentimes, gathering many people at a certain time is not an easy thing to do, especially if the employees are busy. By using modern communication tools, the presence of employees in different places will not hinder communication between members of the organization. However, non-face-to-face communication still has weaknesses, as discussed earlier, such as a lack of trust and intimacy. To reduce these weaknesses, organizations can facilitate periodic personal meetings. For example, a university organizes a free lunch every Friday, after Friday prayers. Lecturers can have a face-to-face conversation during the session, and it is expected to increase intimacy between lecturers.

The current development of organizational design shows a shift from vertical to horizontal design, including cooperation and collaboration. Another change is the change in control over resources. In the traditional context, managers had full control over resources. However, in the current context, not only do managers have control over resources, but outsiders also have control over resources. Such developments demand a change in the role of managers. Now, managers are not only required to have vertical abilities by giving orders and supervising subordinates but also horizontal abilities by being able to cooperate with other parties. For traditional-type managers, this change in role will not be easy. Peter Drucker, one of the great figures in the field of management, said that the problem for large companies is that managers are more accustomed to giving orders compared to working with partners. These are two very different propositions. Managers now need to get used to working with those who can help the company, from employees to consumers (see open innovation) and even competitors (see virtual organization).

3. Global Organizational Structure

With the expansion of globalization, the opportunity to operate in various countries is becoming increasingly open. However, many issues emerge. Is organizational design universally applicable? Is there one organizational design that applies to all countries? In general, the principles of organizational design can be applied. However, the local content will also affect effective organizational design. For example, research shows that the level of formalization (stricter regulations and bureaucracy) is more important in developing countries than in developed countries. Countries with less evenly distributed power (high power distance societies, such as Latin American countries and Greece) are more accepting of mechanistic structures. High power distance is one dimension of culture. In these conditions, power is not evenly distributed in a society; some have very high power, and some have very low power. People tend to accept these conditions. Thus, managers need to look at the influence of local culture to design an appropriate organization. It should be emphasized that the purpose of organizational design is to create an effective and efficient organizational design. Managers should always keep in mind that organizational design, whether it is a standard design or one that accommodates local culture, has the same goal, which is to increase organizational effectiveness and efficiency.

Exercise

To understanding of the material above, please complete the following exercise!

In mid-2019, the Ministry of Administrative Reform and Bureaucratic Reform (PANRB) issued a discourse stating that the State Civil Apparatus (ASN), often also called Civil Servants (PNS), could work at home. The discourse raises pros and cons; some agree, some disagree, and some agree with a note (for example, for certain types of work, the discourse can be applied but cannot be applied to other types of work). Carefully evaluate the discourse, what is your recommendation?

Key Ideas for Exercise Answer

Read this learning activity, starting from the current development of society and technology to flexible design and its benefits and disadvantages. Carefully study the descriptions related to these topics. Use the descriptions in the section to discuss the issues raised in the discourse and formulate your recommendations.

Summary

This learning activity discusses contemporary organizational design, which is the design that adapts to or is influenced by current conditions. Technological developments such as communication and computing technologies make current work mechanisms and traditional work designs less relevant. Current technological developments encourage greater flexibility and the need to collaborate. Contemporary organizational designs discussed are team structures, hollow organizations, modular organizations, virtual organizations, matrix organizations, and boundaryless organizations. Work mechanisms and dynamics in organizational structures evolve continuously in accordance with technological developments. This learning activity explores new work mechanisms, such as flex-time and its various variations, as well as the community of practice.

Flextime is a flexible work schedule where employees do not have to work in the office for a fixed amount of time. Some variations of flextime are telecommuting, compressed work, and job sharing. A community of practice is the establishment of a community to share information. The community can be developed into open innovation, which can contribute greatly to the company. Contemporary managers and organizations must also improve according to this. Today, the issue of flexibility is important, allowing organizations to provide greater flexibility to employees and the design and working mechanisms of the organization. To engage employees, they need to stay connected through virtual communication mechanisms (using technology), balanced with face-to-face meetings. Nowadays, managers need to have not only vertical abilities but also horizontal ones, which are the ability to collaborate with others. The issue of global organizational design is whether there is a universal global design or one that accommodates local cultures. But regardless of the design, the goal of the organization remains clear, which is to increase organizational effectiveness and efficiency.

TERMS INDEX

Boundaryless	Vertical Abilities
Cross-functional Team	Modular
Flextime	*Network*
Task Force	Work Compression
Hollow	Telecommuting
Job sharing	Team
Horizontal Abilities	Virtual Organization

Formative Test 3

Choose the correct answer!

1) A temporary team is one that is formed to solve short-term problems and then disbanded once the problem is resolved is called ....
   A. team structure
   B. *cross-functional* team
   C. task force
   D. hollow organization

2) An organization that outsources some of its processes is called a ... organization.
   A. hollow
   B. modular
   C. network
   D. matrix

3) To manufacture a car, an automotive company divides it into four parts: the engine, interior, body (frame), and others (brakes, tires, etc.). The company only does the engine and outsources the others. Then, it assembles the outsourced components into a car. The design is called ....
   A. hollow organization
   B. modular organization
   C. team organization
   D. matrix organization

4) Developing innovation by involving external parties such as consumers is called ....
   A. external innovation
   B. stakeholeders innovation
   C. open innovation
   D. comprehensive innovation

5) The following cultures are more accepting of mechanistic organizational design ....
   A. high distance power
   B. low distance power
   C. developed countries
   D. high individualism culture

6) The following abilities are needed by managers with current conditions that encourage collaboration ....
   A. vertical ability
   B. horizontal ability
   C. functional skills
   D. command and supervision skills

Use key answers for Formative Test 3 which is located at the end of this module to determine the correctness of your answer. To make sure your mastery of the learning materials use the following formula.

$$\text{Level of mastery} \quad \frac{\text{Number of correct answers}}{\text{Number of test item}} \times 100$$

Level of master is as follows

<70%	70% - 79%	80% - 89%	90% - 100%
lower than expected	adequate	good	very good

When you attain level of mastery 80% or more, very good, you may continue to the next module. Otherwise you have to review the material of Learning Activity 3. Pay attention to parts which you don't master yet.

CASE

Civil servants may work from home

In November 2019, it was reported that the Ministry of Development Plan (PPN) and the National Development Planning Agency (Bappenas) began testing the work flexibility of the State Apparatus (ASN) with no need to work in the office as of January 1, 2020.[2] The Head of the Legal, Communication, and Public Information Bureau of KemenPAN-RB (the Ministry of Administrative Reform and Bureaucratic Reform), said that the plan is still under discussion. Previously, the Minister of PPN and Head of Bappenas said that the trial implementation of ASN without the need to work in the office would be carried out by 1,000 ASNs within Bappenas. Later, these ASNs can work anywhere as long as they can execute their work well.

The Minister of Administrative Reform and Bureaucratic Reform (MenPAN-RB) believes that civil servants can work from home. The most important thing is how the work can be completed according to the predetermined target. "The point is the speed of work. At home, (civil servants) can also work," KemenPAN-RB's Deputy for Apparatus Human Resources said, adding that his party had planned for civil servants to be able to work from home because he believed the number of technologically savvy civil servants would grow alongside recruits. The government is estimated to have 572,000 tech-savvy civil servants.

The National Civil Service Agency (BKN) released statistical data on civil servants in Indonesia as of December 31, 2018. Based on this data, it is stated that the number of civil servants as of December 31, 2018, was 4,185,503 employees.[3] Quoted from a written statement Tuesday (2/34/2019), of these employees, 939,236 civil servants served in Central Agencies (22.44%).

Meanwhile, the remaining 3,246,267 employees served in regional agencies (77.56%). Then, from the age distribution, the number of civil servants is dominated by the age group 41–60 years, which reaches 2,896,821 employees. Meanwhile, the 18–40 age group amounted to 1,288,682 employees. When viewed based on the educational aspect, 52% of the total civil servants have an education level equivalent to a bachelor's degree (S1). After that, the second highest percentage is 21% at the Senior High School level (SLTA). Meanwhile, based on its distribution, the highest number is in Java with a percentage of 20.64%, or the equivalent of 1,209,036. Conversely, the lowest number of civil servants are in Papua and Maluku, with a percentage of 5.83%, totaling 248,020 civil servants.

Civil servants who work from home are thought to be more adaptable. Work flexibility, he added, is considered important because community services can later be helped by the presence of technology. Apart from work flexibility, the single salary plan

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2 https://www.kompas.com/tren/read/2019/11/26/114506265/soal-wacana-pns-kerja-dari-rumah-di-2020-ini-penjelasan-kemenpan-rb?page=all. Retrieved on December 10th, 2019

3 https://economy.okezone.com/read/2019/04/02/320/2038082/jumlah-pns-di-indonesia-capai- 4-1-juta-pegawai. Retrieved on December 10th, 2019.

was also mentioned to welcome PNS 4.0. The amount of a single salary is determined by work assessment rather than rank or class. Without a single salary, talent management for civil servants is considered to be very difficult. This is because this system allows talented civil servants from one institution to be mutated or transferred to another institution. Even so, work flexibility and a single salary for civil servants are just plans and must be considered before a decision is made.

The discourse has raised controversy and pros and cons. Those who agree give several reasons. The discourse is in accordance with current technological developments, which demand flexibility. Working from home will reduce road congestion and be more convenient. Civil servants do not need to jostle to reach the office while their work can be completed from home. On the other side, there are several reasons put forward. The level of discipline among civil servants is still lacking, so the discourse will further reduce the discipline of civil servants. In turn, the quality of public services will worsen. Some types of services also require face-to-face meetings between civil servants and the community. Not all types of work can be done from home.

Discussion Questions

1. Evaluate the pros and cons of the discourse on civil servants working from home.
2. Do you agree with the proposal? Explain why.
3. What are your recommendations for the design of civil servants working from home? Are there certain criteria, such as the type of work, the qualifications of civil servants, or the flextime or flex hours model that you propose? Explain.

Answer Key to Formative Test

Formative Test 1		*Formative Test 2*		*Formative Test 3*	
1)	C	1)	B	1)	C
2)	A	2)	D	2)	A
3)	D	3)	A	3)	B
4)	A	4)	D	4)	C
5)	B	5)	C	5)	A
6)	C	6)	B	6)	B
		7)	A		

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