ORGANIZATION STRUCTURE & DESIGN

- need an effective structure to achieve org. goals/plans/strategies
- org. structure – formal framework for jobs, tasks to be divided, grouped and coordinated
- org. design – process that involves decisions about
  - work specialization
  - departmentalization
  - chain of command
  - span of control
  - centralization and decentralization
  - formalization
PURPOSES OF ORGANIZING

1. Divides work to be done into specific jobs and departments

2. Assigns task & responsibilities associated with indv. jobs

3. Coordinates diverse organizational tasks

4. Clusters job into units

5. Establishes relationships among individuals, groups & departments

6. Establishes formal lines of authority

7. Allocates and deploys org. resources
WORK SPECIALIZATION

- Early in 20th century, Henry Ford – division of labor concept in his assembly line, workers assigned specific, repetitive task-helped increase productivity
- Today Work specialization means degree to which tasks in an organization are divided into separate jobs
- By 1960’s human diseconomies form being too specialized offset the advantages – boredom, fatigue, stress, poor quality
- Managers see it as important organizing mechanism but not source of ever-increasing productivity
- Broaden job scope, teamwork and reduced work specialization
DEPARTMENTALIZATION

• process of grouping together jobs and people into separate units to accomplish org. goals.

• 5 common forms
  ▪ functional departmentalization
    (group by functions performed)
  ▪ geographic departmentalization
    (basis of territorial area)
  ▪ product departmentalization
    (groups jobs by product line)
  ▪ customer departmentalization
    (on the basis of common customers)
  ▪ process departmentalization
    (group on basis of product process or customer flow)

  customer departmentalization – used to better monitor customer needs
  cross functional teams – flexible interdisciplinary teams
  replaced traditional functional groupings
CHAIN OF COMMAND

- continuous line of authority that extends from upper organizational levels to lowest
- Who reports to whom. “Who do I go if I have a problem?” “To whom am I responsible?”

3 Elements involved – authority, responsibility, unity of command

1. Authority
   rights inherent in a managerial position to tell people what to do and to expect them to do it
2. Responsibility
   The obligation or expectation to perform any assigned duties
3. Unity of Command
   The principle that a person report only to one superior
NEW DEVELOPMENTS

- Authority, responsibility, chain of command less relevant because of IT and employee empowerment
- Employees can access info that used to be available to managers
- Also using computers employees can communicate directly without going through chain of command
- Employees empowered to make decisions – management use self-managed teams,
- New organization designs with multiple bosses continue to be implemented, therefore traditional concepts of authority, responsibility and chain of command becoming irrelevant
SPAN OF CONTROL

- no. of employees a manager can supervise effectively and efficiently.

- Classical view – not more than 6 (small span)

- Helps determine no. of levels and managers

- new (contemporary) viewpoint span of control increasing

- flatter organization

- less direct supervision, well trained and experienced staff
CENTRALIZATION AND DECENTRALIZATION

- how much decision making authority has been delegated lower levels

- classical – centralised decision-making

- as org. become more complex and dynamic – decentralize decision making

- decisions should be made by those who have best information to make those decisions

- empowerment is a managerial approach in which employees are given substantial authority and say to make decisions on their own
  - involve business decisions
  - design & prod. Of products
  - front line/desk service counters
FORMALIZATION

- Degree to which jobs within org. are standardized
- Extent to which employed behavior guided by rules and procedures
- Explicit job descriptions, clearly defined procedures covering work processes
ORGANIZATIONAL DESIGN DECISIONS

- mechanistic org.- rigid, tightly controlled
- organic – highly adaptive and flexible

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Mechanistic versus Organic
Contingency Factors Deciding Org. Design

- Strategy and Structure – innovators need flexibility, cost minimizers seek efficiency, tight controls of mechanistic structure
- Size and Structure – large (2000 employees) – more specialize, departments > mechanistic whereas Small co. – organic, loose, flexible
- Technology and Structure – Batch (or unit) production – organic, Mass production – mechanistic, and Continuous process production – organic
- Environmental Uncertainty and Structure – mechanistic structure suitable for stable simple environment. Global competition, accelerated product innovation by competitors, increased demands for high quality and fast delivery are dynamic environmental forces. Need lean, fast flexible