Organizational Behavior and Organizational Change Organizational Structure

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Topics This Presentation

- What Is Organizational Structure?
- Common Organization Designs

"Organizational behavior"
Eleventh Edition
By Steve Robbins
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Reference Book

What Is Organizational Structure?

Organizational Structure

How job tasks are formally divided, grouped, and coordinated.

Key Elements:

- **Work specialization**
- **Departmentalization**
- **Chain of command**
- **Span of control**
- **Centralization and decentralization**
- **Formalization**

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Key Design Questions and Answers for Designing the Proper Organization Structure

The Key Question	The Answer Is Provided By
1. To what degree are articles subdivided into separate jobs?	Work specialization
2. On what basis will jobs be grouped together?	Departmentalization
3. To whom do individuals and groups report?	Chain of command

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Key Design Questions and Answers for Designing the Proper Organization Structure

The Key Question	The Answer Is Provided By
4. How many individuals can a manager efficiently and effectively direct?	Span of control
5. Where does decision-making authority lie?	Centralization and decentralization
6. To what degree will there be rules and regulations to direct employees and managers?	Formalization

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What Is Organizational Structure?

Departmentalization

The basis by which jobs are grouped together.

Grouping Activities By:

- **Function**
- **Product**
- **Geography**
- **Process**
- **Customer**

What Is Organizational Structure?

Authority

The rights inherent in a managerial position to give orders and to expect the orders to be obeyed.

Chain of Command

The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

Unity of Command

A subordinate should have only one superior to whom he or she is directly responsible.

What Is Organizational Structure?

Span of Control

The number of subordinates a manager can efficiently and effectively direct.

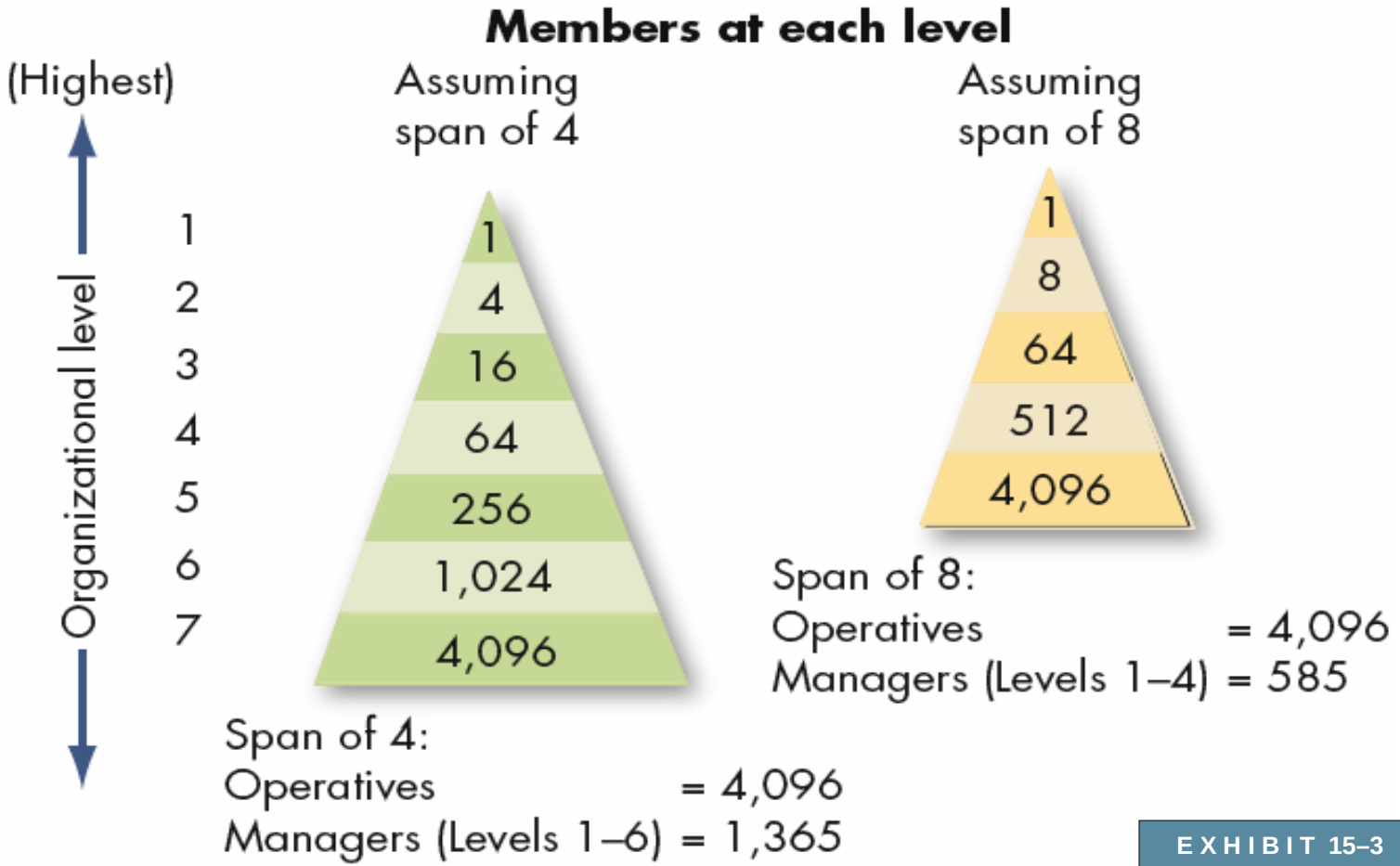
Concept:

Wider spans of management increase organizational efficiency.

Narrow Span Drawbacks:

- **Expense of additional layers of management.**
- **Increased complexity of vertical communication.**
- **Encouragement of overly tight supervision and discouragement of employee autonomy.**

Contrasting Spans of Control



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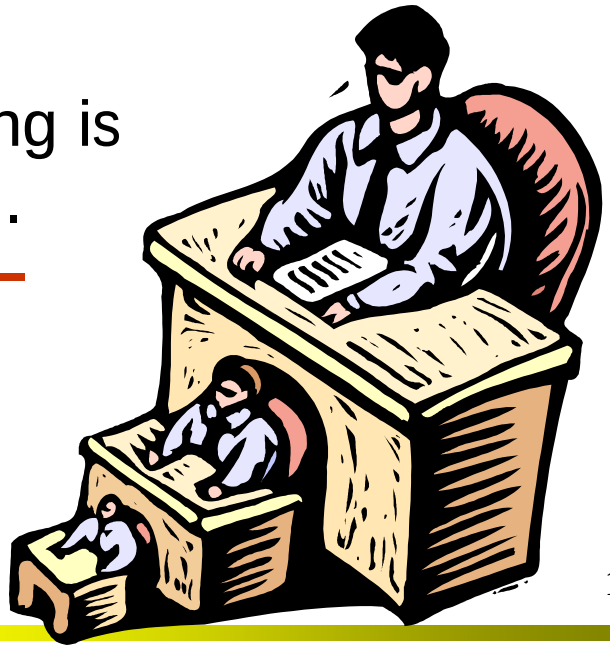
What Is Organizational Structure?

Centralization

The degree to which decision making is concentrated at a single point in the organization.

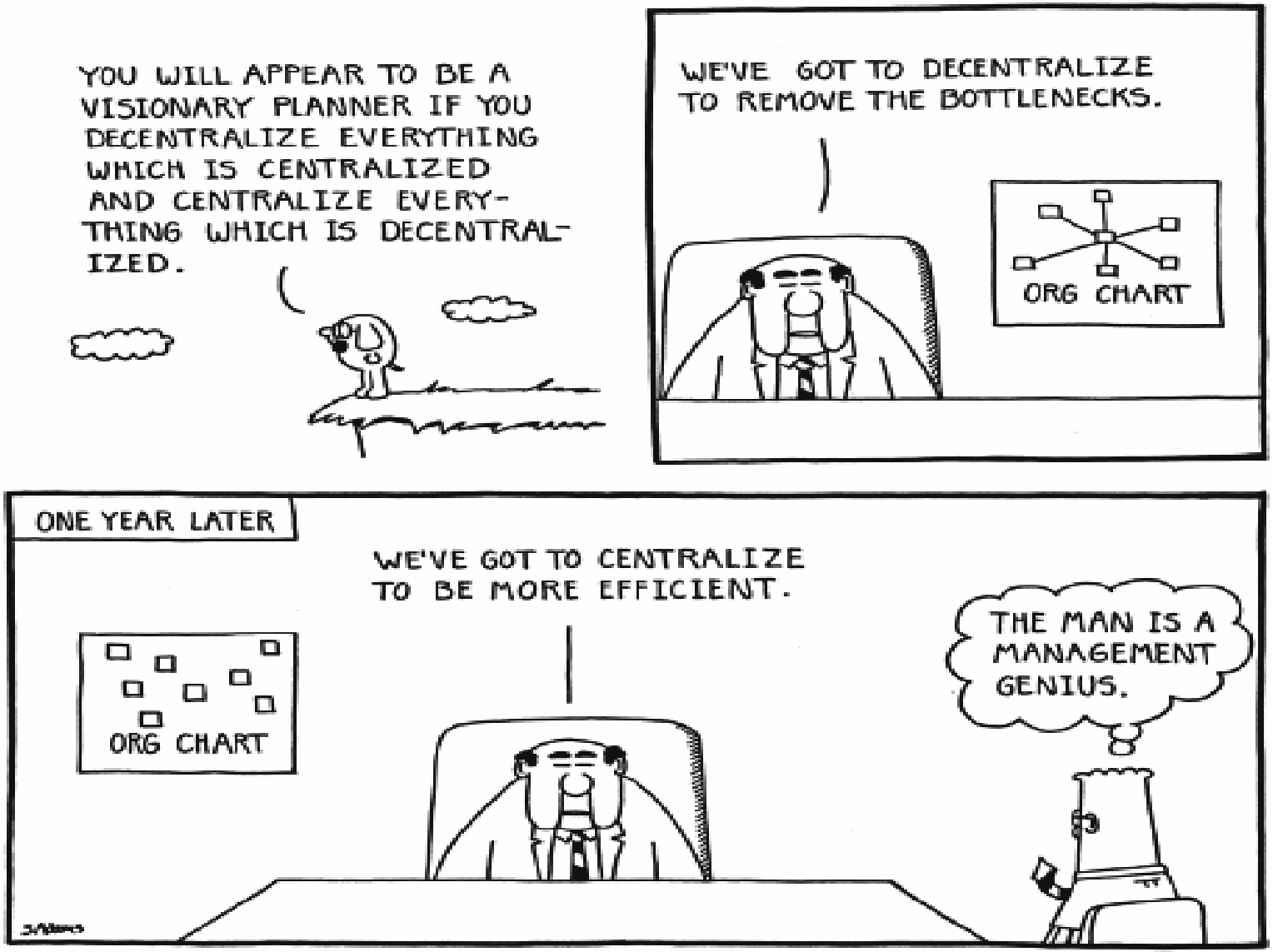
Decentralization

The degree to which decision making is spread throughout the organization.



Formalization

The degree to which jobs within the organization are standardized.



Source: S. Adams, *Dogbert's Big Book of Business*, DILBERT

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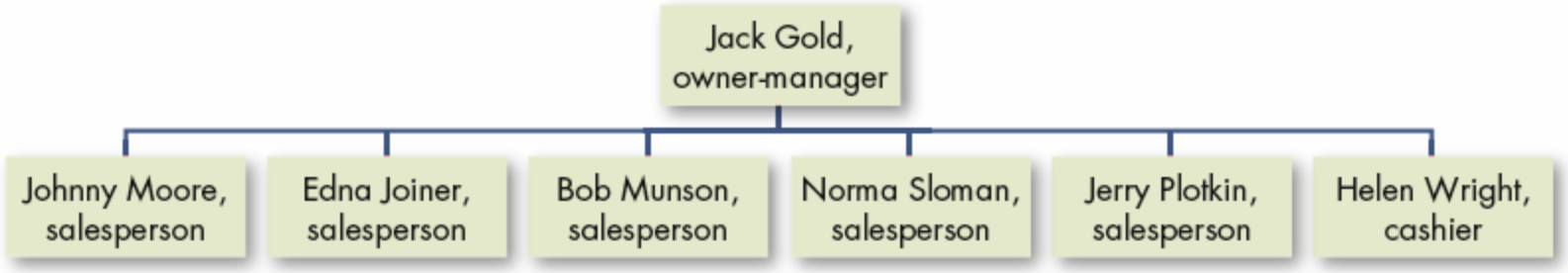
Common Organization Designs

Simple Structure

A structure characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization.

A Simple Structure: Jack Gold's Men's Store



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Common Organization Designs

Bureaucracy

A structure of highly operating routine tasks achieved through specialization, very formalized rules and regulations, tasks that are grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command.

The Bureaucracy

- Strengths
  - Functional economies of scale
  - Minimum duplication of personnel and equipment
  - Enhanced communication
  - Centralized decision making
- Weaknesses
  - Subunit conflicts with organizational goals
  - Obsessive concern with rules and regulations
  - Lack of employee discretion to deal with problems

Common Organization Designs

Matrix Structure

A structure that creates dual lines of authority and combines functional and product departmentalization.

Key Elements:

+ **Gains the advantages of functional and product departmentalization while avoiding their weaknesses.**
+ **Facilitates coordination of complex and interdependent activities.**
– **Breaks down unity-of-command concept.**

Matrix Structure (College of Business Administration)

Programs / Academic departments	Undergraduate	Master's	Ph.D.	Research	Executive development	Community service (Director)
Accounting						
Administrative studies						
Finance (Dean)						Employee
Information and decision sciences						
Marketing						
Organizational behavior						
Quantitative methods						

EXHIBIT 15–6

New Design Options

Team Structure

The use of teams as the central device to coordinate work activities.

Characteristics:

- **Breaks down departmental barriers.**
- **Decentralizes decision making to the team level.**
- **Requires employees to be generalists as well as specialists.**
- **Creates a "flexible bureaucracy."**

New Design Options

Virtual Organization

A small, core organization that outsources its major business functions.

Highly centralized with little or no departmentalization.

Concepts:

Advantage: Provides maximum flexibility while concentrating on what the organization does best.

Disadvantage: Reduced control over key parts of the business.

Co development
- Collaborate NW
- Innovation NW

Fourth

SCM & ERP
- Virtual ORG
- Collaborate NW

Right Information Right Place Right Time Every Time

Then

PLAN	BUY	MAKE	MOVE	SELL
Collaborate on product designs, specifications and best practices to effectively plan product development.	**Simplify** sourcing and procurement to reduce cycle times and increase purchasing effectiveness.	**Synchronize** production plans and schedules to track quality and eliminate inventory waste.	**Streamline** logistics and distribution of materials and finished goods to improve the delivery process.	**Digitize** the sales process from promotion through payment to increase revenue and enhance customer satisfaction.

E-Business
- Digitization
- Virtual ORG

Third

First

Second

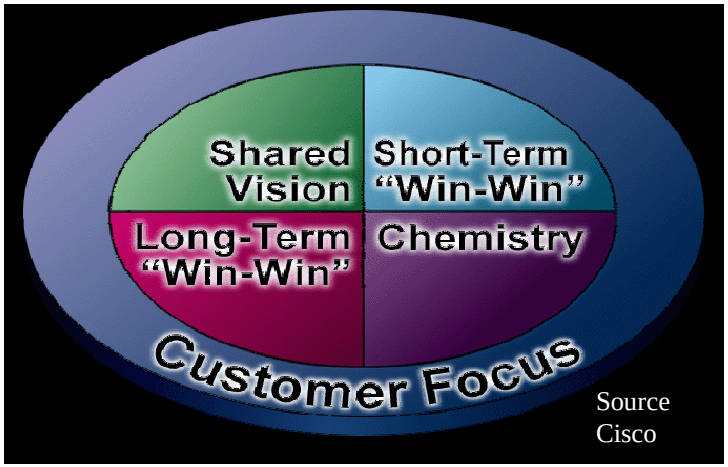
E-procurement
- Access
- Transaction

Logistics
- Transaction
- Digitization

Diagram Source General Electric
The Intelligent Supply Chain

Common Goals
Partner Collaboration Innovation

- This is achieved through the integration of information with the people, cultural and organizational issues that could otherwise prevent the network from being smart.
  - The transition from one level to the next requires a major paradigm shift that should not be taken for granted.



Virtual Organization

Phase Transition

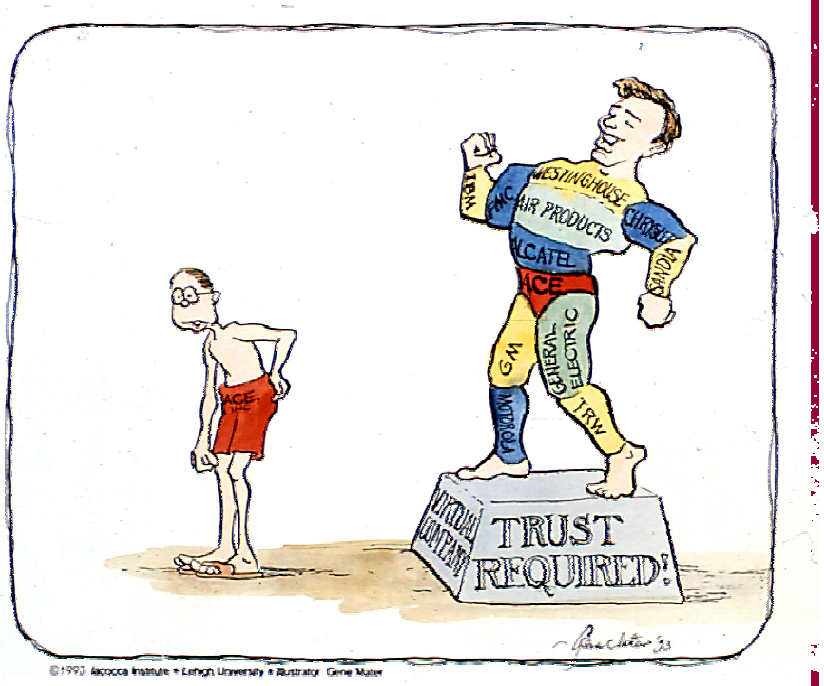
Collaboration Network

Phase Transition

Innovation Network

Virtual Organization

- A dynamic set of companies
  - That come together for a time based and opportunity driven goal
  - Relationships vary from formal to informal,
  - They need to practice working together to learn to communicate, share information, and IP etc.
  - Moderate interaction
    - Limited scope of activities
    - Limited collaboration
    - Many fail over trust issues



Virtual Organization

- **Provide value in many ways:**
  - **Global convenience –One World**
  - **Standards – Rosetta Net**
  - **Virtual resources – Pabst**

PABST BREWING COMPANY

  - **Finding compatible partners – Solid works Manufacturing Network**

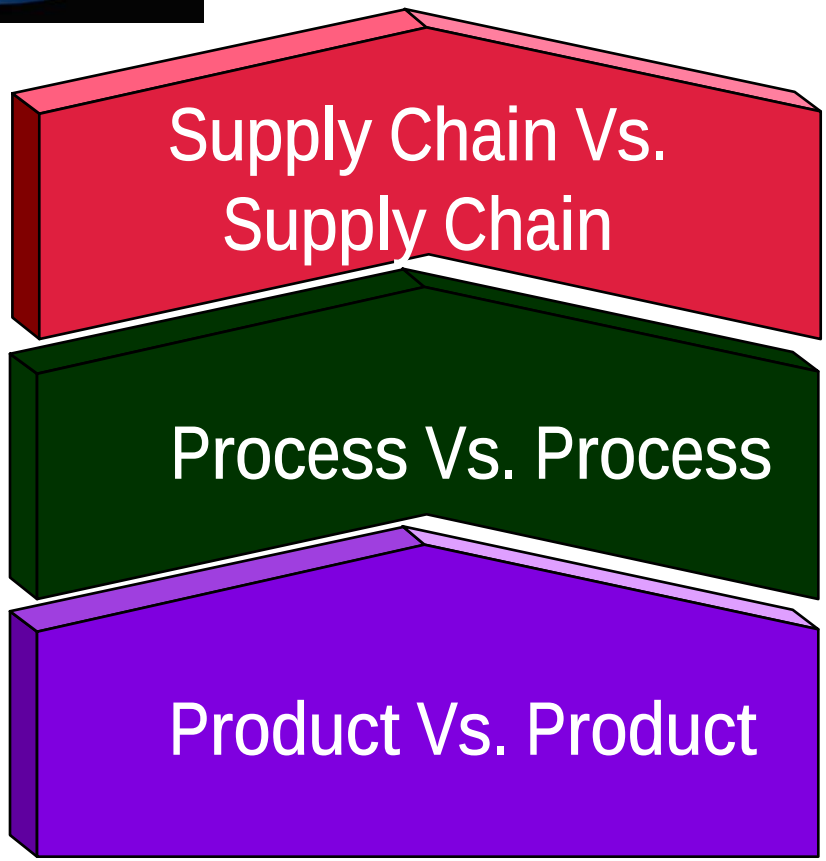
SolidWorks Manufacturing Network Partner

  - **Franchise (Node) Charisma – Ritz Carlton**

oneworld

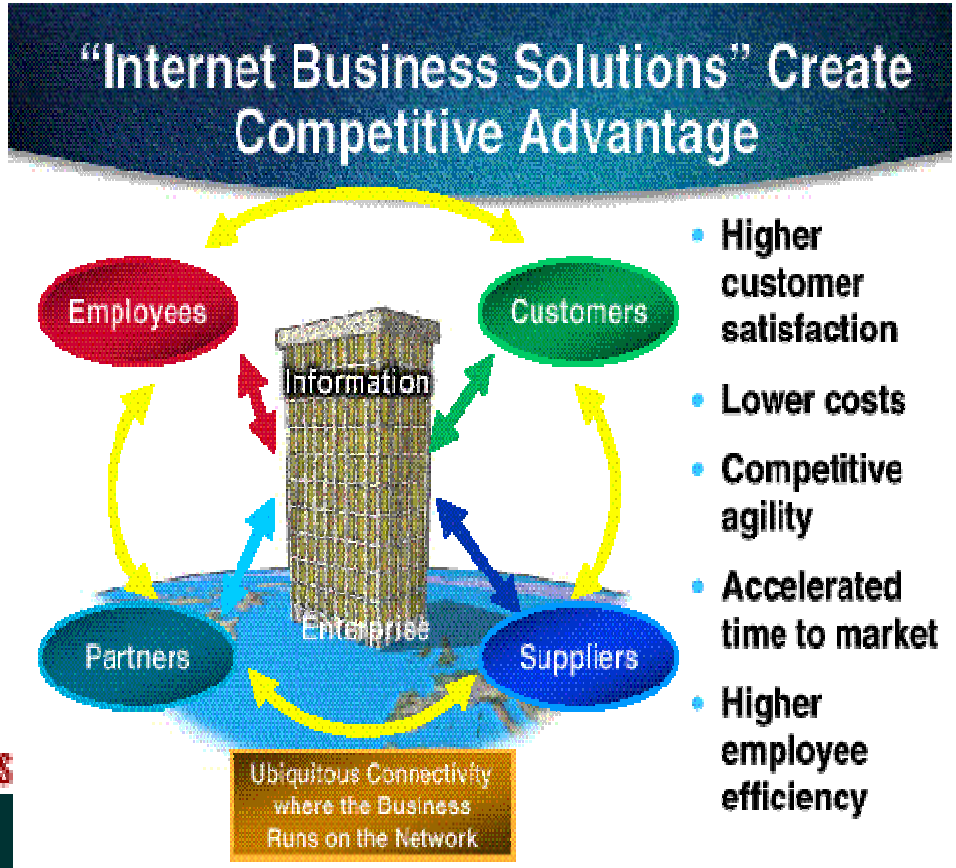
Collaboration Network

- A set of companies who share a short and long term roadmap or vision and focus significant resources on value producing Intensive interaction
  - Committed and involved in the goals and success of all collaborators
  - Extensive Information Sharing
  - Integrated Infrastructure facilitates both people and information networking



Collaboration Network

- Can redefine an industry and provide value in many ways:
  - Distributed location & authority - CNN
  - Swarm effect – VISA
  - Network & Node Charisma - Cisco Systems



Level	Value Proposition Enabled	Simple Example
Virtual Organization	Standards	Rosetta Net
	Global Alliance	One World
	Franchise	Holiday Inn, Hertz
Collaboration Network	Collaboration Hub	DuPont
	Node & Network Charisma	Cisco
	Swarm Effect	Visa, Master Card
Innovation Network	Network Economy	Li & Fong
	Dynamic Teams	Agile Web of PA
	Virtual Reality	Acheron's Call

Act smart in terms of how the individual members coordinate, collaborate, innovate and organize themselves

A Virtual Organization

New Design Options

Boundaryless Organization

An organization that seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams.

T-form Concepts:

Eliminate vertical (hierarchical) and horizontal (departmental) internal boundaries.

Breakdown external barriers to customers and suppliers.

Why Do Structures Differ?

Mechanistic Model

A structure characterized by extensive departmentalization, high formalization, a limited information network, and centralization.

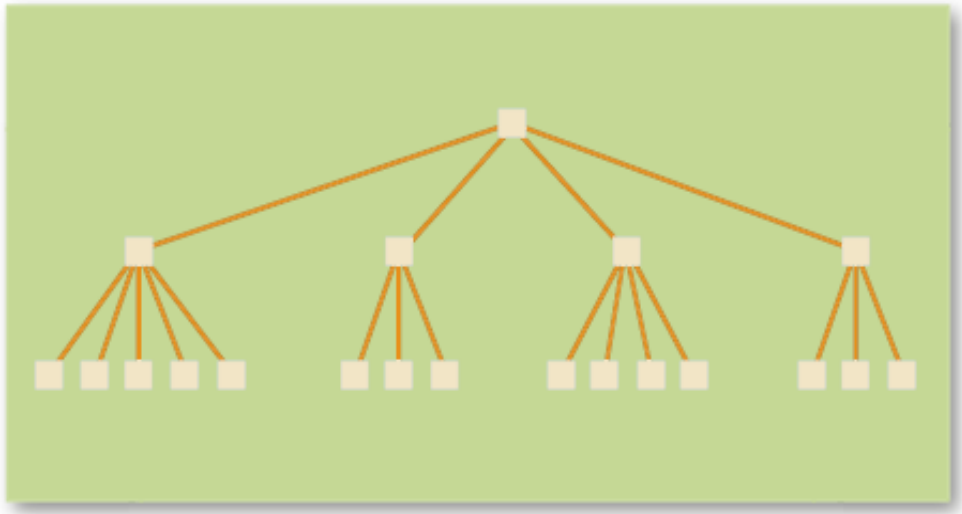
Why Do Structures Differ?

Organic Model

A structure that is flat, uses cross-hierarchical and cross-functional teams, has low formalization, possesses a comprehensive information network, and relies on participative decision making.

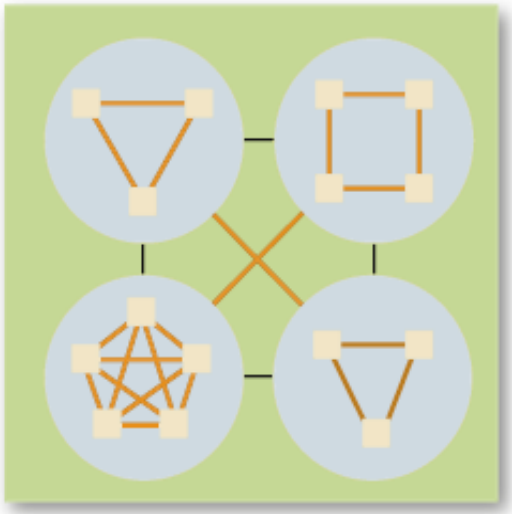
Mechanistic Versus Organic Models

The mechanistic model



- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

The organic model



- Cross-functional teams
- Cross-hierarchical teams
- Free flow of information
- Wide spans of control
- Decentralization
- Low formalization

Why Do Structures Differ? – Strategy

Innovation Strategy
A strategy that emphasizes the introduction of major new products and services.

Cost-minimization Strategy
A strategy that emphasizes tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting.

Imitation Strategy
A strategy that seeks to move into new products or new markets only after their viability has already been proven.

The Strategy-Structure Relationship

Strategy	Structural Option
Innovation	**Organic:** A loose structure; low specialization, low formalization, decentralized
Cost minimization	**Mechanistic:** Tight control; extensive work specialization, high formalization, high centralization
Imitation	**Mechanistic and organic:** Mix of loose with tight properties; tight controls over current activities and looser controls for new undertakings

Why Do Structures Differ? – Size

Size

How the size of an organization affects its structure. As an organization grows larger, it becomes more mechanistic.

Characteristics of large organizations:

- **More specialization**
- **More vertical levels**
- **More rules and regulations**

Why Do Structures Differ? – Technology

Technology

How an organization transfers its inputs into outputs.

Characteristics of routineness (standardized or customized) in activities:

- **Routine technologies are associated with tall, departmentalized structures and formalization in organizations.**
- **Routine technologies lead to centralization when formalization is low.**
- **Nonroutine technologies are associated with delegated decision authority.**

Why Do Structures Differ? – Environment

Environment

Institutions or forces outside the organization that potentially affect the organization's performance.

Key Dimensions-

- **Capacity: the degree to which an environment can support growth.**
- **Volatility: the degree of instability in the environment.**
- **Complexity: the degree of heterogeneity and concentration among environmental elements.**

The Three Dimensional Model of the Environment

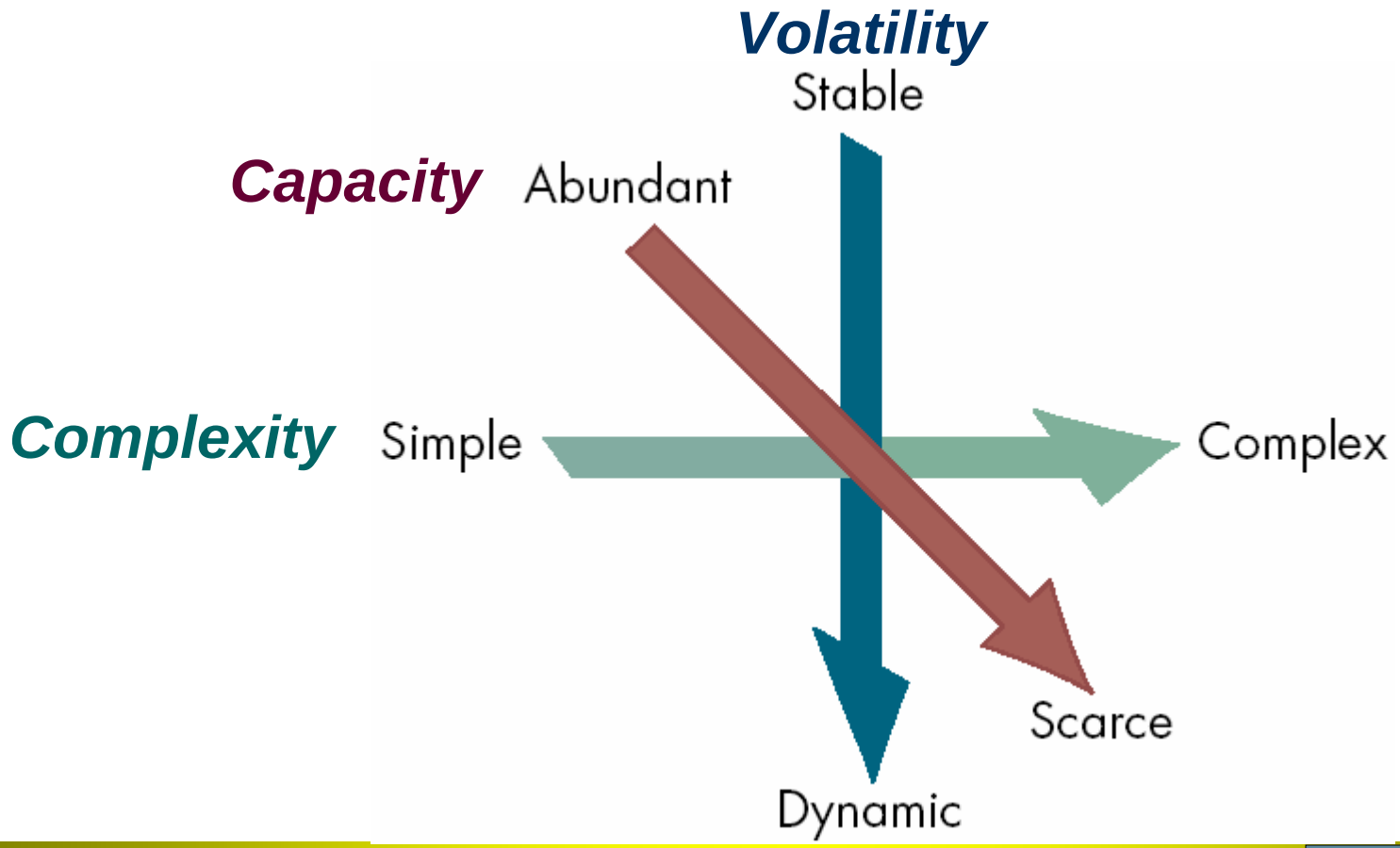


EXHIBIT 15–10

"Bureaucracy Is Dead"

- Characteristics of Bureaucracies
  - Specialization
  - Formalization
  - Departmentalization
  - Centralization
  - Narrow spans of control
  - Adherence to a chain of command.

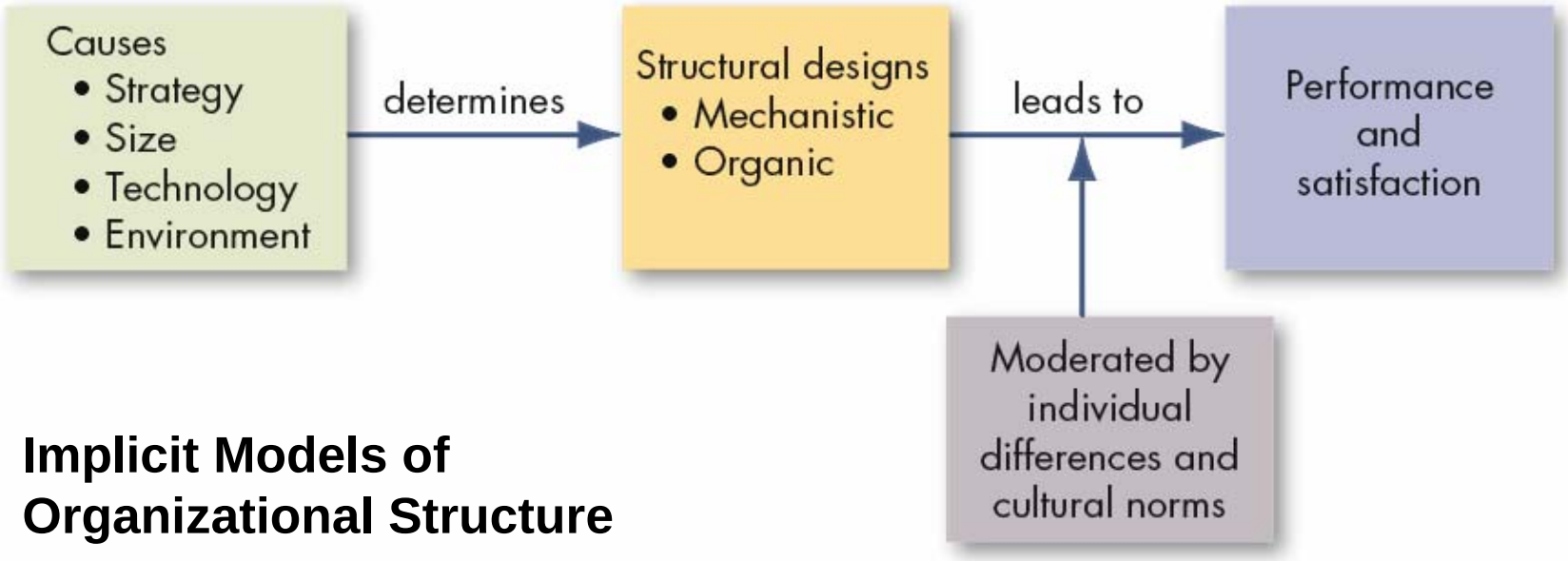
- Why Bureaucracy Survives
  - Large size prevails.
  - Environmental turbulence can be largely managed.
  - Standardization achieved through hiring people who have undergone extensive educational training.
  - Technology maintains control.

Organizational Designs and Employee Behavior

Research Findings:

- Work specialization contributes to higher employee productivity, but it reduces job satisfaction.
- The benefits of specialization have decreased rapidly as employees seek more intrinsically rewarding jobs.
- The effect of span of control on employee performance is contingent upon individual differences and abilities, task structures, and other organizational factors.
- Participative decision making in decentralized organizations is positively related to job satisfaction.

Organization Structure: Its Determinants and Outcomes



Implicit Models of Organizational Structure

Perceptions that people hold regarding structural variables formed by observing things around them in an unscientific fashion.

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