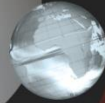


GLOBAL
EDITION



Management

THIRTEENTH EDITION

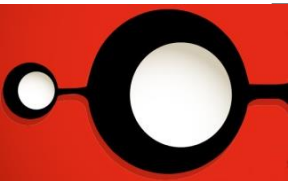
Stephen P. Robbins • Mary Coulter

DESIGNING ORGANIZATIONAL STRUCTURE— BASIC DESIGNS

10

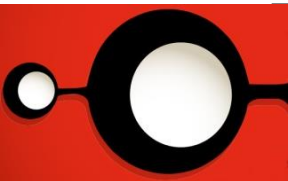
LEARNING OBJECTIVES

1. **Describe** six key elements in organizational design.
 - Know how to delegate work to others and develop your skill at delegating.
2. **Contrast** mechanistic and organic structures.
3. **Discuss** the contingency factors that favor either the mechanistic model or the organic model of organizational design.
4. **Describe** traditional organizational designs.



DESIGNING ORGANIZATIONAL STRUCTURE

- ▶ **Organizing** – arranging and structuring work to accomplish an organization's goals.
- ▶ **Organizational Structure** – the formal arrangement of jobs within an organization.



DESIGNING ORGANIZATIONAL STRUCTURE

- ▶ **Organizational chart** – the visual representation of an organization's structure.
- ▶ **Organizational Design** – a process involving decisions about six key elements:
 - Work specialization
 - Departmentalization
 - Chain of command
 - Span of control
 - Centralization and decentralization
 - Formalization

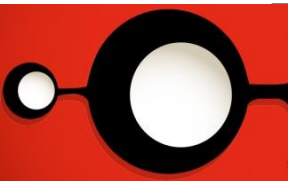
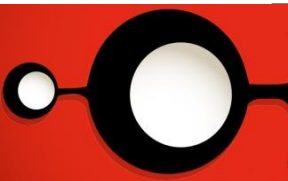


EXHIBIT 10-1

PURPOSES OF ORGANIZING

- Divides work to be done into specific jobs and departments.
- Assigns tasks and responsibilities associated with individual jobs.
- Coordinates diverse organizational tasks.
- Clusters jobs into units.
- Establishes relationships among individuals, groups, and departments.
- Establishes formal lines of authority.
- Allocates and deploys organizational resources.



ORGANIZATIONAL STRUCTURE

- ▶ **Work specialization** – dividing work activities into separate job tasks.
 - Early proponents of work specialization believed it could lead to great increases in productivity.
 - Overspecialization can result in human diseconomies such as boredom, fatigue, stress, poor quality, increased absenteeism, and higher turnover.

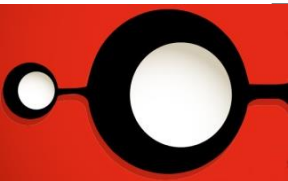
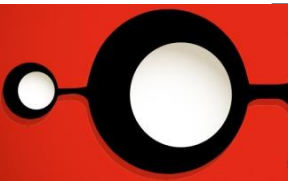
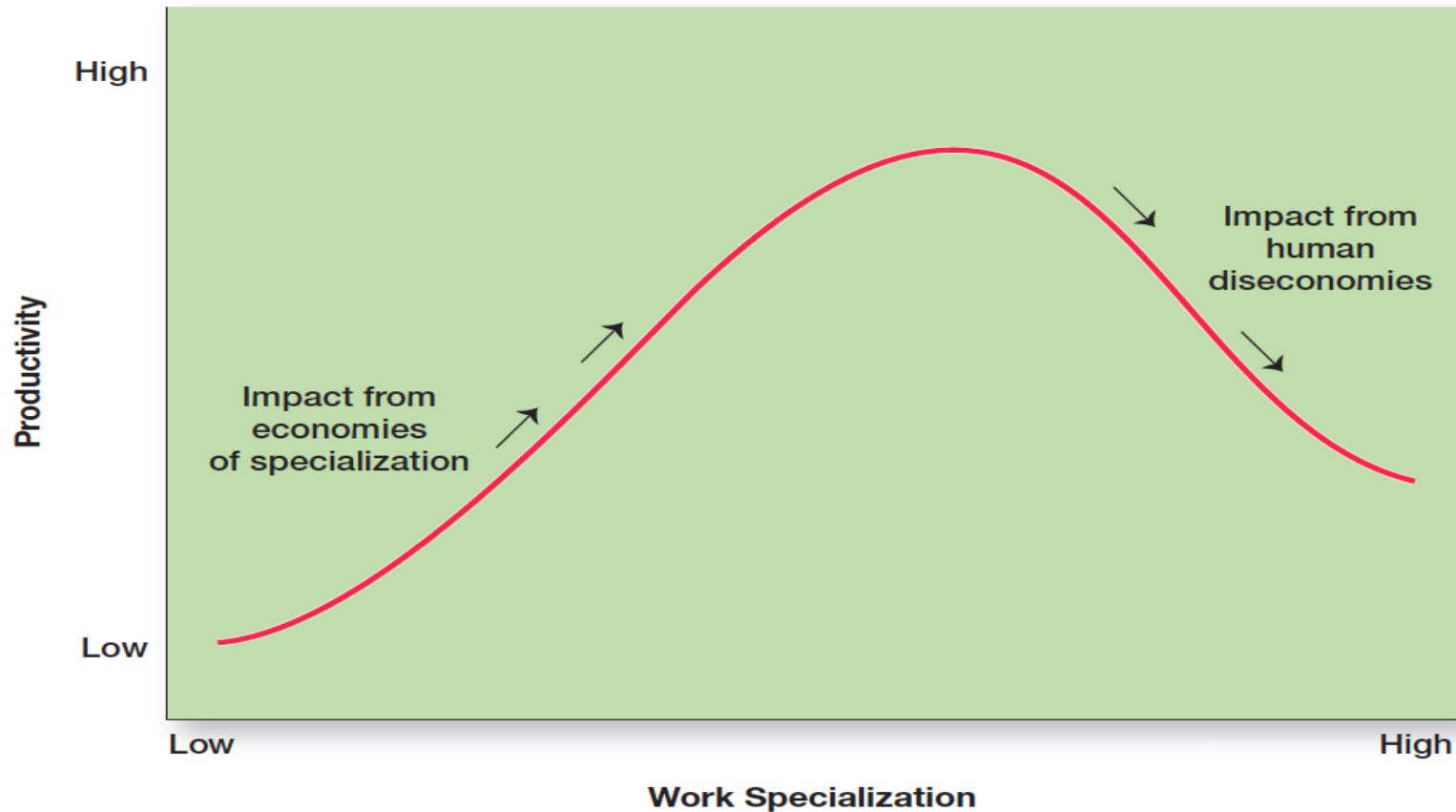


EXHIBIT 10-2

ECONOMIES AND DISECONOMIES OF WORK SPECIALIZATION



DEPARTMENTALIZATION

▶ **Departmentalization** – the basis by which jobs are grouped together.

- **Functional**
 - Grouping jobs by functions performed
- **Product**
 - Grouping jobs by product line
- **Geographical**
 - Grouping jobs on the basis of territory or geography
- **Process**
 - Grouping jobs on the basis of product or customer flow
- **Customer**
 - Grouping jobs by type of customer and needs

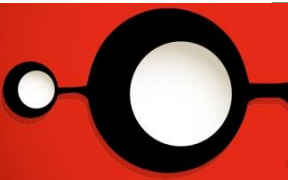
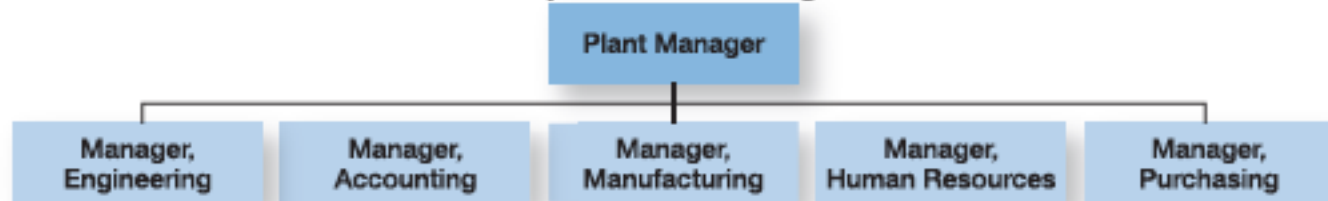


EXHIBIT 10-3

THE FIVE COMMON FORMS OF DEPARTMENTALIZATION

FUNCTIONAL DEPARTMENTALIZATION—Groups Jobs According to Function



- + Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations
- + Coordination within functional area
- + In-depth specialization
- Poor communication across functional areas
- Limited view of organizational goals

GEOGRAPHICAL DEPARTMENTALIZATION—Groups Jobs According to Geographic Region



- + More effective and efficient handling of specific regional issues that arise
- + Serve needs of unique geographic markets better
- Duplication of functions
- Can feel isolated from other organizational areas

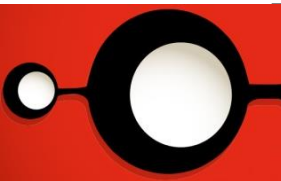
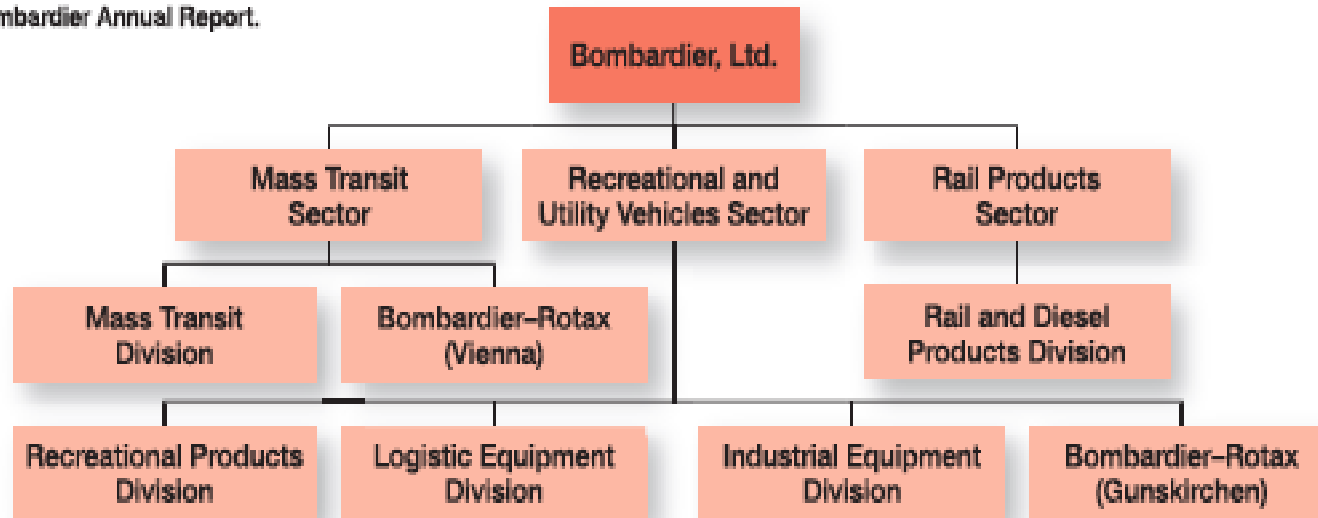


EXHIBIT 10-3

THE FIVE COMMON FORMS OF DEPARTMENTALIZATION (CONT.)

PRODUCT DEPARTMENTALIZATION—Groups Jobs by Product Line

Source: Bombardier Annual Report.

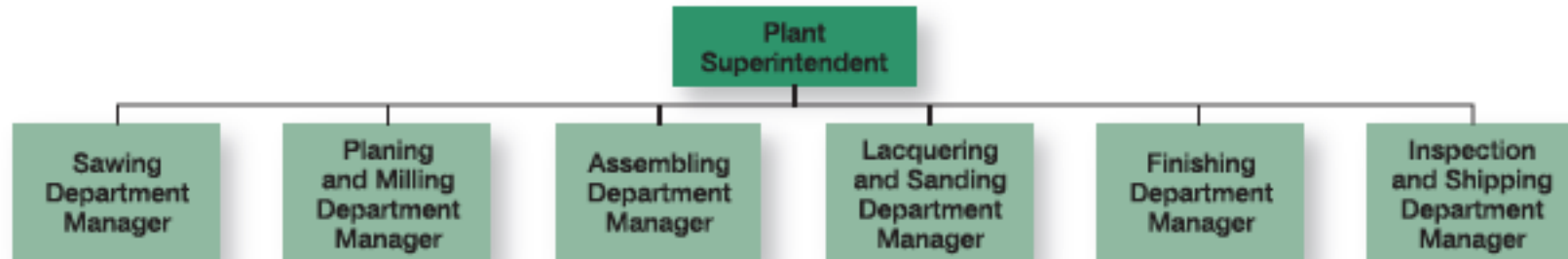


- + Allows specialization in particular products and services
- + Managers can become experts in their industry
- + Closer to customers
- Duplication of functions
- Limited view of organizational goals

EXHIBIT 10-3

THE FIVE COMMON FORMS OF DEPARTMENTALIZATION (CONT.)

PROCESS DEPARTMENTALIZATION—Groups Jobs on the Basis of Product or Customer Flow

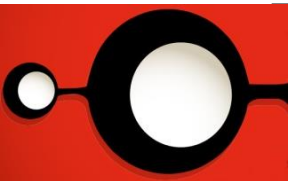


- + More efficient flow of work activities
- Can only be used with certain types of products

CUSTOMER DEPARTMENTALIZATION—Groups Jobs on the Basis of Specific and Unique Customers Who Have Common Needs

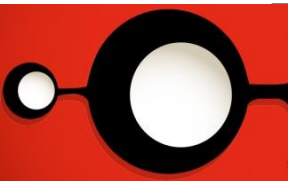


- + Customers' needs and problems can be met by specialists
- Duplication of functions
- Limited view of organizational goals



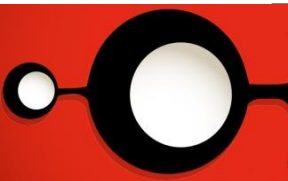
DEPARTMENTALIZATION TRENDS

- ▶ Increasing use of customer departmentalization
- ▶ **Cross-functional team** – a work team composed of individuals from various functional specialties.



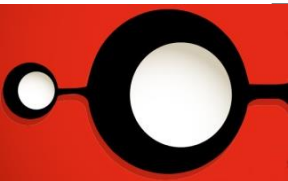
CHAIN OF COMMAND

- ▶ **Chain of Command**— the continuous line of authority that extends from upper levels of an organization to the lowest levels of the organization—clarifies who reports to whom.



AUTHORITY

- ▶ **Authority** – the rights inherent in a managerial position to tell people what to do and to expect them to do it.
 - **Acceptance theory of authority** – the view that authority comes from the willingness of subordinates to accept it.



AUTHORITY (CONT.)

- ▶ **Line authority** – authority that entitles a manager to direct the work of an employee.
- ▶ **Staff authority** – positions with some authority that have been created to support, assist, and advise those holding line authority.

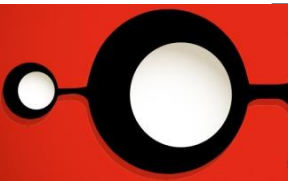


EXHIBIT 10-4

CHAIN OF COMMAND AND LINE AUTHORITY

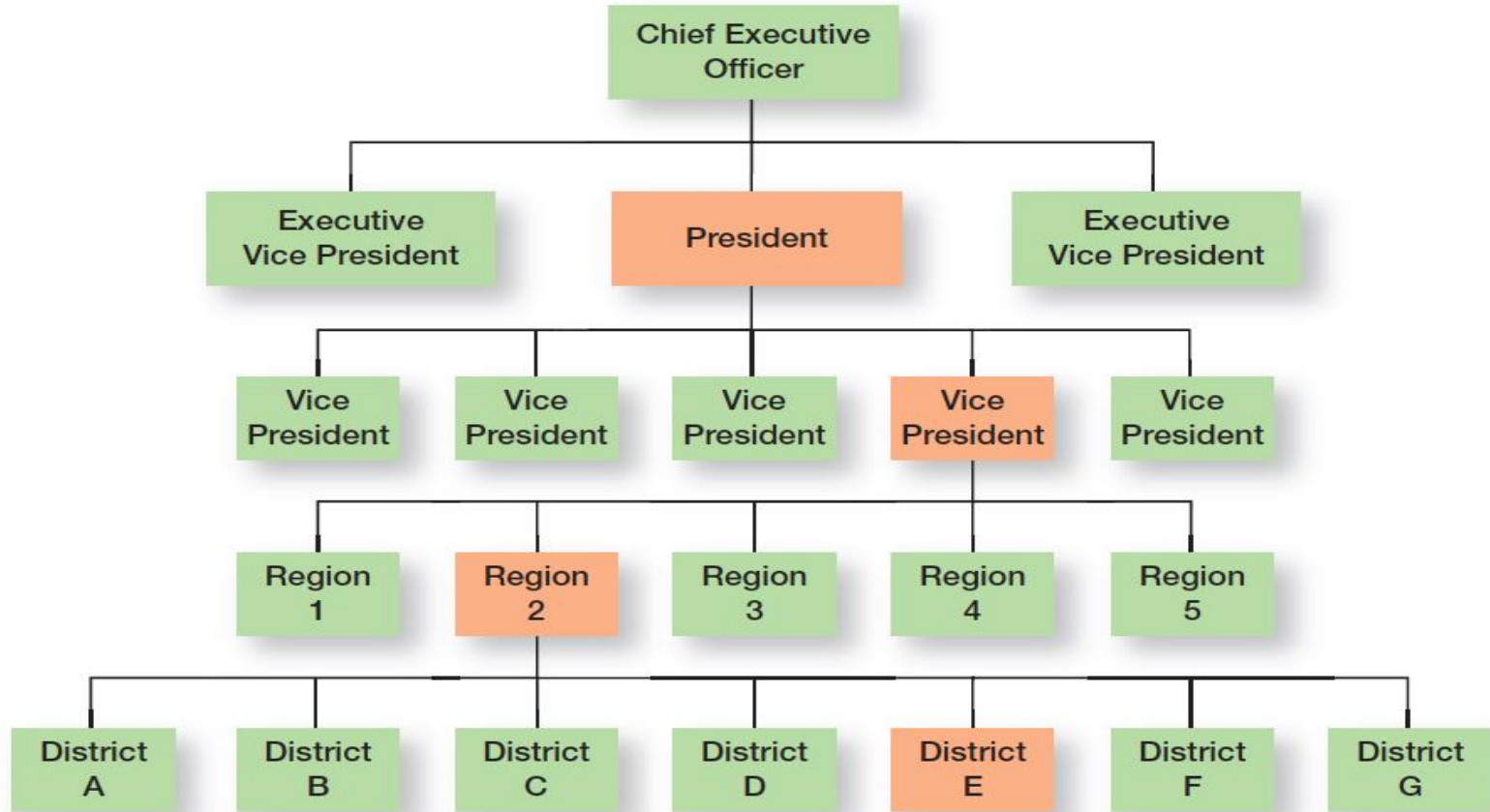
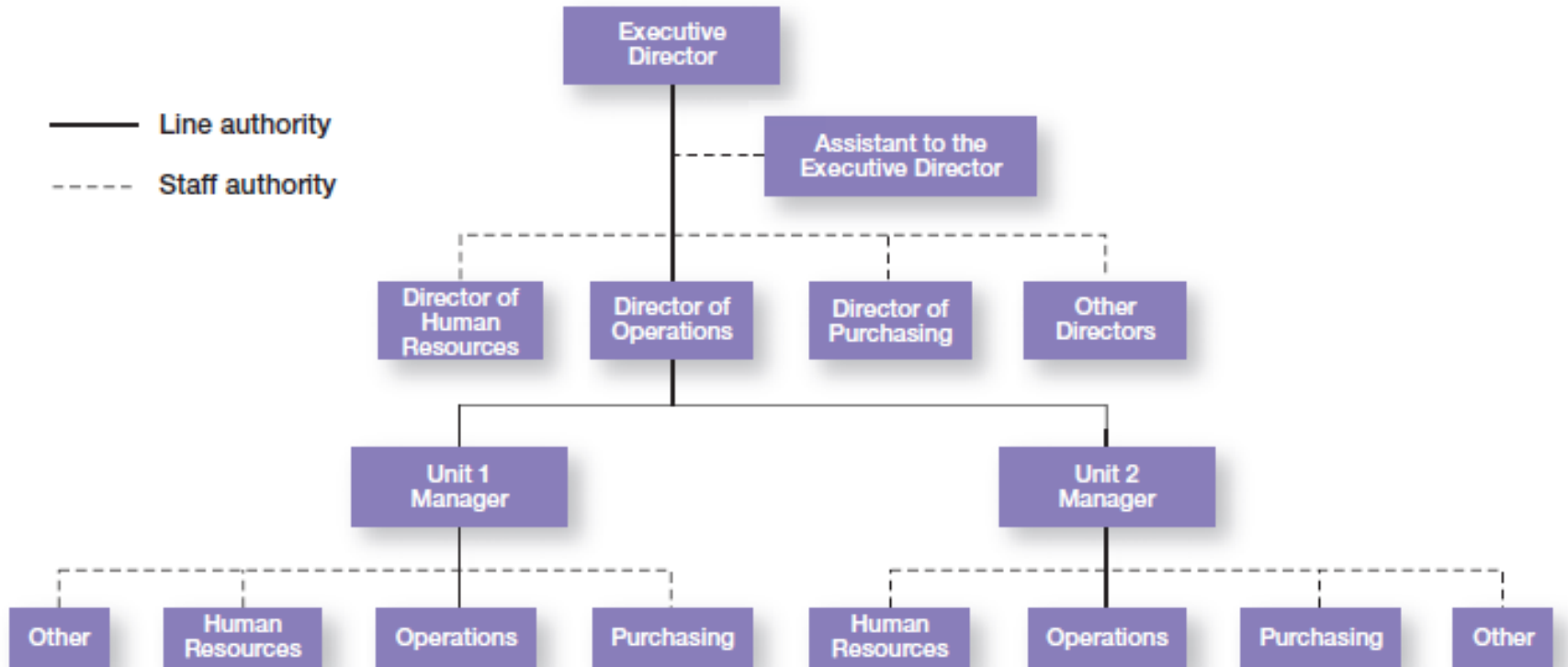


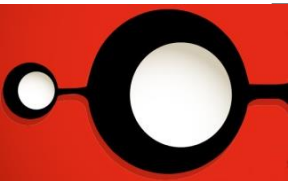
EXHIBIT 10-5

LINE VERSUS STAFF AUTHORITY



RESPONSIBILITY AND UNITY OF COMMAND

- ▶ **Responsibility** – the obligation or expectation to perform.
- ▶ **Unity of command** – the management principle that each person should report to only one manager.



SPAN OF CONTROL

- ▶ **Span of control** – the number of employees who can be effectively and efficiently supervised by a manager.

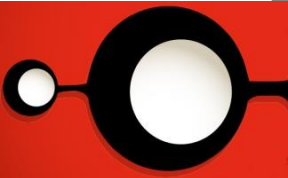
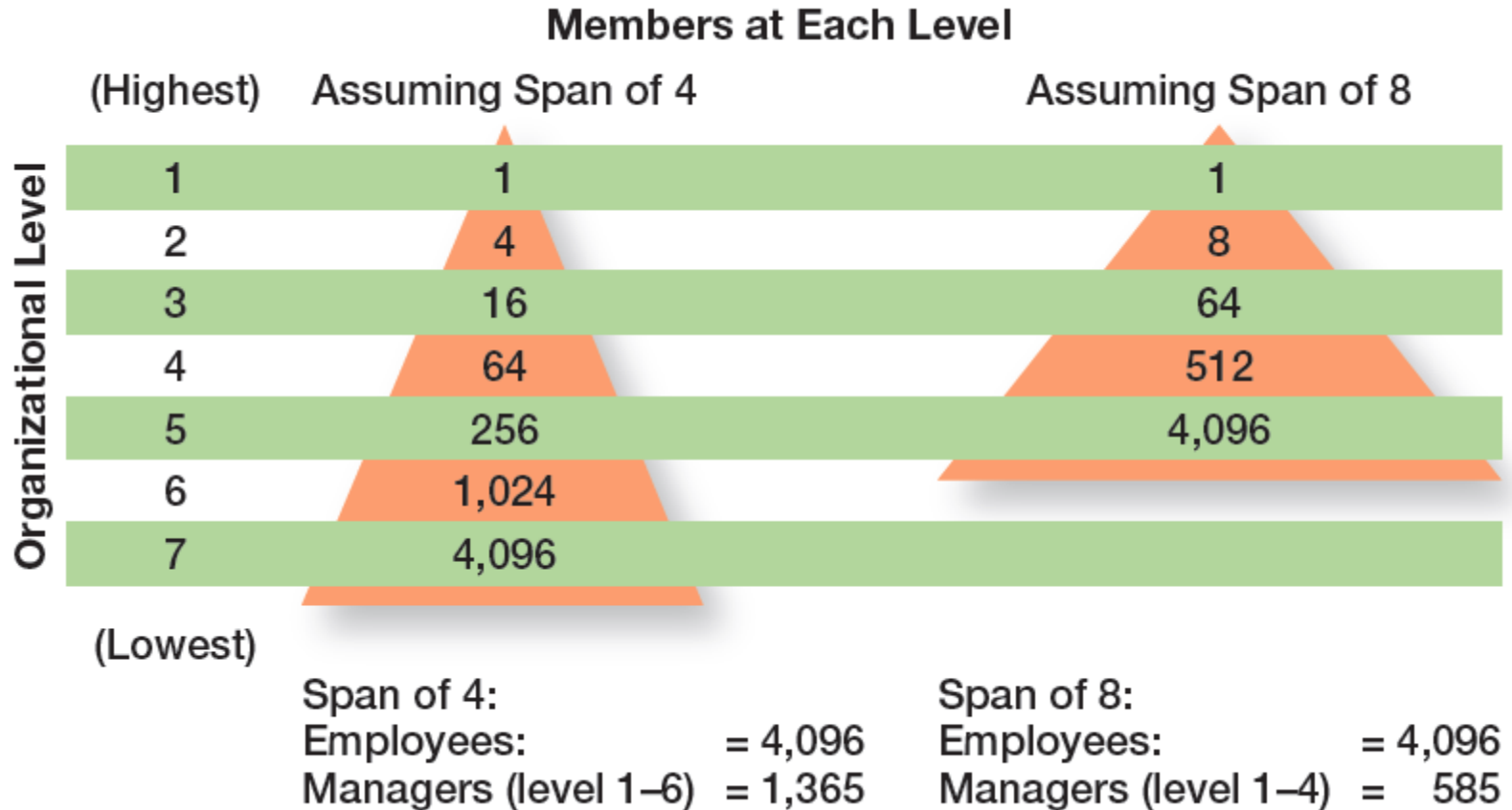


EXHIBIT 10-6

CONTRASTING SPANS OF CONTROL



CENTRALIZATION AND DECENTRALIZATION

- ▶ **Centralization** – the degree to which decision-making is concentrated at the upper levels of the organization.
- ▶ **Decentralization** – the degree to which lower-level employees provide input or actually make decisions.
- ▶ **Employee empowerment** – giving employees more authority (power) to make decisions.

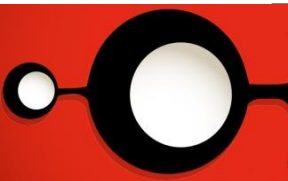


EXHIBIT 10-7

CENTRALIZATION OR DECENTRALIZATION

More Centralization

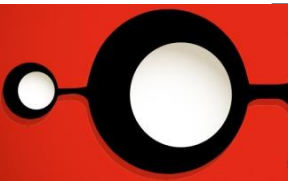
- Environment is stable.
- Lower-level managers are not as capable or experienced at making decisions as upper-level managers.
- Lower-level managers do not want a say in decisions.
- Decisions are relatively minor.
- Organization is facing a crisis or the risk of company failure.
- Company is large.
- Effective implementation of company strategies depends on managers retaining say over what happens.

More Decentralization

- Environment is complex, uncertain.
- Lower-level managers are capable and experienced at making decisions.
- Lower-level managers want a voice in decisions.
- Decisions are significant.
- Corporate culture is open to allowing managers a say in what happens.
- Company is geographically dispersed.
- Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

FORMALIZATION

- ▶ **Formalization** – the degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.
 - Highly formalized jobs offer little discretion over what is to be done.
 - Low formalization means fewer constraints on how employees do their work.



MECHANISTIC AND ORGANIC STRUCTURES

- ▶ **Mechanistic organization** – an organizational design that's rigid and tightly controlled.
- ▶ **Organic organization** – an organizational design that's highly adaptive and flexible.

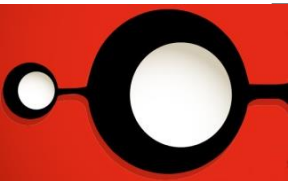


EXHIBIT 10-8

MECHANISTIC VERSUS ORGANIC ORGANIZATIONS

Mechanistic

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

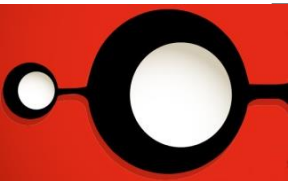
Organic

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

CONTINGENCY FACTORS AFFECTING STRUCTURAL CHOICE

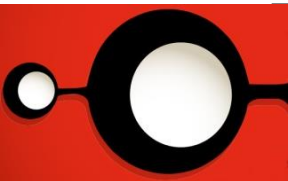
▶ Strategy and Structure

- Changes in corporate strategy should lead to changes in an organization's structure that support the strategy.
- Certain structural designs work best with different organizational strategies.
 - The organic structure works well for organizations pursuing meaningful and unique innovations.
 - The mechanistic organization works best for companies wanting to tightly control costs.



CONTINGENCY FACTORS (CONT.)

- ▶ Size and Structure – as an organization grows larger, its structure tends to change from organic to mechanistic with increased specialization, departmentalization, centralization, and rules/regulations.



CONTINGENCY FACTORS (CONT.)

- ▶ Technology and Structure
 - Organizations adapt their structures to their technology.
 - Woodward's classification of firms based on the complexity of the technology employed:
 - **Unit production** of single units or small batches.
 - **Mass production** of large batches of output.
 - **Process production** in continuous process of outputs.

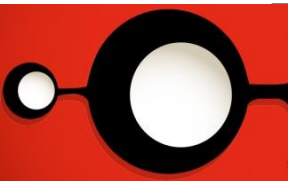
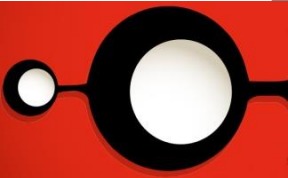


EXHIBIT 10-9

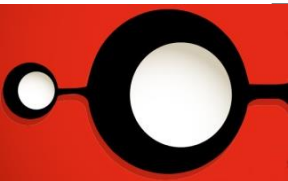
WOODWARD'S FINDINGS ON TECHNOLOGY AND STRUCTURE

| | Unit Production | Mass Production | Process Production |
|-----------------------------|--------------------------------|-----------------------------------|--------------------------------|
| Structural characteristics: | Low vertical differentiation | Moderate vertical differentiation | High vertical differentiation |
| | Low horizontal differentiation | High horizontal differentiation | Low horizontal differentiation |
| | Low formalization | High formalization | Low formalization |
| Most effective structure: | Organic | Mechanistic | Organic |



CONTINGENCY FACTORS (CONT.)

- ▶ Environmental Uncertainty and Structure
 - Mechanistic organizational structures tend to be most effective in stable and simple environments.
 - The flexibility of organic organizational structures is better suited for dynamic and complex environments.



TRADITIONAL ORGANIZATIONAL DESIGNS

- ▶ **Simple structure** – an organizational design with low departmentalization, wide spans of control, centralized authority, and little formalization.
- ▶ **Functional structure** – an organizational design that groups together similar or related occupational specialties.
- ▶ **Divisional structure** – an organizational structure made up of separate, semiautonomous units or divisions.

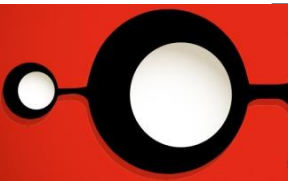
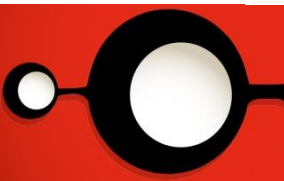
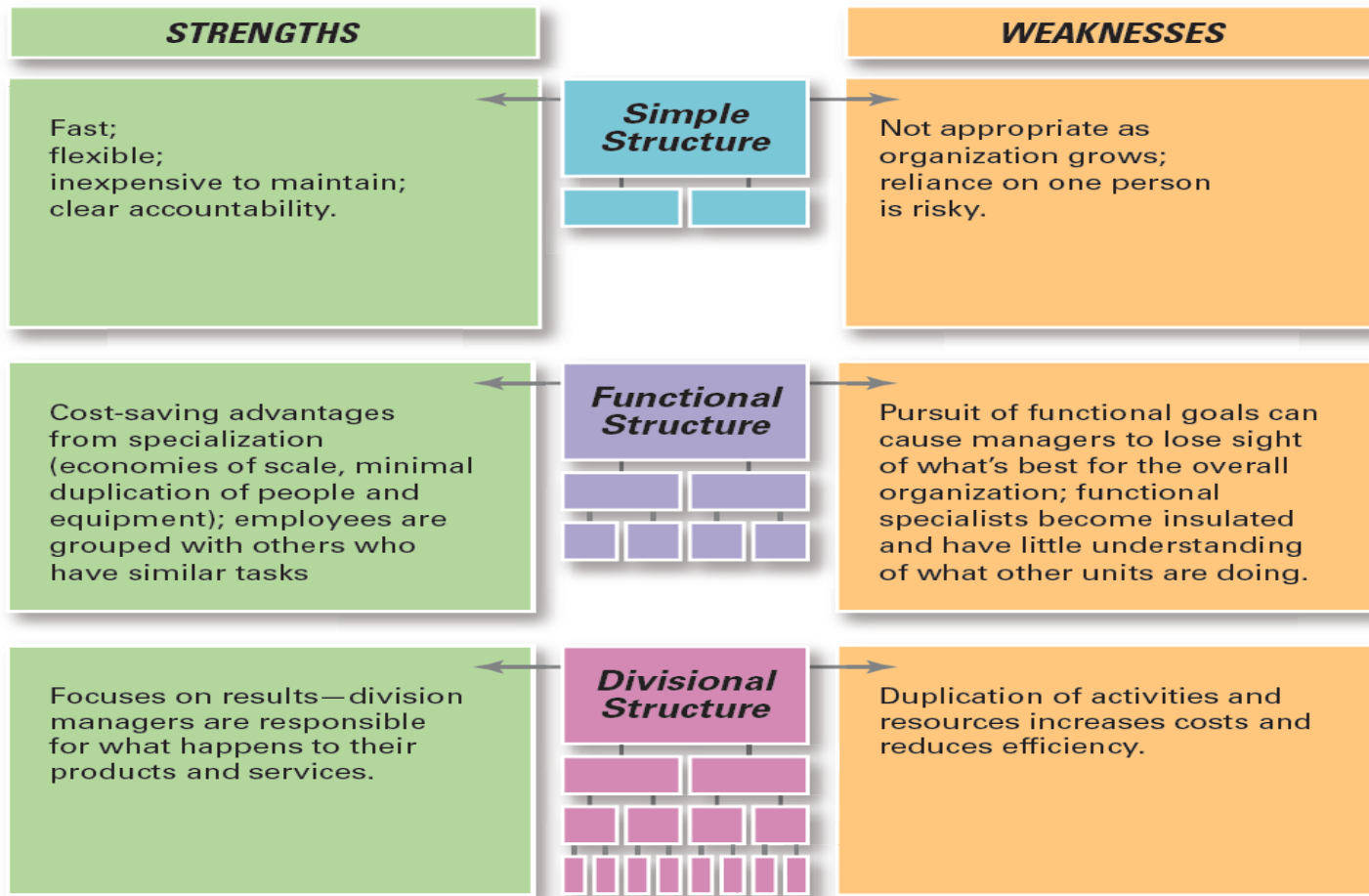


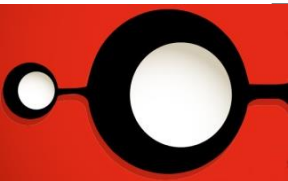
EXHIBIT 10-10

TRADITIONAL ORGANIZATIONAL DESIGNS



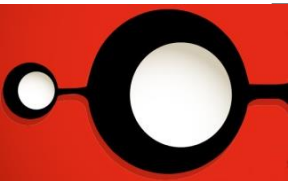
REVIEW LEARNING OBJECTIVE 10.1

- **Describe six key elements in organizational design.**
 - The key elements in organizational design are:
 - Work specialization
 - Chain of command
 - Span of control
 - Departmentalization
 - Centralization-decentralization
 - Formalization



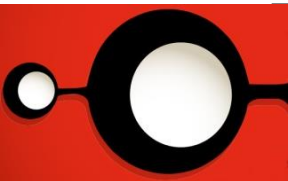
REVIEW LEARNING OBJECTIVE 10.2

- **Contrast mechanistic and organic structures.**
 - Mechanistic organization – a rigid and tightly controlled structure.
 - Organic organization – highly adaptive and flexible.



REVIEW LEARNING OBJECTIVE 10.3

- **Discuss the contingency factors that favor either the mechanistic model or the organic model of organizational design.**
 - Structural decisions are influenced by:
 - Overall strategy of the organization
 - Size of the organization
 - Technology use employed by the organization
 - Degree of environmental uncertainty



REVIEW LEARNING OBJECTIVE 10.4

- **Describe traditional organizational designs.**
 - Simple structure – low departmentalization, wide spans of control, authority centralized in a single person, and little formalization.
 - Functional structure – groups similar or related occupational specialties together.
 - Divisional structure – made up of separate business units or divisions.

