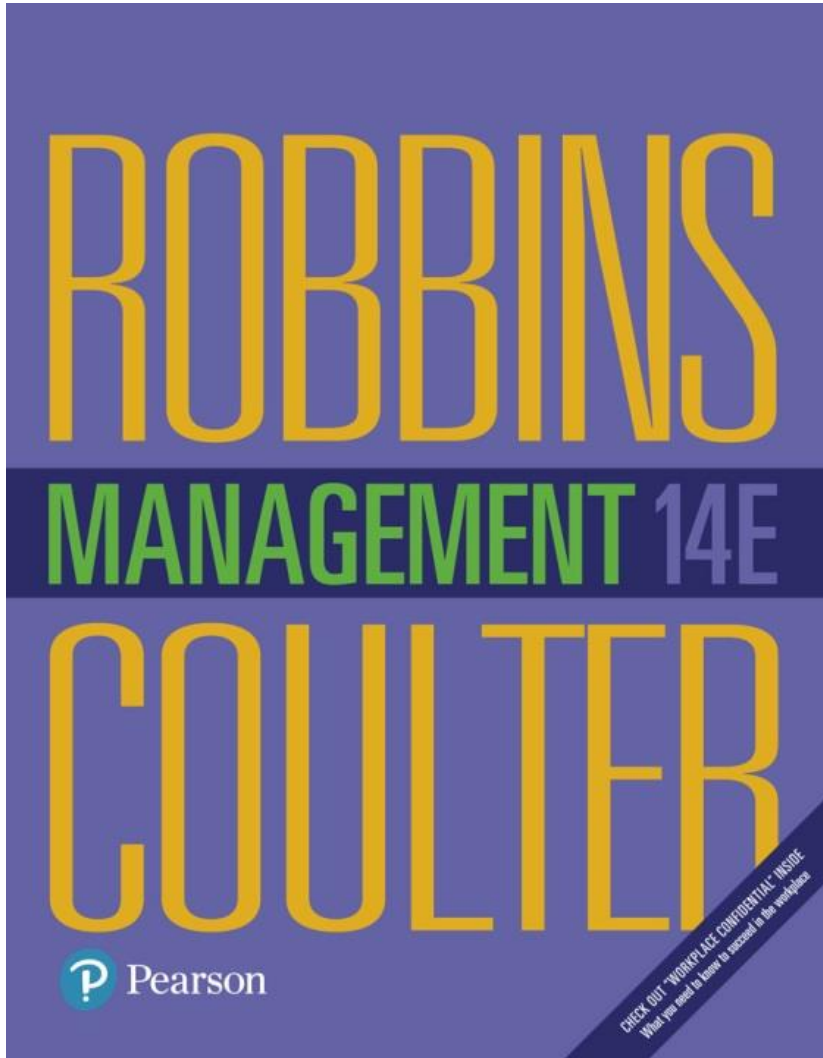


Management

Fourteenth Edition



Chapter 11

Designing Organizational Structure

Elements of Organizational Design

- **Organizing:** management function that involves arranging and structuring work to accomplish the organization's goals
- **Organizational structure:** the formal arrangement of jobs within an organization
- **Organizational chart:** the visual representation of an organization's structure
- **Organizational design:** creating or changing an organization's structure

Exhibit 11-1

Purposes of Organizing

Purposes

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.

Exhibit 11-2

Economies and Diseconomies of Work

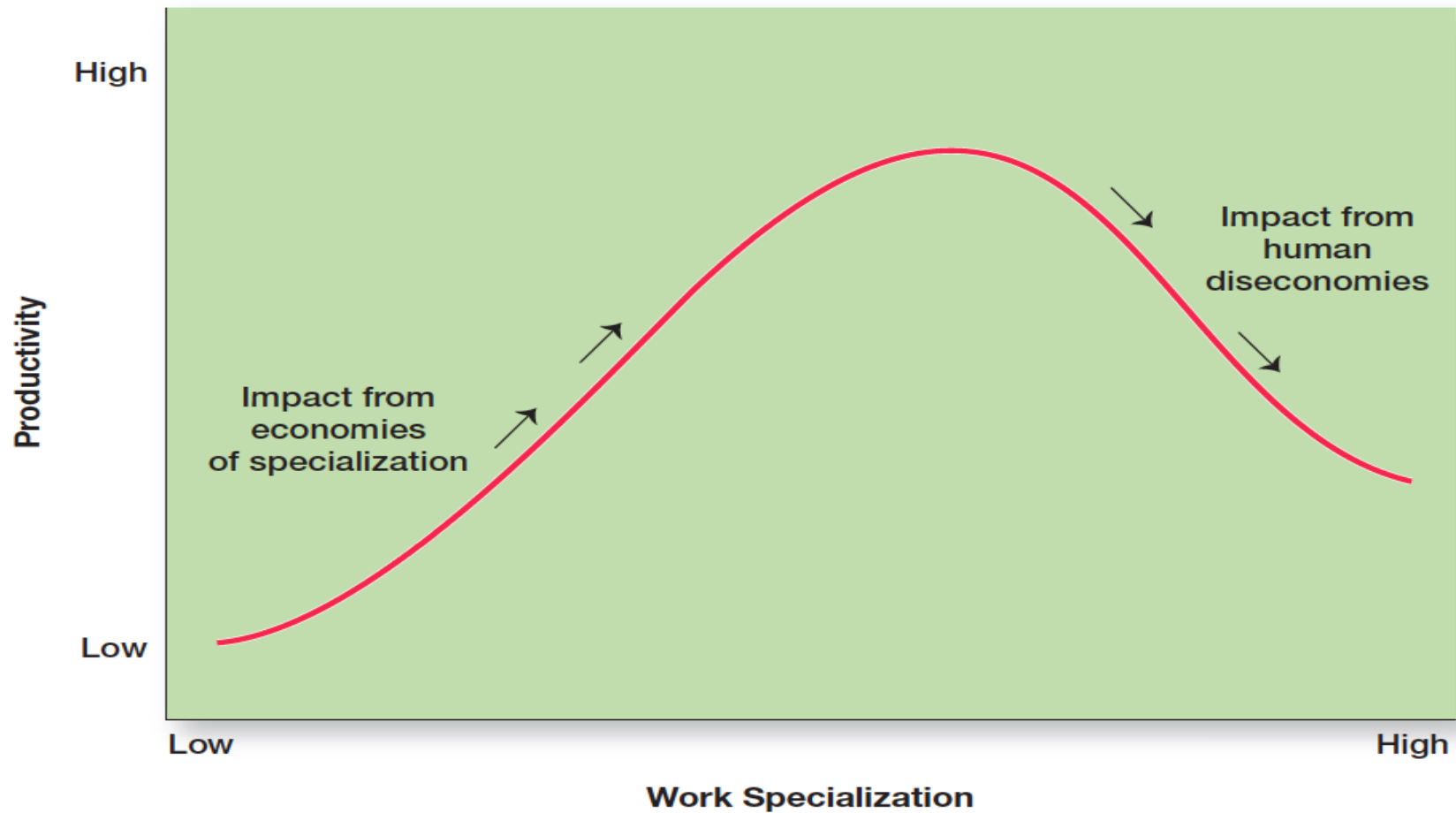


Exhibit 11-2 shows the economies and diseconomies of work specialization.

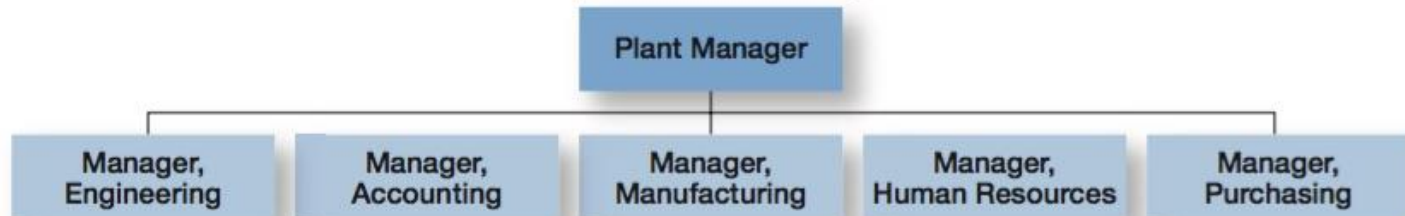
Departmentalization

- **Departmentalization:** the basis by which jobs are grouped together
- **Work Specialization:** dividing work activities into separate job tasks

Exhibit 11-3

The Five Common Forms of Departmentalization (1 of 3)

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

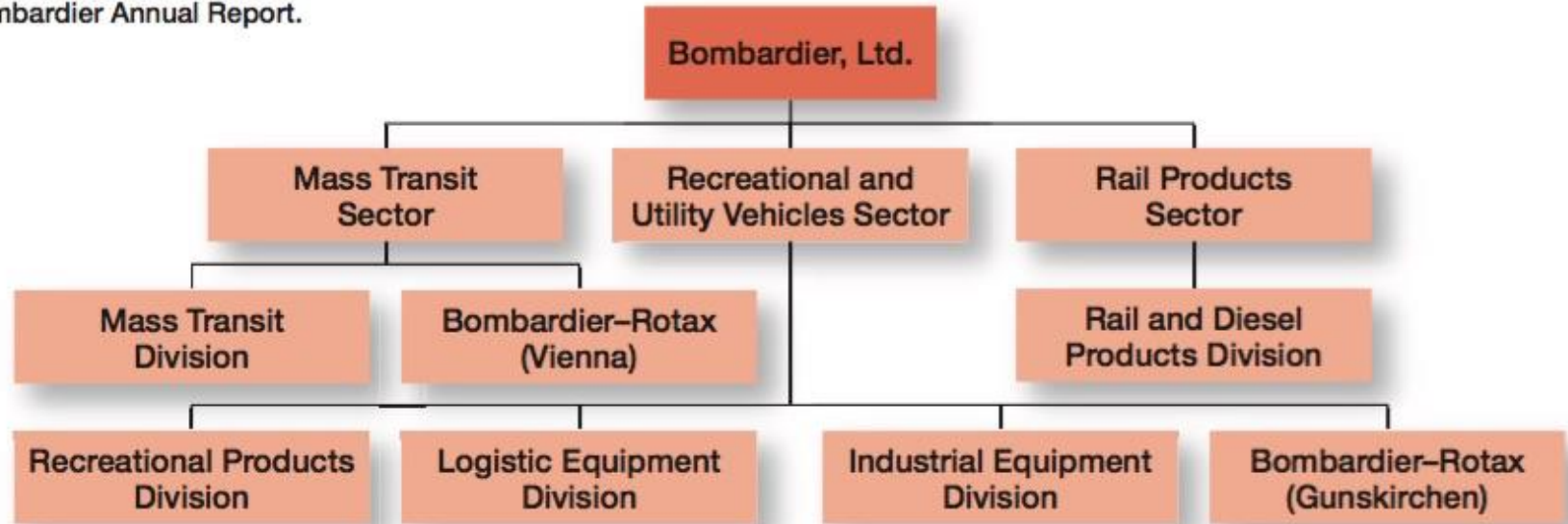
Exhibit 11-3 illustrates each type of departmentalization as well as the advantages and disadvantages of each.

Exhibit 11-3

The Five Common Forms of Departmentalization (2 of 3)

PRODUCT DEPARTMENTALIZATION—Groups Jobs by Product Line

Source: Bombardier Annual Report.



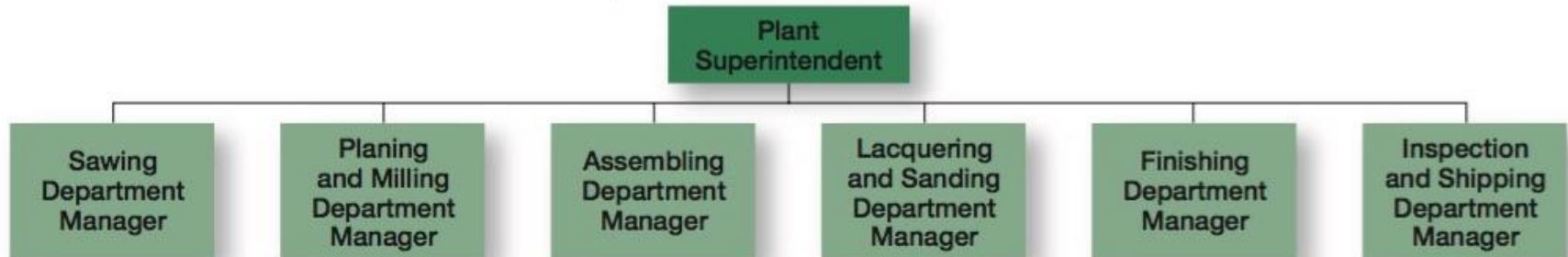
- + Allows specialization in particular products and services
- + Managers can become experts in their industry
- + Closer to customers
- Duplication of functions
- Limited view of organizational goals

Exhibit 11-3 illustrates each type of departmentalization as well as the advantages and disadvantages of each.

Exhibit 11-3

The Five Common Forms of Departmentalization (3 of 3)

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

Exhibit 11-3 illustrates each type of departmentalization as well as the advantages and disadvantages of each.

Authority and Chain of Command

- **Authority:** the line of authority extending from upper organizational levels to the lowest levels, which clarifies who reports to whom
- **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
- **Chain of Command:** the line of authority extending from upper organizational levels to the lowest levels, which clarifies who reports to whom

Responsibility

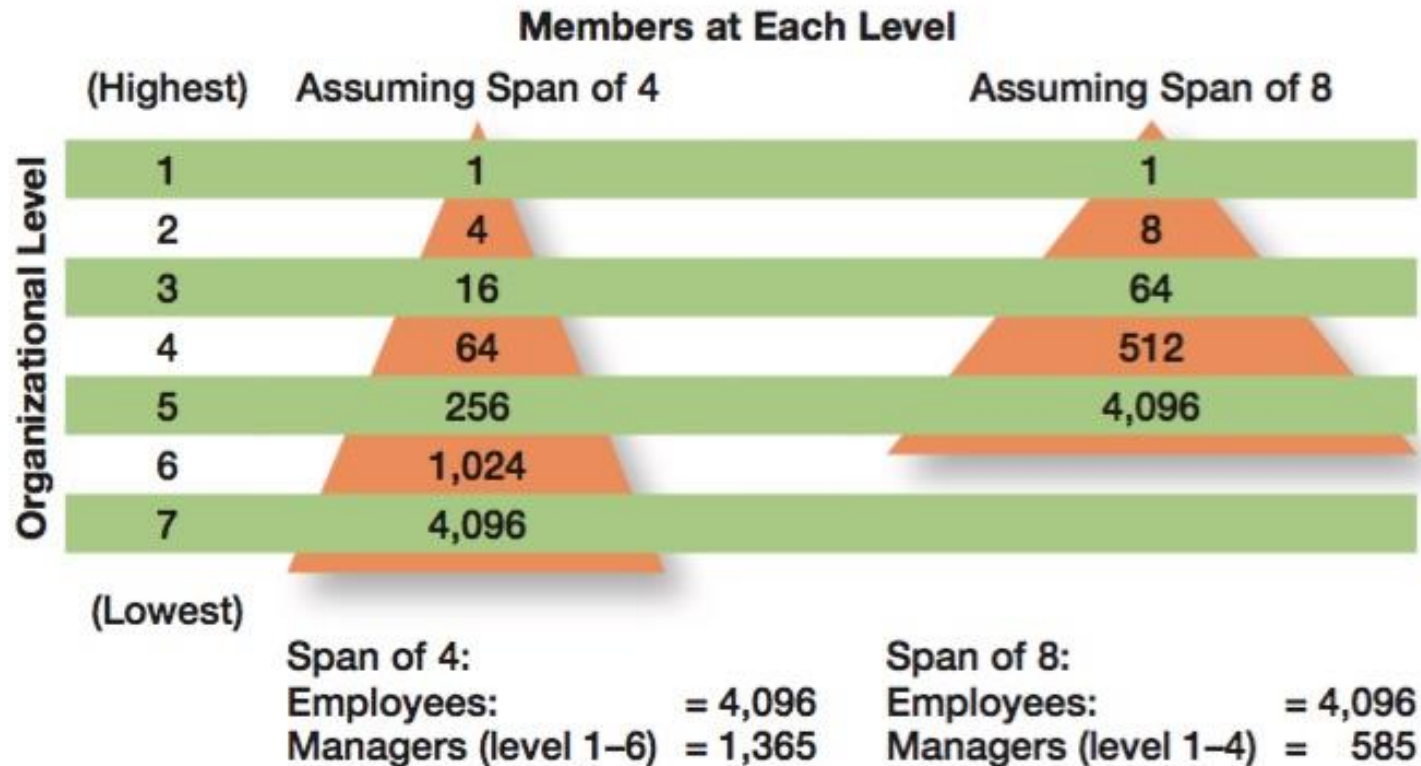
- **Responsibility:** the obligation or expectation to perform any assigned duties
- **Unity of command:** the management principle that each person should report to only one manager

Span of Control

- **Span of control:** the number of employees a manager can efficiently and effectively manage

Exhibit 11-4

Contrasting Spans of Controls



As Exhibit 11-4 shows, if one organization has a span of four and the other a span of eight, the organization with the wider span will have two fewer levels and approximately 800 fewer managers.

Centralization and Decentralization

- **Centralization:** the degree to which decision making is concentrated at 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

Formalization

- **Formalization:** how standardized an organization's jobs are and the extent to which employee behavior is guided by rules and procedures

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

Strategy and Structure

- An organization's structure should facilitate goal achievement. Because goals are an important part of the organization's strategies, it's only logical that strategy and structure are closely linked.

Size and Structure

- There's considerable evidence that an organization's size affects its structure, but once an organization grows past a certain size, size has less influence on structure.

Technology and Structure

- **Unit production:** the production of items in units or small batches
- **Mass production:** the production of items in large batches
- **Process production:** the production of items in continuous processes

Environmental Uncertainty and Structure

- In stable and simple environments, mechanistic designs can be more effective.
- The greater the uncertainty, the more an organization needs the flexibility of an organic design.

Traditional Organizational Design Options

- **Simple structure:** an organizational design with little 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

Matrix and Project Structures

- **Matrix structure:** an organizational structure that assigns specialists from different functional departments to work on one or more projects
- **Project structure:** an organizational structure in which employees continuously work on projects

Exhibit 11-9

Example of a Matrix Organization

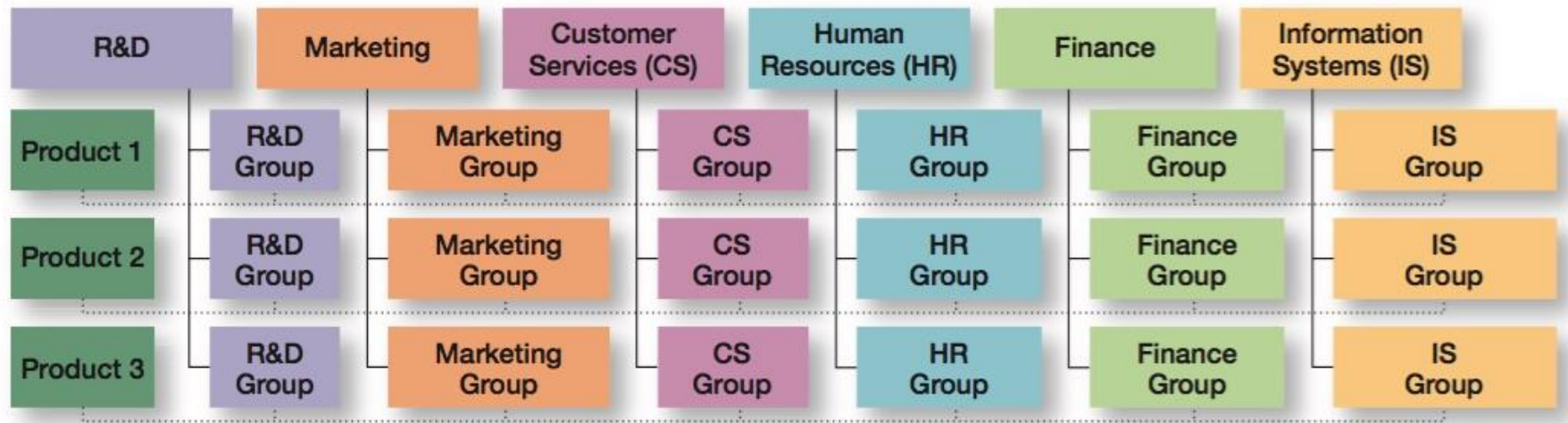


Exhibit 11-9 shows an example of a matrix organization.

The Boundaryless Organization

- **Boundaryless organization:** an organization whose design is not defined by, or limited to, the horizontal, vertical, or external boundaries imposed by a predefined structure
- **Virtual organization:** an organization that consists of a small core of full-time employees and outside specialists temporarily hired as needed to work on projects

Task Forces

- **Task force (or ad hoc committee):** a temporary committee or team formed to tackle a specific short-term problem affecting several departments
- **Open innovation:** opening up the search for new ideas beyond the organization's boundaries and allowing innovations to easily transfer inward and outward

Compressed Workweeks, Flextime, and Job Sharing

- **Compressed workweek:** a workweek where employees work longer hours per day but fewer days per week
- **Flextime (or flexible work hours):** a scheduling system in which employees are required to work a specific number of hours a week but are free to vary those hours within certain limits
- **Job sharing:** the practice of having two or more people split a full-time job

Telecommuting and the Contingent Workforce

- **Telecommuting:** a work arrangement in which employees work at home and are linked to the workplace by computer
- **Contingent workers:** temporary, freelance, or contract workers whose employment is contingent on demand for their services

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