

Organization Design

Chapter 11

Learning Objectives

- 11.1 Describe** six key elements in organizational design.
 - 11.2 Contrast** mechanistic and organic structures.
 - 11.3 Discuss** the contingency factors that favor either the mechanistic model or the organic model of organizational design.
 - 11.4 Describe** traditional organizational design options.
 - 11.5 Discuss** organizing flexibility in the twenty-first century.
- Develop your skill** at acquiring and using power.
Know how to stay connected and “in the loop” when working remotely.

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

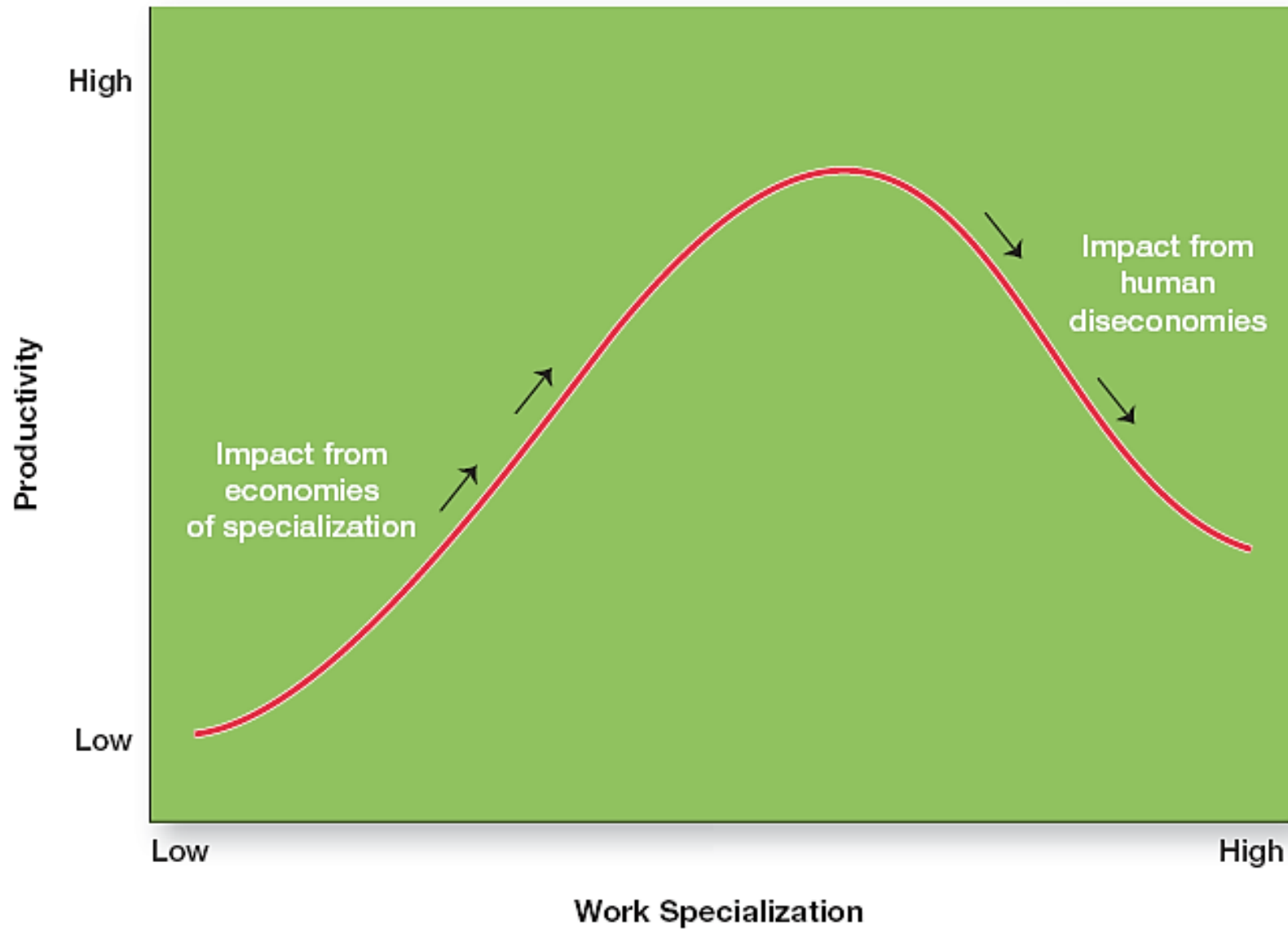
Purposes of Organizing

- 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.

Work Specialization (Division of labor)

- ▶ Dividing work activities into separate job tasks
- ▶ The degree to which an organization divides individual tasks into separate jobs.
- ▶ Allows a manager to take complex tasks and break them down into smaller, more precise tasks that individual workers can complete

Economies and Diseconomies of Work Specialization



Departmentalization

- **Departmentalization:** the basis by which jobs are grouped together

The Five Common Forms of Departmentalization



- + 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

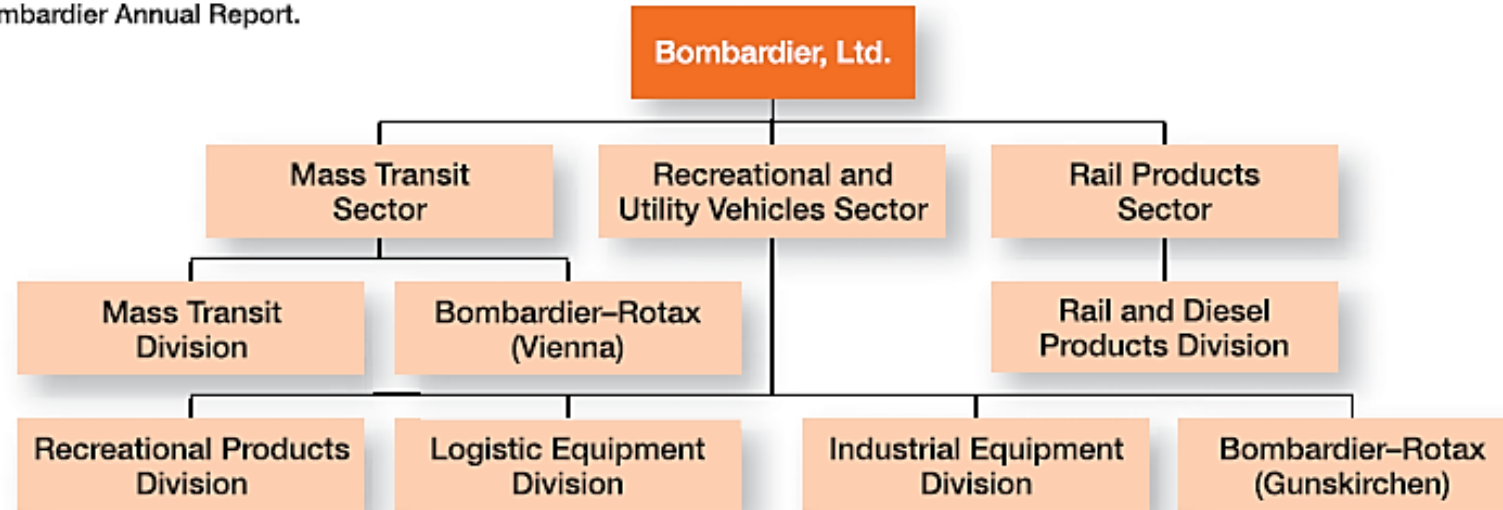
GEOGRAPHICAL DEPARTMENTALIZATION – Groups Jobs According to Geographic Region



- + 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

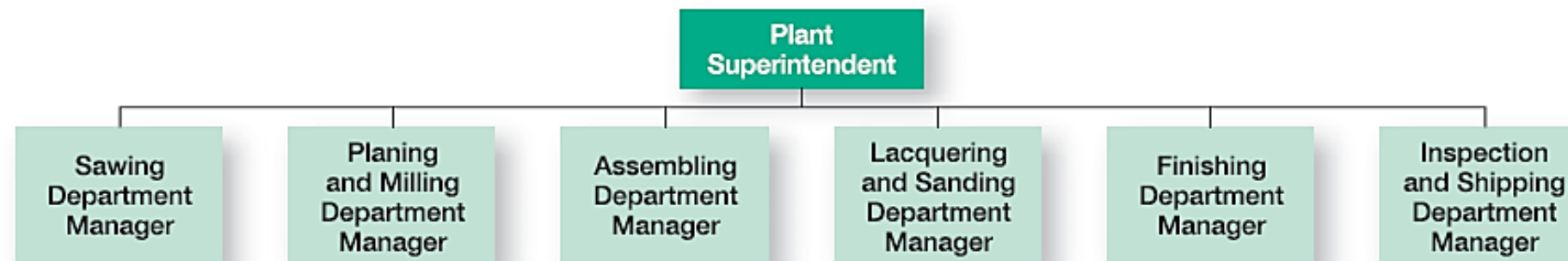
PRODUCT DEPARTMENTALIZATION—Groups Jobs by Product Line

Source: Bombardier Annual Report.



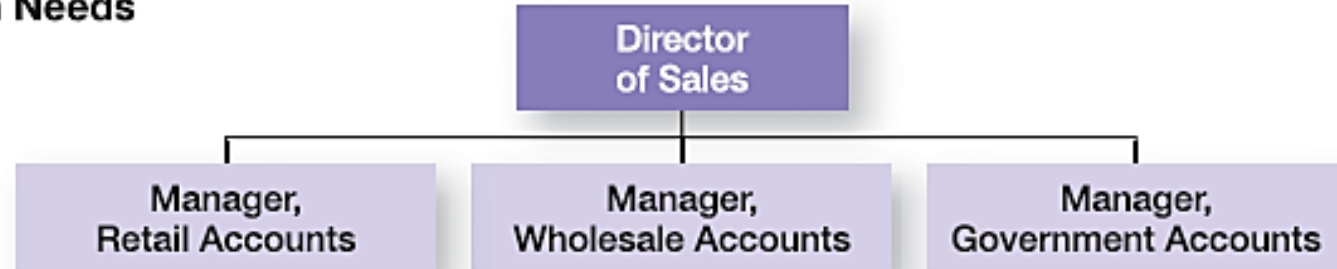
- + Allows specialization in particular products and services
- + Managers can become experts in their industry
- + Closer to customers
- Duplication of functions
- Limited view of organizational goals

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
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Cross-Functional Team

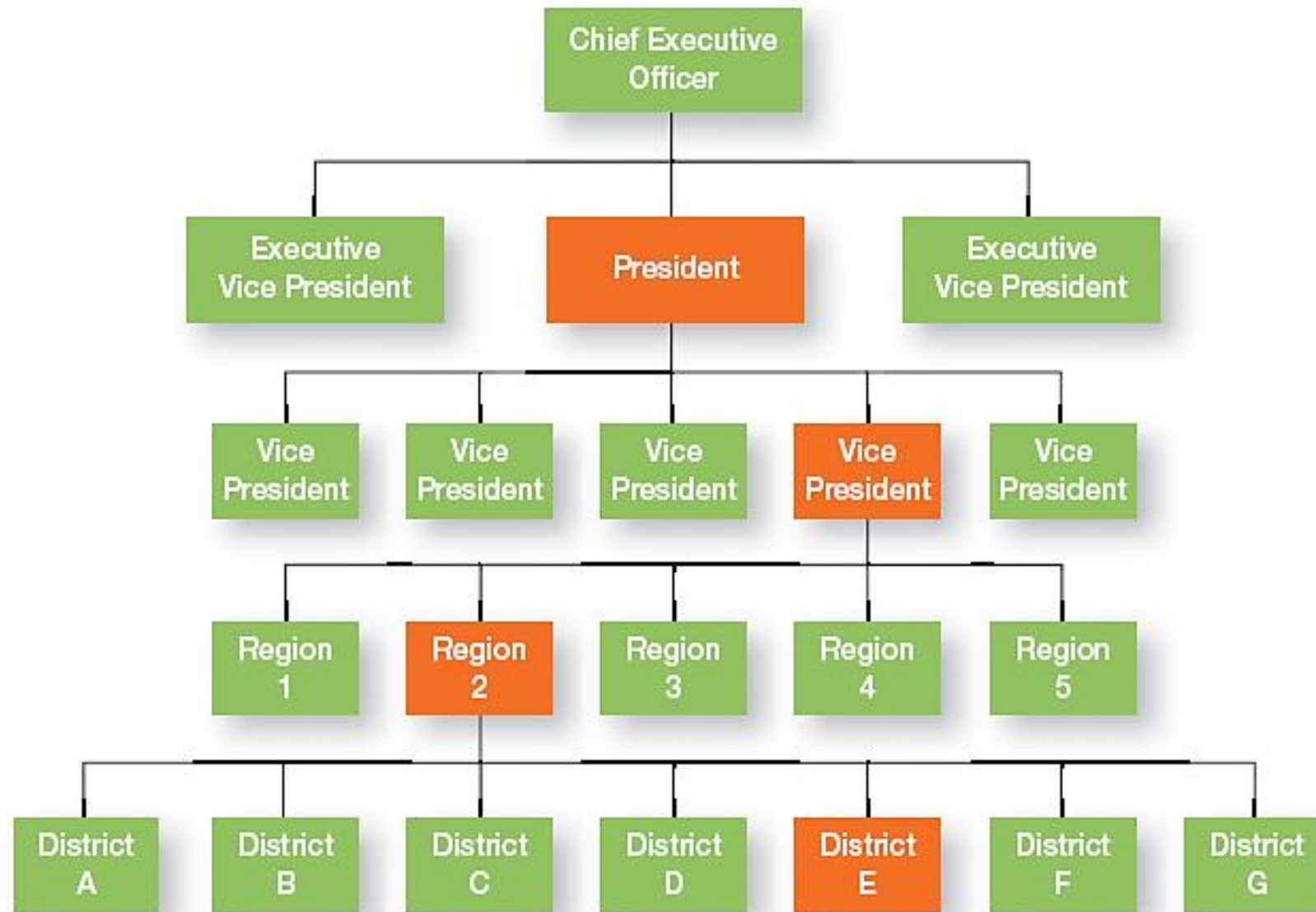
- **Cross-functional team:** a work team composed of individuals from various functional specialties

Chain of Command

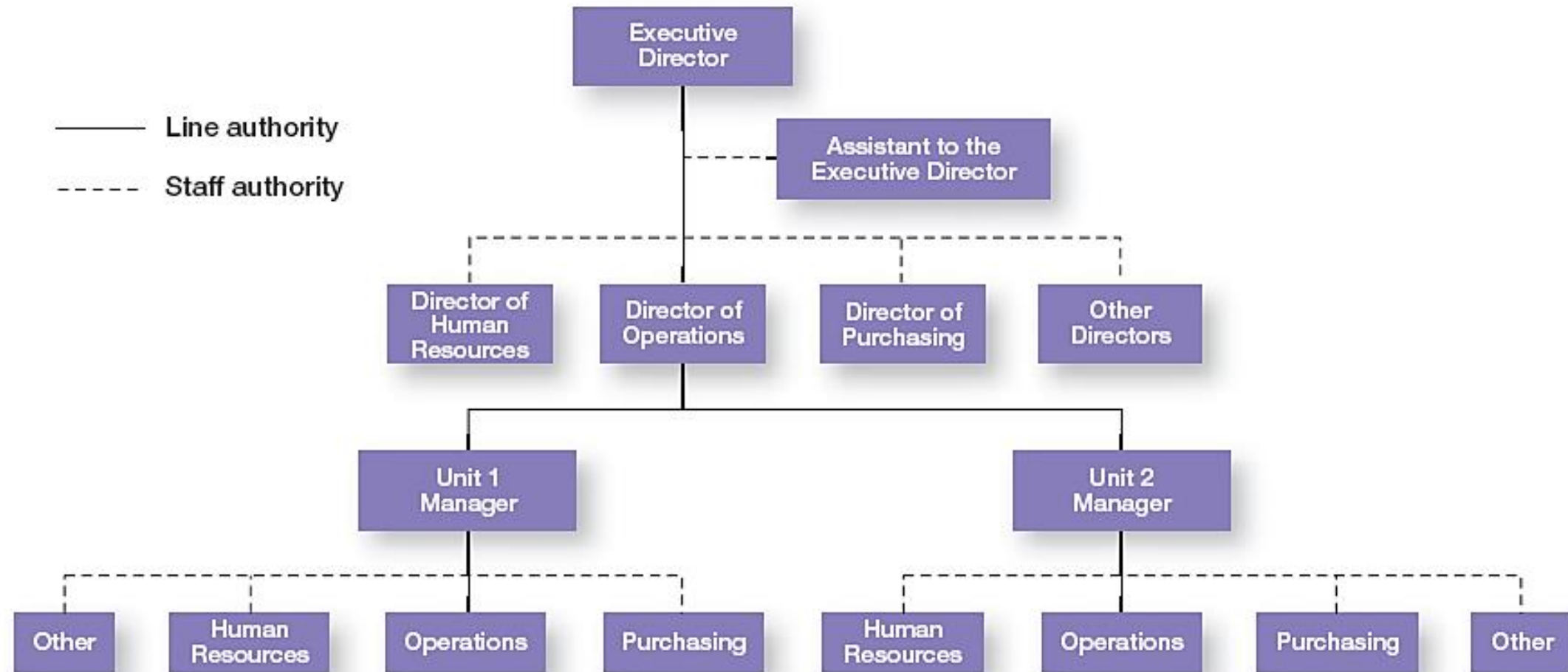
- **Chain of command:** the line of authority extending from upper organizational levels to the lowest levels, which clarifies who reports to whom

- ▶ Authority refers to the rights inherent in a managerial position to tell people what to do and to expect them to do it.
- ▶ Line authority entitles a manager to direct the work of an employee. It is the employer–employee authority relationship that extends from the top of the organization to the lowest echelon, according to the chain of command, as shown in Exhibit 10-4.
- ▶ Staff authority: As organizations get larger and more complex, line managers find that they do not have the time, expertise, or resources to get their jobs done effectively. In response, they create staff authority functions to support, assist, advise, and generally reduce some of their informational burdens.

Chain of Command and Line Authority



Line Versus Staff Authority



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

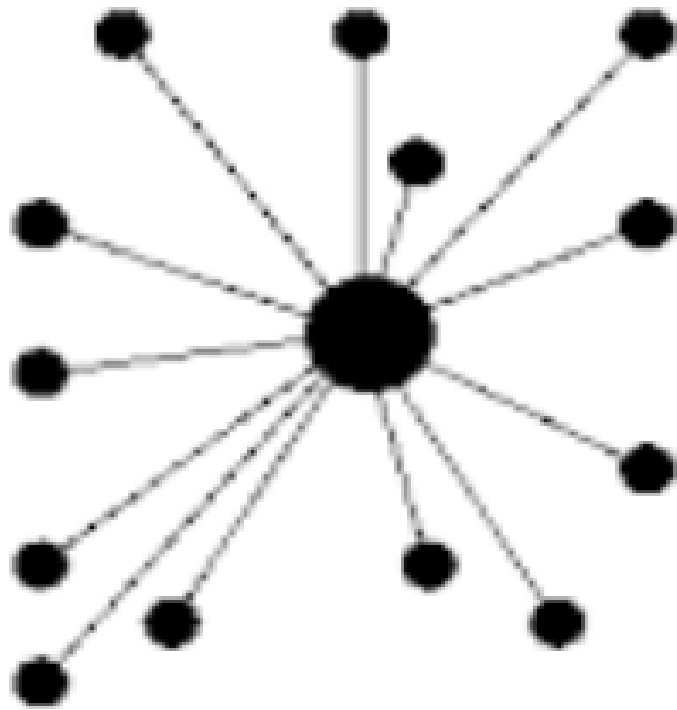
Contrasting Spans of Control

		Members at Each Level			
		(Highest)	Assuming Span of 4	Assuming Span of 8	
Organizational Level	1	1	1	1	
	2	4	4	8	
	3	16	16	64	
	4	64	64	512	
	5	256	256	4,096	
	6	1,024	1,024		
	7	4,096	4,096		
		(Lowest)			
		Span of 4:		Span of 8:	
		Employees:	= 4,096	Employees:	= 4,096
		Managers (level 1–6)	= 1,365	Managers (level 1–4)	= 585

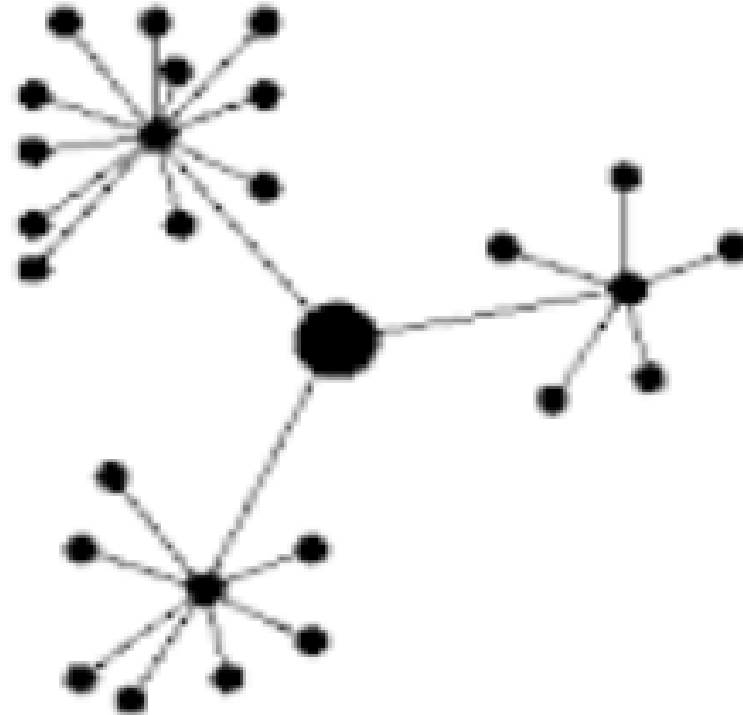
Centralization and Decentralization

- **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

Centralization



Decentralization



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.

Thank You!