

Organization Design

Chapter 11

Employee Empowerment

- **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

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

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

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

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

Traditional Organizational Designs

Simple Structure

- Strengths: Fast; flexible; inexpensive to maintain; clear accountability.
- Weaknesses: Not appropriate as organization grows; reliance on one person is risky.

Functional Structure

- Strengths: Cost-saving advantages from specialization (economies of scale, minimal duplication of people and equipment); employees are grouped with others who have similar tasks.
- Weaknesses: Pursuit of functional goals can cause managers to lose sight of what's best for the overall organization; functional specialists become insulated and have little understanding of what other units are doing.

Divisional Structure

- Strengths: Focuses on results—division managers are responsible for what happens to their products and services.
- Weaknesses: Duplication of activities and resources increases costs and reduces efficiency.

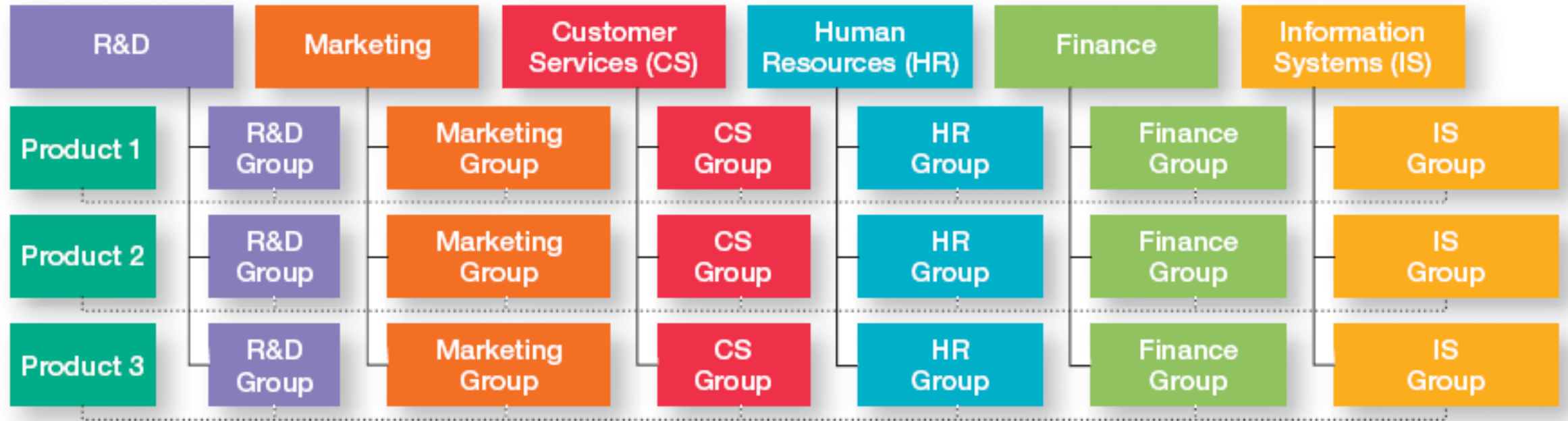
Team Structures

- **Team structure:** an organizational structure in which the entire organization is made up of work teams

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

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

Benefits and Drawbacks of Open Innovation

Benefits

- Gives customers what they want—a voice
- Allows organizations to respond to complex problems
- Nurtures internal and external relationships
- Brings focus back to marketplace
- Provides way to cope with rising costs and uncertainties of product development

Drawbacks

- High demands of managing the process
- Extensive support needed
- Cultural challenges
- Greater need for flexibility
- Crucial changes required in how knowledge is controlled and shared

Sources: Based on S. Lindegaard, "The Side Effects of Open Innovation," *Bloomberg BusinessWeek Online*, June 7, 2010; H. W. Chesbrough and A. R. Garman, "How Open Innovation Can Help You Cope in Lean Times," *Harvard Business Review*, December 2009, pp. 68–76; A. Gabor, "The Promise [and Perils] of Open Collaboration," *Strategy & Business Online*, Autumn 2009; and J. Winsor, "Crowdsourcing: What It Means for Innovation," *BusinessWeek Online*, June 15, 2009.

Telecommuting

- **Telecommuting:** a work arrangement in which employees work at home and are linked to the workplace by computer

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

The Contingent Workforce

- **Contingent workers:** temporary, freelance, or contract workers whose employment is contingent on demand for their services

Thank You!