

# Organizational Structure and Design

Management

# Outline

1. Describe the two fundamental requirements of organisational structures.
2. Summarise the three main forms of coordination.
3. Explain why companies can have a wider span of control than previously believed.
4. Discuss the advantages and disadvantages of centralisation and formalisation.
5. Contrast functional structures and divisional structures.
6. Outline the features and advantages of the matrix structure.
7. Describe four features of team-based organisational structures.
8. Describe the network structure.
9. Summarise the contingencies of organisational design.
10. Explain how organisational strategy relates to organisational structure.

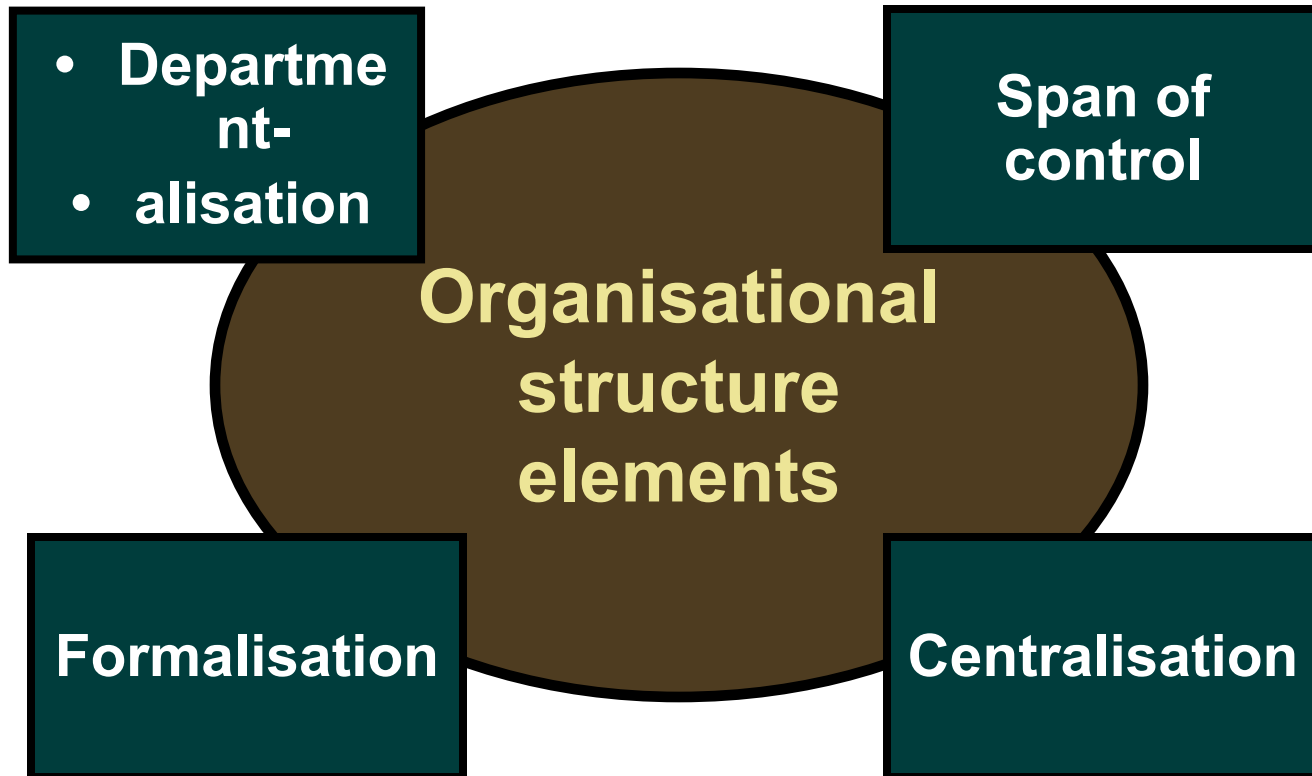
# Division of labour

- Subdivision of work into separate jobs assigned to different people
- Potentially increases work efficiency
- Necessary as company grows and work becomes more complex

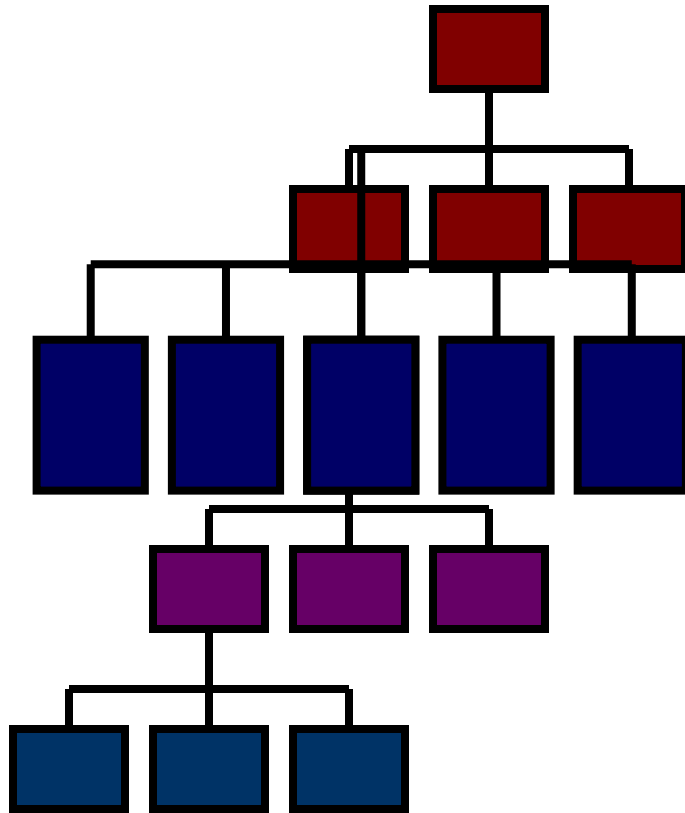
# Forms of work coordination

- Informal communication
  - sharing information
  - high media-richness
  - important in teams
- Formal hierarchy
  - direct supervision
  - common in larger firms
  - problems – costly, slow, less popular with young staff
- Standardisation
  - formal instructions
  - clear goals/outputs
  - training/skills

# Elements of organisational structure



# Span of control



- Number of people directly reporting to the next level
- Assumes coordination through direct supervision
- Wider span of control possible when
  - used with other coordinating methods
  - subordinates' tasks are similar
  - tasks are routine
- Flatter structures require wider span (if same number of people in the firm)

# The decentralisation of Coca-Cola

- Coca-Cola decentralised its organisational structure by cutting half of the staff at its Atlanta headquarters and moving the regional chieftains closer to their local markets. In India, decision making has been moved further down to different areas of that diverse country.

# Forces for (de)centralisation

## Centralisation

- Organisational crises
- Management desire for control
- Increase consistency, reduce costs

- Decentralisation
- Complexity – size, diversity
- Desire for empowerment



# Mechanistic vs organic structures

- Mechanistic
- High formalisation
- Narrow span of control
- High centralisation

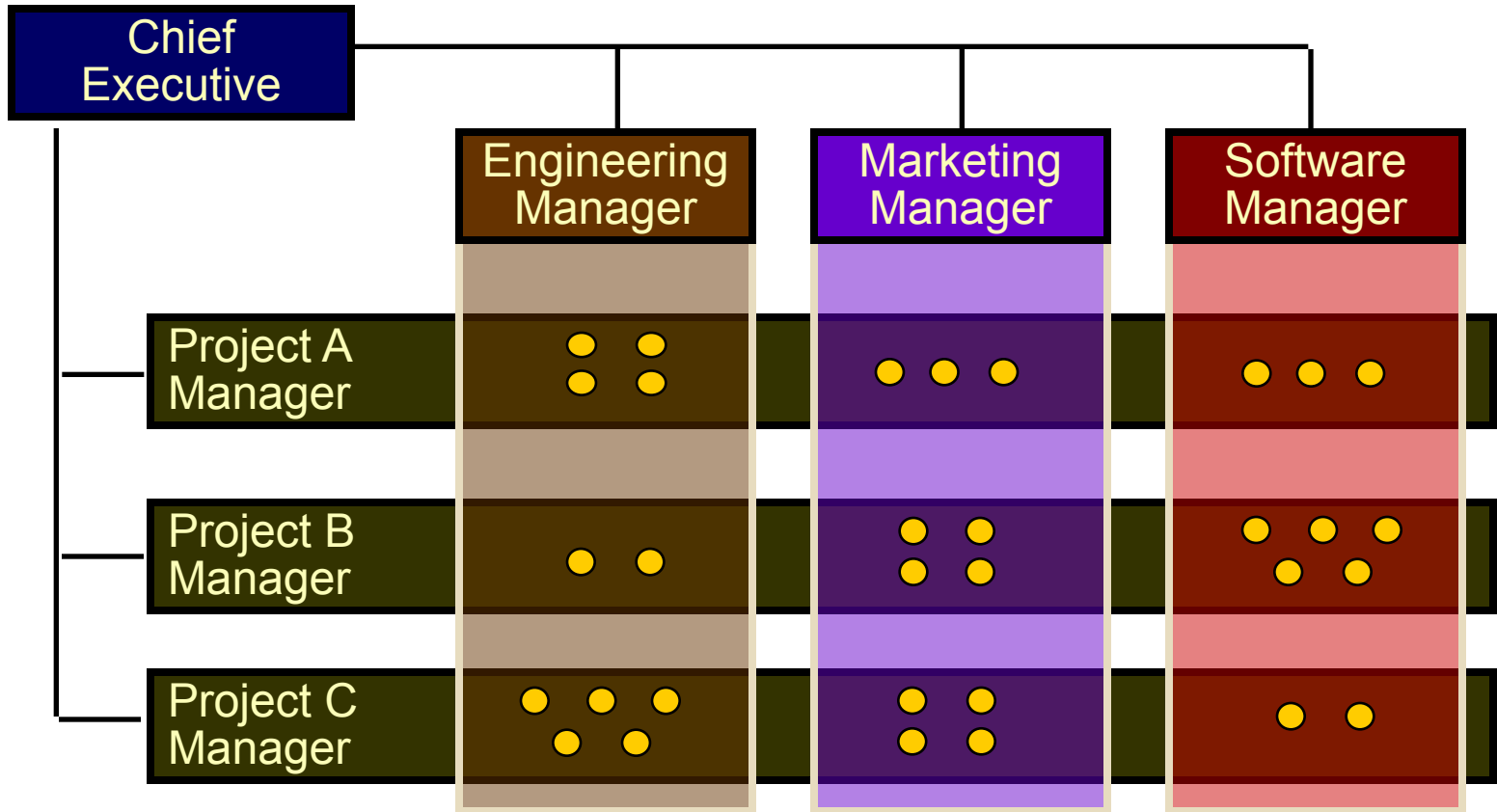
- Organic
- Low formalisation
- Wide span of control
- Low centralisation

# Effects of departmentalisation

- Establishes work teams and supervision structure
- Creates common resources, measures of performance, etc
- Encourages informal communication among people and subunits

# Project-based matrix structure

- Employees are temporarily assigned to a specific project team and have a permanent functional unit

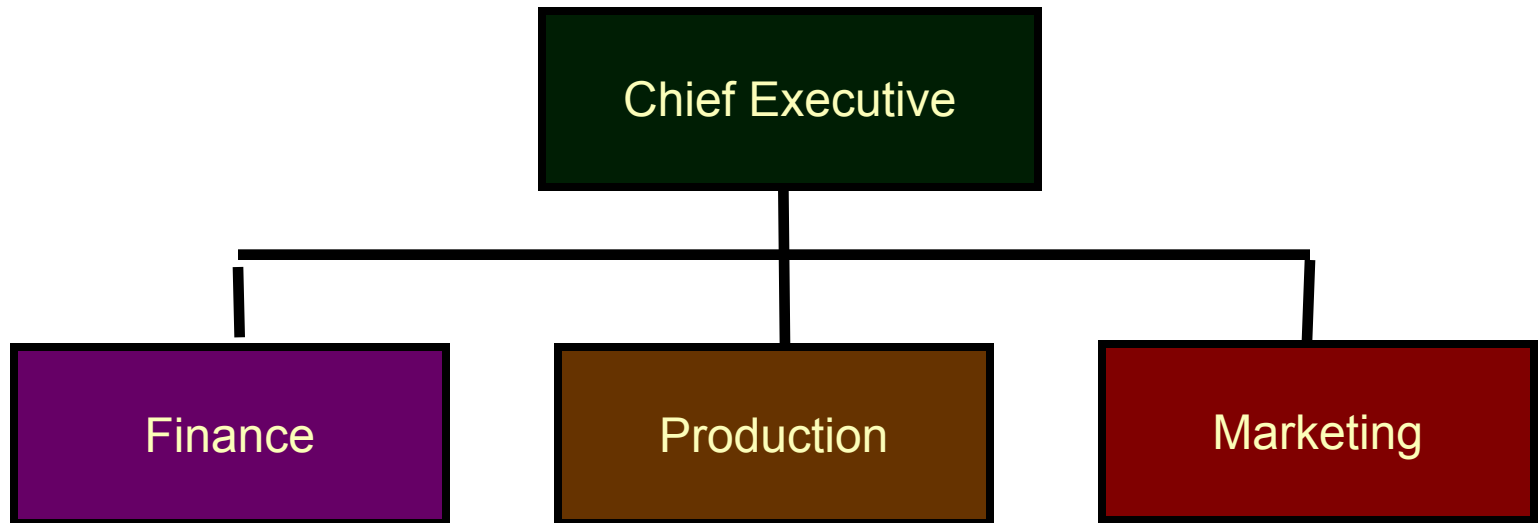


# Features of team-based structures

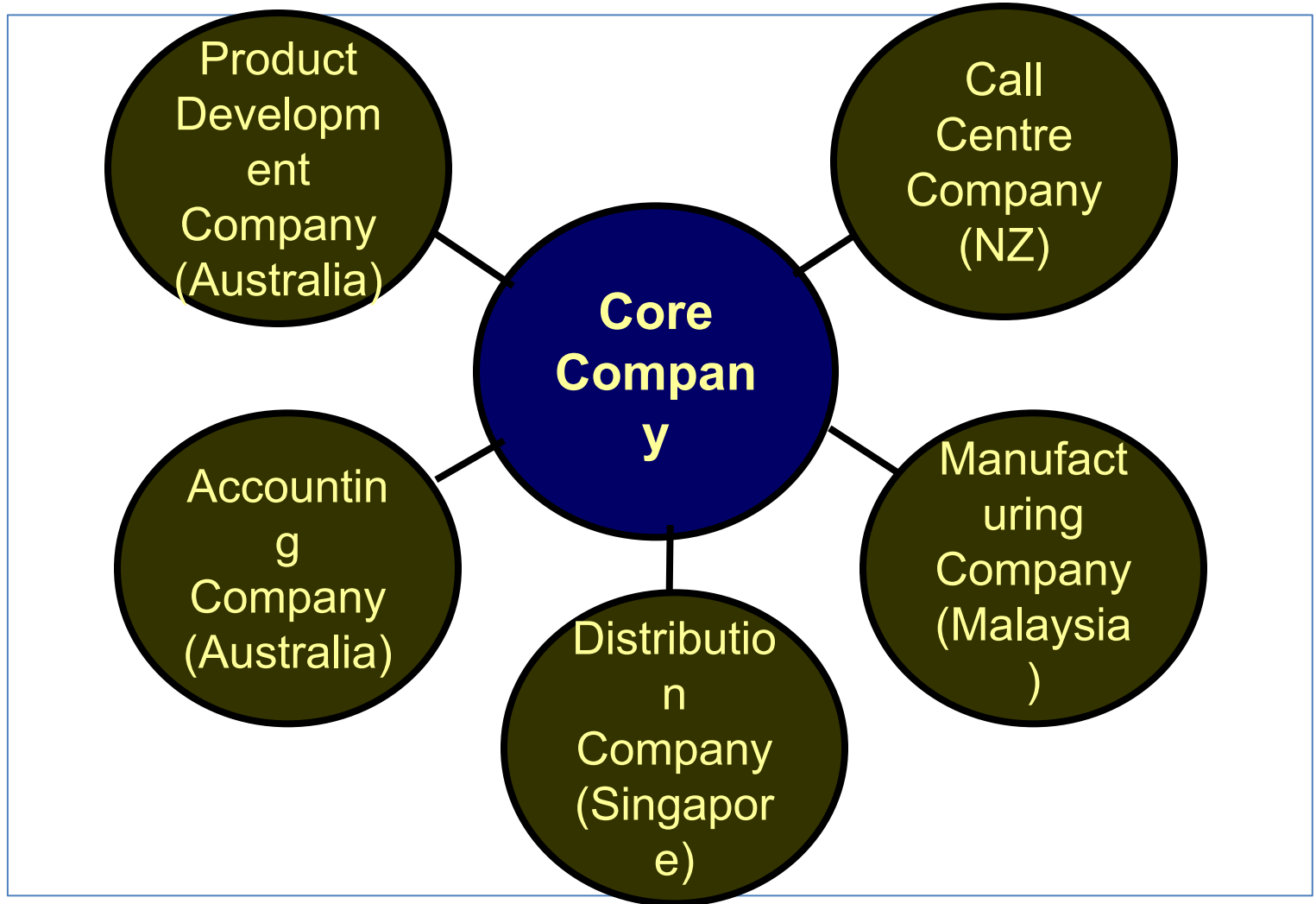
- Self-directed work teams
- Teams organised around work processes
- Very flat span of control
- Very little formalisation
- Usually found within divisionalised structure

# Functional organisational structure

- Organises employees around skills or other resources (marketing, production)



# Network organisational structure



# Types of organisational technology

**High  
analysability**

**Assembly  
line**

**Engineering  
projects**

**Low  
analysability**

**Skilled  
trades**

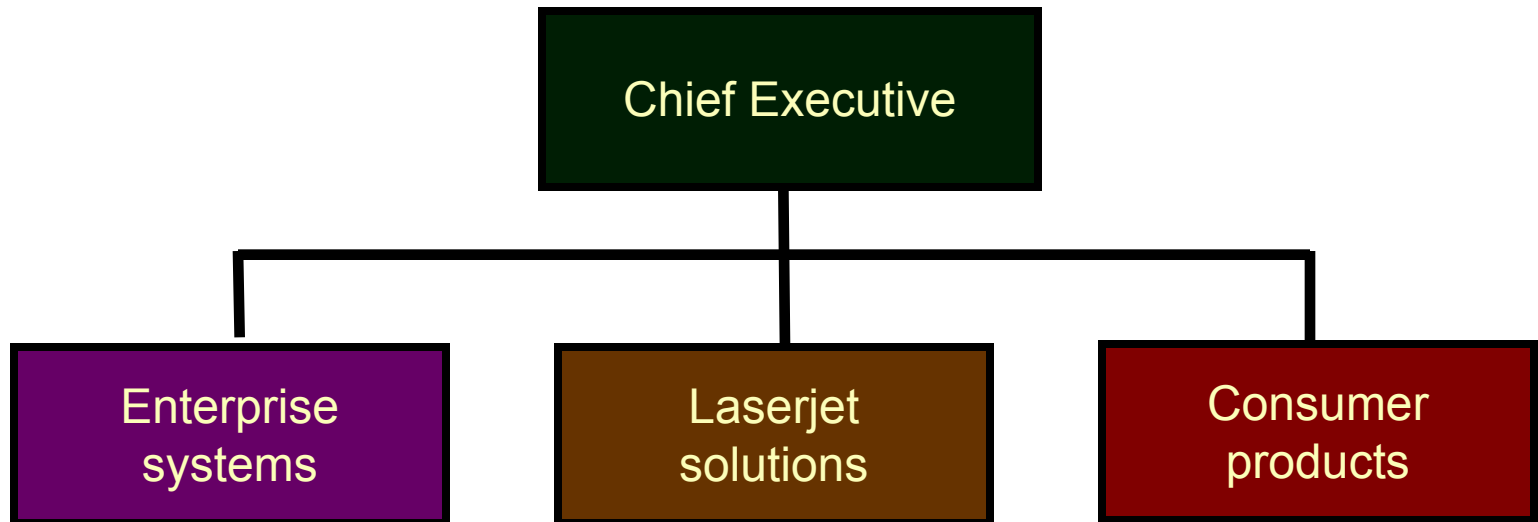
**Scientific  
research**

**Low  
variety**

**High  
variety**

# Divisionalised structure

- Organises employees around geographic areas, products or clients





# Org environment and structure

Dynamic
<ul style="list-style-type: none"><li>• High rate of change</li><li>• Use organic structure</li></ul>

Stable
<ul style="list-style-type: none"><li>• Steady conditions, predictable change</li><li>• Use mechanistic structure</li></ul>

Complex
<ul style="list-style-type: none"><li>• Many elements (such as stakeholders)</li><li>• Decentralise</li></ul>

Simple
<ul style="list-style-type: none"><li>• Few environmental elements</li><li>• Less need to decentralise</li></ul>

# Org environment and structure (cont)

## Diverse

- Variety of products, clients, locations
- Divisional form aligned with the diversity

## Integrated

- Single product, client, location
- Don't need divisional form

## Hostile

- Competition and resource scarcity
- Use organic structure for responsiveness

## Munificent

- Plenty of resources and product demand
- Less need for organic structure