



Warsaw University of Life Sciences - SGGW
Dr Mariusz Maciejczak

Principles of Management



www.maciejczak.pl

Basic reading

The presentation has been prepared based on the book



Defining Organizational Structure

- Nomenclature
 - **organizing** - the process of creating an organization's structure
 - **organizational structure** - the formal framework by which job tasks are divided, grouped, and coordinated
 - **organizational design** - process of developing or changing an organization's structure
 - process involves six key elements

10-3

Defining Organizational Structure (cont.)

- Work Specialization
 - the degree to which tasks in an organization are divided into separate jobs
 - individuals specialize in doing part of an activity rather than the entire activity
 - too much specialization has created human diseconomies
 - an important organizing mechanism, though not a source of ever-increasing productivity

10-4

Defining Organizational Structure (cont.)

- Departmentalization
 - the basis by which jobs are grouped together
 - **functional** - groups jobs by functions performed
 - **product** - groups jobs by product line
 - **geographical** - groups jobs on the basis of territory or geography
 - **process** - groups jobs on the basis of product or customer flow
 - **customer** - groups jobs on the basis of common customers

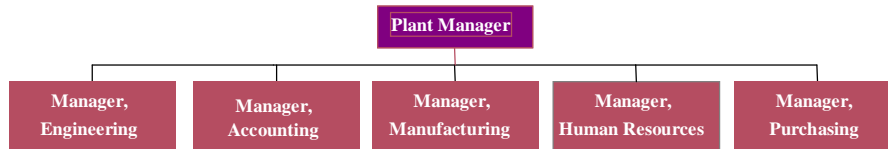
10-5

Defining Organization Structure (cont.)

- Departmentalization (cont.)
 - large organizations combine most or all forms of departmentalization
 - trends
 - customer departmentalization is increasingly being used
 - better able to monitor and respond to customer needs
 - cross-functional teams are becoming popular
 - » groups of individuals who are experts in various specialties
 - » involved in all aspects of bringing a new product to market

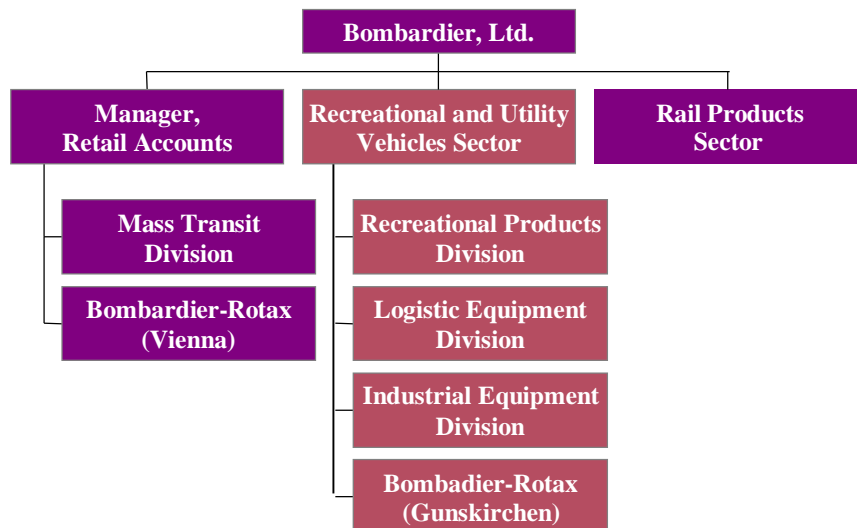
10-6

Functional Departmentalization



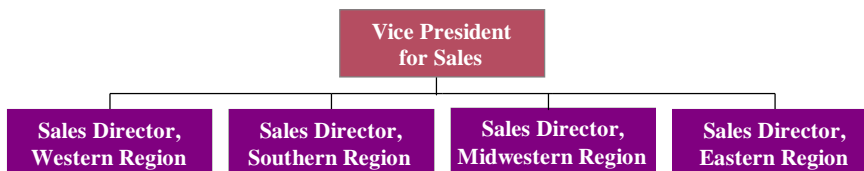
10-7

Product Departmentalization



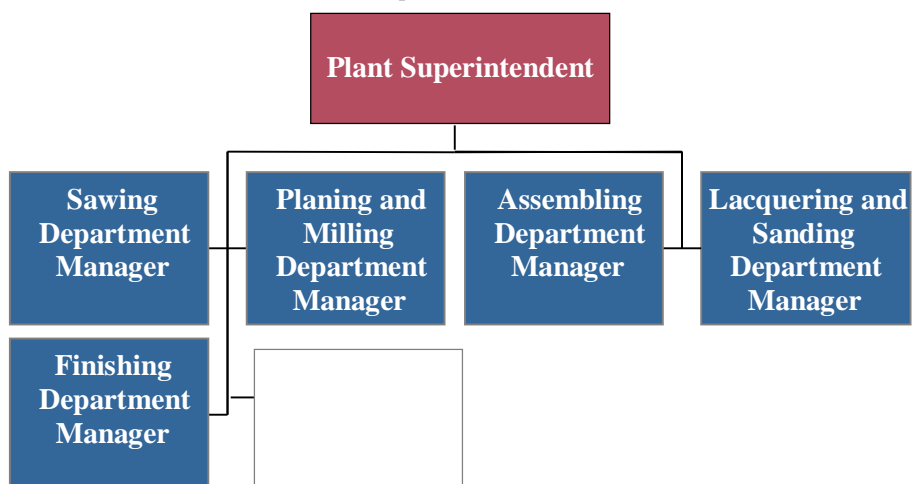
10-8

Geographical Departmentalization



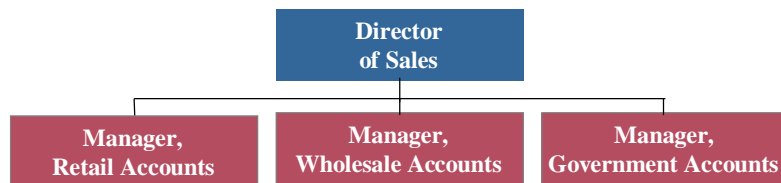
10-9

Process Departmentalization



10-10

Customer Departmentalization



10-11

Defining Organization Structure (cont.)

- Chain of Command (cont.)
 - continuous line of authority that extends from upper organizational levels to the lowest levels and clarifies who reports to whom
 - **authority** - the rights inherent in a managerial position to tell people what to do and to expect them to do it
 - **responsibility** - the obligation to perform any assigned duties
 - **unity of command** - a person should report to only one manager
 - these concepts are less relevant today due to information technology and employee empowerment

10-12

Defining Organization Structure (cont.)

- **Span of Control**
 - number of employees that a manager can efficiently and effectively manage
 - determines the number of levels and managers in an organization
 - the wider the span, the more efficient the organization
 - appropriate span influenced by:
 - the skills and abilities of employees
 - the complexity of tasks performed
 - availability of standardized procedures
 - sophistication of organization's information system

Defining Organization Structure (cont)

- **Centralization**
 - the degree to which decision making is concentrated at a single point in the organization
 - top-level managers make decisions with little input from subordinates in a centralized organization
- **Decentralization**
 - the degree to which decisions are made by lower-level employees
 - distinct trend toward decentralized decision making

10-14

Factors That Influence the Amount of Centralization and

More Centralization

- Environment is stable.
- Lower-level managers are not as capable or experience at making decisions as upper-level managers.
- Lower-level managers do not want to have a say in decisions.
- Decisions are significant.
- 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 relatively minor.
- Corporate culture is open to allowing managers to have a say in what happens.
- Company is geographically dispersed.
- Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

10-15

Defining Organization Structure (cont.)

- Formalization
 - the degree to which jobs within the organization are standardized
 - standardization - removes the need for employees to consider alternatives
 - extent to which employee behavior is guided by rules and procedures
 - employee allowed minimal discretion in highly formalized jobs
 - explicit job descriptions
 - clearly defined procedures

10-16

Organizational Design Decisions

- **Mechanistic Organization**
 - rigidly and tightly controlled structure
 - tries to minimize the impact of differing human traits
 - most large organizations have some mechanistic characteristics
- **Organic Organization**
 - highly adaptive and flexible structure
 - permits organization to change when the need arises
 - employees are highly trained and empowered to handle diverse job activities

Mechanistic Versus Organic Organization

Mechanistic

- **High Specialization**
- **Rigid Departmentalization**
- **Clear Chain of Command**
- **Narrow Spans of Control**
- **Centralization**
- **High Formalization**

Organic

- **Cross-Hierarchical Teams**
- **Free Flow of Information**
- **Wide Spans of Control**
- **Decentralization**
- **Low Formalization**

10-18

Common Organizational Designs

- Traditional Organizational Designs
 - **Simple Structure** - low departmentalization, wide spans of control, authority centralized in a single person, and little formalization
 - commonly used by small businesses
 - as organizations increase in size, the structure tends to become more specialized and formalized
 - **Functional Structure** - groups similar or related occupational specialties together 10-19

Common Organizational Designs (cont.)

- Traditional Organizational Designs (cont.)
 - **Divisional Structure** - composed of separate divisions
 - each division has relatively limited autonomy
 - parent corporation acts as an external overseer to coordinate and control the divisions
 - provides support services

10-20

Strengths and Weakness of Common Traditional Organizational 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) and 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 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

10-21

Common Organizational Designs

- Contemporary Organizational Designs
 - **Team-Based Structures** - entire organization is made up of work teams
 - employee empowerment is crucial
 - teams responsible for all work activity and performance
 - complements functional or divisional structures in large organizations
 - allows efficiency of a bureaucracy
 - provides flexibility of teams

10-22

Common Organizational Designs (cont.)

- Contemporary Organizational Designs (cont.)

- **Matrix Structure** - assigns specialists from different functional departments to work on projects led by project managers

- adds vertical dimension to the traditional horizontal functional departments
 - creates a **dual chain of command**
 - violates unity of command
 - project managers have authority in areas relative to the project's goals
 - functional managers retain authority over human resource decisions (e.g., promotions)

10-23

A Matrix Organization in an Aerospace Firm



Common Organizational Designs (cont.)

- Contemporary Organizational Designs (cont.)
 - **Project Structure** - employees work continuously on projects
 - employees do not return to a functional department at the conclusion of a project
 - all work performed by teams comprised of employees with appropriate skills and abilities
 - tends to be very fluid and flexible
 - no rigid departmentalization or organization hierarchy
 - managers serve as facilitators and mentors

10-25

Common Organizational Designs (cont.)

- Contemporary Organizational Designs (cont.)
 - **Autonomous Internal Units** – independent, decentralized business units
 - each has its own products, clients, competitors, and profit goals
 - business units are autonomous
 - there is no centralized control or resource allocation

10-26

Common Organizational Designs (cont.)

- Contemporary Organizational Designs (cont.)
 - **Boundaryless Organization** - design is not defined by, or limited to, the horizontal, vertical, or external boundaries imposed by a predefined structure
 - strategic alliances break down barriers between the company and its customers and suppliers
 - seeks to eliminate the chain of command, to have limitless spans of control, and to replace departments with empowered teams
 - flattens the hierarchy by removing vertical boundaries
 - horizontal boundaries removed by organizing work around processes instead of functional departments

Common Organizational Designs (cont.)

- Contemporary Organizational Designs (cont.)
 - **Net organization** – the units of an organization are working as the independent companies, the transactional costs of such organization should be lower than if the units would be involved in a common structure.

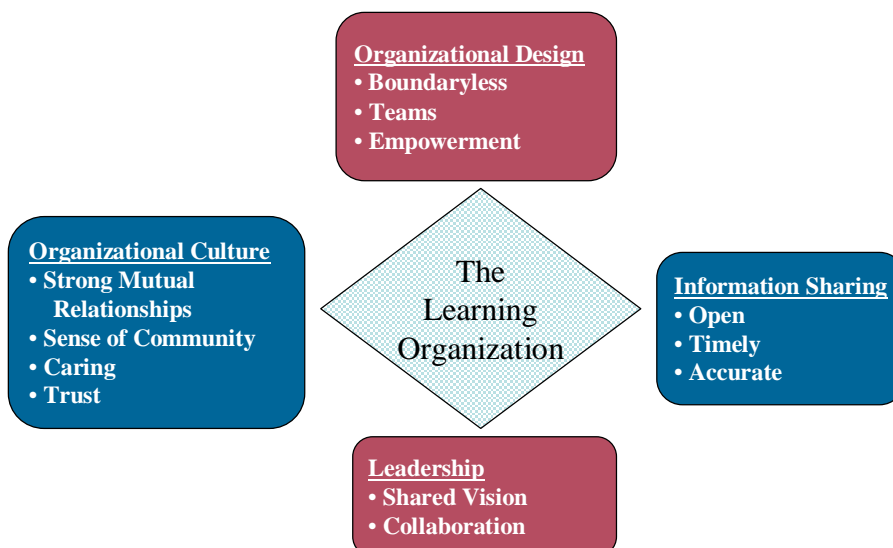
10-28

Common Organizational Designs (cont.)

- Contemporary Organizational Designs (cont.)
 - **Learning Organization** - an organizational mindset rather than a specific organizational design
 - has developed the capacity to continuously adapt
 - all members take an active role in identifying and resolving work-related issues
 - practice knowledge management by continually acquiring and sharing new knowledge
 - environment is conducive to open communication
 - empowered teams are important
 - leadership creates a shared vision for the future
 - organizational culture provides sense of community

10-29

Characteristics Of A Learning Organization



10-30