CHAPTER 11 ORGANIZATIONAL STRUCTURE AND DESIGN

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Learning Outcomes

11.1 Discuss the basic elements of organizing.
11.2 Describe the bureaucratic perspective on organizational design.
11.3 Discuss the basic forms of organizational design in the organization.
11.4 Evaluate the situational factors influencing organizational design.
11.5 Discuss the emerging issues in organizational design.
Quotes

• The organizational architecture is really that a centipede walks on hundred legs and one or two don't count. So if I lose one or two legs, the process will go on, the organization will go on, the growth will go on. (Mukesh Ambani)

• I must stress here the point that I appreciate clarity, order, meaning, structure, rationality: they are necessary to whatever provisional stability we have, and they can be the agents of gradual and successful change. (A. R. Ammons)

• Ambiguity is great for certain kinds of creative activities but it is the mortal enemy of systems design (Stephan Haeckel)
Introduction

• Competition, convergences and changes in technology are forcing the organization to look into its organizational structure to be more flexible in design.

• Organizational structure describes how the total work of the organization is divided into subunits and how these subunits are coordinated for the organization’s goals to be achieved.

• These new forms of organizing are highly adaptive and innovative but require more advances in managerial capabilities to operate successfully.
Introduction

• Organizing
• Bureaucratic model of organizational design
• Situational influences on organizational design
• Basic organizational forms
• Recent developments in organizational design
Basic Elements of Organizing

• Job specialization
• Departmentalization
• Reporting relationship
• Assigning authority
• Coordination
Job Specialization

Advantages
- Improvement in productivity.
- Straightforward, faster and efficient due to repetition of the tasks.
- Independent and requires less supervision.

Disadvantages
- Boredom from doing the same job.
- Development and career advancement are limited.
Departmentalization

- Function
- Product
- Customer
- Geography (Location)
Exhibit 11.1: Functional Departmentalization

- Factory Manager
- Manager of Human Resource
- Manager of Production
- Manager of Finance
- Manager of Sales
- Manager of Engineering
- Manager of Logistic
Product Departmentalization

Exhibit 11.2: Product Departmentalization

MANUFACTURING MANAGER

MANAGER OF TELEVISION DIVISION

MANAGER OF COMPUTER DIVISION

MANAGER OF STEREO DIVISION
Customer Departmentalization

Exhibit 11.3: Customer Departmentalization

- VICE PRESIDENT
- MANAGER OF RETAIL CUSTOMER
- MANAGER OF WHOLESALE CUSTOMER
- MANAGER OF GOVERNMENT CUSTOMER
Geographic Departmentalization

Exhibit 11.4: Geographic Departmentalization

- Manager for Eastern Region
- Manager for Northern Region
- Manager for Central Region
- Manager for Southern Region
- Manager for Sabah
- Manager for Sarawak
Assigning authority

• Delegation
• Centralization
• Decentralization
Reporting relationship

• Chain of Command
• Span of Control or Management
• Tall versus Flat Organization
Tall Organization

Exhibit 11.5: Tall Organization

- CHIEF EXECUTIVE OFFICER
  - SENIOR VICE PRESIDENT MANUFACTURING
    - ACCOUNTING MANAGER
      - ASSISTANT MANAGER FINISHED GOOD PACKING PLANNER
        - PLANNING OFFICER
          - SENIOR PLANNER
  - SENIOR VICE PRESIDENT FINANCE
    - BUDGET MANAGER
  - SENIOR VICE PRESIDENT HUMAN RESOURCE
    - PLANNING MANAGER
  - SENIOR VICE PRESIDENT MARKETING
    - PURCHASING MANAGER
Flat Organization

Exhibit 11.6: Flat Organization

- Owner of Business
  - Sales Staff
  - Office Staff
  - Service Staff
  - Store Staff
Coordination

• Structural techniques
  • Managing chain of command or hierarchy
  • Liaison Roles
  • Task Force
  • Integrating Departments

• Electronic coordination
Bureaucratic Model of Organizational Design – 7 Elements

• Recruiting of people in the organization
• Career promotion within the organization
• Continuous hierarchy where each level is subject to control by the level above it.
• Efficiency and effectiveness in the division of labor
• Formal rules and procedures such as expected behavior and decisions in jobs applied fairly and uniformly to all employees regardless of position.
• All the rules, procedures and written guidelines should be recorded in writing and kept for historical record.
• The organization should be managed and supervised by a professional manager instead of the owner of the organization.
Bureaucratic Model of Organizational Design - Advantages

- Great control
- Strategic decision making is fast
- Job specialization
- Best-practices
- Economies of scale
- Higher efficiency, proficiency and productivity
Bureaucratic Model of Organizational Design - Disadvantages

- Discourages creativity and innovation in the organization
- Slow decisions about procedural changes
- Repetitive jobs
- Increased likelihood of employees resigning
- Can cause among employees discouragement, feelings of helplessness, passivity, and even indifference to organizational goals, due to the centralized power structure in the organization
Situational Influences on Organizational Design

- Core technology
- Environment
- Organization Size
- Life Cycle
Basic Organizational Forms

- Functional or U-Form Design
- Conglomerate or H-Form Design
- Divisional or M-Form Design
- Matrix Design
- Hybrid Design
Recent Developments In Organizational Design

• The team organization
• The virtual organization
• The learning organization
Thank you!