Introduction to Organization Design

- Organization Design
  - The process of developing an organizational type by ensuring that there is a fit between and among an organization’s structural characteristics and its environment, strategy, and technology.
Mainstream Organization Design

- Organization Structure
  - Mechanistic structures
    - High levels of standardization
    - Specialization
    - Centralization
    - Functional departmentalization
  - Organic structures
    - Low levels of standardization
    - Non-specialization
    - Decentralization
    - Divisional departmentalization
Mainstream Organization Design (cont'd)

• Environment, Strategy and Technology
  – Environment
    • Influenced by physical climate, stability, and available resources, industry and social cultural norms.
  – Strategy
    • Cost leadership: mechanistic structure
    • Differentiation: organic structure

Figure 11.3: Effect of Environment, Strategy, and Technology on Mainstream Organization Structure

Mainstream Organization Design (cont'd)

• Technology
  – Task technology
    • The combination of equipment and skills used to acquire, design, produce and distribute goods and services.
    • Repetitive work: mechanistic structures
    • Non-repetitive work: organic structures
Mainstream Organization Design (cont'd)

- Technology (cont’d)
  - Task variety
    - The ability to reduce work to mechanical steps and create objective, computational procedures for problem solving.
  - Task analyzability
    - The frequency of unexpected, novel, or exceptional events that occur during work.

Figure 11.4: Task Analyzability and Variety Versus Organization Structure

What Do You Think?
Is Choice of Technology Objective or Subjective?

- How do your own beliefs influence your views on the best way to help young people in trouble with the law?
- What organization has a structure that is consistent with your views.
- What are the implications of your view for how governments should create and design organizations that deal with such youth?
Mainstream Organization Design (cont'd)

• Technology (cont'd)
  – Task interdependence
    • Pooled interdependence
      – Most agreeable to a mechanistic structure.
    • Sequential interdependence
      – Uses a combination of mechanistic and organic structures.
    • Reciprocal interdependence
      – Most likely to be associated with an organic structure.

Mainstream Organizational Types

• Simple Type
  – Small organizations that:
    • have an organic structure.
    • operate in a narrow segment of a changing environment.
    • have a focus strategy.
    • rely on technology with high task variety, often with high interdependence.

Mainstream Organizational Types (cont'd)

• Defender Type
  – Organizations that:
    • have a mechanistic structure.
    • operate in a narrow segment of a stable environment.
    • have a cost leader strategy.
    • often rely on a single core technology.
Mainstream Organizational Types (cont’d)

• Prospector Type
  – Organizations that:
    • have an organic structure.
    • operate in a broad market of a changing environment.
    • have a differentiation strategy.
    • rely on technology that is difficult to analyze, often with reciprocal interdependence.

Mainstream Organizational Types (cont’d)

• Analyzer Type
  – Organizations that:
    • have two spheres of operations, with parts of the organization operating like a Defender type, and other parts operating like a Prospector type.
    • are a combination of mechanistic and organic organization structures.
    • use both a cost leader and a differentiation strategy.

Table 11.1: Organization Design of the Four Basic Mainstream Organizational Types
Mainstream Approach to Staying Fit

• Key Fit Aspects
  – The fit between the Mainstream environment, strategy and technology
  – The fit between the four Mainstream dimensions of organization structure

• Misfit Organizational Type
  – Has misalignments in its internal organization structures and/or with its environment, strategy and technology.

Figure 11.5: Overview of the Mainstream Organization Design Process

Staying Fit (cont’d)

• Change to another organization type becomes necessary:
  – When changes occur in the environment, including competitive pressures and new technologies.
  – Because of the Icarus Paradox—factors that explain why a particular type is successful will, over its life cycle, cause it to fail.
Multistream Organization Design

- Organization Structure
  - Inward structure
    - The four Multistream pillars of organizing are emphasized among stakeholders within an organization.
  - Outward structure
    - The four Multistream pillars are emphasized among stakeholders outside of the organization.

Figure 11.6: A Continuum Showing the Two Basic Varieties of Multistream Organization Structure

Multistream Organization Design

- Environment, Strategy and Technology
  - Environment
    - The broader the interest in the larger environment in multiple forms of well-being offered by an organization, the greater likelihood that an outward organization structure will be developed.
  - Strategy
    - Inward structures fit the minimizer strategy.
    - Outward organization structures fit the transformer strategy.
Figure 11.7: Effect of Environment, Strategy, and Technology on Multistream Organization Structure

<table>
<thead>
<tr>
<th>Inward Structure</th>
<th>Outward Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on stakeholders within organizational boundaries</td>
<td>Focus on stakeholders beyond organizational boundaries</td>
</tr>
<tr>
<td>Improve operations with and for stakeholders inside the organization</td>
<td>Experimentation</td>
</tr>
<tr>
<td>Focus on opportunities with and for stakeholders inside the organization</td>
<td>Sensitization</td>
</tr>
<tr>
<td>Respect stakeholders</td>
<td>Participation</td>
</tr>
<tr>
<td>Include all members</td>
<td>Include external stakeholders</td>
</tr>
</tbody>
</table>

Multistream Organization Design (cont’d)

- Technology
  - Managers who develop inward structures focus on improving internal technologies.
  - Managers who develop outward structures seek to improve extra-organizational technologies.
  - Managers unfamiliar with Multistream structures often start with inward rather than outward structures.

What Do You Think?
Can You Introduce Multistream Structures in the Classroom?

- What would happen if an instructor introduced a Multistream approach and invited students to choose which chapters of the textbook to focus on, to write their own exam questions, and to assign their own grades?
- Would this experiment facilitate learning in the classroom, or would students be inclined to minimize their efforts and maximize their grades?
- If you could design a Multistream structure for your course, what would it look like?
- How would professors and other students respond?
Multistream Organizational Types

• Voluntary Simplicity
  – Small organizations that usually:
    • have an outward structure (but also strong inward dimensions).
    • operate in a very narrow sector of the environment.
    • have a niche (minimizer or transformer) strategy.
    • seek well-being within and/or beyond the organization.

Multistream Organizational Types (cont’d)

• MultiDefender Type
  – Organizations that:
    • have an inward structure.
    • operate in a stable environment.
    • have a minimizer strategy.
    • focus on maximizing well-being within the organization.

Multistream Organizational Types (cont’d)

• MultiProspector Type
  – Organizations that:
    • have an outward structure.
    • operate in an area of the environment where there is broad interest in their product or service.
    • have a transformer strategy.
    • focus on maximizing well-being beyond the organization.
Multistream Organizational Types (cont’d)

- MultiAnalyzer Type
  - Organizations that have:
    - two spheres of operations, with parts of the organization operating like a MultiDefender, and other parts like a MultiProspector.
    - a combination of inward and outward organization structures, utilizing both a minimizer and a transformer strategy.

Multistream Approach to Staying Fit

- Key Fit Aspects
  - The fit between the Multistream environment, strategy and technology
  - The fit between the four Multistream dimensions of organization structure

- Challenge for Multistream Managers
  - To develop and maintain a successful organizational type and avoid becoming a Misfit organization.

Figure 11.8: Overview of the Multistream Organization Design Process

- Inward Structure
  - Focus on stakeholders within the organization
  - Improve operations within the organization
  - Focus on opportunities within the organization
  - Respect members
  - Include of members

- Outward Structure
  - Focus on stakeholders beyond the organization
  - Improve relationships and links with stakeholders outside the organization
  - Focus on opportunities with stakeholders outside the organization
  - Respect external stakeholders
  - Include external stakeholders