

Organisation structure

- Structure and performance
- Elements in structure: the design options
- Dividing work into functions and divisions
- Coordinating work: alternative ways
- Mechanistic and organic structures.

1. Why study structure?

When an owner-manager is running a small business he/she decides what tasks to do and coordinates them.

If the company grows the manager usually passes some of the work to newly recruited staff, although the division will probably be flexible and informal.

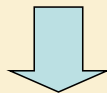
1. Why study structure?

Owner and staff can easily communicate directly with each other, so coordination is easy.

If the business continues to grow, new coordination questions arise about how best to use available resources.

1. Why study structure?

Managers divide the company into distinct units of activity – which brings the possibility of misunderstanding between people in separate units with less direct contact: They need to establish some mechanisms to ensure coordination.



How they do this reflects the subjects that we are going to discuss in this chapter.

1. Why study structure?

formal is written!

Organization structure is the formal pattern of interactions and coordination designed by management to link the tasks of individuals and groups in achieving organizational goals.

1. Structure and performance?

- As a business grows, those running it ***divide*** the work and ***coordinate*** the parts – they create a structure within which people work
- When an organisation is not performing well, managers often change the structure

1. Structure and performance?

- Reflect the belief that structure affects performance
 - Clarifies expectations and enables monitoring
 - Avoids confusion and waste of poor structure

What kind of structure works best?

None, because it depends on the situation.

2. Designing a structure

2.1. The organization chart

Organization chart shows the structure as a picture. It shows the formal structure.

2. Designing a structure

Organization charts typically show:

- Tasks, major tasks or activities the organization undertakes
- Subdivisions, how the major tasks are further divided
- Levels, the position of each post within the management hierarchy
- Lines of authority, the lines linking the boxes show who has formal authority over whom, and to whom people report.

2. Designing a structure

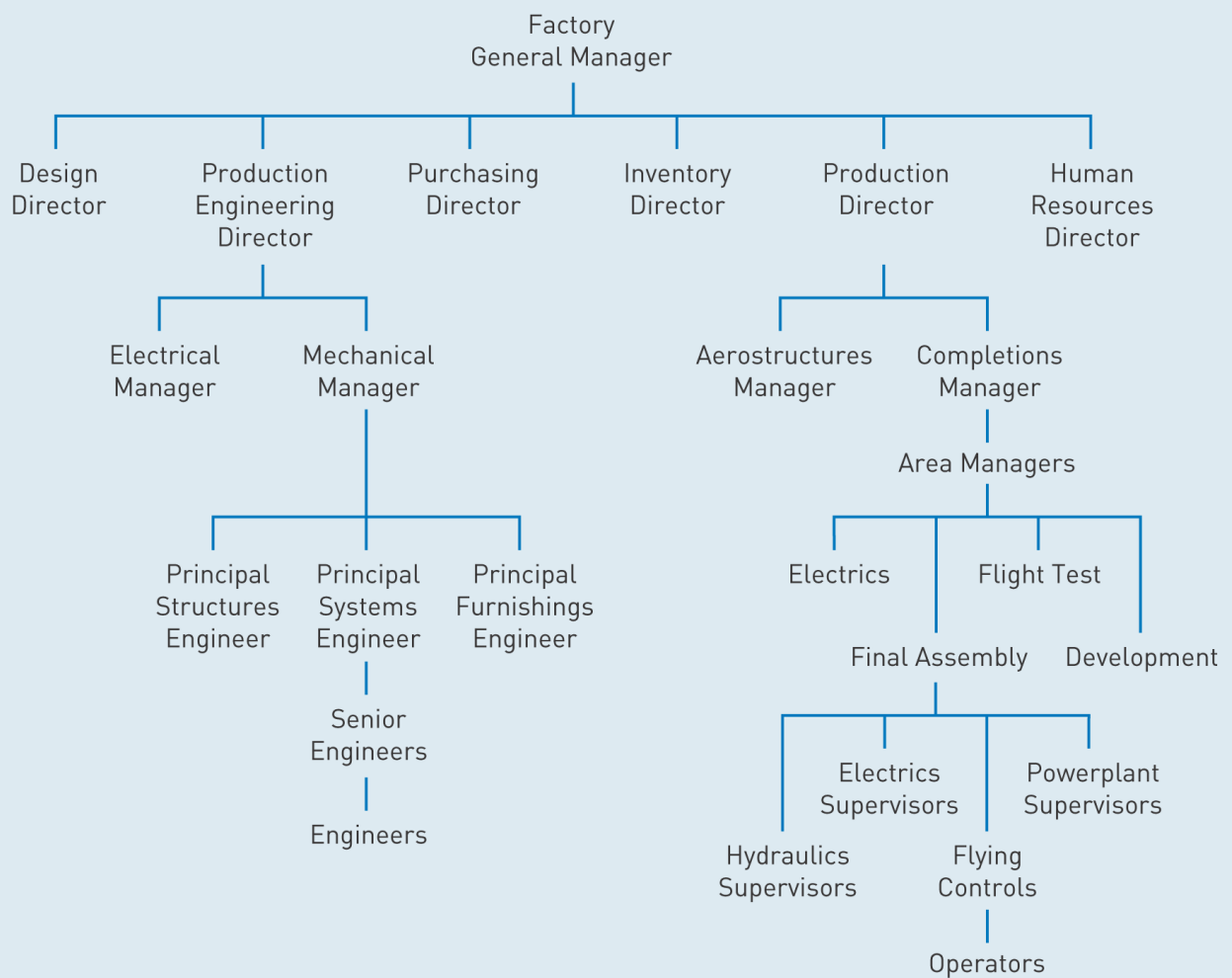
2.2. Work specialization

Work specialization is an inherent part of every organization, in fact every human activity.

Management divides work into smaller tasks, with people or departments specializing in one or more of these.

2. Designing a structure

The next Figure shows the specialization of work in one factory.



2. Designing a structure

- At the top is specialization between design, production, purchasing,... Is shows a **vertical specialization** in that people at different levels deal with distinct sets of activity.

2. Designing a structure

- It also shows a **horizontal specialization**. Within production engineering some specialize in electrical problems and others in mechanical, within which groups specialize in structures, systems and fittings.

2. Designing a structure

- Summarised in an organisation chart: compare Multi-show Events and one factory

2. Designing a structure

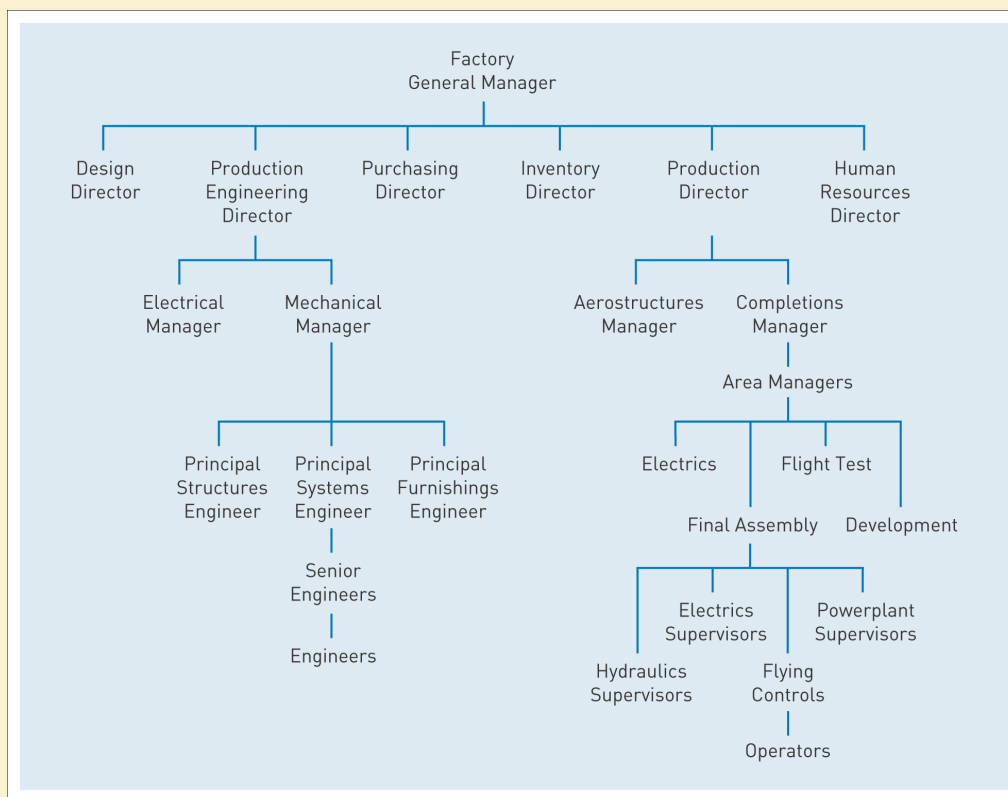


Figure 10.2 The structure within a BAE aircraft factory (www.baesystems.com)

2. Designing a structure

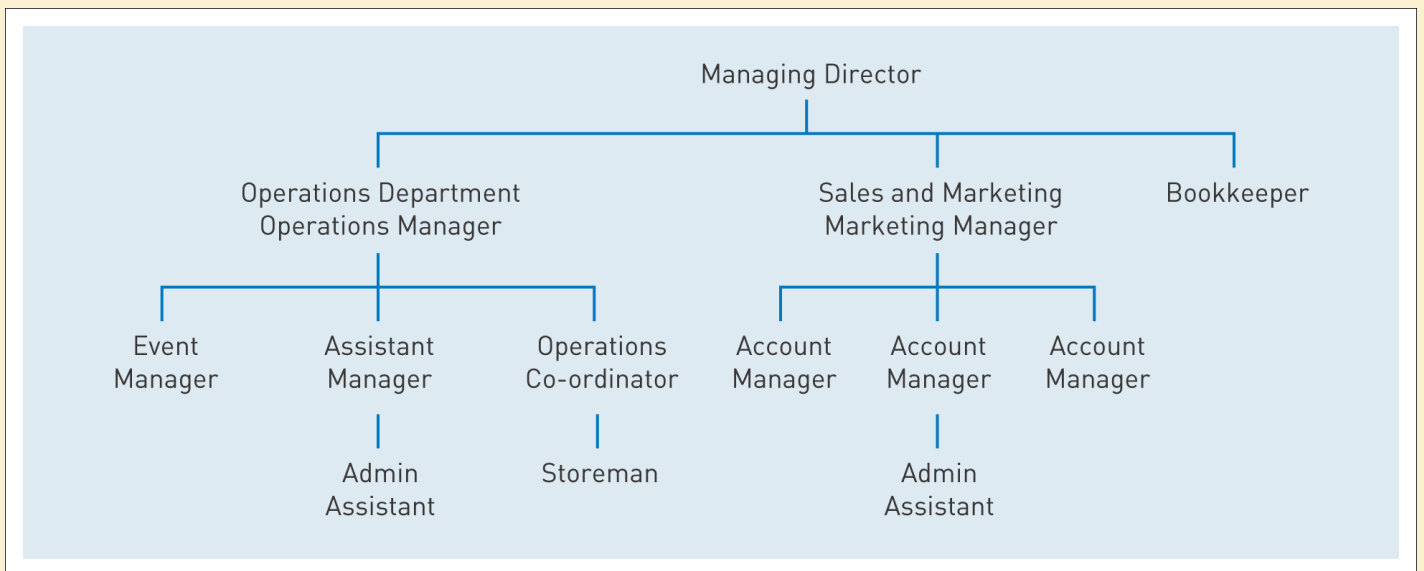


Figure 10.3 The organisation structure at Multi-show Events

2. Designing a structure

- Although Multi-show Events is still a very small company, they too have begun to create a structure showing who is responsible for what.

2. Designing a structure

2.3. Chain of command (or lines of authority)

The basic idea is that each individual in an organization should be able to identify his or her boss and trace the line of authority through the organization all the way to the top position.

2. Designing a structure

The lines of authority (chain of command) show the allocation of authority within the organization – the right person has to make decisions, allocate resources or give instructions. It is based on the position, not on the person.

2. Designing a structure

Authority, the right to make decisions, carry out actions, and direct others in matters related to the duties and goals of a position.

Subordinates obey with instructions because they accept that the person has the authority to make them.

2. Designing a structure

Ne importante

Responsibility refers to a person's duty to meet the expectations others have of them.

Delegation is the process by which people transfer responsibility and authority for certain parts of their work to people below them in the chain of command.

2. Designing a structure

2.4. Span of control

It refers to the number of subordinates reporting to a supervisor.

2. Designing a structure

A **tall structure** is one that has many hierarchical levels and **narrow** spans of control. In contrast, a **flat structure** is one that has few hierarchical levels and **wide** spans of control.

2. Designing a structure

2.5. Centralization and decentralization

Centralization is the extent to which power and authority are retained at the top organizational levels.

2. Designing a structure

Decentralization is the extent to which power and authority are delegated to lower levels.

2. Designing a structure

2.6. Formalization

Formalization is the degree to which written policies, rules, procedures, job descriptions, and other documents specify what actions are (or are not) to be taken under a given set of circumstances. Formalization helps happen vertical coordination by specifying expected behaviors in advance.

3. Grouping jobs into functions and divisions

3.1. Specialization by function

A functional structure is when tasks are grouped into departments based on similar skills and expertise.

3. Grouping jobs into functions and divisions

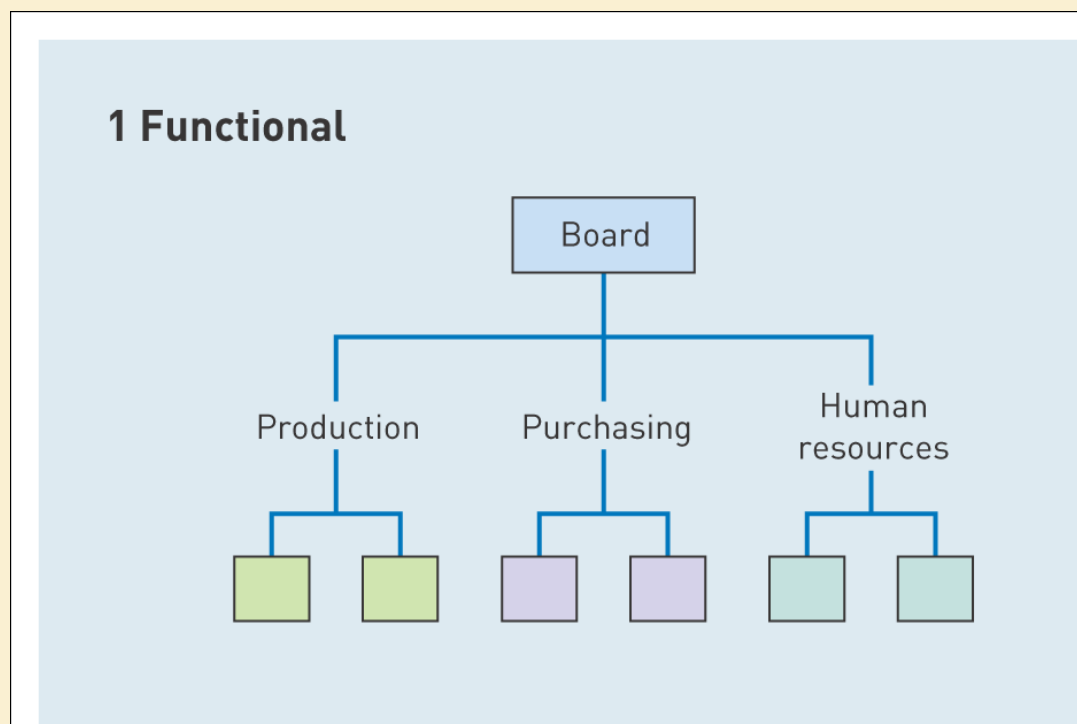


Figure 10.5 - Specialization by function

3. Grouping jobs into functions and divisions

3.2. Specialization by Divisions

A divisional structure is when tasks are grouped in relation to their outputs, such as products or needs of different types of customer, or region.

3. Grouping jobs into functions and divisions

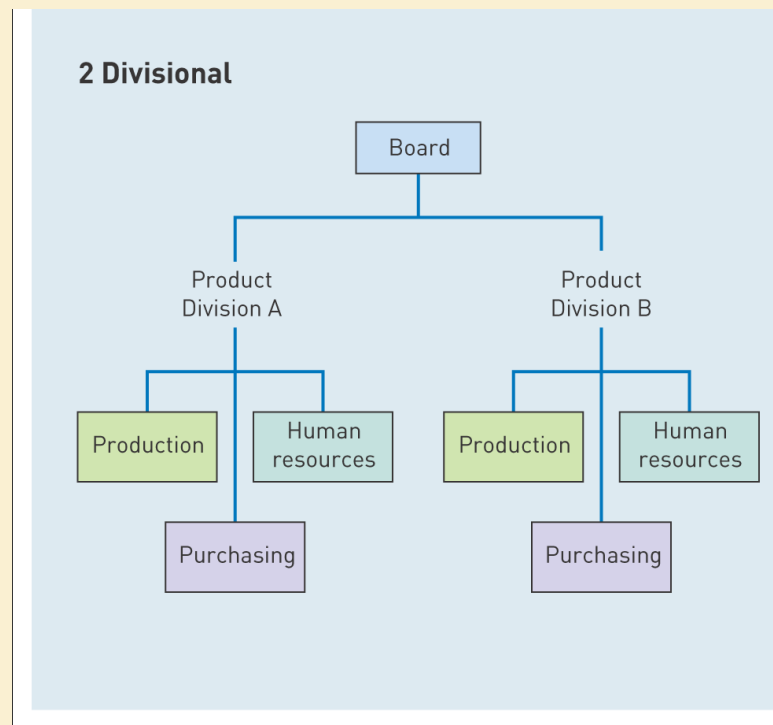


Figure 10.5 Specialization by division

Contrasting structures in nursing

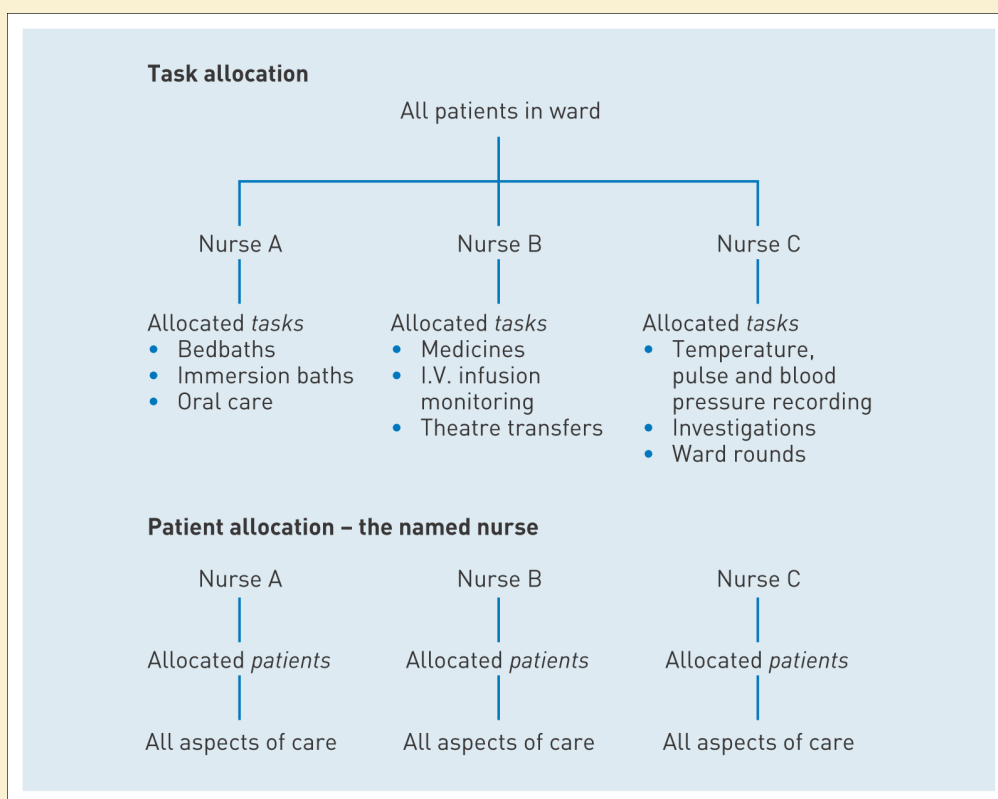


Figure 10.7 Task and named-nurse structures

4. Grouping jobs in matrices, teams and networks

4.1. Matrix structure

This structure is both a functional and divisional organization at same time.

4. Grouping jobs in matrices, teams and networks

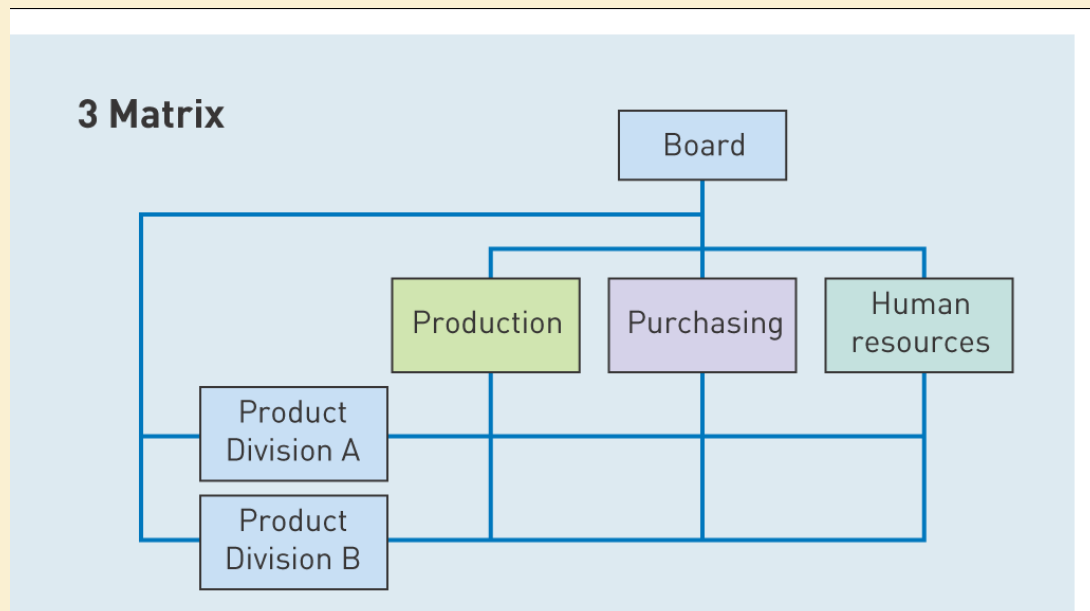


Figure 10.5 Matrix

4. Grouping jobs in matrices, teams and networks

4.2. Teams

Management delegates significant responsibilities and authority not to individual workers but to an identifiable team, which is accountable for the results.

Members work on distinct tasks and link with others.

4. Grouping jobs in matrices, teams and networks

4 Teams

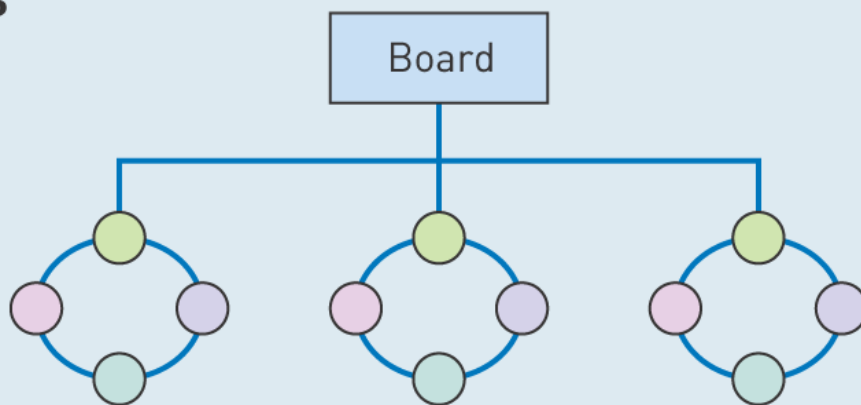


Figure 10.5 Teams

4. Grouping jobs in matrices, teams and networks

4.3. Networks structure

N e importante!

A network structure is when tasks required by one company are performed by other companies with expertise in those areas.

Organization as broker between independent units.

4. Grouping jobs in matrices, teams and networks

N e importante!

5 Network

Purchasing
agencies

Manufacturing
companies

Entrepreneur

Human
resources
agency

Distribution
companies

Figure 10.5 Networks

5. Coordinating work

There are four main ways to coordinate the activities of people different tasks:

1. Direct supervision/hierarchy

This is where a manager ensures coordination by directly supervising his/her staff to be sure they work together in line with company policy.

5. Coordinating work

2. Standardizing inputs and outputs

This involves making sure that what goes into the system, and what managers expect it produce, are standardized.

5. Coordinating work

3. Rules and procedures

This involves prepare rules and procedures to be sure that coordination is in line with the goals established.

5. Coordinating work

4. Direct personal contact

The most human form of coordination is when people talk to each other. Mintzberg (1979) found that people use this method in both the simplest and the most complex organization.

6. Mechanistic and organic structures

The purpose of structure is to encourage people to act in ways that management hopes will support its objectives.

6. Mechanistic and organic structures

1. Mechanistic structure

Some organizations have a structure that emphasizes the vertical hierarchy, by defining responsibilities clearly, taking most decisions at the center, delegating tightly defined tasks and having rigorous reporting requirements.

6. Mechanistic and organic structures

The mechanistic structure enables those at the center to know what is happening, and ensuring that staff apply policies consistently.

6. Mechanistic and organic structures

This enables the managers to present a uniform image, to ensure that customers receive consistent treatment and the best practices are shared.

Communication is mainly vertical, as the center passes down instructions and staff send messages to those above them.

6. Mechanistic and organic structures

The purpose of structure is to encourage people to act in ways that management hopes will support its objectives.

6. Mechanistic and organic structures

2. Organic structure

Other organizations develop a structure with broadly defined, flexible tasks, many cross-functional teams, and a base authority on expertise rather than position.

6. Mechanistic and organic structures

Management accepts that those at the center must depend on those nearest the action to find the best solution.

6. Mechanistic and organic structures

Communication is likely to be horizontal amongst those familiar with the task. There may not be an organization chart, so fluid is the division of work.

Mechanistic and organic structures

Mechanistic	Organic
Specialised tasks	Contribute experience to common tasks
Hierarchical structure of control	Network structure of contacts
Knowledge located at top of hierarchy	Knowledge widely spread
Vertical communication	Horizontal communication
Loyalty and obedience stressed	Commitment to goals more important

Table 10.3 Characteristics of mechanistic and organic systems

Source: Based on Burns and Stalker (1961)