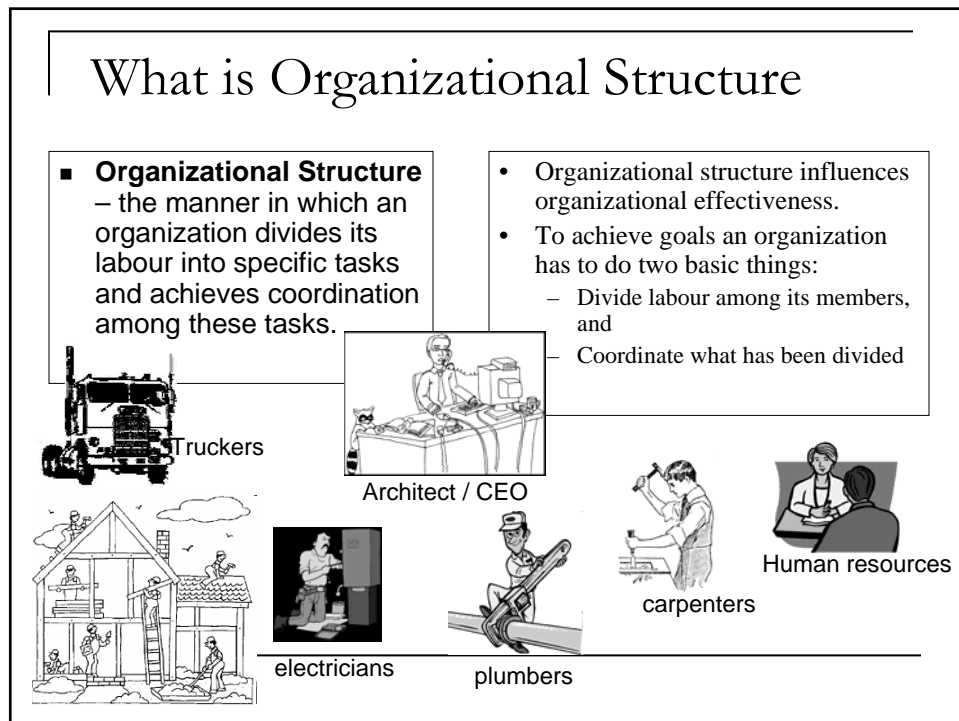
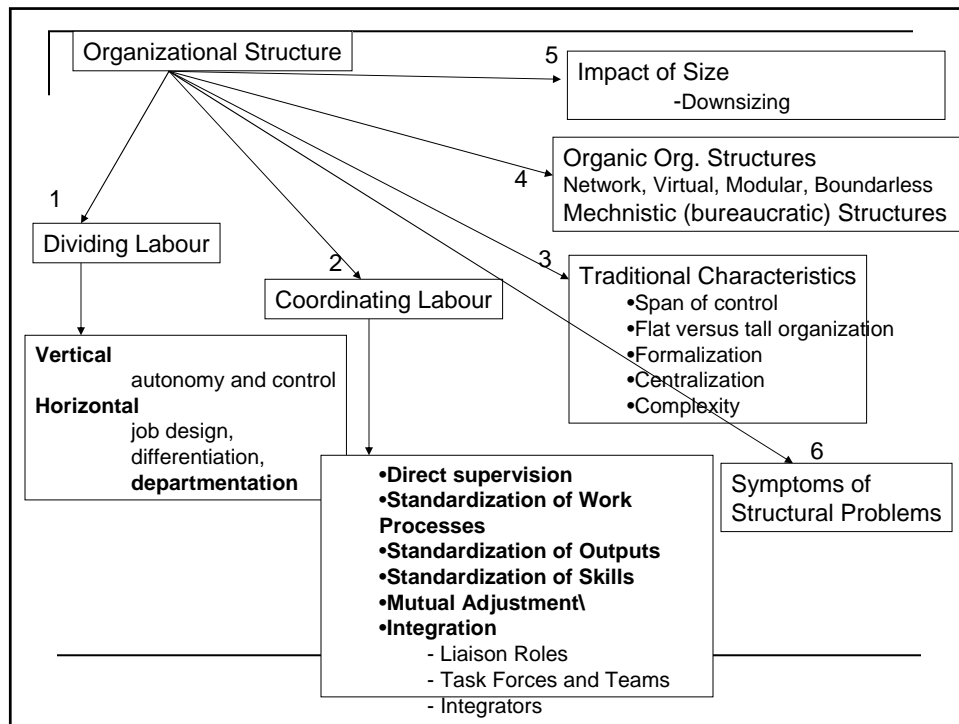


## Chapter 14

# Organizational Structure

## Agenda

- Submission of cases #5 & #6
- Submission of all chapter summaries
- Complete chapter 14
  - Will post chapters 11 & 14 over the weekend

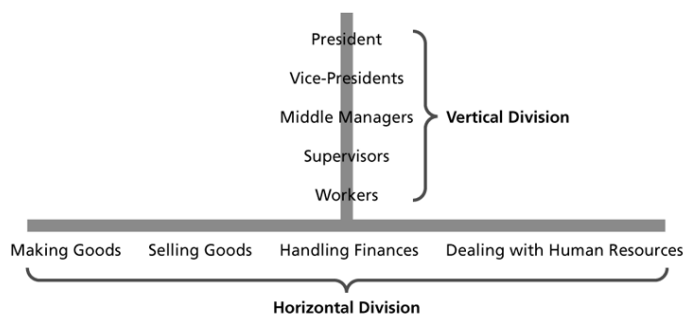


## The Division and Coordination of Labour

- Labour has to be divided because individuals have physical and intellectual limitations. Everyone cannot do everything.
- There are two basic dimensions to the division of labour:
  - Vertical dimension,
  - Horizontal dimension

- **Vertical Division of Labour** – concerned primarily with apportioning authority for planning and decision making, who gets to tell whom what to do.
- Organizations vary in the extent to which labour is divided vertically.
  - Canadian Army, 18 levels- generals to privates; Wal-Mart, 5 levels - CEO to store managers.
- How many levels does the academic hierarchy of a University have?

## Division of Labour



**EXHIBIT 14.1**  
The dimensions of division of labour in a manufacturing firm.

- Can you describe how work was divided in the Co. you worked for?

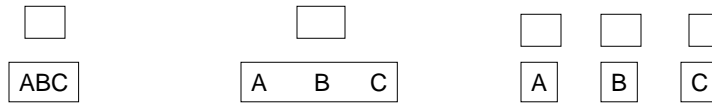
## Vertical Division of Labour

- Two themes underlie the vertical division of labour:
  - Autonomy and Control, &
  - Communication or Coordination
- Autonomy and Control – domain of decision making and authority is reduced as the number of levels in the hierarchy increases.
- A flatter hierarchy pushes authority lower and involves people further down the hierarchy in more decisions.
- Communication or Coordination – as labour is divided vertically, timely coordination and communication can become harder to achieve.
- As the hierarchy increases filtering can become a problem.
- The proper degree of such division will vary across organizations and across their functional units.

## Horizontal Division of Labour

- HDL- divides basic tasks into jobs and then into departments.
- Work flow is the main basis for this division; e.g., Manufacturing: produce, sell, finance, take care of employees.
- Organizations differ in the extent to which they divide labour horizontally.
- **Owner-Manager** can be jack of all trades but must divide as the business grows; **e.g., the owner of a driving school that did everything.**
- Two themes underlie the horizontal division of labour:
  - Job design, and
  - Differentiation
- **JOB DESIGN** – horizontal division of labour has important implications in job design; for example:
  - Form ABC Department in which all workers do ABC work.
  - Form ABC Department in which workers specialize in A work, B work or C work.
  - Form a separate A Dept., B Dept., and C Dept.

## Job Design...



- First provides enriched jobs but becomes impossible if the jobs require complex specialties, e.g., engineering, accounting and legal skills.
- It reduces supervision and allows self-managed jobs.
- The Second provides increased division of labour and specialization.
- Coordination becomes important and requires supervision.
- The Third offers greatest horizontal division with work actually performed in separate departments.
- It will require a level above the departmental level to coordinate activities
- **HORIZONTAL DIVISION OF LABOUR**
  - Strongly affects job design
  - Has profound implications for the degree of coordination required
  - Has implications for the vertical division of labour.

## Horizontal Division of Labour...

- As organizations engage in increased horizontal division of labour, they usually become more and more differentiated.
- **Differentiation** – the tendency for managers in separate units, functions, or departments to differ in terms of goals, time spans, and interpersonal styles.
- In tending to their own domains and problems, managers often develop distinctly different psychological orientations toward the organizations and its products and services.
- Under high differentiation, various organizational units tend to operate autonomously.
- Differentiation is natural and necessary consequence of horizontal division of labour but it again points to the need of coordination.

## Departmentation

- How are jobs grouped so that they can be managed effectively?
- Departmentation – the assignment of jobs to departments so they can be managed effectively.
- It represents one of the core aspects of horizontal division of labour.
- There are several methods of departmentation, each of which has its strengths and weaknesses.

## Functional Departmentation

- FD - Employees with closely related skills and functional responsibilities are assigned to the same department.
- Employees are grouped according to the type of resources they contribute to achieving the objectives of the organization.
- **Pros**
  - Efficiency
  - Communication is enhanced – everybody speaks the same language

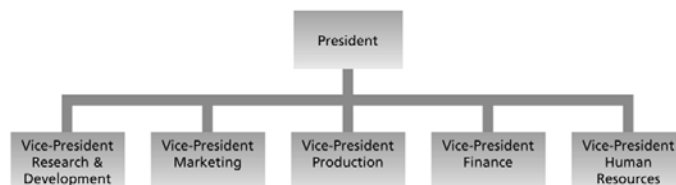


EXHIBIT 14.2  
Functional  
departmentation.

## Functional Departmentation

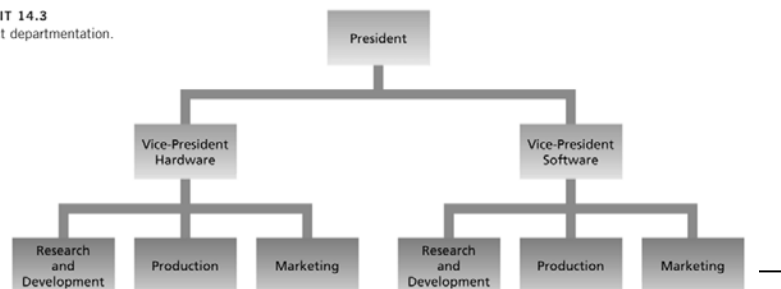
### ■ Cons

- Can lead to high degree of differentiation
- Can lead to poor coordination and slow responses
- Empires might be built at the expense of pursuing organizational goals.
- Works best in small to medium sized organizations.
- Effective means of organizing the smaller divisions of large corporations.
- When the scale gets bigger and output more complex, most firms use product departmentation.

## Product Departmentation

- Departments are formed on the basis of a particular product, product line, or service.
- Each of these departments can operate fairly autonomously because of its own set of functional specialties; e.g., personal care department with a shampoo and cosmetics division.

EXHIBIT 14.3  
Product departmentation.



## Product Departmentation

### ■ Pros

- ❑ Better coordination among functional specialties.
- ❑ Can be evaluated as profit centres.
- ❑ Flexibility since product lines can be added or deleted.
- ❑ Provides better service or product for clients.

### ■ Cons

- ❑ Professional development might suffer
- ❑ Economies of scale might be threatened
- ❑ Departments might work at cross-purposes.

## Matrix Departmentation

- MD - it is an attempt to capitalize simultaneously on the strengths of both functional and product departmentation.
- Employees remain members of a functional department while also reporting to a product or project manager; e.g., in a chemical industry a marketing specialist might matrix with the household cleaning products group.

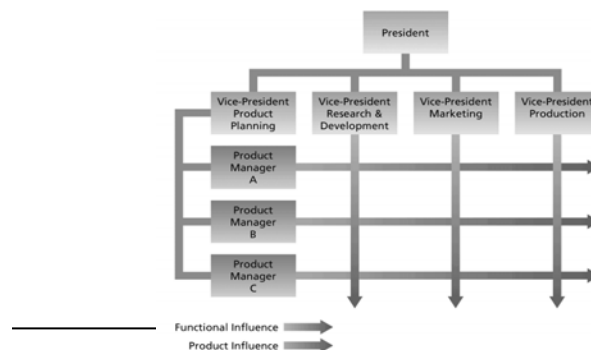


EXHIBIT 14.4  
Matrix departmentation.

## Matrix Departmentation

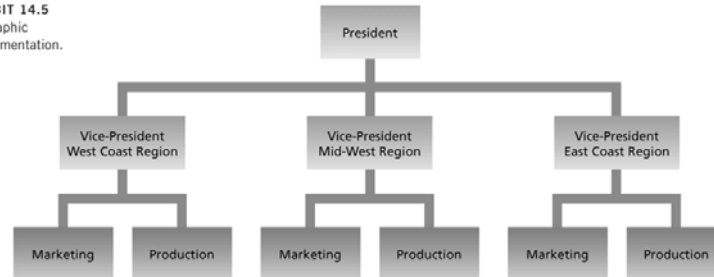
- Besides products matrix could be based on geographic regions and projects. This would be a stable arrangement.
- Matrix could also be based on shorter-term projects.
- Matrix is very flexible, people can be moved around and projects, products, etc., added or removed without total restructuring.
- Being focused on a particular project or product can also foster better communication.

## Matrix Departmentation...

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>■ Two interrelated problems threaten matrix structure:<ul style="list-style-type: none"><li>□ There is no guarantee that project or product managers will see eye-to-eye with various functional managers.</li><li>□ Violating the classical principle of unity of command. It can result in role conflict and stress.</li></ul></li><li>■ Matrix managers need to be trained in people skills.</li></ul> | <ul style="list-style-type: none"><li>■ Other Forms of Departmentation<ul style="list-style-type: none"><li>□ Geographic – relatively self contained units deliver an organization's products or services in a specific geographic territory.</li><li>□ Customer – relatively self contained units deliver an organizations projects or services to specific customer groups.</li><li>□ Hybrid – a structure based on some mixture of functional, product, geographic or customer departmentation.</li></ul></li></ul> |
|---|--|

## Geographic Departmentation

EXHIBIT 14.5  
Geographic  
departmentation.



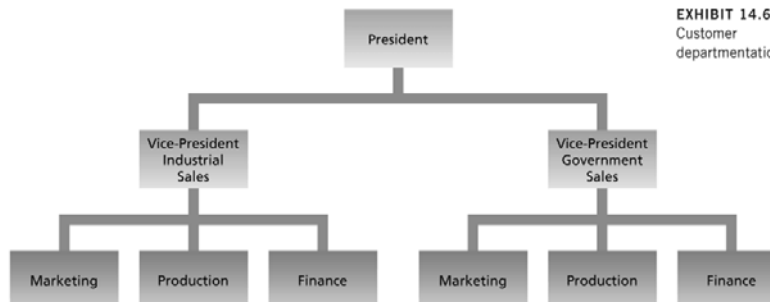
- Advantages:

- Shortens communication channels.
- Caters to regional tastes.
- Some local control to clients and customers.

- Disadvantages parallel those for production departmentation.

## Customer Departmentation

EXHIBIT 14.6  
Customer  
departmentation.



- Advantages:

- Better service to customers through specialization.

- Disadvantages parallel those for production departmentation.

## Hybrid Departmentation

- Hybrids attempt to capitalize on the strengths of various structures while avoiding the weaknesses of others.

## Basic Methods of Coordinating Divided Labour

- Coordination – a process of facilitating timing, communication, and feedback among work tasks.
- Five methods of coordination:
  - Direct supervision -
  - Standardization of Work Processes
  - Standardization of Outputs
  - Standardization of Skills
  - Mutual Adjustment

## Coordinating Divided Labour...

- **Direct Supervision:** working through the chain of command, designated supervisors or managers coordinate the work of their subordinates.
- For example the **production supervisor** coordinates the work of her **supervisors** and the **production superintendent** coordinates the activities of all supervisors.
- **Standardization of Work Processes:** some jobs are so routine that the technology itself provides a means of coordination. The processes can also be standardized by rules and regulation; e.g., McDonald's stringent routine for constructing a burger; TimHortons, Quoznos,...

## Coordinating Divided Labour...

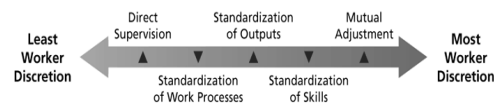
- **Standardization of Outputs**  
– even when direct supervision is minimal and work processes are not standardized coordination can be obtained through the standardization of work outputs. Concern shifts from how the work is done to ensuring that the work meets certain physical or economic standards. E.g., construct specific complex valves; establish a profit target for a geographical area.
- **Standardization of Skills**  
– even when work processes, output cannot be standardized and direct supervision is unfeasible, coordination can be achieved through standardization of skills. E.g., surgeons, anesthesiologists, and nurses all know what to expect from each other because of their standard training.

## Coordinating Divided Labour...

- **Mutual Adjustment** – relies on informal communication to coordinate tasks. Paradoxically, it is useful to coordinate the most simple and the most complicated divisions of labour.
- E.g., a small florist shop that consists of the owner-operator, a shop assistant, and a delivery person. On the other hand, a top executive team composed of finance, marketing, production, all with different skills and backgrounds.
- **Methods of Coordination as a Continuum:** the methods can be ordered in terms of the degree of discretion they permit in terms of task performance, from least discretion to most discretion.
- Just as division of labour affects the design of jobs, so does the method of coordination employed. As we move from left to right of the continuum, there is great potential for jobs to be designed in an enriched manner.

EXHIBIT 14.7  
Methods of coordination  
as a continuum of worker  
discretion.

Source: From Mintzberg, H. (1979).  
*The structuring of organizations: A  
synthesis of research*. Englewood  
Cliffs, NJ: Prentice-Hall, p. 198. ©  
1979. Reprinted by permission of  
Prentice-Hall, Inc., Englewood Cliffs,  
NJ.



## Coordinating Divided Labour...

- The use of various methods tends to vary across different parts of the organization.
  - E.g., upper management relies heavily on mutual adjustment whereas routine tasks at the lower level tend to see coordination via direct supervision or standardization of processes or outputs.
- Methods of coordination may change as task demands change.
  - For example - strict military chain of command supervision might change to mutual adjustment during combat. The trend towards self-managed teams downplays supervision and focuses on mutual adjustment.

## Other Methods of Coordination

- These methods are especially true for highly differentiated departments and lead to integration of activities.
  - **Integration** – the process of attaining coordination across differentiated departments.
  - Good integration achieves coordination without reducing the differences that enable the departments to do their own jobs well.
- Three methods of achieving integration include:
    - Liaison Roles
    - Task Forces and Teams
    - Integrators
  - **Liaison Roles** - a person who is assigned to help achieve coordination between his or her department and another department; e.g., a reference librarian who liaises with academic units.

## Other Methods of Coordination...

- When coordination problems arise that involve several departments simultaneously, liaison roles are not very effective.
  - **Task Forces and Teams** – temporary groups set up to solve coordination problems across several departments.
  - Representatives from each department are included on a full-time or part-time basis and disbanded when integration is achieved.
- **Integrators** – organizational members that are permanently assigned to facilitate coordination between departments.
  - Especially useful:
    - To integrate highly interdependent departments
    - Which have diverse goals and orientations
    - In a very ambiguous environment.

## Traditional Structural Characteristics

- There are a number of traditional characteristics that summarize the structure of organizations:
  - Span of control
  - Flat versus tall organization
  - Formalization
  - Centralization
  - Complexity

## Span of Control

- **SoC** - The number of subordinates supervised by a manager.
- The larger the span, the less the potential to coordinate by direct supervision.
- Spans at the upper levels of an organization tend to be smaller.
- At lower levels, workers with one or two specialties report to a supervisor.
- At higher levels, workers with radically different specialties (finance, production, etc.) might report to the boss.

## Flat and Tall Organizations

- **Flat organization** – an organization with a relatively few levels in its hierarchy of authority.
- **Tall organization** – an organization with a relatively many levels in its hierarchy of authority.
- Holding size constant, flatness versus tallness is an index of the vertical division of labour.
- Holding size constant, flatness and tallness are associated with the average span of control.

## Formalization

- Formalization - the extent to which work roles are highly defined in an organization.
- Some formalization stems from the nature of the job; e.g., assembly line.
- Formalization might also stem out from rules and procedures. Detailed job descriptions, procedure manuals, etc. For example, Tim Hortons strict standards dictate how customers are greeted, how sandwich are prepared and how employees are dressed...
- Very complex and risky tasks dictate high degree of formalization.

## Centralization

- **Centralization** – the extent to which decision-making power is localized in a particular part of an organization.
- In most centralized organizations the power for all key decisions rests with a single individual, e.g., the president.
- In more decentralized organizations decision-making power is dispersed down the hierarchy of the organization.
- Information processing capacity might limit centralization but many organizations decentralize to run their operations efficiently.
- The proper degree of centralization should put decision-making where the best knowledge is located.

## Complexity

- **Complexity** – the extent to which an organization divides labour vertically, horizontally, and geographically.
- A very complex organization will be tall, will have a large number of job titles and departments, and might be spread around the world.
- The essential characteristic of complexity is variety – more kinds of people performing more kinds of tasks.

## Organic versus Mechanistic Organizational Structures

- **Mechanistic Structure** – organizational structure characterized by tallness, specialization, centralization, and formalization.
- The classical theories of management tended to favour mechanistic structures.
- The organization is structured as a mechanical device, each part serving a separate function, each part closely coordinated with the others.
- Generally, functional structures tend to be mechanistic.

## Organic Structures

- **Organic Structures** – organizational structures characterized by flatness, low specialization, low formalization, and decentralization.
- They favour wider spans of control, fewer authority levels, less specialization, less formalization, and decentralization.
- Flexibility and informal communication are favoured over rigidity and the strict chain of command.
- Organic structures are in line with the dictates of the Human Relations movement.
- Generally, the matrix form is organic.

## Organic versus Mechanistic Structures...

- Mechanistic and organic represent theoretical extremes.
- There is no one best way to organize.
- MS work better in stable environments and the technology is more routine.
- OS work better when the environment is uncertain, the technology is less routine and innovation is important.
- Many organizations do not have a single structure and that structure changes over time.

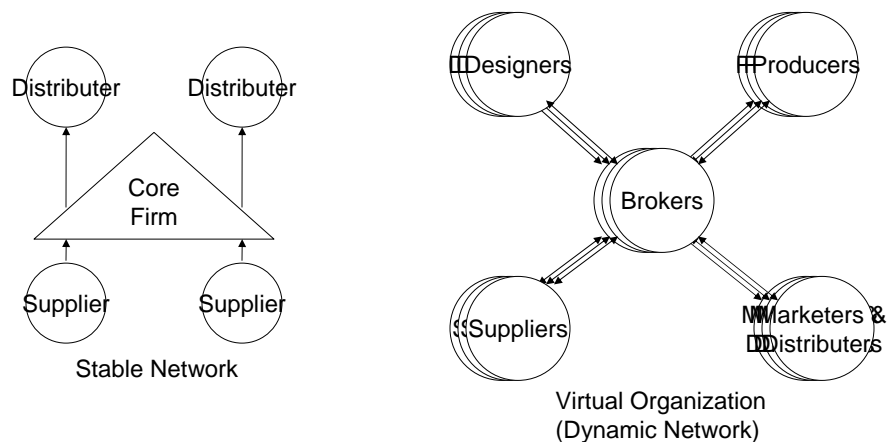
## Contemporary Organic Structures

- Global competition and deregulation, and advances in technology and communications have motivated organic structures.
- The removal of bureaucracy and decentralization of decision-making has resulted in more adaptable organizations.

## Network versus Virtual Organizations

- Network Organization – liaisons between specialist organizations that rely strongly on market mechanisms for coordination.
- Stable Networks – core firms that are departmentalized by function, product, etc. contract out some functions to favoured partners so that they can focus on the things that they do best.

## Network and Virtual Organizations...



## Network and Virtual Organizations

- Virtual Organization – a network of continually evolving independent organizations that share skills, costs, and access to one another's markets.
- For example, construction company that acts as a broker coordinating the work truckers, architects, carpenters, brick layers, plumbers, etc.

## Modular Organization

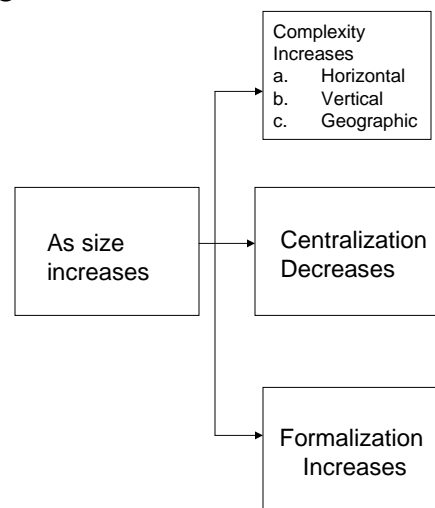
- MO – an organization that performs a few core functions and outsources noncore activities to specialists and suppliers.
- For example, construction company that maintains core activities such as architects.

## The Boundaryless Organization

- BO – an organization that removes vertical, horizontal, and external barriers so that employees, managers, customers, and suppliers can work together, share ideas, and identify the best ideas for the organization.
- A Boundaryless organization is made up of self-managing and cross-functional teams that are organized around core business processes, such as new product development and or materials handling.
- Teams comprise individuals from different functional areas within the organization, as well as customers and suppliers.
- BOs achieve greater integration and coordination within the organization and with external stakeholders.
- Difficult to get rid of political boundaries, can be time consuming to manage the democratic process among stakeholders,...

## The Impact of Size

- How does organizational size (No. of employees) affect the structure of the organization?
  - Size affects span of control and hierarchical levels of an organization.
  - Size is also associated with complexity, complexity means coordination problems
  - Large organizations become more formal than small ones – they employ rules, regulations and standard procedures to maintain control.



## Downsizing

- Downsizing - the intentional reduction in work force size with the goal of improving organizational efficiency or effectiveness.
- Downsizing is often accompanied by reducing horizontal or vertical complexity.
- Vertically, management levels can be removed to make organizations flatter.
- Horizontally, jobs can be merged or eliminated.

## Symptoms of Structural Problems

- Bad job design – tall and narrow structures reduce autonomy, large spans of control result in overload of work.
- The right hand does not know what the left is doing – duplication of work or working at cross-purposes, e.g., one division laying off while another division hiring.
- Persistent conflict between departments – wrongly attributed to personality clashes. Lack of integration, clear authority and responsibility relationships.
- Slow response times – too much centralization may be a problem.
- A proliferation of committees – committees and task forces are usually formed for integration purposes, if there is proliferation it may be a sign of that the basic structure is being patched up.

The End

Have a nice day!