

Organisational structure and design

Overview



- ◆ Types of structures
- ◆ Contingencies of organisational design
 - Organisational technology
 - Organisational environment
- ◆ Organisational structure preferences

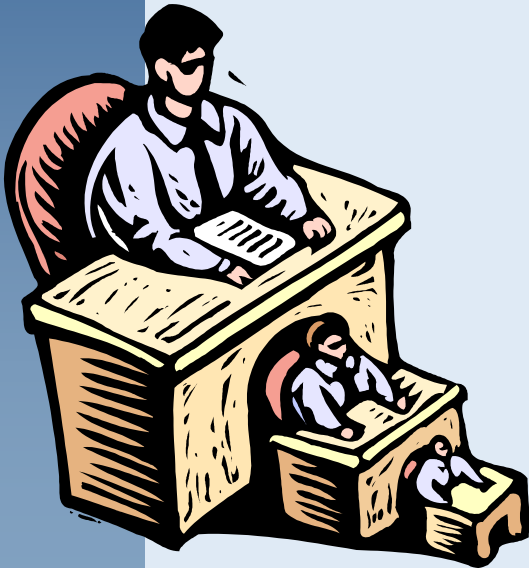
Chapter learning objectives

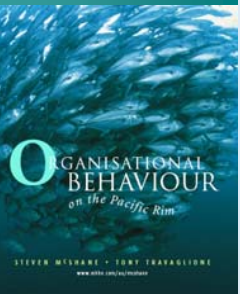
1. Describe the two fundamental requirements of organisational structures.
2. Summarise the three main forms of coordination.
3. Explain why companies can have a wider span of control than previously believed.
4. Discuss the advantages and disadvantages of centralisation and formalisation.
5. Contrast functional structures and divisional structures.
6. Outline the features and advantages of the matrix structure.
7. Describe four features of team-based organisational structures.
8. Describe the network structure.
9. Summarise the contingencies of organisational design.
10. Explain how organisational strategy relates to organisational structure.

Defining organisational structure

Organisational structure refers to the way tasks are divided up, how the work flows, how this flow is coordinated and the forces and mechanisms that allow this coordination to occur.

The **organisational chart** cannot fully capture the organisational structure but gives us a place to begin when studying it.





Two fundamental requirements of an organisational structure

1. **Division of labour** into distinct tasks. Note that this leads to specialisation.
2. **Coordination** of that labour so workers are able to work in concert to accomplish the organisation's goal-s. Coordination occurs through:
 - a. Informal communication
 - b. Formal hierarchy
 - c. Standardisation

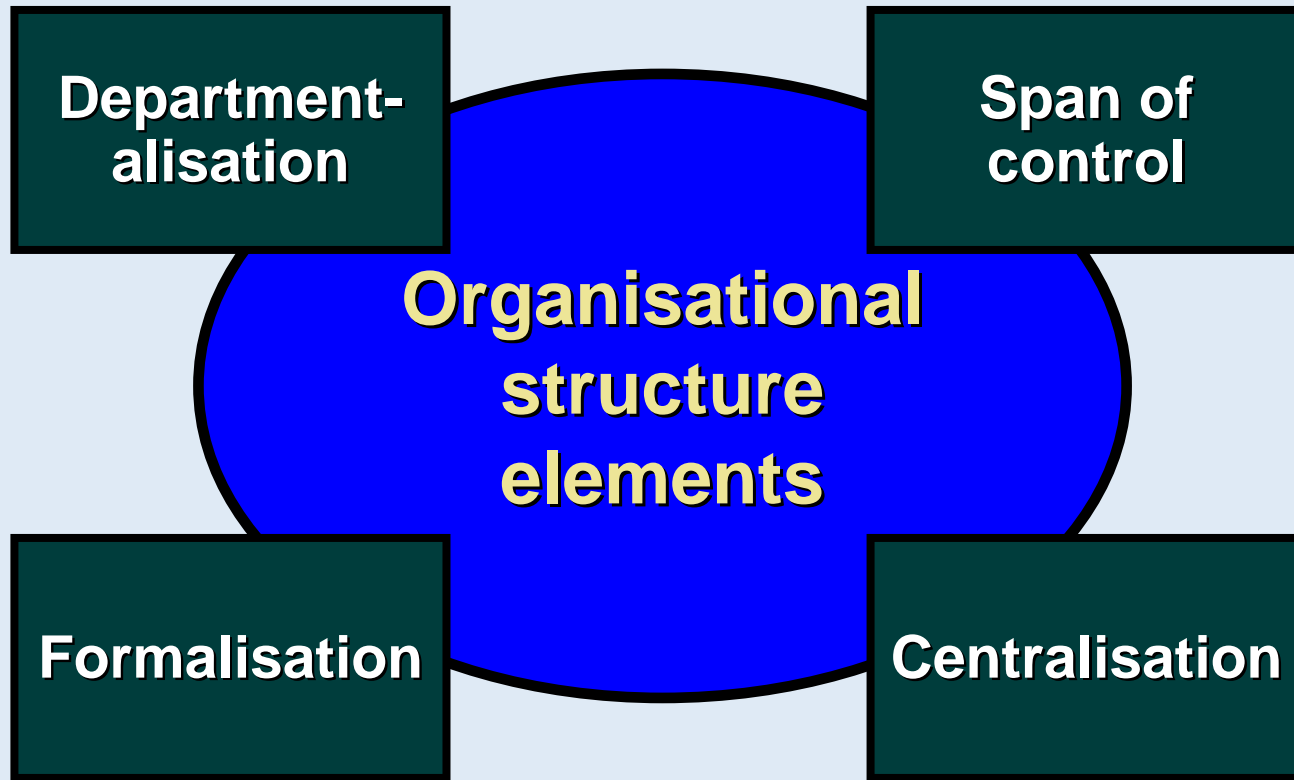
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Forms of work coordination

- ◆ Informal communication
 - sharing information
 - high media-richness
 - important in teams
- ◆ Formal hierarchy
 - direct supervision
 - common in larger firms
 - problems – costly, slow, less popular with young staff
- ◆ Standardisation
 - formal instructions
 - clear goals/outputs
 - training/skills



Elements of organisational structure



Key concepts quiz - Find the definition

1. Span of control
 2. Centralisation
 3. Formalisation
 4. Departmentalisation
 5. Standardisation
- A. The degree to which formal decision authority is held by a small group of people.
 - B. The number of people directly reporting to the next level in the hierarchy
 - C. The grouping of people and tasks into units
 - D. The specification of behaviour using rules, policy, procedures, and training.

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Tribal structure of Flight Centre

Flight Centre has a unique 'tribal' organisational structure that facilitates easy replication and fuels organic growth. The Brisbane-based travel agency is organised into families, villages and tribal countries.



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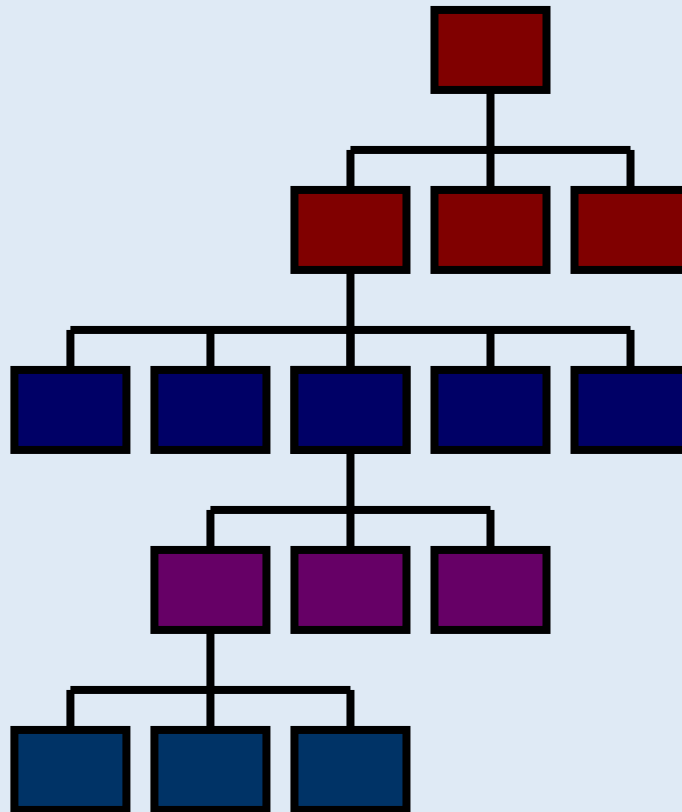
Division of labour

- ◆ Subdivision of work into separate jobs assigned to different people
- ◆ Potentially increases work efficiency
- ◆ Necessary as company grows and work becomes more complex



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Span of control



- ◆ Number of people directly reporting to the next level
- ◆ Assumes coordination through direct supervision
- ◆ Wider span of control possible when
 - used with other coordinating methods
 - subordinates' tasks are similar
 - tasks are routine
- ◆ Flatter structures require wider span (if same number of people in the firm)

The decentralisation of Coca-Cola

Coca-Cola decentralised its organisational structure by cutting half of the staff at its Atlanta headquarters and moving the regional chieftains closer to their local markets. In India, decision making has been moved further down to different areas of that diverse country.



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Forces for (de)centralisation

Centralisation

- Organizational crises
- Management desire for control
- Increase consistency, reduce costs

- Complexity – size, diversity
- Desire for empowerment

Decentralisation

Mechanistic vs organic structures

(Stalker and Burns)

Mechanistic

- High formalisation
- Narrow span of control
- High centralisation
- Hard to change

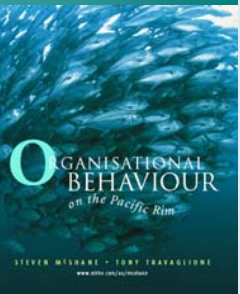
Organic

- Low formalisation
- Wide span of control
- Low centralisation
- Easier to change

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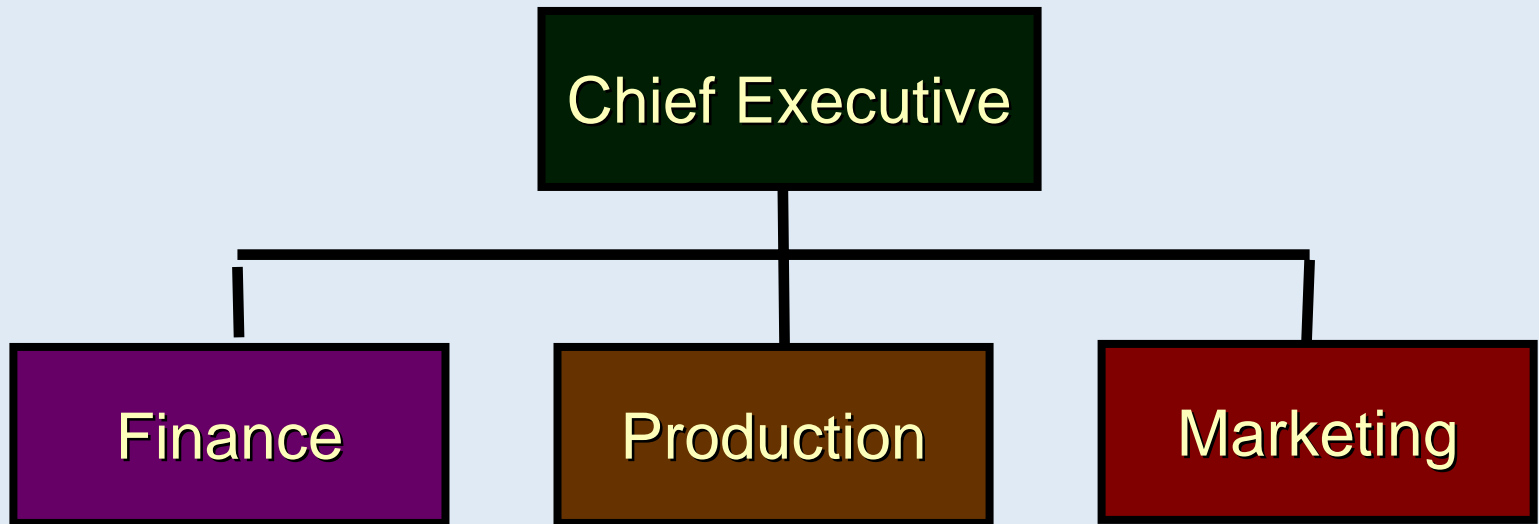
Effects of departmentalisation

- ◆ Establishes work teams and supervision structure
- ◆ Creates common resources, measures of performance, etc
- ◆ Encourages informal communication among people and subunits



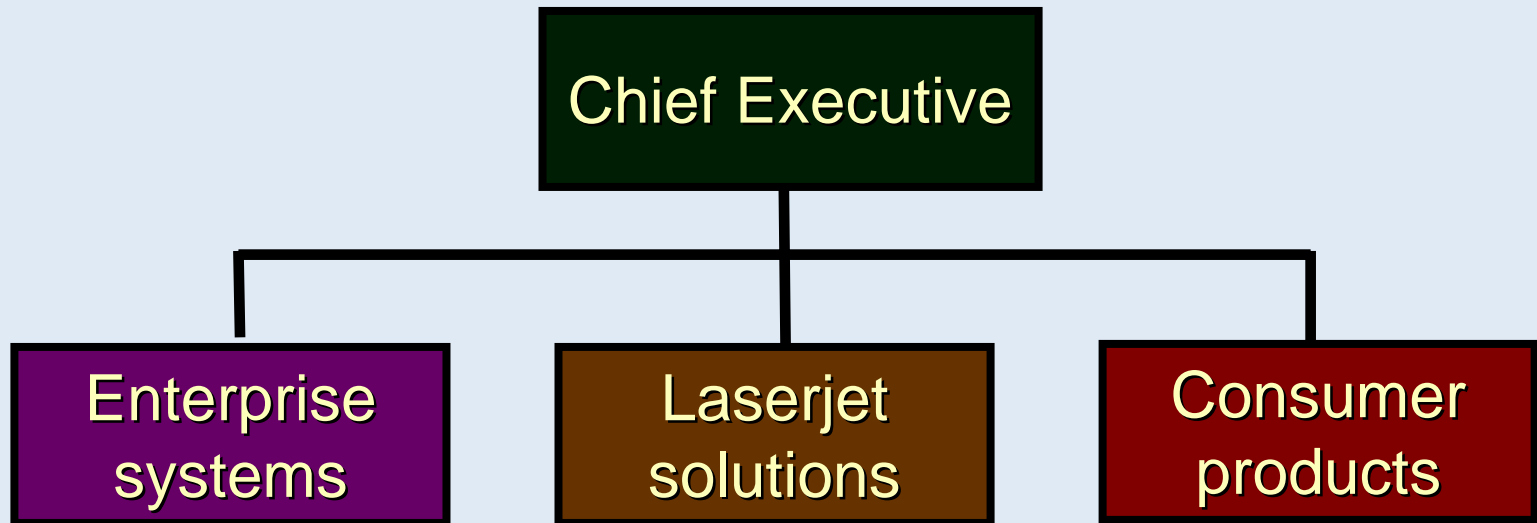
Functional organisational structure

Organises employees around skills or other resources (marketing, production)



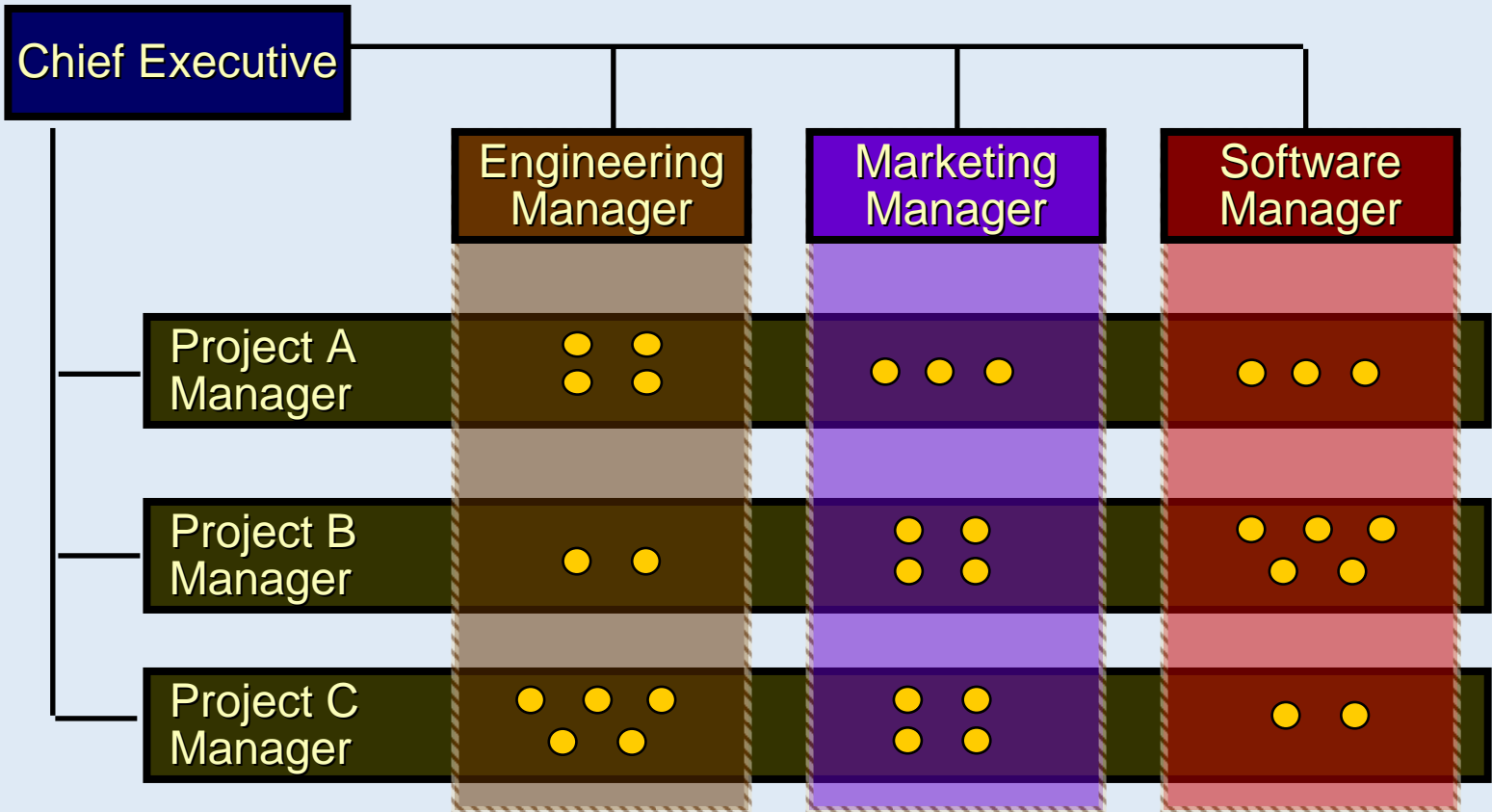
Divisionalised structure

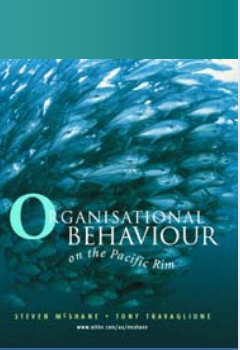
Organises employees around geographic areas, products or clients



Project-based matrix structure

Employees are temporarily assigned to a specific project team and have a permanent functional unit

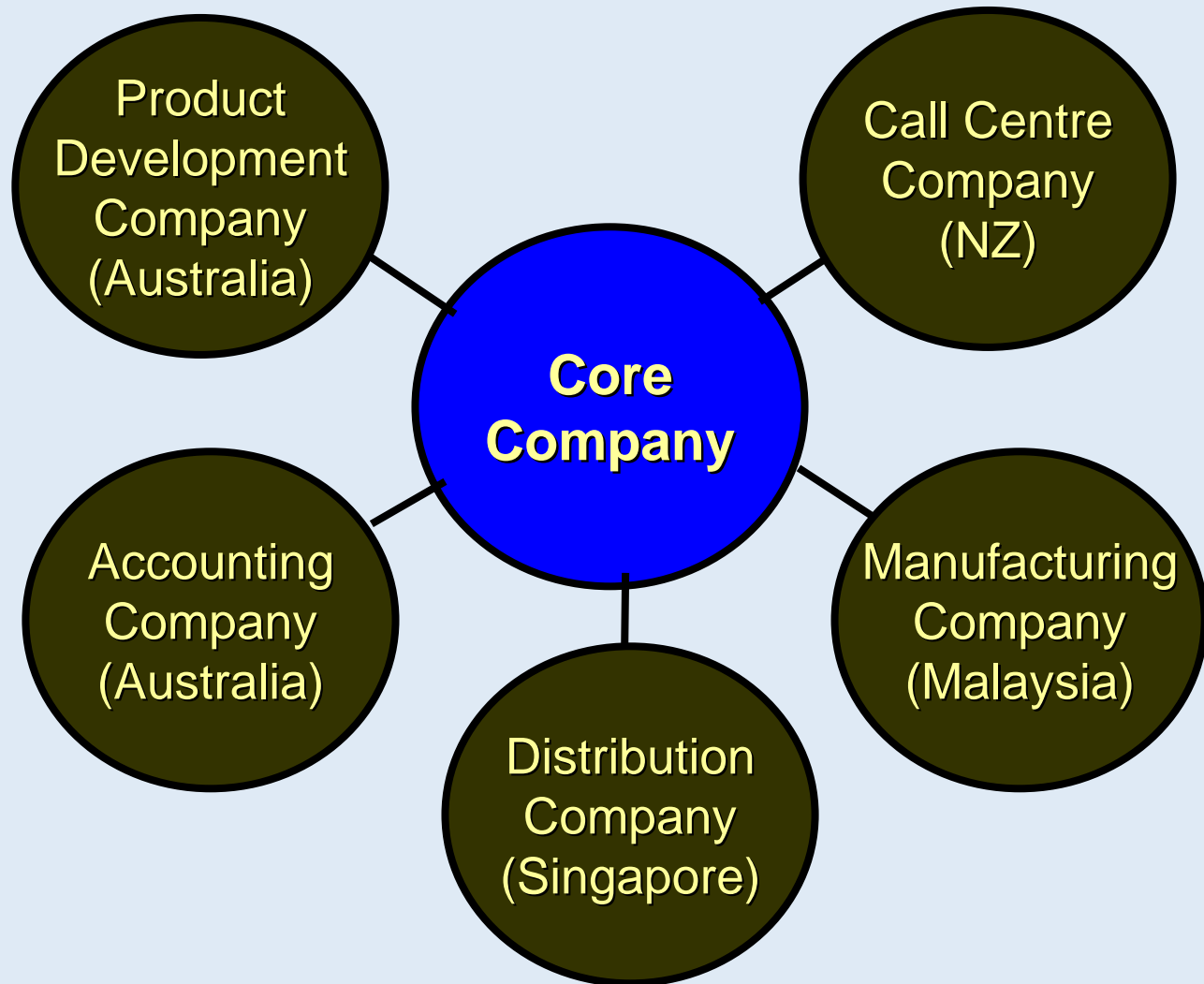




Features of team-based structures

- ◆ Self-directed work teams
- ◆ Teams organised around work processes
- ◆ Very flat span of control
- ◆ Very little formalisation
- ◆ Usually found within divisionalised structure

Network organisational structure



Contingencies of organisational design

- ◆ Organisational size
- ◆ Technology
- ◆ External environment
- ◆ **Organisational strategy** - There is mounting evidence that, while the 3 contingencies (above) influence optimal structure organisational, **strategy** has primacy because it has a mediational role. *Structure follows strategy* (Chandler).

Technological contingencies

Variety

- ◆ Refers to the amount of exceptions to standard procedure that can occur when doing a job.

Analysability

- ◆ Refers to the extent that the process of converting inputs to outputs can be reduced to a defined set of standardised steps.

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Types of organisational technology

**High
analysability**

**Assembly
line**

**Engineering
projects**

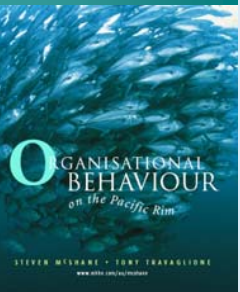
**Low
analysability**

**Skilled
trades**

**Scientific
research**

**Low
variety**

**High
variety**



Ways of describing the external environment

- ♦ **Dynamic** - High rate of environmental change and uncertainty.
 - ♦ **Complex** - Many environmental elements to monitor.
 - ♦ **Diverse** - Great variety of products or services.
 - ♦ **Hostile** - resource scarcity and competition.
- VS**
- ♦ **Stable** - Regular cycles of activity, steady changes in supply of inputs, predictable.
 - ♦ **Simple** - Few environmental elements to monitor and consider.
 - ♦ **Integrated** - One product or service.
 - ♦ **Munificent** - Plentiful resources and limited competition.

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Org environment and structure

Dynamic

- High rate of change
- Use organic structure

Stable

- Steady conditions, predictable change
- Use mechanistic structure

Complex

- Many elements (such as stakeholders)
- Decentralise

Simple

- Few environmental elements
- Less need to decentralise

Org environment and structure (cont)

Diverse

- Variety of products, clients, locations
- Divisional form aligned with the diversity

Integrated

- Single product, client, location
- Don't need divisional form

Hostile

- Competition and resource scarcity
- Use organic structure for responsiveness

Munificent

- Plenty of resources and product demand
- Less need for organic structure



Organisational structure preferences

COMPLETE the self assessment exercise on page 528.

SCORE using scale on page 655.

QUESTION - How do you explain your preference?

Summary

- ◆ Organisational structure refers to the way tasks are divided up and the patterns of coordination, communication, power distribution and workflow associate with this.
- ◆ Four basic elements of organisational structure are span of control, centralisation, formalisation, and departmentalisation.
- ◆ The best structure is influenced by many factors including company size, technology, and environment BUT ultimately strategy not contingencies shape the structure (for better or worse).