CHAPTER 10 – ORGANIZATIONAL STRUCTURE AND DESIGN –

- **Organizing**: arranging and stucturing work to accomplish an organization goals. Purpose of organizing:
  - Divides work to be done into specific jobs and departments,
  - Assigns tasks and responsibilities associated with individual jobs,
  - Coordinates diverse organizational tasks,
  - Clusters job into units,
  - Establishes relationships among individuals, groups and departments,
  - Establishes formal lines of authority,
  - Allocates and deploys organizational resources.

- **Organizational structure**: formal arrangement of jobs within an organization which can be shown visually on organizational chart.

- **Organizational design**: a process that involves decisions about six key elements:
  - **Work specialization**: dividing work activities into separate job tasks, also known as division of labor. This helps employees to be more efficient
  - **Departmentalization**: the basis which jobs are grouped together, such as
    - Functional dept: groups according to function (engineering, accounting, manufacturing, hman resources, purchasing manager)
    - Geographical dept: groups according to geographic region (western, southern, etc)
    - Product dept: groups according to product line (mass transit, recreational, rail products sector, etc)
    - Process dept: groups jobs on the basis of product of customer flow (sewing, planning, assembling, lacquering and sanding, etc)
    - Customer dept: groups according to specific customers who have common needs (retail, wholesale, government accounts)

    Another popular model → **Cross functional teams**: work teams composed of individuals from various functional specialties and combined to make thing more efficient.

  - **Chain of command**: the line of authority extending from upper organizational levels to the lowest levels which clarifies who reports to whom. 3 other concepts of chain of command:
    - Authority: the rights inherent in a managerial position to tell people what to do and to expect them to do it.

- Responsibility: the obligation or expectation to any performed duties.
- Unity of command: the maangement principle that each person should report to only one manager.
  - o Span of control: the number of employees a manager can efficiently and effectively manage.

  - o Centralization and decentralization: the degree to which decision making is concentrated at upper levels of the organization. The more that lower-level employees provide input or actually make decisions, the more decentralization there is.

More Centralization	More Decentralization
Environment is stable	Environment is complex, uncertain
Lower-level managers are not as capable or experienced at making decisions as upper-level managers	Lower-level managers are capable and experienced at making decisions
Lower-level managers do not want a say in decisions	Lower-level managers want a voice in decisions
Decisions are relatively minor	Decisions are significant
Organization is facing a crisis or the risk of company failure	Corporate culture is open to allowing managers a say in what happens
Company is large	Company is geographically dispersed.
Effective implementation of company strategies depends on managers retaining say over what happens	Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

  - o Formalization: how standardized an organization's jobs are and the extent to which employee behaviour is guided by rules and procedures.

- 2 models of organizational design:
  - o Mechanistic organization: an organizational design that is rigid and tightly controlled.
  - o Organic organization: an organizational design that is highly adaptive and flexible

Mechanistic	Organic
High specialization	Cross-functional teams
Rigid departmentalization	Cross-hierarchical teams
Clear chain of command	Free-flow of information
Narrow span of control	Wide spans of control
Centralization	Decentralization

High formalization	Low formalization

- 4 contingency variables for designing an appropiate structure of designing an organization:
    - Strategy and structure→it should facilitate goal achievement, different goals require different structures in each organization. Mechanistic is good for tighly cost-control organization, while organic suitable for unique and meaningful goals of an organization.
    Size and structure→ size defines the structure, larger company usually centralized, and smaller company usually decentralized
    - Technology and structure→ adapted sturcture by how routine the technology transforming inputs into outputs, the more routine, usually more mechanistic it will be.
    3 distinct categories of production according to Joan Woodward:
        - Unit production: the production of items in units or small batches.
        - Mass production: large-batch manufacturing.
        - Process production: continuous-process production.
    - Environmental uncertainty and structure→ in stable and simple environment, mechanistic designs can be more effective.

- Common organizational designs contains of 2 which is:
    - Traditional designs (tend to be mechanistic). It has 3 type of structure:
        - Simple structure: an organizational design with low departmentalization, wide spans of control, centralized authority and little formalization.
        + fast, flexible, inexpensive to maintain, clear accountability
        - not appropiate as organization grows, reliance on one person is risky
        - Functional structure: an organizational design thet groups together similar or related occupational specialties.
        + cost-saving advantages from specialization, employees are grouped with similar tasks
        - lost sight of what best, functional become insulated, little understanding for other units
        - Divisional stucture: an organizational structure made up of separate, semiautonomous units or division.
        + focus on result, division managers are focused
        - duplication of activities and resources increase cost and reduces efficiency
    - Contemporary designs (tend to be organic).
        - Team structure: a structure which the entire organization is made up of work groups or teams.
        + employees are more involved and empowered, reduce barriers among functional areas

- no clear chain of command, pressure on teams to perform
  - **Matrix-project structure**: **Matrix** is a structure that assigns specialist from different functional areas to works on projects but who return to their areas when the project is completed. **Project** is a structure in which employee continuously work on rojects. As on project is completed, they move on to the next project.
    + fluid and flexible design to respond environmental changing, faster decision making
    - complexity of assigning people to projects, task and personality conflicts

Boundaryless stucture: a structure that is not defined by or limited to artificial horizontal, vertical or external boundaries, include **virtual organization** (consists of small core of full time employees and outside
  - specialists temporarily hired as needed to work on projects) and **network organization** (uses its own employees to do some work acivities and networks of outside suppliers to provide other needed product components of work processes).
    + highly flexible and responsive, utilizes talent wherever it's
found
    - lack of control, communication difficulties.