

Dimensions of Organizational Design

Structure & Design



Corporate Strategy & Plan

SIZE

TECHNOLOGY

ENVIRONMENT

Organizational Structure

Functional activity

HRM Production
Information Systems Marketing
Accounting R&D Finance
 Engineering

Organizational Structure

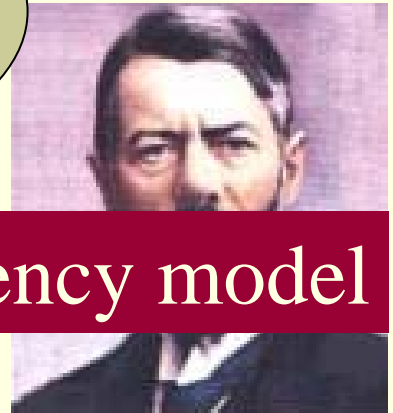
Organization Structure: the formal pattern of interactions & coordination that links the tasks of individuals/groups to achieve organizational goals



Historical Background: Max Weber

- High formalization
- High centralized
- Clear chain of command/hierarchy
- High job specialization
- Narrow span of control
- Impersonality

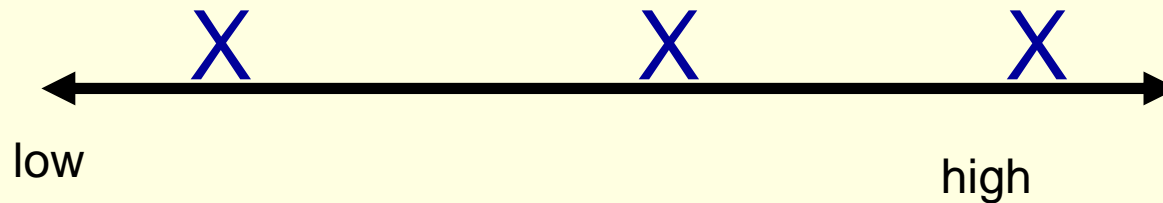
This is ideal! I shall
call it a
Bureaucracy.



universalistic model versus contingency model



Structural elements are *dimensions*

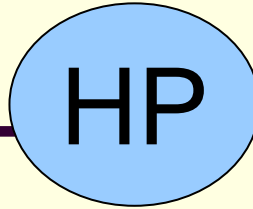


CENTRALIZATION
FORMALIZATION
JOB SPECIALIZATION
SPAN OF CONTROL

.....



decentralization



centralization

ADVANTAGES

- Promotes flexibility, responsiveness
- Quicker, more accurate decisions
- Develops subordinates

BUT.....

- Straying from org. goal
- Overall coordination challenges

ADVANTAGES

- Strong leadership at top
- Bird's eye view of org.
- Less duplication of effort
- Keep org focused on overall org. goal

BUT.....

- Hierarchical overload
- Slower/poorer decision making
- Subordinates don't develop



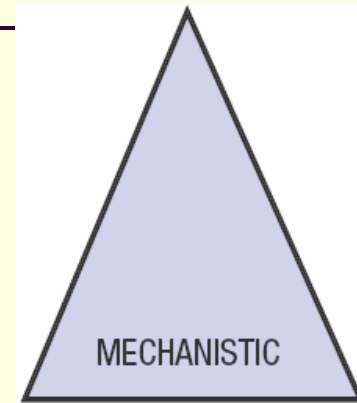
Mechanistic versus Organic Organizations



- Collaboration (both vertical and horizontal)
- Adaptable duties
- Few rules
- Informal communication
- Decentralized decision authority
- Flatter structures

SUITABLE FOR:

Differentiation Strategy
Environmental Volatility



- Rigid hierarchical relationships
- Fixed duties
- Many rules
- Formalized communication channels
- Centralized decision authority

SUITABLE FOR:

Cost Leadership Strategy
Environmental Stability



How will we group our jobs/people together?

- The question of departmentalization

 - Group by:

 - **Function**

 - **“Product”/Divisional**

 - **product**

 - **geographic**

 - **customer/client**

 - **Process**



Our choice of grouping is very important

- It focuses worker attention on a particular area
- It determines “**in group**” and “**out group**”



3 Standard Organizational Structures

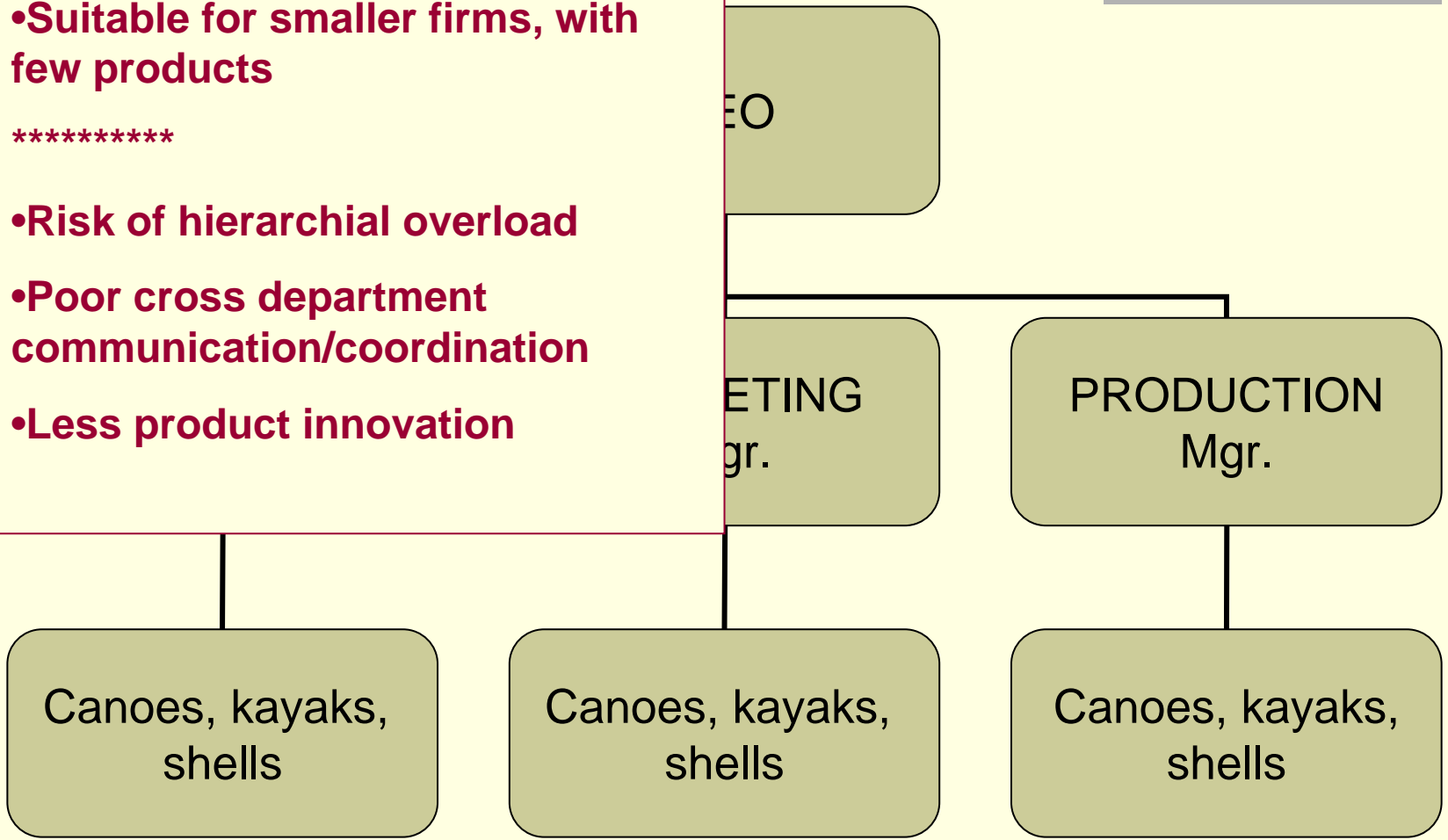
- Functional
- Divisional
- Matrix

CLASS VI RAPIDS



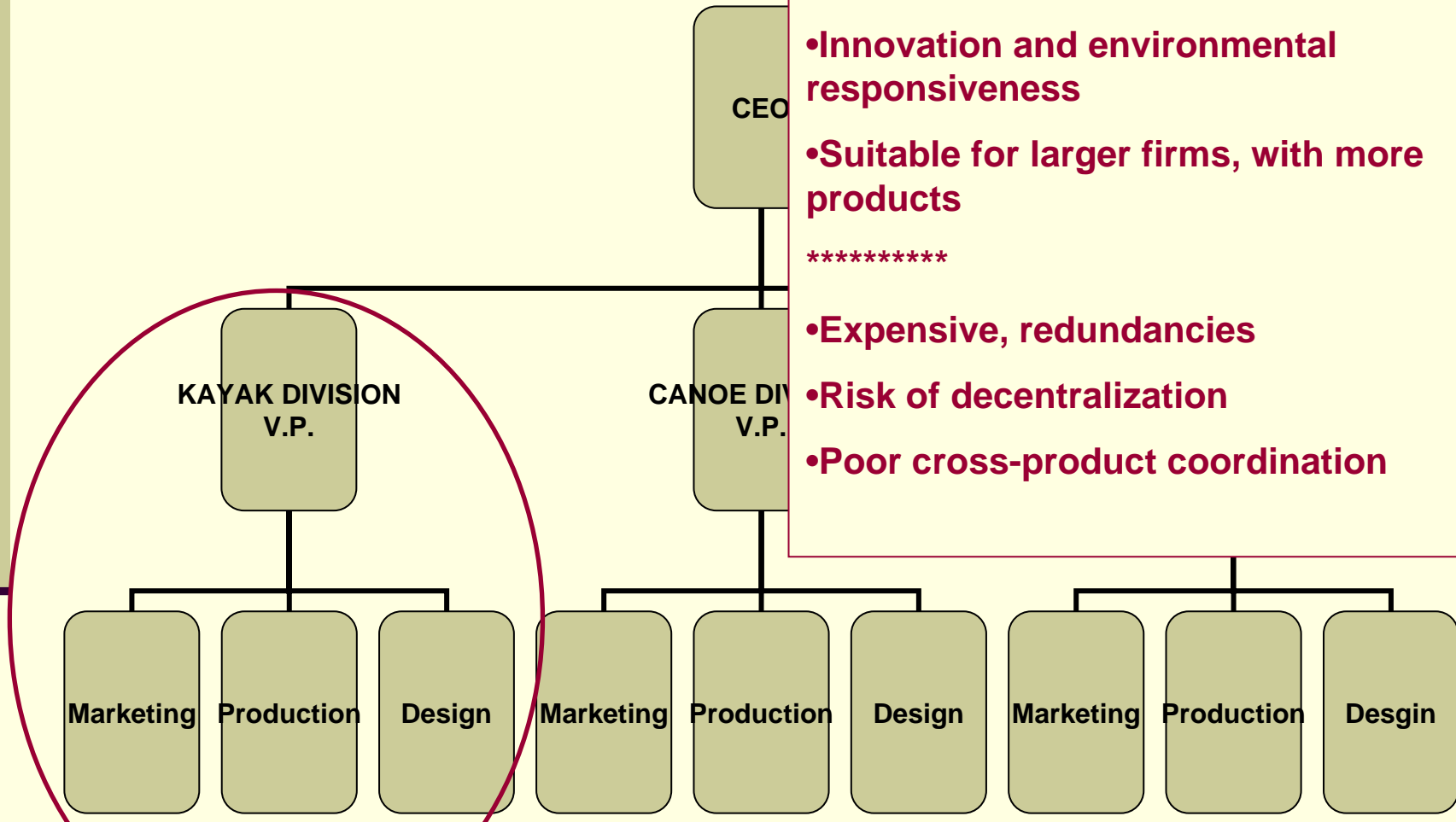
VI Rapids Company

- Strong functional goal focus
- Functional expertise and economies of scale
- Suitable for smaller firms, with few products
- *****
- Risk of hierarchial overload
- Poor cross department communication/coordination
- Less product innovation

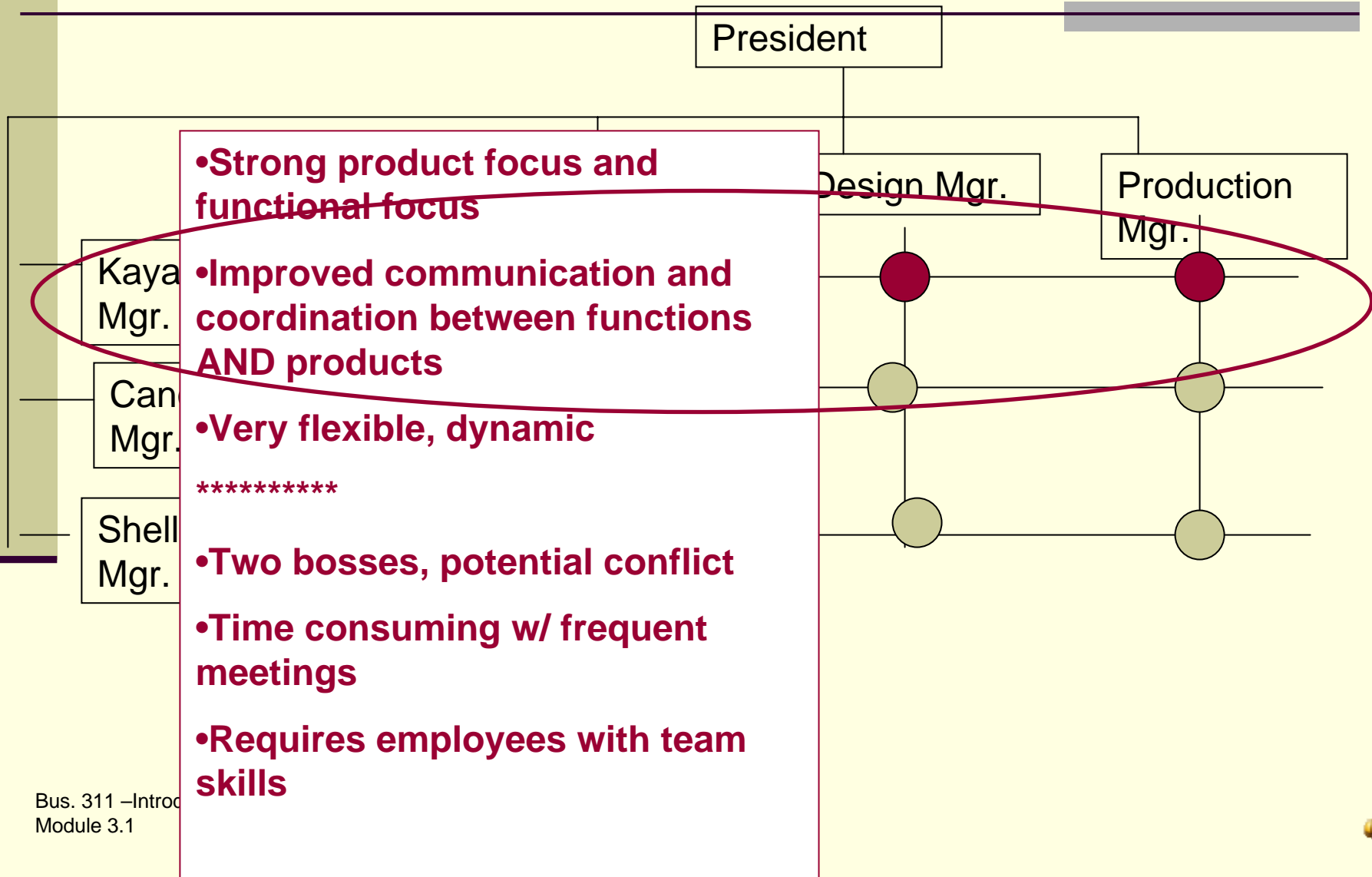


Divisional Structure of Class V

- Strong product focus
 - Improved cross-functional communication/coordination
 - Decentralized at Division level
 - Innovation and environmental responsiveness
 - Suitable for larger firms, with more products
- *****
- Expensive, redundancies
 - Risk of decentralization
 - Poor cross-product coordination



Matrix Structure: combining benefits of both functional and product focus



Contemporary Org. Design Trends

- Team-based structure
 - An organization that consists entirely of work groups or teams
- Boundaryless organization
 - An organization that is not defined or limited by boundaries or categories imposed by traditional structures

Network organization
or
Virtual organization



on (Virtual Organization)

- Can draw on expertise world wide
- Let's firm focus on its core competency
- Reduced overhead costs
- Enhanced flexibility and adaptiveness

- Risk; loss of control
- Greater challenge to manage partners

Packaging provided by a company in Mexico

Company Core

Accounting provided by a company in India.

Distribution provided by a company in the U.S.

Manufacturing provided by a company in Asia

