Management

Part III: Organizing

Ch. 9. Organizational structure

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Course outline

Management

Part I: Introduction

Part II: Planning

Part III: Organizing

Part IV: Leading

Part V: Controlling
Part III outline

Management

Part III: Organizing

Ch. 9. Organizational structure

Ch. 10. Organization design

Ch. 11. Human resource management
Learning objectives

After studying this chapter, you should:

✓ Describe the four elements that make up organization structure.
✓ Explain the importance of organization charts and the chain-of-command concept.
✓ Describe the major approaches to job design.
✓ Explain five major methods of vertical coordination, including formalization, span of management, centralization versus decentralization, delegation, and line and staff positions.
✓ Explain how slack resources and information systems can be used as means of horizontal coordination.
✓ Describe the major types of lateral relations and explain their usefulness in facilitating horizontal coordination.
Chapter 9 outline

A. The nature of organization structure
B. Job design
C. Departmentalization
D. Vertical coordination
E. Horizontal coordination
A. The nature of organization structure

Organization structure

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

This is the formal structure: it is official, designed by management for specific purposes. Organizations also have informal structures which usually emerge because of common interests or friendship.

Organization design

The process of developing an organization structure.

subject of Chapter 10
Organization structure’s elements

1. Job design
   The assignment of tasks and responsibilities that define the jobs of individuals and units.

2. Departmentalization
   The clustering of individual positions into units and of units into departments and larger units to form an organization’s hierarchy.

3. Vertical coordination
   The various mechanisms required to facilitate top-to-bottom coordination, such as the number of individuals reporting to any given managerial position and the degree of delegation of authority.

4. Horizontal coordination
   The various mechanisms needed to foster coordination across departments, such as task forces and interdepartmental teams.
A line diagram that depicts the broad outlines of an organization’s structure.
Organization charts vary in detail, but they typically show the major positions or departments in the organization.

Organization charts are particularly helpful in providing a visual map of the chain of command.

**Chain of command**

The unbroken line of authority that ultimately links each individual with the top organizational position through a managerial position at each successive layer in between.
B. Job design

**Job design**
The specification of task activities associated with a particular job.

**Work specialization**
The degree to which the work necessary to achieve organizational goals is broken down into various jobs.

**Job scope**
The number of different tasks an employee performs in a particular job.

**Job depth**
The degree to which individuals can plan and control the work involved in their jobs.
Job design is important for two major reasons:
1. Task activities need to be grouped in reasonably logical ways.
2. The way that jobs are configured (designed) has an important influence on employee motivation.

There are five major approaches to job design:

- I. Job simplification
- II. Job rotation
- III. Job enlargement
- IV. Job enrichment
- V. Alternative work schedules
I. Job simplification

The process of configuring jobs so that jobholders have only a small number of narrow activities to perform.
The practice of periodically shifting workers through a set of jobs in a planned sequence.
III. Job enlargement

Job enlargement

The allocation of a wider variety of similar tasks to a job in order to make it more challenging.

Worker 1

Tasks 1, 2, 3

Worker 2

Tasks 1, 2, 3

Worker 3

Tasks 1, 2, 3
IV. Job enrichment

Job enrichment

The process of upgrading the job-task mix in order to increase significantly the potential for growth, achievement, responsibility, and recognition.

Job enrichment increases job depth.

Job characteristics model

A model developed to guide job enrichment efforts that include considerations of core job characteristics, critical psychological states, and outcomes.
# Core job characteristics

<table>
<thead>
<tr>
<th><strong>Skill variety</strong></th>
<th>The extent to which the job entails a number of activities that require different skills.</th>
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<tbody>
<tr>
<td><strong>Task identity</strong></td>
<td>The degree to which the job allows the completion of a major identifiable piece of work, rather than just a fragment.</td>
</tr>
<tr>
<td><strong>Task significance</strong></td>
<td>The extent to which the worker sees the job output as having an important impact on others.</td>
</tr>
<tr>
<td><strong>Autonomy</strong></td>
<td>The amount of discretion allowed in determining schedules and work methods for achieving the required output.</td>
</tr>
<tr>
<td><strong>Feedback</strong></td>
<td>The degree to which the job provides for clear, timely information about performance results.</td>
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V. Alternative work schedules

Alternative work schedules

Schedules based on adjustments in the normal work schedule rather than in the job content or activities.

Flextime

A work schedule that specifies certain core hours when individuals are expected to be on the job and then allows flexibility in starting and quitting times as long as individuals work the total number of required hours per day.

Compressed workweek

A work schedule whereby employees work four 10-hour days or some similar combination, rather than the usual five 8-hour days.

Job sharing

A work practice in which two or more people share a single full-time job.
C. Departmentalization

Departmentalization

The clustering of individuals into units and of units into departments and larger units in order to facilitate achieving organizational goals.

Functional
Groups positions into units on the basis of similarity of expertise, skills, and work activities.

Divisional
Groups positions according to the similarity of products or markets.

Hybrid
Combines aspects of both previous forms.

Matrix
Superimposes (overlays) a horizontal set of divisional reporting relationships onto a hierarchical functional structure.
Vertical coordination

The linking of activities at the top of the organization with those at the middle and lower levels in order to achieve organizational goals.

Five particularly important means of achieving effective vertical coordination:

I. Formalization
II. Span of management
III. Centralization versus decentralization
IV. Delegation
V. Line and staff positions
I. Formalization

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.

Small organizations can usually run very informally, with few written documents specifying policies and procedures.
II. Span of management

Span of management (span of control)
The number of subordinates who report directly to a specific manager.

With too many subordinates, managers become overloaded, experience difficulty coordinating activities and lose control of what is occurring in their work units.

With too few subordinates, managers are underutilized and tend to engage in excessive supervision, leaving subordinates little discretion in doing their work.
Factors influencing span of management

Spans of management can be wider under the following conditions:

- Low interaction requirements.
- High competence levels.
- Work similarity.
- Low problem frequency and seriousness.
- Physical proximity.
- Few nonsupervisory duties of manager.
- Considerable available assistance.
- High motivational possibilities of work.
Levels in the hierarchy

**Tall structure**
It has many hierarchical levels and narrow spans of control.

**Flat structure**
It has few hierarchical levels and wide spans of control.

**Downsizing**
The process of significantly reducing the layers of middle management, increasing the spans of control, and shrinking the size of the work force.

**Restructuring**
The process of making a major change in organization structure that often involves reducing management levels and possibly changing components of the organization through divestiture and/or acquisition, as well as shrinking the size of the work force.
Levels in the hierarchy (2)

Assuming span of 4

- Operatives: 4.096
- Managers: 1.365

Assuming span of 8

- Operatives: 4.096
- Managers: 585
III. Centralization vs. decentralization

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

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

4 main factors lead to decentralization:
- Large size
- Geographic dispersion
- Technological complexity
- Environmental uncertainty

Outline » D. Vertical coordination » III. Centralization versus decentralization
Positive aspects of centralization

- It is easier to **coordinate** the activities of various units and individuals.
- It helps ensuring that **similar activities** are not carried on by different organizational units.
- Top managers usually have the most **experience** and may make **better decisions**.
- Top managers usually have a **broader perspective** and can **better balance** the needs of various organizational parts.
- It promotes **strong leadership** in an organization because much of the power remains at the top.
Positive aspects of decentralization

- **It eases** the heavy workloads of executives, leaving them more time to focus on major issues.
- **It enriches** the jobs of lower-level employees by offering workers the challenge associated with making decisions.
- **It leads to faster decision making** at the lower levels.
- Individuals at lower levels may be **closer** to the problem and, therefore, in a **better position** to make good decisions.
- It often leads to the establishment of relatively **independent** units, such as divisions.
IV. Delegation

Delegation

The assignment of part of a manager’s work to others, along with both the responsibility and the authority necessary to achieve expected results.

Responsibility

The obligation to carry out duties and achieve goals related to a position.

Authority

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

Accountability

The requirement to provide satisfactory reasons for significant deviations from duties or expected results.
V. Line and staff positions

**Line position**
A position that has **authority** and **responsibility** for achieving the major goals of the organization.

**Line authority**
The authority that follows the **chain of command** established by the formal hierarchy.

**Staff position**
A position whose primary purpose is providing **specialized expertise** and **assistance** to line positions.

**Functional authority**
The authority of staff departments over others in the organization in matters related directly to their respective **functions**.
Outline » D. Vertical coordination » V. Line and staff positions » Example

Line and staff positions: example

Staff Services:
- Information systems
- Human resources
  ...

President

- Vice President Operations
  - Region 1
  - Region 2
- Vice President Marketing
  - Corporate
  - Retail
- Vice President Investments
- Vice President Trust
  - Corporate
  - Personal
- Vice President Loans
  - Consumer
  - Commercial
  - Loan Servicing
E. Horizontal coordination

Horizontal coordination

The linking of activities across departments at similar levels.

3 major means useful in promoting horizontal coordination:

- **Slack resources**
  
  A cushion of resources that facilitates adaptation to internal and external pressures, as well as initiation of changes.

- **Information systems**
  
  ...

- **Lateral relations**
  
  The coordination of efforts through communicating and problem solving with peers in other departments or units, rather than referring most issues up the hierarchy for resolution.
Major means of lateral relations

**Direct contact**
Communication between two or more persons at similar levels in different work units for purposes of coordinating work and solving problems.

**Liaison roles**
A role to which a specific individual is appointed to facilitate communication and resolution of issues between two or more departments.

**Task forces**
Temporary interdepartmental groups usually formed to make recommendations on a specific issue.

**Teams**
Either temporary or ongoing groups that are expected to solve problems and implement solutions related to a particular issue or area.

**Managerial integrator**
A separate manager who is given the task of coordinating related work that involves several functional departments (project | product | brand manager).
Thank you!

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