Chapter 13: Organizational Culture

Organizational Structure

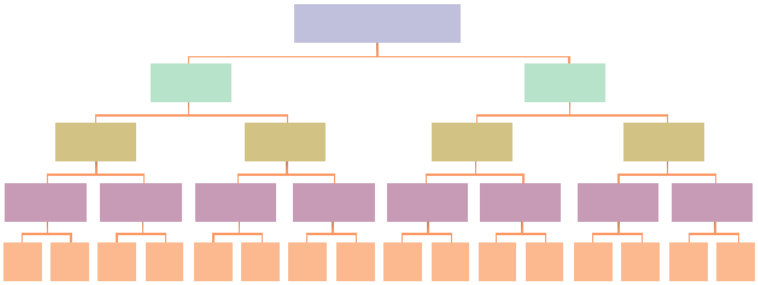
= how jobs tasks are formally divided, grouped, and coordinated

includes degree of complexity, formalization, and centralization

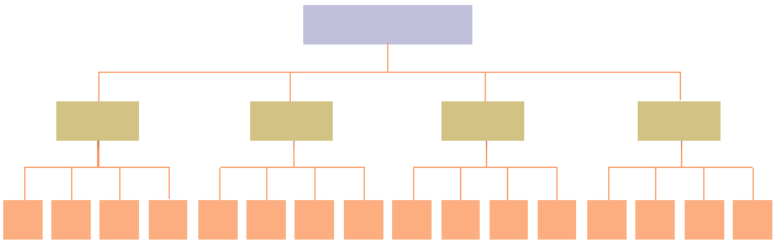
- can be pyramidal / flat
- determines reporting relationships of ppl

restructuring = changing org's structures from time to time (often involves layoffs)

PYRAMIDAL ORGANIZATIONAL STRUCTURE



FLAT ORGANIZATIONAL STRUCTURE



6 Key Questions That Managers Need to Answer in Designing the Proper Org. Structure

1) To what degree are tasks subdivided into separate jobs?	**Work Specialization**
2) On what basis will jobs be grouped together?	**Departmentalization**
3) To whom do individuals and groups report?	**Chain of Command**
4) How many individuals can a manager efficiently and effectively direct?	**Span of Control**
5) Where does decision-making authority lie?	**Centralization/Decentralization**
6) To what degree will there be rules and regulations to direct employees and managers?	**Formalization**

Work Specialization (division of labour)	= degree to which tasks in org. are subdivided into separate jobs - individual specialize in doing part of an activity rather than the entire activity - Benefit: efficiency b/c repetition improves employee skills; less time spend on transition - less costly to find workers, easier to train them to do specific and repetitive tasks - encourage creation of special inventions & machinery → efficiency & productivity ↑ - Downsides: boredom, fatigue, stress, low productivity, poor quality, inc. absenteeism, high turnover (employee satisf'n ↓) * *Individual Differences:* there are still ppl who may prefer work that makes minimal intellectual demands and provides security of routine - now, productivity seems to decline more quickly b/c today's more educated workforce desires intrinsically-rewarding jobs

Departmentalization	= basis on which jobs are grouped together - to prevent creation of silos (where departments start protecting their own turf, and not interacting well w/ other departments → narrow vision wrt org. goals) - large org's may use all forms at the same time - 2 general trends: greater emphasis on customer & functional departmentalization - org's may turn departments into divisions that are separate profit centres - *Organizational Variety:* large org's sometimes change their departmentalization to reflect new needs/emphases (but NOT always +ve results; may cause problems)	
	Functional	- by functions performed - e.g. Department of Community Services, Department of Operations, Department of Planning and Development Services Department of Corporate Services - Advantage: efficiencies from putting ppl w/ common skills and orientations together into common units
	Product	- by type of product (lines) produced - e.g. Nortel Networks: Wireless Networks, Enterprise Networks, Wireline Networks, Optical Networks - Advantage: inc. accountability for product performance (since all activities related to a specific product line are under direction of single manager)
	Geographic	- on basis of geography / territory - e.g. departments for BC, the Prairies, Central Canada, Atlantic Canada - Advantage: good for org's whose customers scattered over large geographic area & have similar needs based on location
	Process	- by processing (of customers/products) that occurs - e.g. an aluminum tubing manufacturer: casting, press, tubing, finishing, inspecting/packing/shipping - each department specializes in one specific phase in production of aluminum tubing
	Customer	- on basis of particular type of customer - e.g. sales in a supply firm: service retail, wholesale, gov't customers - e.g. Dell Canada: Individual systems vs. Business systems (Small VS. Medium/large business users VS. Gov't, education, health care) - customers of each department have a common set of problems & needs that can be best met by having specialists for each

Chain of Command	= unbroken line of authority that extends from the top of the org. to the lowest echelon and clarifies who reports to whom - Authority – who has the right to give orders and expect them to be obeyed - Unity of Command – subordinates should have only 1 superior **Delegation** = assignment of authority to another person to carry out specific duties, allowing the employee to make some of the decisions - today, managers often <u>delegate</u> → employees are empowered - more <u>self-managed & cross-functional teams</u>, multiple bosses→ less chain-of-command
Span of Control	= *# of employees/subordinates that report to a manager* - <u>Large/Wide span</u> → more cost-efficient, empowers workers, speeds up decisions *BUT can reduce effectiveness (when span is too large, employee performance ↓ b/c managers have no time to provide necessary leadership/support) - <u>Small/Narrow span</u> (5-6 ppl) → manager can maintain close control BUT… 1) expensive (add levels of management) 2) vertical communication more complex (added levels of hierarchy slow down decision making & tend to isolate upper management) 3) encourage overly tight supervision & discourage employee autonomy - today's trend: <u>wider span of control</u> (result of downsizing & teamwork) employee training so managers can handle wider span *reduce costs *cut overhead *speed up decision making *inc. flexibility *get closer to customers *empower employees - Research: NO relationship btwn span of control & employee performance (due to <u>*Individual Differences:*</u> some prefer to be left alone, others quickly available managers) *manager's job satisf'n ↑ as # of employees he supervises ↑
Centralization / Decentralization *(Are decisions concentrated at top or pushed to lower levels?)*	**Centralization** = *degree to which decision-making is concentrated at a single point in org* - formal authority - top management makes org's key decisions w/ lil/no input from lower-level employees **Decentralization** = *degree to which decision making is distributed to lower-level employees* - action can be taken more quickly to solve problems - more ppl provide input into decisions - employees less likely to feel alienated from those who make decisions that affect their work lives - easier to address customer concerns *trend: toward <u>decentralizing</u> decision making <u>*Individual Differences:*</u> ↓ centralization → participative decision making ↑ → job satisf'n ↑ BUT, still have individual diff's – highest job satisf'n for employees w/ low self-esteem (prefer shared decision making so they're not responsible for decision outcomes)

Formalization *(How standardized are jobs?)*	*= degree to which jobs within the org. are standardized* - High: -employees have little discretion -explicit job descriptions, many org. rules, clearly defined work procedures -employees expected to handle same input in exactly same way → consistent/uniform output - Low: -job behaviours relatively nonprogrammed -employees have more freedom to exercise discretion in their work - standardization eliminates possibility of employees engaging in alternative behaviours, & removes need for employees to consider alternatives

MECHANISTIC & ORGANIC ORGANIZATIONS

mechanistic model = structure characterized by extensive departmentalization, high formalization, clear chain of command, narrow spans of control, a limited info network (mostly downward comm'n), centralization, lil participation by lower-level members in decision making *e.g. gov't*

organic model = structure that is flat, uses cross-hierarchical and cross-functional teams, has low formalization, possesses a comprehensive info network (lateral / upward comm'n & downward), involves high participation in decision-making

e.g. high-tech firms (individuals collaborate on many tasks)

Individual Responses to Organizational Structure

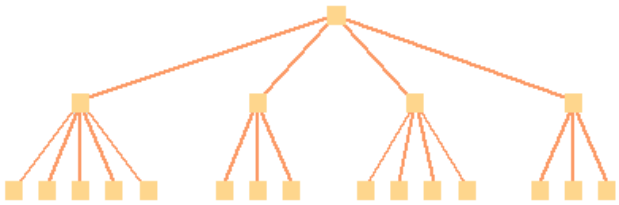
Degree of Bureaucratic Orientation of individuals…

HIGH:
- better suited to mechanistic structures
- prefer formalized & specific rules
- prefer formal relationships w/ others on the job
- heavy reliance on higher authority

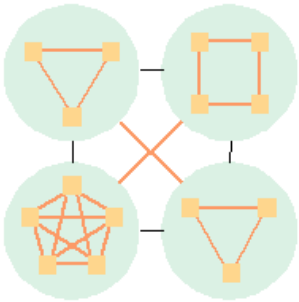
LOW: organic structures

- cultural bg influences preference for structure…

e.g. high power distance (Russia, Spain, Thailand) → more accepting of mechanistic structure



Mechanistic Model
- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization



Organic Model
- Cross-functional teams
- Cross-hierarchical teams
- Free flow of info
- Wide spans of control
- Decentralization
- Low formalization

TRADITIONAL ORGANIZATIONAL DESIGNS

The Simple Structure (flat)

= org. design characterized by a low degree of departmentalization
wide spans of control
authority centralized in a single person (which can be risky)
little formalization

- flat org. → 2, 3 vertical levels & loose body of employees
- small businesses in which manager = owner (e.g. local corner grocery store)

Strength: simplicity (fast, flexible, inexpensive to maintain, clear accountability)

Weakness: - works best in small org's (difficult structure to manage in large org)
- becomes inadequate b/c low formalization & high centralization → info overload at the top
- as size ↑ , decision-making slows down ↓ & eventually comes to standstill as single executive makes all decisions

The Family Business

- face both family/personal & business/management relations (added pressure)
- have shareholders (family + others), though may (not) be listed on stock exchange
- conflicts found within families & normal business issues

  To manage conflicts: - good governance structure (direction, values to live/work by, accepted policies)
  - rules of succession & for who gets to work (CEO succession can be complex)
- diff. goals (maintain/grow business) than non-family businesses (max. wealth)

Bureaucracy → *standardization!*

= org. design w/ highly routine operating tasks achieved thru specialization
formalized rules & regulations
tasks that are grouped into functional departments
centralized authority
narrow spans of control
decision-making that follows chain of command

Strengths

- standardizes activities in efficient manner
  - economies of scale
  - minimum duplication of staff & equipment
  - employees have opportunity to talk "the same language" w/ peers
- lower quality employees are acceptable (rules & regulations substitute for managerial discretion; there is little need for innovative/experienced decision makers) → reduce costs

Weaknesses

- create subunit conflict → functional unit goals can override overall goals of org.
  e.g. each department acts like a silo (focus more on one's own values & contribution)
- can lead to power concentrated in hands of few & others expected to follow orders w/o question
- obsessive concern w/ following rules
  → can only efficiently confront problems encountered before or for which decision rules already exist

Matrix Structure

= org. design that combines functional & product departmentalization
has a dual chain of command (2 bosses – functional & product managers)

- Functional: group similar specialists (minimize # necessary
  allows pooling/sharing of specialized resources across products)
- Product: facilitate coordination among specialties to achieve on-time completion & meet budget targets
- clear responsibility for all activities related to a product

Advantages

- facilitate coordination when there are too many activities
- direct, frequent contact btwn diff. specialties → improved communication (quicker) & more flexibility
- reduce silo
- efficient allocation of specialists (provides both the best resources)

Disadvantages

- confusion & ambiguity (frequently unclear who reports to whom)
- power struggles btwn functional & product (e.g. manager fights over getting the best specialists assigned to his department)
- insecurity & stress (role conflict, role ambiguity)

e.g. MATRIX STRUCTURE FOR A FACULTY OF BUSINESS ADMINISTRATION

Programs / Academic Departments	Undergraduate	Master's	PhD	Research	Executive Development	Community Service
Accounting						
Administrative Studies						
Finance						
Information & Decision Sciences						
Marketing						
Organizational Behaviour						
Quantitative Methods						

NEW DESIGN OPTIONS

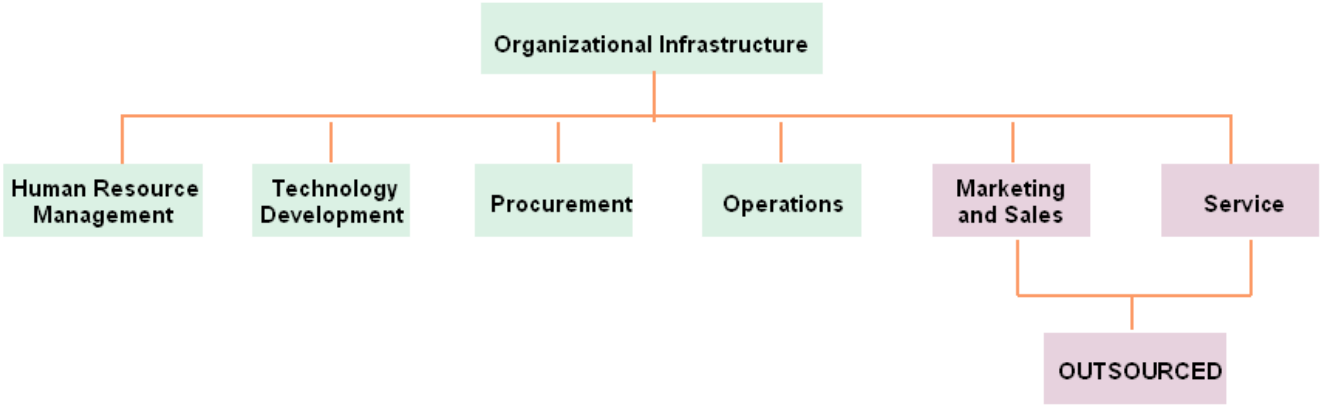
New-Style VS. Old-Style Organizations

New	Old
Dynamic, learning	Stable
Info rich	Info is scarce
Global	Local
Small & large	Large
Product/customer oriented	Functional oriented
Skills oriented	Job oriented
Team oriented	Individual oriented
Involvement oriented	Command/control oriented
Lateral/networked	Hierarchical
Customer oriented	Job requirements oriented

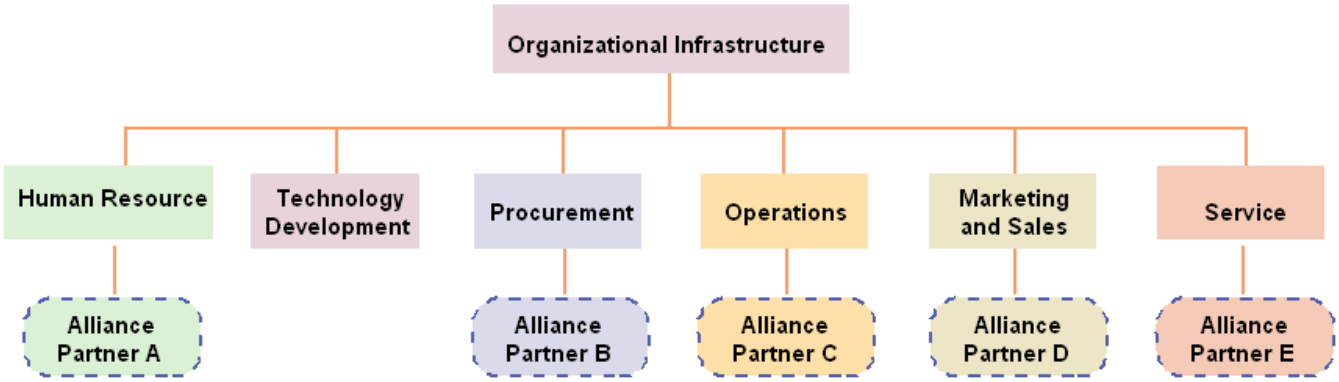
Team Structure	modify internal boundaries	*= use of teams as central device to coordinate work activities* - break down departmental barriers - decentralize decision making to work team level - requires generalist & specialist employees	
Modular Organization	modify external boundaries	*= small core org. that outsources major business functions* - outsource many functions; concentrate on what it does best (e.g. focusing on design / marketing rather than production) - management directly oversees activities that are done in-house & coordinates, controls external relations (w/ other org's that perform sales, marketing, service functions for the modular org.)	
		Advantages	- can devote technical & managerial talent to most critical activities - respond more quickly to environmental changes - inc. focus on customers & markets
		Disadvantages	- reduces management's control over business - rely on outsiders to get job done (dec. operational control)
Virtual Organization		*= continually evolving network of independent companies (suppliers, customers, even competitors) linked together to share skills, costs, access to one another's markets* - units of diff. firms join together in alliance to pursue common strategic objectives - participants give up some of their control & act interdependently - may not have central office, org. chart, or hierarchy (org's come together)	
		Advantages	- org's can share costs & skills - provide access to global markets - inc. market responsiveness
		Disadvantages	- companies give up operational & strategic control to work together - managers need to be more flexible & acquire new skills (build relations w/ other companies, negotiate win-win deals, find compatible partners, develop appropriate comm'n systems)

Boundaryless (T-Form) Organization	break down internal & external boundaries	*= org that seeks to eliminate chain of command, have limitless spans of control, replace departments w/ empowered teams* - relies heavily on technology → "technology-based" (T-form) org ***networked computers* Break down barriers internally: - flatten hierarchy & create cross-hierarchical teams *(top exec + middle managers + supervisors + operative employees)* - use Participative decision-making & 360-degree performance appraisal *(peers & others above AND below evaluate)* Break down barriers externally (constituencies [SUPPLIERS, CUSTOMERS] & geography): - globalization - telecommuting	
		Advantages	- offer best talents of employees across several diff. org's - enhance cooperation across functions, divisions, external groups - quicker response time to environment
		Disadvantages	- difficult to manage (hard to overcome political, authority boundaries) - time-consuming

MODULAR STRUCTURE



VIRTUAL STRUCTURE



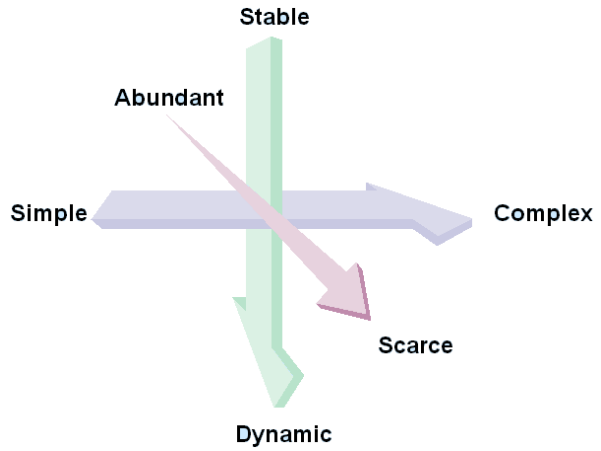
WHAT MAJOR FORCES SHAPE AN ORGANIZATION'S STRUCTURE?

STRUCTURAL OPTION:

Strategy	*Innovation Strategy*	Organic (flexibility) Loose structure; Low specialization; Low formalization; Decentralized	= strategy that emphasizes intro of major new products & services - for meaningful & unique innovations
	Cost-Minimization Strategy	Mechanistic (stable & efficient) Tight control; Extensive work spc'n; High formalization; High centralization	= …emphasizes tight cost controls, avoidance of unnecessary innovation / marketing expenses, price cutting *e.g. Wal-Mart, grocery sellers*
	Imitation Strategy	Mechanistic & Organic Mix of loose w/ tight properties; Tight controls, low costs in current activities & looser controls for new undertakings	= strategy of moving into new products/markets only after their viability has already been proven - both innovation + cost-min (previous 2) - minimize risk, max. opportunity for profit take successful ideas of innovators, copy them *e.g. manufacturers of mass-marketed fashion goods that are rip-offs of designer styles* *e.g. IBM (follow competitors only after they've demonstrated that the market is there)*
Organizational Size	- large org's tend to have more specialization, departmentalization, vertical levels, rules & regulations (more mechanistic) - BUT relationship isn't linear; size affects structure @ decreasing rate *e.g. adding 500 to 2000, no impact b/c already fairly mechanistic* *(but adding to 300 results in shift toward more mechanistic)*		
Technology	= the way in which an org transfers its inputs into outputs - every org has at least 1 tech for converting financial, human, and physical resources into products or services Degree of routineness: tendency of tech toward either routine(automated, standardized operations; *e.g. assembly line*) or non-routine(customized; *e.g. genetic research*) activities - routine tasks are associated w/ taller, more departmentalized structures - tech-centralization relationship: moderated by degree of formalization *If low formalization (min. of rules/regulations) → routine tech + centralized structure *If high formalization → routine tech + decentralization - non-routine tech rely more on knowledge of specialists		

Environment	*= institutions/forces outside the org that potentially affect the org's performance (and uncertainty associated w the forces)* - suppliers, competitors, customers, gov't regulatory agencies, public pressure groups - Static environment *(e.g. no new competition, no new tech breakthroughs)* VS. Dynamic *(e.g. changing gov't regulations affecting business, new competitors, changing preferences by customers)* → more environmental uncertainty		
	3 DIMENSIONS OF ENVIRONMENTAL UNCERTAINTY	*Capacity*	= degree to which the environment can support growth - rich/growing environments generate excess resources for org when there's scarcity - abundant capacity leaves room for org to make mistakes (scarce capacity does not)
		Volatility	= degree of instability (predictable change) in an environment - dynamic environment: high degree of unpredictable change (low volatility) - stable environment: high volatility
		Complexity	= degree of heterogeneity & concentration among environmental elements - simple environment: homogeneous, concentrated e.g. tobacco industry (few players) - complex environment: heterogeneous, disperse e.g. current cell connection business

3-DIMENSIONAL MODEL OF THE ENVIRONMENT



**arrow indicates movement toward higher uncertainty*

- scarce, dynamic, complex orgs
  → highest uncertainty
  → organic structure
  (highest unpredictability, little room for error, diverse set of elements to monitor)

- abundant, stable, simple orgs
  → mechanistic structure