

Unit 3: Organisation and Behaviour

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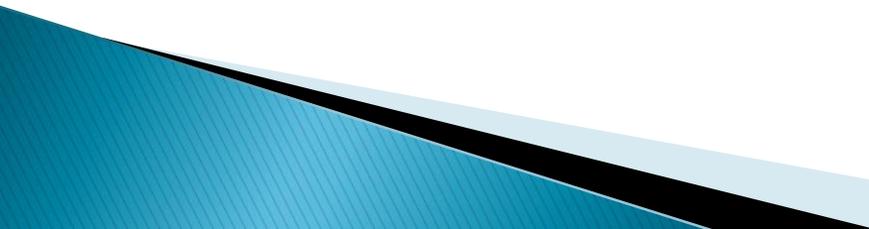
Learning Outcome 1

- ▶ Learning Objectives:
- ▶ Ac.1 LO1 Understand the relationship between organisational structure and culture:
 - Ac. 1.1: compare and contrast different organisational structures and culture
 - Ac. 1.2 explain how the relationship between an organisation's structure and culture can impact on the performance of the business
 - Ac. 1.3 discuss the factors which influence individual behaviour at work

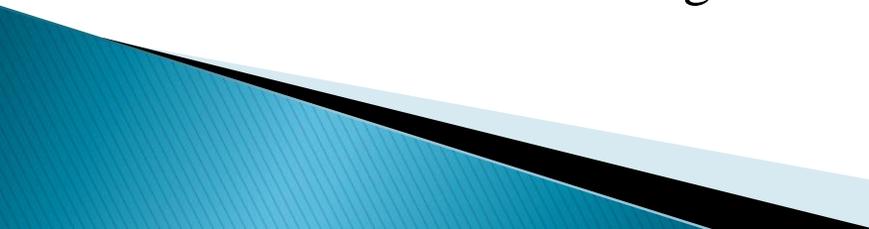
In This Session

- ▶ Define an Organization and an Organisation Structure (linked to AC 1.1 and 1.2)
 - ▶ Discuss different types of Structures and their advantages and disadvantages (linked to AC 1.1 and 1.2)
 - ▶ Assessment Criteria
 - ▶ Review Questions
 - ▶ References
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What is an Organisation?

- ▶ Mukherjee from deanza.edu provides two definitions for organization as follow:
 - An Organization is a system of consciously coordinated activities or efforts of two or more persons”.- Chester Barnard, Management Consultant. This definition of Barnard implies formal planning, division of labour and leadership.
 - Organizations can also be thought as “social entities that are goal directed, deliberately structured activity systems with a permeable boundary” according to Bedeian and Zamnuto.
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Organisation

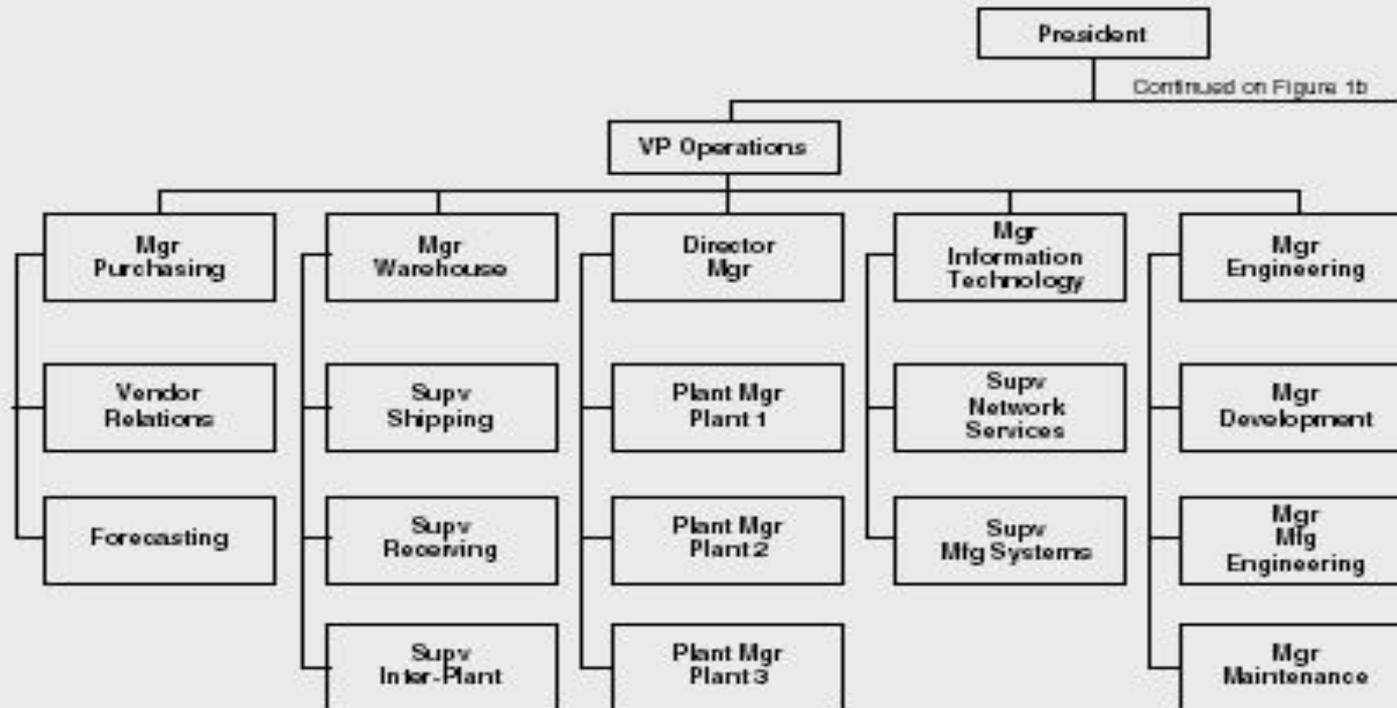
- ▶ There are a couple of things to be noted. If a couple of enthusiastic people plan and decide to help kids then they form an organization but, if a few people find a kid in trouble and helps the kid out (without conscious co-ordination and planning) then they don't form an organization.
 - ▶ In Bedian and Zamnuto's definition, 'deliberately structured activity systems' basically means that the organizations are (on-purpose) structured so that it is possible to systematically divide complex tasks among multiple people or units to achieve a common purpose and 'permeable boundary' is a conceptual boundary (apart from the physical fencing) that defines who/what is a part of an organization. This is also related to brand management.
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Organisational Structure

- ▶ Organizational structure refers to the way that an organization arranges people and jobs so that its work can be performed and its goals can be met. When a work group is very small and face-to-face communication is frequent, formal structure may be unnecessary, but in a larger organization decisions have to be made about the delegation of various tasks. Thus, procedures are established that assign responsibilities for various functions. It is these decisions that determine the organizational structure.
 - ▶ In an organization of any size or complexity, employees' responsibilities typically are defined by what they do, who they report to, and for managers, who reports to them. Over time these definitions are assigned to positions in the organization rather than to specific individuals. The relationships among these positions are illustrated graphically in an organizational chart
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Organizational Chart

Figure 1a
Organizational Structure



Types of Organizational Structure

- ▶ There are three main types of organizational structure: functional, divisional and matrix structure. The bureaucratic structure is the traditional structure.
- ▶ According to tutorialpoints.com, bureaucratic structures maintain strict hierarchies when it comes to people management. There are three types of bureaucratic structures:
 1. **Pre-bureaucratic structures** This type of organizations lacks the standards. Usually this type of structure can be observed in small scale, start-up companies. Usually the structure is centralized and there is only one key decision maker.

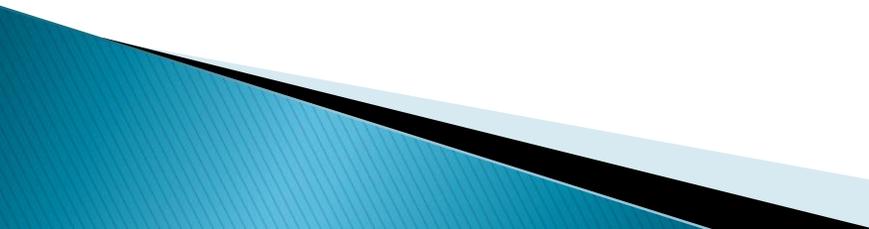
Types of Organizational Structure

2 - Bureaucratic structures These structures have a certain degree of standardization. When the organizations grow complex and large, bureaucratic structures are required for management. These structures are quite suitable for tall organizations.

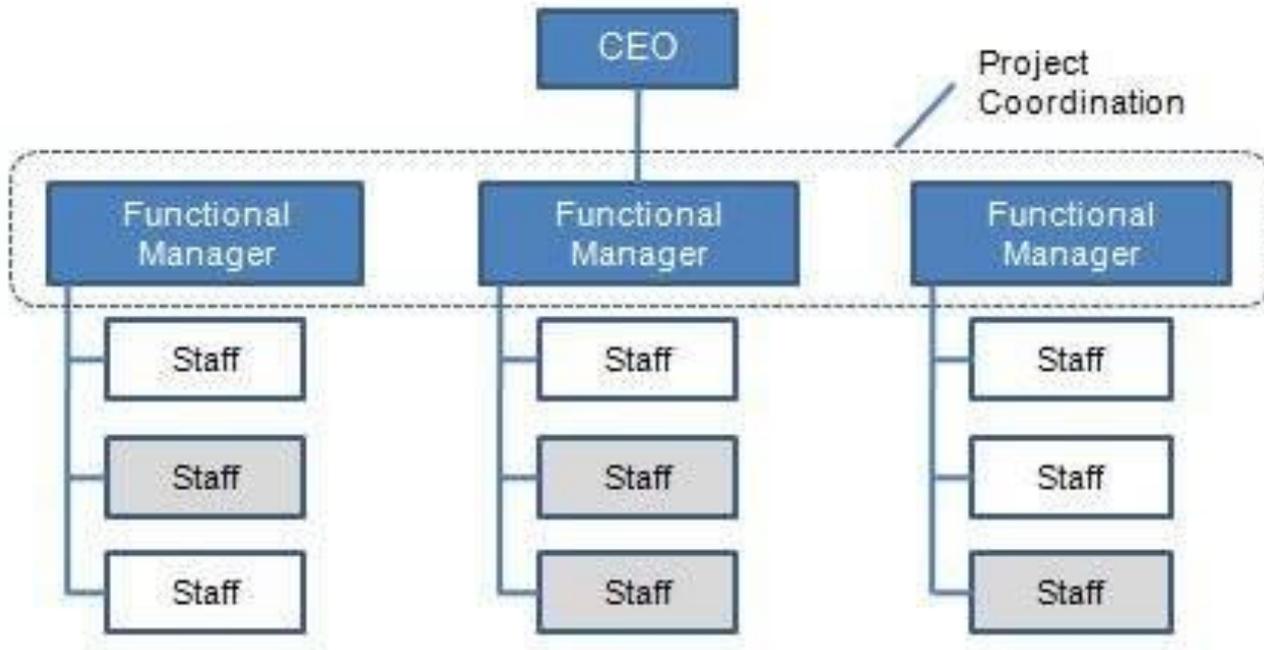
3 - Post-bureaucratic Structures The organizations that follow post-bureaucratic structures still inherit the strict hierarchies, but open to more modern ideas and methodologies. They follow techniques such as total quality management (TQM), culture management, etc.



Functional Structure

- ▶ According to Tutorialpoints.com, the organization is divided into segments based on the functions when managing. This allows the organization to enhance the efficiencies of these functional groups. As an example, take a software company.
 - ▶ Software engineers will only staff the entire software development department. This way, management of this functional group becomes easy and effective.
 - ▶ Functional structures appear to be successful in large organization that produces high volumes of products at low costs. The low cost can be achieved by such companies due to the efficiencies within functional groups.
 - ▶ In addition to such advantages, there can be disadvantage from an organizational perspective if the communication between the functional groups is not effective. In this case, organization may find it difficult to achieve some organizational objectives at the end.
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Functional Chart



Source: http://www.tutorialspoint.com/management_concepts/organizational_structures.htm

Advantages

- ▶ Specialization–Better division of labour takes place which results in specialization of function and it's consequent benefit.
- ▶ Effective Control–Management control is simplified as the mental functions are separated from manual functions. Checks and balances keep the authority within certain limits. Specialists may be asked to judge the performance of various sections.
- ▶ Efficiency–Greater efficiency is achieved because of every function performing a limited number of functions.
- ▶ Economy–Specialization compiled with standardization facilitates maximum production and economical costs.
- ▶ Expansion–Expert knowledge of functional manager facilitates better control and supervision.

Source: Robb–Walter, Judith (2014) Organization and Behaviour Lesson 1.



Disadvantages

- ▶ Confusion-The functional system is quite complicated to put into operation, especially when it is carried out at low levels. Therefore, co-ordination becomes difficult.
- ▶ Lack of Co-ordination-Disciplinary control becomes weak as a worker is commanded not by one person but a large number of people. Thus, there is no unity of command.
- ▶ Difficulty in fixing responsibility-Because of multiple authority, it is difficult to fix responsibility.
- ▶ Conflicts-There may be conflicts among the supervisory staff of equal ranks. They may not agree on certain issues.
- ▶ Costly-Maintenance of specialist's staff of the highest order is expensive for a concern.

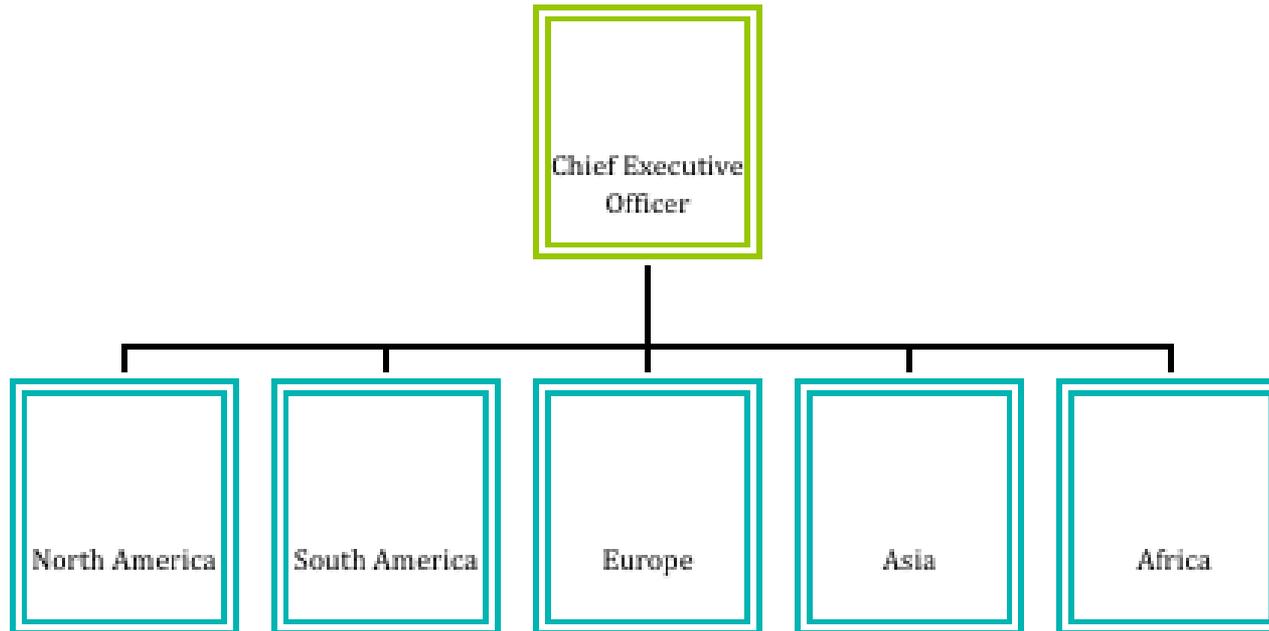
Source: Robb-Walter, Judith (2014) Organization and Behaviour Lesson 1.



GEOGRAPHIC DEPARTMENTALIZATION

- ▶ Referenceforbusiness.com define these as organizations that are spread over a wide area may find advantages in organizing along geographic lines so that all the activities performed in a region are managed together. In a large organization, simple physical separation makes centralized coordination more difficult.
 - ▶ Also, important characteristics of a region may make it advantageous to promote a local focus. For example, marketing a product in Western Europe may have different requirements than marketing the same product in Southeast Asia. Companies that market products globally sometimes adopt a geographic structure. In addition, experience gained in a regional division is often excellent training for management at higher levels.
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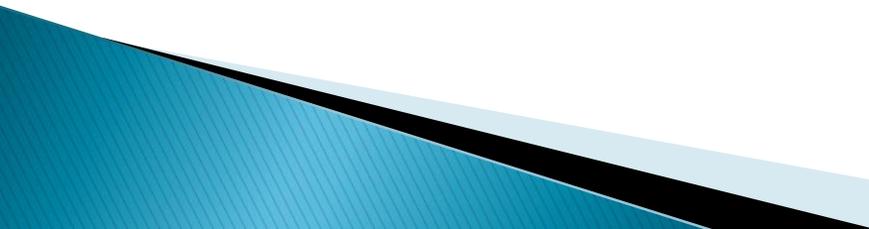
Geographical Chart



PRODUCT DEPARTMENTALIZATION

- ▶ According to referencesforbusiness.com, large, diversified companies are often organized according to product. All the activities necessary to produce and market a product or group of similar products are grouped together. In such an arrangement, the top manager of the product group typically has considerable autonomy over the operation.
 - ▶ The advantage of this type of structure is that the personnel in the group can focus on the particular needs of their product line and become experts in its development, production, and distribution. A disadvantage, at least in terms of larger organizations, is the duplication of resources. Each product group requires most of the functional areas such as finance, marketing, production, and other functions. The top leadership of the organization must decide how much redundancy it can afford.
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Product Departmentalization

- ▶ **Significance** - Companies implement a product-based organizational structure to take advantage of the multiple product lines within the business. Each portion of the structure can focus as an individual unit inside the whole company. The structure may also have several layers of managers and employees.
 - ▶ **Features** - Business owners, directors or executive officers typically make up the top level of a product-based organizational structure. Next are operational managers or vice presidents. Lower levels will include various front-line managers, such as sales, manufacturing or finance, followed by employees
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Product Based Org. Chart



Adopted from Robb-Walters, Judith Lecture Notes October - November 2014, Colbourne College

CUSTOMER/MARKET DEPARTMENTALIZATION

- ▶ According to referencesforbusiness.com, an organization may find it advantageous to organize according to the types of customers it serves. For example, a distribution company that sells to consumers, government clients, large businesses, and small businesses may decide to base its primary divisions on these different markets.
- ▶ Its personnel can then become proficient in meeting the needs of these different customers. In the same way, an organization that provides services such as accounting or consulting may group its personnel according to these types of customers. Figure 2 depicts an organization grouped by customers and markets.

Divisional Structure

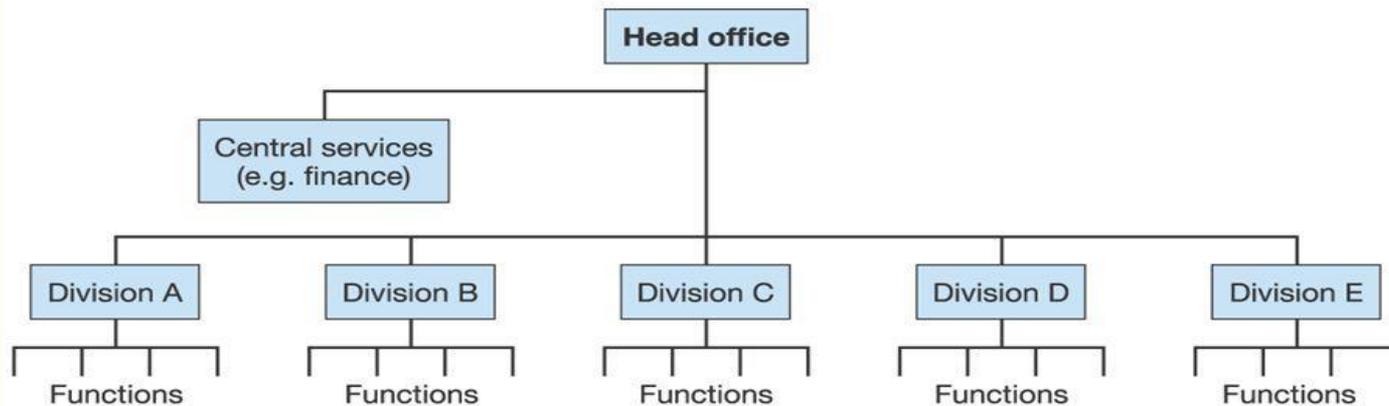
- ▶ According to Tutorialpoints.com, these types of organizations divide the functional areas of the organization to divisions. Each division is equipped with its own resources in order to function independently. There can be many bases to define divisions.
 - ▶ Divisions can be defined based on the geographical basis, products/services basis, or any other measurement.
 - ▶ As an example, take a company such as General Electrics. It can have microwave division, turbine division, etc., and these divisions have their own marketing teams, finance teams, etc. In that sense, each division can be considered as a micro-company with the main organization.
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Divisional Structure



Multidivisional Structure

A Multidivisional Structure



Advantages

- Flexible (add or divest divisions)
- Control by performance
- Ownership of strategy
- Specialisation of competences
- Training in strategic view

Disadvantages

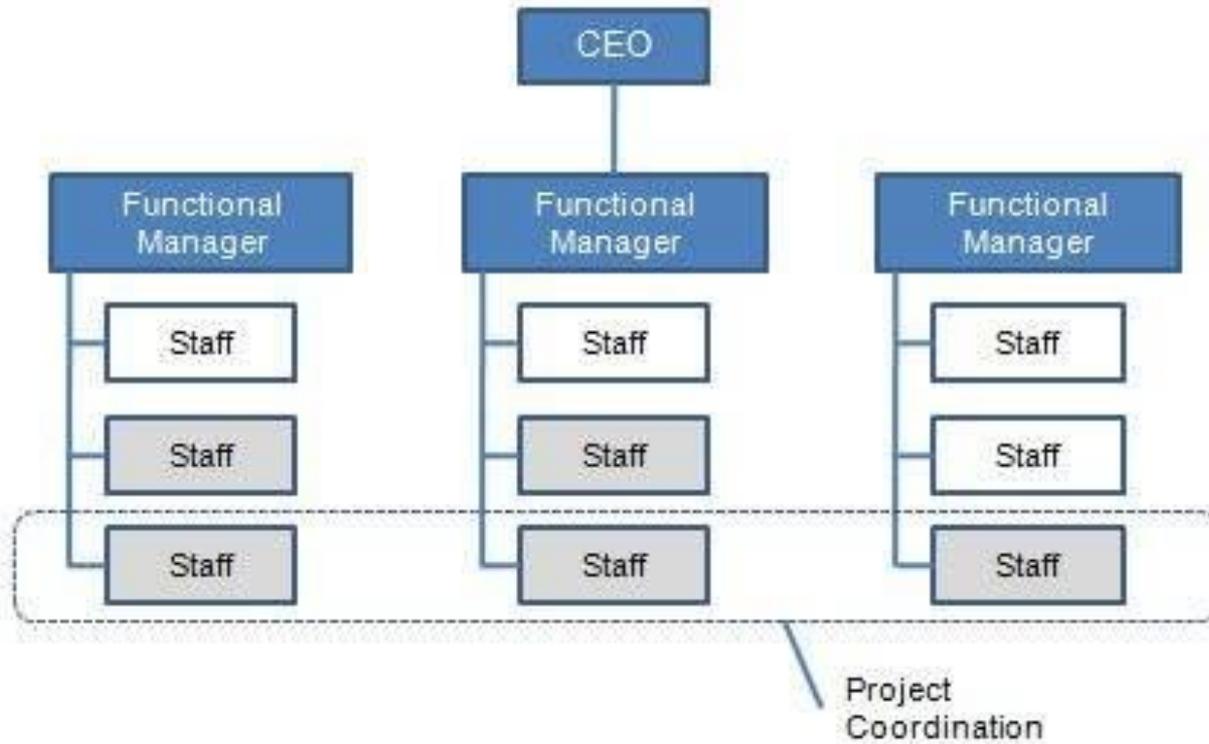
- Additional costs of the centre
- Duplication at divisional level
- Fragmentation and non-co-operation

Exhibit 8.3

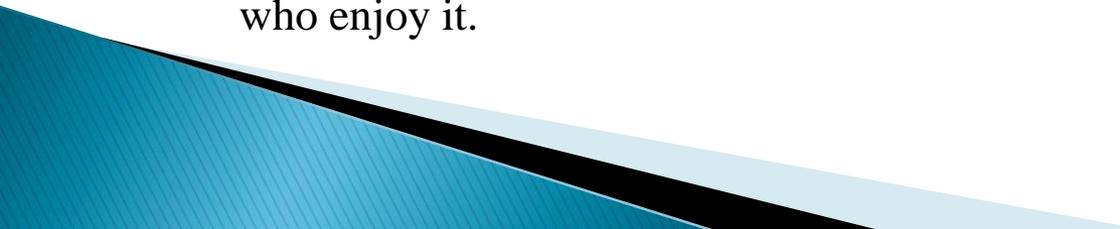
Matrix Structure

- ▶ When it comes to matrix structure, the organization places the employees based on the function and the product.
 - ▶ The matrix structure gives the best of the both worlds of functional and divisional structures.
 - ▶ In this type of an organization, the company uses teams to complete tasks. The teams are formed based on the functions they belong to (ex: software engineers) and product they are involved in (ex: Project A).
 - ▶ This way, there are many teams in this organization such as software engineers of project A, software engineers of project B, QA engineers of project A, etc.
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Matrix Structure



Advantages

- ▶ In a matrix organization, instead of choosing between lining up staff along functional, geographic or product lines, management has both. Staffers report to a functional manager who can help with skills and help prioritize and review work, and to a product line manager who sets direction on product offerings by the company. Study.com (2016) identifies the following advantages:
 1. Resources can be used efficiently, since experts and equipment can be shared across projects.
 2. Products and projects are formally coordinated across functional departments.
 3. Information flows both across and up through the organization.
 4. Employees are in contact with many people, which helps with sharing of information and can speed the decision process.
 5. Staffers have to work autonomously and do some self-management between their competing bosses; this can enhance motivation and decision making in employees who enjoy it.
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Disadvantages

- ▶ Management-at-a-sight.blogspot.com (2012) states that the matrix structure is generally considered the toughest organizational form to work in, due to the conflicting pulls on resources. The overlaps can lead to turf battles, and difficulty in determining accountability. The major disadvantages of a matrix structure are:
 - Violation of unity of command: - They get command from two superior functional or departmental manager and project manager. He or she has to report superior at a time i.e; project manager and functional manager. He/she will be in confusion. Unity of command hence is violated.
 - Costly structure: - Matrix organizational structure involves huge overhead cost. There will be much paper work and information collection that involves heavy cost. Most of the worker or employees are specialist which comes at significant cost.
 - Problem of overspecialization: - Matrix organizational structure create problem of over specialization in some situations. Specialist from both functional project works gather to show many complex problems of the organization.

Disadvantages

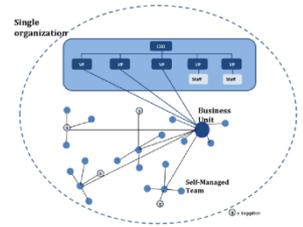
- ▶ **Difficult to balance:** - There will be two types of specialists functional and project specialist. And, to make a balance between these two specialist is a difficult task. Therefore, high level of interpersonal skill or specialists is required to balance these two types of experts and to maintain balance between project authority and functional authority is also difficult task.
 - ▶ **Feeling of insecurity:** - Those employees who are specially appointed for the projects they feel a sense of insecurity after the completion of the project. This may cause project completion delay. Loyalty and commitment towards project may decrease.
 - ▶ **Lack of white coordination:** - In a matrix organization there will be a problem of maintaining effective coordination among project workers, functional workers and among the workers from various functional areas. Project manager have to make a high level of exercise to maintain effective coordination in the organization.
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Centralized Organization



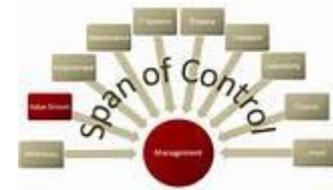
- ▶ A centralized organization is one in which authority is concentrated in one place. We can look at centralization in two ways:
 1. Geography - some functions may be centralized rather than 'scattered' in different offices, departments or locations. So, for example, records management, Procurement, and IT support may be centralized in specialist departments (whose services are shared by other functions) rather than carried out by staff/equipment duplicated in each departmental office.
 2. Authority - Centralization also refers to the extent to which people have to refer decisions upwards to their superiors. Decentralization therefore implies increased delegation, empowerment and autonomy at lower levels of the organization.

Decentralized Organization



- ▶ Decentralized organizational structures often have several individuals responsible for making business decisions and running the business. Decentralized organizations rely on a team environment at different levels in the business. Individuals at each level in the business may have some autonomy to make business decisions.
- ▶ Decentralized organizations utilize individuals with a variety of expertise and knowledge for running various business operations. A broad-based management team helps to ensure the company has knowledgeable directors or managers to handle various types of business situations.

Span of Control



- ▶ The span of control refers to the number of subordinates immediately reporting to a superior official. ie., if a manager has 4 subordinates, the span of control is 4.
- ▶ Span of control may be influenced by factors including:
 - The geographical dispersion of subordinates: dispersed teams require more effort to supervise.
 - A manager's capabilities limit the span of control: there are physical and mental limitations to any single manager's ability to control people and activities.
 - The nature of the manager's workload. The more non-supervisory work in a manager's workload:
 - The narrower the span of control
 - The greater the delegation of authority to subordinates

Emerging Trends



- ▶ The approach to structure traditionally has been vertical dependence with reporting mainly bottom up. Important development over the years has been around understanding the nature of interdependence and improve the functioning of organizations:
 - One approach is to flatten the organization, to develop the horizontal connections and de-emphasize vertical reporting relationships. At times, this involves simply eliminating layers of middle management.
 - In a virtual sense, technology is another means of flattening the organization. The use of computer networks and software designed to facilitate group work within an organization can speed communications and decision making
 - A different perspective on the issue of interdependence can be seen by comparing the organic (open) model of organization with the mechanistic (closed) model.



- ▶ According to referenceforbusiness.com (2016) Industry consolidation—creating huge global corporations through joint ventures, mergers, alliances, and other kinds of inter-organizational cooperative efforts—has become increasingly important in the twenty-first century.
- ▶ Among organizations of all sizes, concepts such as agile manufacturing, just-in-time inventory management, and ambidextrous organizations are impacting managers' thinking about their organizational structure.
- ▶ Indeed, few leaders were likely to blindly implement the traditional hierarchical structure common in the first half of the century. The first half of the twentieth century was dominated by the one-size-fits-all traditional structure. The early twenty-first century has been dominated by the thinking that changing organizational structures, while still a monumental managerial challenge, can be a necessary condition for competitive success.

THE END



Assessment Criteria

- ▶ Discussion with Students in Class for agreement.

Review Questions

1. Explain why would a Board of Director institute a Product-Based/Departmentalization structure?
2. *“In the 1970s, Philips, a Dutch multinational electronics company, set up a management structure with its managers reporting to both a geographical manager and a product division manager.”* What kind of structure did Philips set up?
3. Discuss two pros and cons of a functional organization structure.

Further Reading

- ▶ <http://www.referenceforbusiness.com/management/Ob-Or/Organizational-Structure.html#ixzz3wFNmT4MO>
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- ▶ <http://www.management-at-sight.blogspot.com/2012/08/advantages-and-disadvantages-of-matrix.html>