

Organizations and Behavior



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Lesson 1

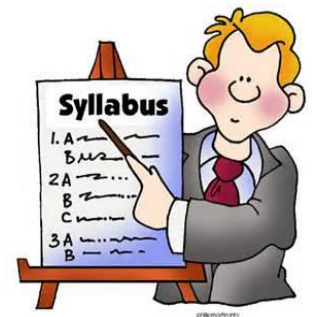


ORGANISATIONS AND BEHAVIOUR

LO I: Understand the relationship between organizational structure and culture

October – November 2014

The Basic Syllabus



- - Understand the relationship between organizational structure and culture
- - Understand different approaches to management and leadership
- Understand ways of using motivational theories in organizations
- - Understand mechanisms for developing effective teamwork in organizations

LEARNING OBJECTIVES



- At the end of the class, students should be able to:
- Compare and contrast different organizational structures and culture

OVERVIEW



- Organizations are set up in specific ways to accomplish different goals, and the structure of an organization can help or hinder its progress toward accomplishing these goals. Organizations large and small can achieve higher sales and other profit by properly matching their needs with the structure they use to operate. There are three main types of organizational structure: functional, divisional and matrix structure.

FUNCTIONAL

- This type of structure has been divided to put the specialists in the top position throughout the enterprise. This is an organization in which we can define as a system in which functional department are created to deal with the problems of business at various levels. Functional authority remains confined to functional guidance to different departments. This helps in maintaining quality and uniformity of performance of different functions throughout the enterprise.
- The concept of Functional organization was suggested by F.W. Taylor who recommended the appointment of specialists at important positions. For example, the functional head and Marketing Director directs the subordinates throughout the organization in his particular area. This means that subordinates receives orders from several specialists, managers working above them.

FUNCTIONAL ORGANISATIONAL CHART



Merits of Functional Organization

- Specialization- Better division of labour takes place which results in specialization of function and its 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.

Demerits of Functional Organization

- 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.

PRODUCT BASED ORGANISATION

- An organizational structure is a framework in which companies outline the different responsibilities in their company. A product-based organizational structure separates the company by products, activities, projects or geography. This allows a company to have a particular focus on specific items in its business operations.

PRODUCT BASED ORGANISATION CHART



PRODUCT BASED ORGANISATION

- 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.

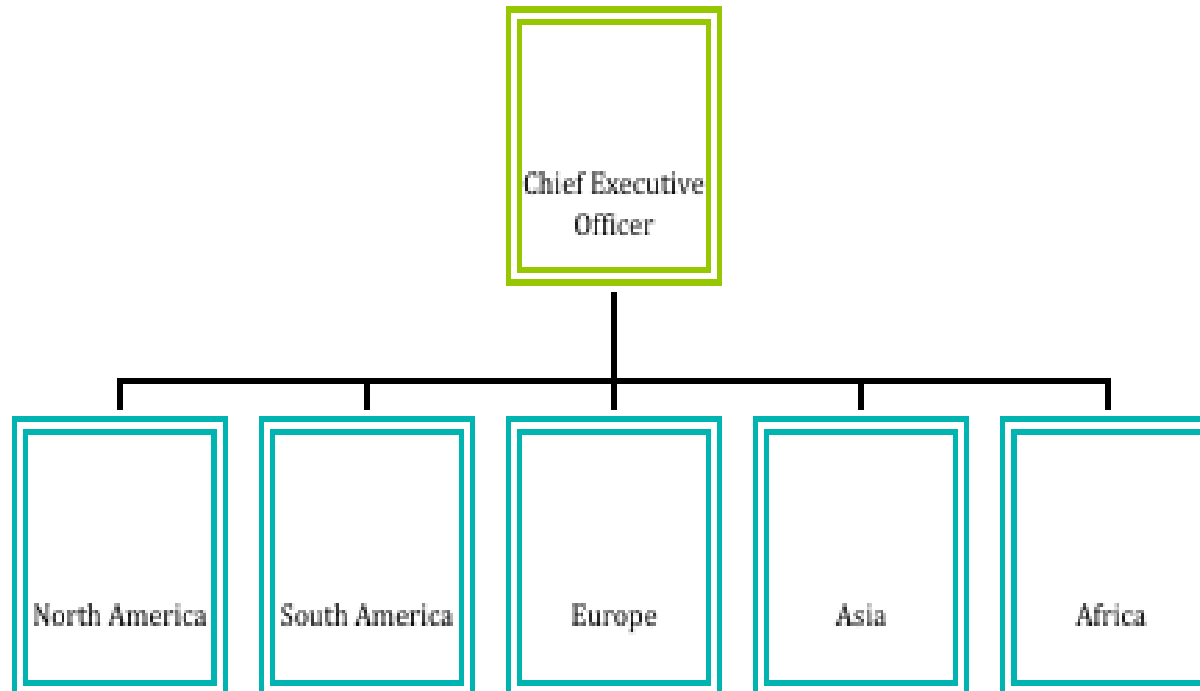
Advantages and Disadvantages

- Product-based structures allow companies to remain flexible in the business environment. This allows the company to add or remove structure sections as necessary. However, it can prohibit companies from achieving company-wide goals since each unit operates on its own.

GEOGRAPHICALLY BASED

- Geographic organizational structure is used for organizations that have offices or business units in different geographic locations.
- A geographic organizational structure defines a reporting and functional system across multiple locations. This type of structure allows an organization's offices to operate individually while adhering to company policies and values. Office locations can be local, national or international.
- Each geographic location is overseen and directed by one or several executives. These executives oversee and direct the functions of the location and have responsibility for the entire operation and its finances.

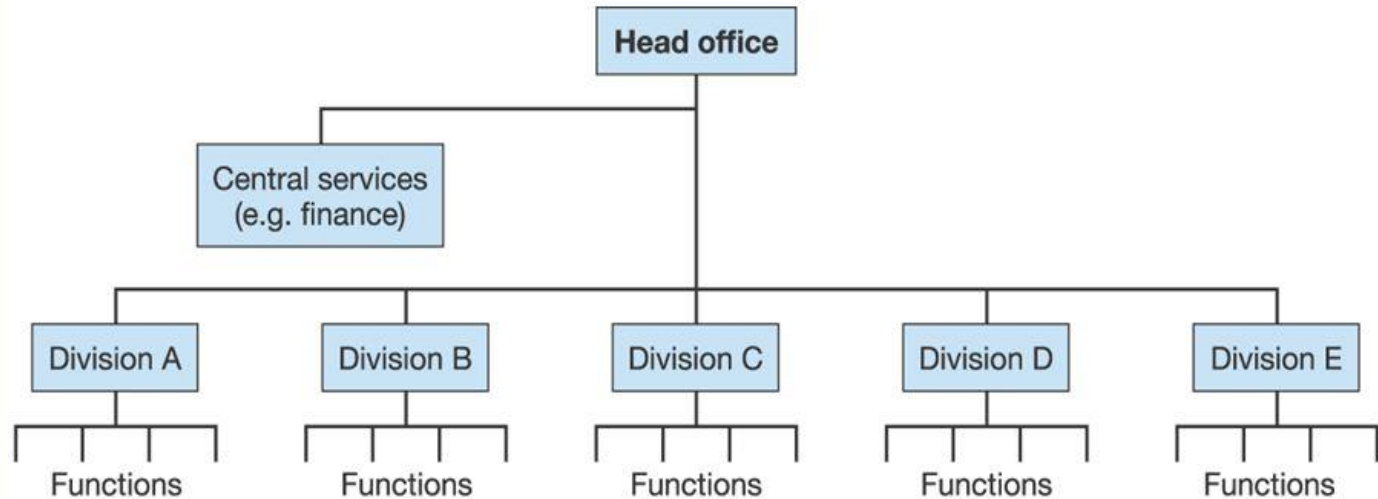
GEOGRAPHIC ORGANIZATIONAL STRUCTURE



MULTI-DIVISIONAL STRUCTURES

- According to the Human Resource Management Guide, a multidivisional organizational structure consists of self-contained units that operate as their own separate entity. For example, Procter and Gamble owns multiple national brand names and creates a self-contained business model and organizational structure for each product. Each brand is given its own corporate identity, leadership and organizational design.

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

MULTI-FUNCTIONAL STRUCTURES

- Organization and functional differentiation are considered key principles of modern societies. Yet, within organizational studies little research has been conducted on the interplay of function systems, organizations, and society. The few existing studies suppose trends to more functional polyphony. The cases presented in this article, however, support the idea that organizational multifunctionality is the standard case rather than a special case of organization. It is furthermore shown that organizations can change their function system preference and that the translation between function systems can be an organization's main function.

Head of multifunctional shared services

North and South America	Europe, Middle East and Africa	Asia and Pacific
HR	HR	HR
Finance	Finance	Finance
Procurement	Procurement	Procurement
IT	IT	IT
Sales	Sales	Sales

Service management

MATRIX

- The matrix organization structure is a combination of two or more types of organization structure, such as the projectized organization structure and the functional organization structure. These two types of organization structures represent the two extreme points of a string, while the matrix organization structure is a balance of these two.
- This combination helps organizations to achieve higher efficiency, readiness, and quick market adaptation. Moreover, they can respond faster to market or customer demand, and decrease the lead time to produce a new product. This type of structure is most suitable for organizations operating in a dynamic environment.

Matrix Organization

- The matrix organization structure takes the characteristics of both types of organization structures. The matrix structure is a composite of the projectized organization structure and the functional organization structure. Here the knowledge, skill, or talent of an employee is shared between the functional department and project management team.
- In a matrix structure, some employees usually work under more than one boss (usually two). The first boss will be their functional manager and the other can be a project manager.

Matrix Organization



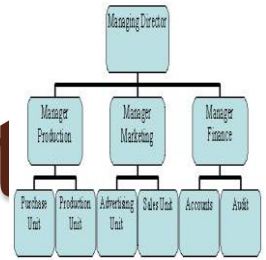
Centralized Organization

- A centralized organization is one in which authority is concentrated in one place.
- We can look at centralization in two ways.
- (a) Geography. some functions may be centralized rather than 'scattered' in different offices, departments or locations.
- So, for example, secretarial support, IT support and information storage (filing) 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.
- (b) 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 organizational

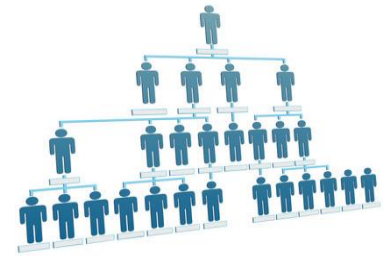
- Decentralized organizational structures often have several individuals responsible for making business decisions and running the business. Decentralized organizations rely on a team environment at different levels in the business. Individuals at each level in the business may have some autonomy to 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.

Organizational Chart



- An organizational chart is a diagram that depicts the structure of an organization in terms of relationships among personnel or departments. An organizational chart also represents lines of authority and responsibility. Generally, an organizational chart is a horizontal or vertical tree that contains geometric shapes to represent staff or divisions. The lines that connect the shapes indicate relationships between the positions. An organizational chart indicates the formal structure of a business or company.
- Most often, a rectangle represents a person, position, or department. In a hierarchical organizational chart, the Chief Officer or President is the top rectangle. The level underneath the chief officer contains high-level managers or executives, and each succeeding level includes the subordinates of the line above.

Span of Control



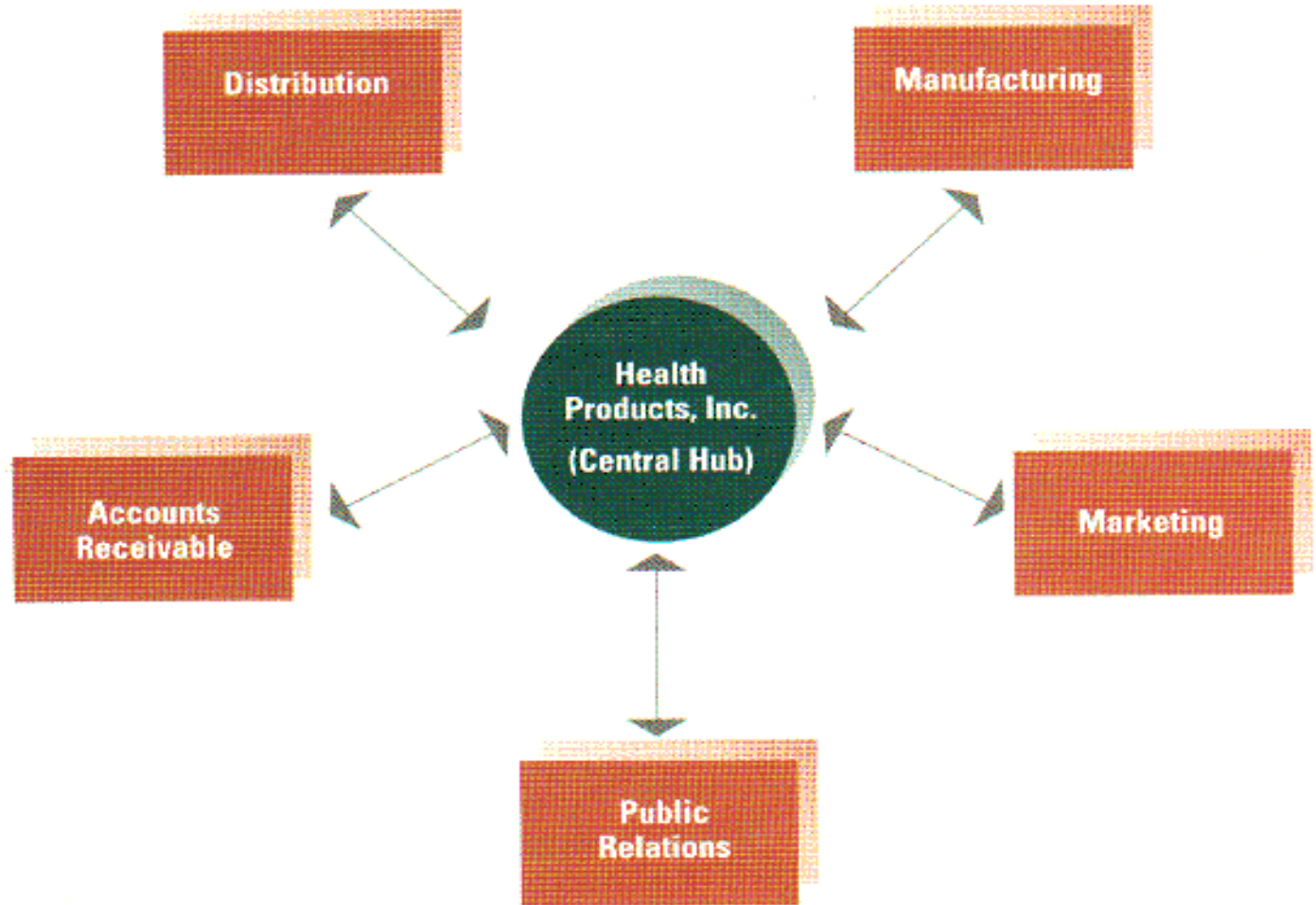
- The span of control refers to the number of subordinates immediately reporting to a superior official.
- In other words, if a manager has five subordinates, the span of control is five.
- A number of factors influence the span of control.
- (a) A manager's capabilities limit the span of control: there are physical and mental limitations to any single manager's ability to control people and activities.
- (b) The nature of the manager's workload
- The more non-supervisory work in a manager's workload:
 - (i) The narrower the span of control
 - (ii) The greater the delegation of authority to subordinates
- (c) The geographical dispersion of subordinates: dispersed teams require more effort to supervise.

Internal network Structure

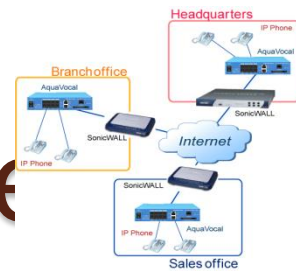


- An organization structure that subcontracts major functions to separate companies and coordinates their activities from a small headquarters organization.

DYNAMIC NETWORK STRUCTURE



External network Structure



- The web of a firm's relationships and information channels that connects it with its competitors, customers, suppliers, lenders, investors, and other stakeholders outside of its physical boundaries with the use of technology.

Flexible Working



- Flexible work hours are becoming increasingly common as technology makes it feasible for employees to complete work at home part time. Flex hours are common in several industries, and many employees appreciate this job benefit. Before offering flex hours, business owners must set up a policy and guidelines. This helps ensure that employees are doing their jobs while working under a flexible schedule. In addition, small business owners should strongly consider installing time management and tracking software on employees' computers to ensure that the employees are actually working when they are not at the office.
- A flexible schedule for full-time employees means that they must put in at least 40 hours per week (or the amount that your company agrees upon as "full time"). They are allowed to work any combination of hours, so long as they put in the required amount of time. This type of policy is best suited for workers who are very self-motivated and capable of policing themselves to stay on task.

Flexible Working



- Many small business owners find it feasible to have their flex-hour staff spend at least a few hours per week at the actual business. This helps managers monitor employee progress and make sure they are staying on task. If in-office time is right for your company, there should be a clear policy of what hours and what days flex-hour employees need to be present at work as well as the maximum amount of hours they will be required to spend at your physical location.

REVIEW QUESTIONS



- 1. Identify factors which may contribute to the length of the chain and the span of control?
- 2. Identify two advantages and two disadvantages of each structure.
 - Functional
 - Matrix
- 3. Which structure would suit these companies?
 - (a) A family run restaurant with 10 staff.
 - (b) A small manufacturing company with 250 staff.
 - (c) Johnson and Johnson who have 197 strategic business units.
 - (d) BPP Holdings plc

REVIEW QUESTIONS



- 4. Suggest two benefits and two drawbacks of both centralization and decentralization.
- 5. What is not an advantage of a matrix structure?
 - A Slower decision making
 - B Bureaucratic obstacles removed
 - C Greater feasibility
 - D Closeness to customers

FURTHER READING



- Different Types of Organizational Structure by Alexis Writing
- <http://managementstudyguide.com/>
- Product Based Organizational Structure
- By Osmond Vitez,
- Geographic Organizational Structure
- by Lucy Friend
- The Multifunctional Organization
- by Dr Steffen Rot

FURTHER READING

- What is a Matrix Organization Structure?
- By Fahad Usmani
- ACCA F1-BPP
- Centralized Vs. Decentralized Organizational Structure by Osmond Vitez
- Organization Charts as a Management Tool By F. John Reh

FURTHER READING

- What is an Organizational Chart? By: Cathy Rogers
- Organisational behaviour-Richard L. Daft and Raymond A. Noe
- Flexible Work Hours Policy & Guidelines
- by Kate McFarlin