

Designing adaptive organizations



**ASSIGN
BUSTER**

How would you define organizing? Why is It Important? Organizing Is the deployment of organizational resources to achieve strategic goals It is Important because It follows from strategy. Strategy defines what to do, and organizing defines how to do it. The organizing process leads to the creation of organization structure, which defines how tasks are divided, resources are deployed and departments are coordinated..

Organization structure refers to: Formal tasks assigned to individuals and departments Formal reporting relationships Including lines of authority, decision responsibility, number of hierarchical levels and span of managers' control Design of systems for coordination across departments The organization chart is the visual representation of an organization's structure. It delineates the chain of command, indicates departmental tasks and how they fit together, and provides order and logic for the organization .

Every employee has an appointed task, line of authority, and decision responsibility. There are several Important features of the vertical structure:

A. Work Specialization are allowed to specialize. Work specialization, sometimes called division of labor, is the degree to which organizational tasks are subdivided into separate Jobs. Production is efficient because employees perform small, well defined tasks. Organizations are moving away from this principle because wit too much specialization, employees are isolated and do only a single boring Job.

Many companies are enlarging Jobs to provide greater challenges or assigning teams to tasks so employees can rotate among the Jobs performed by the team. B. Chain of Command The chain of command is an unbroken

line of authority that links all persons in an organization and shows who reports to whom. It is associated with two underlying principles: Unity of command. Each employee is held accountable to only one supervisor. The scalar principle. There is a clearly defined line of authority in the organization that includes all employees. . Authority, Responsibility, and Delegation The chain of command illustrates the authority structure of the organization. Authority is the formal and legitimate right of a manager to make decisions, issue orders, and allocate resources to achieve organizational outcomes Authority is distinguished by three characteristics: Authority is vested in organizational positions, not people. Managers have authority because of the positions they hold. Authority is accepted by subordinates.

Authority flows top down through the organizations hierarchy; subordinates comply because they accept the managers' orders. The acceptance theory of authority argues that a manager has authority only if subordinates choose to accept the commands. Authority flows down the vertical hierarchy. Positions at the top have more formal authority than those at the bottom.

Responsibility is the duty to perform the task or activity an employee has been assigned; managers are assigned the authority commensurate with responsibility.

Accountability is the mechanism through which authority and responsibility are brought into alignment. Those with authority and responsibility are subject to Justifying task outcomes to those above them in the chain of command. Delegation is another concept related to authority; it is the process managers use to transfer authority and responsibility to positions below them in the hierarchy. Organizations encourage managers to delegate

authority to the lowest possible level to gain flexibility to meet customer needs and adapt to the environment.

Discussion Question #1 : Sandra Holt, manager of Electronics Assembly, asks Hector Cruz, her senior technician, to handle things in the department while Sandra worked on the budget. She needed peace and quiet for at least a week to complete her figures. After ten days, Sandra discovered that Hector had hired a senior secretary, not realizing that Sandra had promised interviews to two other people. Evaluate Sander's approach to delegation.

Notes How to Delegate The attempt to decentralized decision making often gets bogged down because middle managers are unable to delegate.

Managers may cling tightly to their decision- making and task responsibilities. Failure to delegate occurs because managers are most comfortable making decisions and feel they will lose status by delegating. They believe they can do a better Job themselves or have a risk aversion. Positive delegation is the way for an organization to implement decentralization. The following can help a manager delegate: ; Delegate the whole task ; Select the right person ; Ensure that authority equals responsibility ; Give thorough instruction ; Maintain feedback ; Evaluate and reward performance 2.

Line and Staff Authority An important distinction is whether managers work in line or staff departments in the organization's structure. Line departments perform tasks that reflect the organization's primary goal and mission; in a software company, line departments make and sell the product. Line authority means that managers have formal authority to direct and control

immediate subordinates. Staff departments include all those who provide specialized skills in support of line departments; the finance department of software firm has staff authority.

Staff authority is narrower than line authority and includes the right to advise, recommend, and counsel in the staff pesticides' area of expertise. C.

Span of Management Exhibit 10. 2 The span of management, or span of control, is the number of employees reporting to a supervisor. This characteristic of structure determines how closely a supervisor can monitor subordinates. Tradition has recommended a span of management of seven subordinates. Today, many lean organizations have spans of management as high as 30, 40, and even higher.

Factors that determine the span of management include: Subordinates' work is stable Subordinates perform similar work tasks Subordinates are concentrated in a single location Subordinates are trained and need little direction Rules and procedures define tasks Support systems and personnel are available for the manager Minimum time is required for unsupervised tasks Managers' personal preferences favor a large span The average span of control used in an organization determines whether the structure is tall or flat. A tall structure has an overall narrow span of management dispersed, and has fewer hierarchical levels.

The trend is toward wider spans of control as a way to facilitate delegation. Exhibit 10. 2 shows how an international metals company was reorganized; the multilevel set of managers was replaced with ten operating managers and nine staff specialists. D. Centralization and Decentralization

Centralization and decentralization pertain to the hierarchical level at which decisions are made. Centralization means decision authority is located near the top of the organization. With decentralization, decision authority is pushed down the chain of command to lower organization levels.

The trend is toward decentralization, which uses workers' skills, relieves top managers, has well-informed people make decisions, and permit rapid response. Factors that influence centralization versus decentralization include: Greater change and uncertainty in the environment are usually associated with decentralization. The amount of centralization or decentralization should fit the firm's strategy. In times of crisis or risk of company failure, authority may be centralized at the top. Discussion

Question #7: Carnival Cruise Lines provides pleasure cruises to the masses.

Carnival has several ships and works on high volume/low price rather than offering luxury cruises. What would you predict about the organization structure of a Carnival Cruise ship? Discuss. II. DIFFERENTIATIONS Exhibit 10.

3 Why is differentiations a fundamental characteristic of organization structure? Differentiations is the basis for grouping individuals into departments and departments into the total organization. Managers make choices about how to use the chain of command to group people together to perform their work.

The following are five approaches to structural design that reflect different uses of the chain of command in differentiations. The functional, divisional, and matrix are traditional approaches that rely on chain of command to define departmental groupings and reporting relationships in the hierarchy.

Two contemporary approaches are the use of teams and networks, which have emerged to meet hanging organizational needs in a turbulent global environment. UNLOCKING CREATIVE SOLUTIONS THROUGH TECHNOLOGY
Tightening the Reins at Oracle Much has been written about the power of the Internet to give employees more information and greater freedom.

But Larry Ellison, CEO of Oracle, knows the global network also offers a major opportunity for strengthening top management command and control. By requiring employees to do their work via the Internet, and employee on a global basis. Oracle got into trouble because sales managers were cutting back-room deals or hammering out private, individualized insemination, agreements with salespeople in different countries. Today, all the terms, including sales contracts and commissions, are dictated from the top and are spelled out in a global database.

Ellison loves being in control, but he has solid business reasons for centralizing information and decision-making. A. Vertical Functional Approach Exhibit 10. 4 1. What It Is Functional structure is the grouping of positions into departments based on similar skills, expertise, and resource use. People and facilities representing a common organizational resource are grouped together into a single department. 2. How It Works The major departments under the president are groupings of similar expertise and resources, such as accounting, human resources, production and marketing.

Each of the functional departments is concerned with the organization as a whole; the marketing department is responsible for all sales and marketing. The functional structure is a strong vertical design; information flows up and

down the vertical hierarchy, and the chain of command converges at the top. People in a department communicate primarily with others in the same department to coordinate work and accomplish tasks or implement decisions. Managers and employees are compatible because of similar training. There are rules and procedures governing the duties and responsibilities of each employee.

Discussion Question #3: An organizational consultant was heard to say, “Some aspect of functional structure appears in every organization.” Do you agree? Explain. The divisional structure occurs when departments are grouped together based on organizational outputs. Diverse departments are brought together to produce a single organizational output. The divisional structure is sometimes called a product structure, or self-contained unit structure. Most large corporations have separate divisions that perform different tasks, use different technologies or serve different customers.

Microsoft has seven product divisions—Windows, server software, mobile software, office software, videotapes, business software, and MS Internet service. 2. How It Works Divisions are created as self-contained units with separate functional departments for each division. For example, separate engineering departments are created within each division, and each department is similar and focuses on a single product. The primary difference between divisional and functional structures is that the chain of command from each function converges lower in the hierarchy. Differences of Geographic- or Customer-Based Divisions.

Exhibit 10. 5 An alternative for assigning divisional responsibility is to group company activities by geographic region. In this structure, all functions in a specific country or region report to the same division manager. The structure focuses company activities on local market conditions; competitive advantage comes from the selling a product adapted to a given country.

Discussion Question #4: The divisional structure is often considered almost the opposite of a functional structure. Do you agree? Briefly explain the major differences in these two approaches to differentiations. C.

Matrix Approach Exhibit 10. 6 The matrix approach combines aspects of both functional and divisional structures simultaneously in the same part of the organization. The matrix has dual lines of authority; the functional hierarchy of authority runs vertically, providing traditional control within functional departments. The divisional hierarchy runs horizontally; the horizontal structure provides coordination across departments. The matrix structure, therefore, provides a formal chain of command for both the functional (vertical) and divisional (horizontal) relationships. 2. How It Works Exhibit 10. The dual lines of authority make the matrix structure unique. The success of the matrix structure depends on the abilities of people in key matrix roles. Two-boss employees report to two supervisors simultaneously and must resolve conflicting demands from the matrix bosses. The matrix boss is the product or functional boss who is responsible for one side of the matrix. The top leader oversees both the product and functional chains of command and is responsible for the entire matrix. General Motors IT implemented a matrix system, and employees have balanced overlapping responsibilities; the firm saved \$1 billion over a seven-year period.

Discussion Question #5: Some people argue that the matrix structure should be adopted only as a last resort because the dual chains of command can create more problems than they solve. Do you agree or disagree? Why? The team approach is probably the most widespread trend in differentiations. The vertical chain of command is a powerful means of control, but passing all decisions up the hierarchy takes too long and keeps responsibility at the top. Managers can delegate authority, push responsibility to lower levels, and be more legible and responsive in the competitive global environment. . How It Works There are two ways to think about using teams in organizations: Cross functional meet as a team and resolve mutual problems. Team members report to their functional departments but also to the team; a frequent use of cross-functional teams is for change projects such as a new product. Permanent teams are groups of employees brought together as a formal department. Emphasis is on horizontal communication and information sharing because representatives from all functions coordinate to complete a specific task.

Authority is pushed down to lower levels, and iron-line employees are given the freedom to make decisions and take action on their own. Team members may share or rotate leadership. With a team-based structure, the entire organization is made up of horizontal teams that coordinate activities and work with customers to accomplish goals. Discussion Question #2: Many experts note that organizations have been making greater use of teams in recent years. What factors might account for this trend? UNLOCKING CREATIVE SOLUTIONS THROUGH PEOPLE Imagination Ltd.

The essence of teamwork is that people contribute selflessly, putting the good of the whole above their own individual interests. It doesn't always work that way, but Imagination Ltd. Seems to have found the secret ingredient to seamless teamwork. Imagination Ltd. Has created a company made up of teams of designers, architects, lighting experts, writers, theater people, and artists. By having employees with a wide range of skills, the company is able to put together a diverse team to provide each client with a new approach to its design problems.

The company makes sure that everyone's work is so closely integrated that people gain understanding and respect for what others do. E. The Virtual Network Approach The most recent approach to differentiations extends the idea of horizontal coordination beyond the boundaries of the organization. Outsourcing, which means farming out certain activities, has become a significant trend. Partnerships, and alliances and other collaborative forms are now a leading approach to accomplishing strategic goals (e. G. , the music industry). Some organizations take this networking approach to the extreme to create a new kind of structure.

The virtual network disaggregated major functions to separate companies that are brokered by a small headquarters organization. 2. How It Works Exhibit 10. The organization may be viewed as a central hub surrounded by a network of outsider specialists. Services such as accounting are outsourced to separate organizations that are connected electronically to the central office. Networked computer systems, collaborative software, and the Internet enable organizations to company to concentrate on what it does best and

contract out other activities to companies with distinctive competence in those areas.

Stride has a virtual network approach to design, manufacturing, customer service logistics, account and everything; two people sell thousands of high-tech bicycles. In the modular approach, a manufacturing firm uses outside suppliers to provide large components of the produce, which are assembled into a product by a few workers. Discussion Question #6: What is the virtual network approach to structure? Is the use of authority and responsibility different compared with other forms of differentiations? Explain. 5.

Advantages and Disadvantages of Each Structure Exhibit 10. 1. Functional Approach Grouping employees by common task permits efficient resource use and economies of scale. Departments enhance in depth skill specialization and development, and centralized decision-making at the top provides unified direction. The disadvantages reflect the barriers that exist across departments such as poor communication and coordination and slow response to changes. Innovation and change require involvement of several departments, and decisions pile up at the top of hierarchy, creating delay 2.

Divisional Approach The organization is flexible and responsive to change because each unit is small and tuned in to its environment. Concern for customer's needs is high and coordination across functional departments is better because employees are grouped and oriented to a product. However, poor coordination exists across divisions; the organization loses efficiency and economies of scale, and there is a lack of technical depth and specialization. 3. Matrix Approach The matrix can be highly effective in a

complex, rapidly changing environment in which flexibility and adaptability are important.

Conflict and frequent meetings allow new issues to be raised and resolved. The matrix makes efficient use of human resources because specialists can be transferred from one division to another. The problem is the frustration and confusion from dual chain of command, the high infight between two sides of matrix, and the time lost in meetings. Managers spend a great deal of time coordinating meetings, taking time away from core work activities 4. Team Approach The team reduces barriers across departments, increases cooperation and compromise, and enable the firm to quickly adapt to requests and changes.

Another advantage is better morale and enthusiasm from employee involvement. Disadvantages include dual loyalties and conflict, time and resources spent on meetings, and too much decentralization; members lose the firm's big picture. 5. Virtual Network Approach The biggest advantages are flexibility and competitiveness on a global scale, drawing on resources and expertise worldwide. The structure is the leanest of all because little supervision is required; there may only be two or three levels of hierarchy compared with ten or more in traditional firms.

The disadvantage is the lack of hand- on control; each partner in the network acts in its own self-interest. The weak and for defining shared goals, coordinating activities, managing relationships, and keeping people focused. Employee loyalty can weaken; employees feel they can be replaced by contract services. Why are many companies using teams and networks?

Many companies recognize the limits of traditional vertical organization structures in today's fast-shifting environment.

There is a growing trend in breaking down barriers between departments, and many companies are moving toward horizontal structures based on work processes. Every organization needs mechanisms for horizontal integration and coordination. A. The Need for Coordination As organizations grow and evolve, new positions and departments are added, and senior managers have to find a way to tie all of these departments together. Coordination refers to the quality of collaboration across departments; it is required whether there is a function, divisional, or team structure.

Coordination problems are amplified in the global arena, because units differ not only by goals and work activities but by distance, time, culture, and language. Coordination is the outcome of information and cooperation; managers can design systems and structures to promote horizontal coordination. As Exhibit 10. 10 show, the third stage involves reengineering to structure the organization into teams working on horizontal processes. The vertical structure is flattened, with perhaps only a few senior executives in traditional support functions such as finance or human resources. B Task Forces, Teams, and Project Management Exhibit 10. 1 A task force is a temporary team or committee designed to solve a short-term problem involving several departments. Task force members represent their departments and share information that enables coordination; companies also set up cross-functional teams for coordination. Companies also use project managers, responsible for coordinating the activities of several departments on a full-time basis or the completion of a specific project. The

distinctive feature of a project manager is that the person is not a member of one of the departments being coordinated; some are included in the organizational chart.

Project managers need excellent people skills; they use expertise and persuasion to achieve coordination among various departments. Using project managers has helped American Standard do things faster, better, and cheaper than competitors. 4. Reengineering Exhibit 10. 12

Reengineering is the radical redesign of business processes to achieve dramatic improvements in cost, quality, service, and speed. Because the focus of engineering is on process rather than function, reengineering generally leads to a shift away from a strong vertical structure.

Reengineering changes the way managers think about how work is done in their organizations. Reengineering emphasizes process, an organized group of related tasks and activities that work together to transform inputs into outputs and create value. Common examples of processes include new product development, order fulfillment, and customer service.

Reengineering can squeeze out the dead space and time lags in work flows, as illustrated by the reengineering of the travel system of the U. S. Dept. Of Defense. Therefore, reengineering is best suited to companies facing competitive threats. ' V.

FACTORS SHAPING STRUCTURE Exhibit 10. 13 Why do vertical hierarchies continue to thrive? Despite the trend toward horizontal design, vertical hierarchies thrive because they provide important benefits to the organization. How do managers know whether to design a structure that

emphasizes the formal, vertical hierarchy or one which emphasizes horizontal communication? The answer lies in the contingency factors that influence organization structure. Research shows that structure depends on a rarity of contingencies; the right structure is “designed to fit” the contingency factors of strategy, environment, and technology.

These three areas are changing for organizations, creating a need for stronger horizontal coordination. A. Structure Follows Strategy Exhibit 10. 14 Two strategies proposed by Porter are differentiation and cost leadership; these strategies require different structural approaches. A simplified continuum illustrates how structural approaches are associated with strategic goals. The pure functional structure is appropriate for achieving internal efficiency goals; the vertical functional structure uses task specialization and a chain of command.

It does not enable the organization to be flexible or innovative. Horizontal teams are appropriate when the primary goal is innovation and flexibility; the firm can differentiate itself and respond quickly to change. Other forms of structure represent intermediate steps on the firm’s path to efficiency or innovation. The functional structure with cross-functional teams and project teams provides greater coordination and flexibility than the pure functional structure. The divisional structure promotes differentiation because each division can focus on specific products and customers.

Discussion Question #8: The chapter suggested that structure should be designed to fit strategy. Some theorists argue that strategy should be designed to fit the organization’s structure. With which theory do you agree?

Explain. B. Structure Reflects the Environment Exhibit 10. 15 Environmental uncertainty means that decision makers have difficulty acquiring good information and predicting external changes. An uncertain environment causes: Increased differences occur among departments The organization needs increased coordination to keep departments working together The organization must adapt to change.

The terms mechanistic and organic explain structural responses to the external environment. When the environment is stable, the organization uses a mechanistic system; it has a rigid, vertical, centralized structure with decisions made at the top. In rapidly changing environments, the organization tends to be much looser, free-flowing, and adaptive, using an organic system.