

# Organizational structure paper



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An organizational structure is the specification of the jobs to be done within an organization and the ways in which those jobs relate to one another.

Organization structure provides a framework for managers to divide responsibilities, hold employees accountable for their work, effectively distribute authority to make decisions, and coordinate and control the organization's work. Organization charts clarify the organization's structure and show employees where they fit into an operation.

At CAP the top level of the organization is formed into two product segments, Internal Automotive Technology products and External Automotive Technology products that mirror each other. Within the two sectors the organization then flows into a functional organization with four business units in the areas of Manufacturing and Quality, Marketing/Sales, Finance, and Human Resources. CAP's board of Directors consists of the Chief Executive Officer and his/her direct reports from each product department along with a representative from each of the four business units in each product sector. The organization is relatively flat consisting of fewer levels (Appendix A). At CAP they have a chain of command or unbroken line of authority that connects each level of management. This process makes two things clear such as who is responsible for each task and who has the authority to make official decisions.

### Advantages

Organizing departments around functions has several advantages. It simplifies and makes things straightforward, logical and simple. The biggest advantage is that there is usually clear authority, since the project managers

tend to also be the functional managers, and since the managers' duties are more specific the need for several general managers is reduced; this also helps when it comes to recruiting and training. You also do not need to negotiate with other organizations for resources, since all of the staff needed for the project will report into the same functional organization. Other advantages of this organization are that the team members tend to be familiar with each other, since they all work in the same area. The team members also tend to bring applicable business knowledge of the project. Team members become more proficient from doing the same task over and over again, creating a highly efficient work environment. Another advantage is that since department managers' usually only get the big picture info it gives top management more control over the department managers activities (Dessler, 2001).

Using divisionalization can be beneficial as well, since a single manager oversees all the aspects of producing and marketing each product, it also helps to motivate management to be more efficient and productive. Quick decisions and flexibility are gained when using this approach. Performance is tracked easier since it's made clear to top management which division is doing well. Divisionalization also helps by taking some of the burden off from top management and passing it on to division executives.

### Disadvantages

There are several disadvantages in creating divisions around products and functions. Although divisionalization of an organization can help to manage activities to develop, manufacture, and sell a product line, there are some

drawbacks to it. There may be duplication of efforts that can be very costly. Product departmentalization also requires that managers have more general management knowledge. Top management has less day-to-day control over the business activities. One disadvantage of organizing departments around functions is that the responsibility of the business rests on the top manager i. e., CEO. It makes it more difficult to develop managers for upper management roles when they specialize in areas such as sales, finance, manufacturing, or human resources.

### Impacts of Traditional Organizational Functions

In the past traditional organizations were structured around basic work units involving individuals, functions or departments such as Information Technology, Accounting/Finance, Sales and Marketing, Operations and other functional groups (Dessler). Impacts such as the lack of support for innovation and risk taking, job design and management roles have lead traditional organizations towards the development of new organizational models.

Formal organizational networks form a layered pyramid structure. It is a structure that is put together by the CEO and senior executives. The members are taken from the company's functions, business units and form various levels of hierarchy. Traditional organizational structures tend to have business concepts that do not typically support new ideas or prevent from further advancement. However, outdated organizational structures are what have transformed many organizations into high performance organizational structures such as the hybrid structures. New approaches include using task

force teams, networks and boundary less structures to better make business decisions and handle change. Under the traditional management role employees within a functional department empowerment was not a viewed as a management strategy.

### Cost Benefit Analysis

Total cost to launch Auto temp is budgeted at \$2. 5 million. Prior to allocating resources, CAP conducted a Cost Benefit Analysis (CBA) to determine the amount of funds that could be allocated to those resources (Appendix B). It was determined that it would cost CAP \$2, 342, 400 to launch. This is a six-month project with a completion and launch deadline of November 2003. CAP's Target Return Objective for Auto Temp is to aim for 45% percent return on investment over a one-year period of strategic selling.

CAP wants to be at 99% of order fulfillment within the first 3 months of production. This is an aggressive schedule so CAP needs to make sure resources are allocated to meet this demand.

### How would CAP Allocate Limited Resources

CAP's goal is to share knowledge and resources so that their organization achieves ever greater results. They want employees to have access to the knowledge and skills they need to assess themselves, to measure the impact they are having, and to use evaluation results to improve outcomes. In order to better plan and evaluate their efforts, CAP will look at allocating limited resources in the areas of time, money, people and capital. Manufacturing layouts, once exclusively organized in functional work centers producing

large quantities of lower level parts for sub-assembly inventory, are now giving way to product (or product group) work cells in which the entire product is fabricated and assembled with little or no subassembly inventory. Such cells, staffed by members of a team who are empowered to self inspect their work, adhere to a schedule and meet productivity metrics, are producing greater quantities of goods in smaller lots with less inventory and higher quality.

### Time

The new marketplace for CAP's manufactured products demands short lead times and high fill rates. Meeting these demands could once be accomplished by carrying more inventory; however inventories are costly and the market is demanding competitive prices. In order to achieve flexibility in the current limited capacity environment, the conservation of time is paramount. Time has become one of CAP's most precious commercial commodities, and manufacturers can no longer afford to squander it through excessive down time, leisurely set-ups, and long queues and production cycles. In order to save time CAP will organize in Product Work Cells to optimize Just In Time practices. There are tangible benefits to be realized from JIT work cells.

Lower total labor cost - although flexing work center output may seem to work against lower labor costs, the fact is that a U or parallel shaped work centers and worker mobility results in more effective use of the total work force across all centers.

Reduced material handling - as lot sizes approach a size of one within sequential operations, the need for " batches" of goods to be moved from operation to operation diminishes.

Improved quality - when goods are produced in lots of one in sequence, quality problems surface as they occur and therefore must be solved immediately. Immediate quality problem detection eliminates the " hidden plant" capacity required for rework of defective parts.

Less work in process - when parts are produced in large lots and in unsynchronized operations, work in process accumulates in the queue with the consequent congestion and carrying costs of such inventory (Najarian, 2002).

## Money

Assessing CAP's project proposal for the new Auto Temp device will raise many questions about it. The two main questions that management must be concerned with are: " How much will this expense be and " where will the money come from?" In this instance an assessment of costs and benefits is a requirement in order to provide information for the business. Cost statistics can be obtained from historical information including budgets or spending records, feasibility studies, an outside consultant and other agencies that have outsourced or attempted similar projects. At this time CAP is the only company who has tried to put together such a device.

The cost-benefit analysis at Convenient Auto Parts can be obtained by comparing cost and projected benefits. The results have to be persuasive

enough to assure the evaluating committee of the project in order to approve funding. The cost estimates need to cover all elements of the project: human resources, technology, training, research and physical plant changes. The analysis must also assess the impact of ongoing costs, such as training and maintenance, and related activities and timelines.

The allocation of money for new projects is a priority at CAP. Management has decided that the Auto Temp project would be budgeted at \$2.5 million. There are several allocation methods available. CAP has consulted the company auditor and the budget will be distributed between Fixed Costs and Variable Costs.

Fixed Costs are costs that do not vary with activity or sales. Fixed costs include: rent, management salaries, property taxes and insurance. For the purpose of Auto Temp, CAP will be using its manufacturing company in the United States. CAP currently owns the facility in the USA and management agrees that it would be cost efficient to utilize this space.

Variable costs are costs that can fluctuate as conditions change (Managerial Accounting, 2003). Variable costs include parts, wages, packaging material, outgoing freight, sales commissions, advertising, marketing, and promotion expenses. The company projects variable costs to be at about \$1,862,400. Currently the estimated price for parts the Auto Temp device is \$54.00 per unit. The expense for manufacturing and wages of the employees working on the device is an estimated \$51.00 per unit. Packaging and Materials have been estimated to be about \$5.50 per unit by our marketing and packaging department. This includes tags, labels, and boxes. We estimate that orders



will be placed in bulk allowing us to cut the cost on time being spent setting up deliveries. The total per unit cost of this product is \$113. 62. Our product price to the manufacturers will be \$227. 24 (Appendix C).

The company recently invested \$250, 000. 00 in new technologies. The new technology will help quicken the processes and help with Auto Temp coming together.

### People

People resources are set and CAP and will not be allocating any additional funding for new people. Convenient Auto Part's employee base is diverse and the amount of knowledge within the company will help suffice the new product needs. Money will be allocated to further our research and development. The company strongly believes in Auto Temp and its capabilities.

In an attempt to further expand our customer base and knowledge additional surveying will be done. This research will allow CAP to find out how satisfied the customers are with the new device and further improve on or give the company ideas for new products. 500, 000 dollars has been set aside for research and development of Auto Temp.

Training will be necessary. CAP has put together a group of 5 in office representatives to help teach and coach our new customers about installation and product questions or concerns. The customer will fly out to the account home office in order to receive necessary training needed at the facility. Further, teaching and coaching will be provided in CAP's corporate

facility in the United States and will be available at no charge to the company interested as long as they pay for flight and hotel accommodations. Customers may also go online at ConvenientAutoProducts.com and type in a question and a home office representative will be ready to assist them. CAP has allocated 350,000 for customer training.

In total, people expenses have been allocated at \$850,000 for the first year.

### Capital

The remaining budget will be spent on Capital since no budget will be required to add additional help. The company has decided to organize in Product Work Cells to optimize Just In Time practices. This will lead to quick turn-around, more productivity and in-turn happier customers.