

Chapter 3 – Organizing

- What is organizing as a management function?
- What are the major types of organization structures?
- What are the new developments in organization structures?
- What organizing trends are changing the workplace?

Study Question 1: What is organizing as a management function?

➤ Organizing and organization structure

– Organizing

- The process of arranging people and other resources to work together to accomplish a goal.

– Organization structure

- The system of tasks, workflows, reporting relationships, and communication channels that link together diverse individuals and groups.

Figure 10.1 Organizing viewed in relationship with the other management functions.



Study Question 1: What is organizing as a management function?

➤ Formal structures ...

- The structure of the organization in its official state.
- An organization chart is a diagram describing reporting relationships and the formal arrangement of work positions within an organization.
- An organization chart identifies the following aspects of formal structure:
 - The division of work.
 - Supervisory relationships.
 - Communication channels.
 - Major subunits.
 - Levels of management.

Study Question 1: What is organizing as a management function?

➤ Informal structures ...

- A “shadow” organization made up of the unofficial, but often critical, working relationships between organization members.
- Potential advantages of informal structures:
 - Helping people accomplish their work.
 - Overcoming limits of formal structure.
 - Gaining access to interpersonal networks.
 - Informal learning.

Study Question 1: What is organizing as a management function?

➤ Informal structures (cont.) ...

– Potential disadvantages of informal structures:

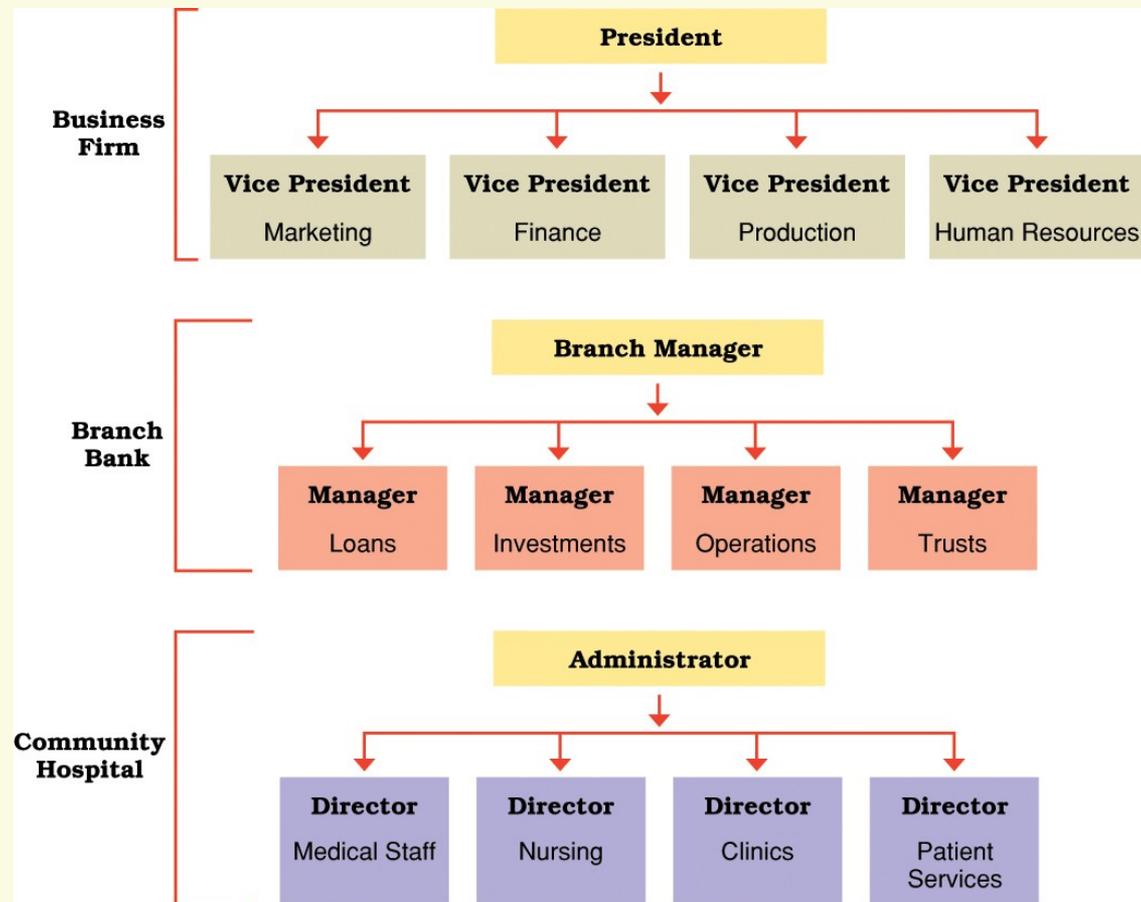
- May work against best interests of entire organization.
- Susceptibility to rumor.
- May carry inaccurate information.
- May breed resistance to change.
- Diversion of work efforts from important objectives.
- Feeling of alienation by outsiders.

Study Question 2: What are the major types of organization structures?

➤ Functional structures

- People with similar skills and performing similar tasks are grouped together into formal work units.
- Members work in their functional areas of expertise.
- Are not limited to businesses.
- Work well for small organizations producing few products or services.

Figure 10.2 Functional structures in a business, branch bank, and community hospital.



Study Question 2: What are the major types of organization structures?

➤ Potential advantages of functional structures:

- Economies of scale.
- Task assignments consistent with expertise and training.
- High-quality technical problem solving,
- In-depth training and skill development.
- Clear career paths within functions.

Study Question 2: What are the major types of organization structures?

- Potential disadvantages of functional structures:
 - Difficulties in pinpointing responsibilities.
 - Narrow view of performance objectives.
 - Excessive upward referral of decisions.

Study Question 2: What are the major types of organization structures?

➤ Divisional structures

- Group together people who work on the same product or process, serve similar customers, and/or are located in the same area or geographical region.
- Common in complex organizations.
- Avoid problems associated with functional structures.

Figure 10.3 Divisional structures based on product, geography, customer, and process

Type	Focus	Example
Product	Good or service produced	<pre> graph TD GM[General Manager] --> GP[Grocery products] GM --> DT[Drugs and toiletries] </pre>
Geographical	Location of activity	<pre> graph TD P[President] --> AD[Asian division] P --> ED[European division] </pre>
Customer	Customer or client serviced	<pre> graph TD AA[Agency Administrator] --> PY[Problem youth] AA --> SC[Senior citizens] </pre>
Process	Activities part of same process	<pre> graph TD CSM[Catalog Sales Manager] --> PP[Product purchasing] CSM --> OF[Order fulfillment] </pre>

Study Question 2: What are the major types of organization structures?

➤ Potential advantages of divisional structures:

- More flexibility in responding to environmental changes.
- Improved coordination.
- Clear points of responsibility.
- Expertise focused on specific customers, products, and regions.
- Greater ease in restructuring.

Study Question 2: What are the major types of organization structures?

- Potential disadvantages of divisional structures:
 - Duplication of resources and efforts across divisions.
 - Competition and poor coordination across divisions.
 - Emphasis on divisional goals at expense of organizational goals.

Study Question 2: What are the major types of organization structures?

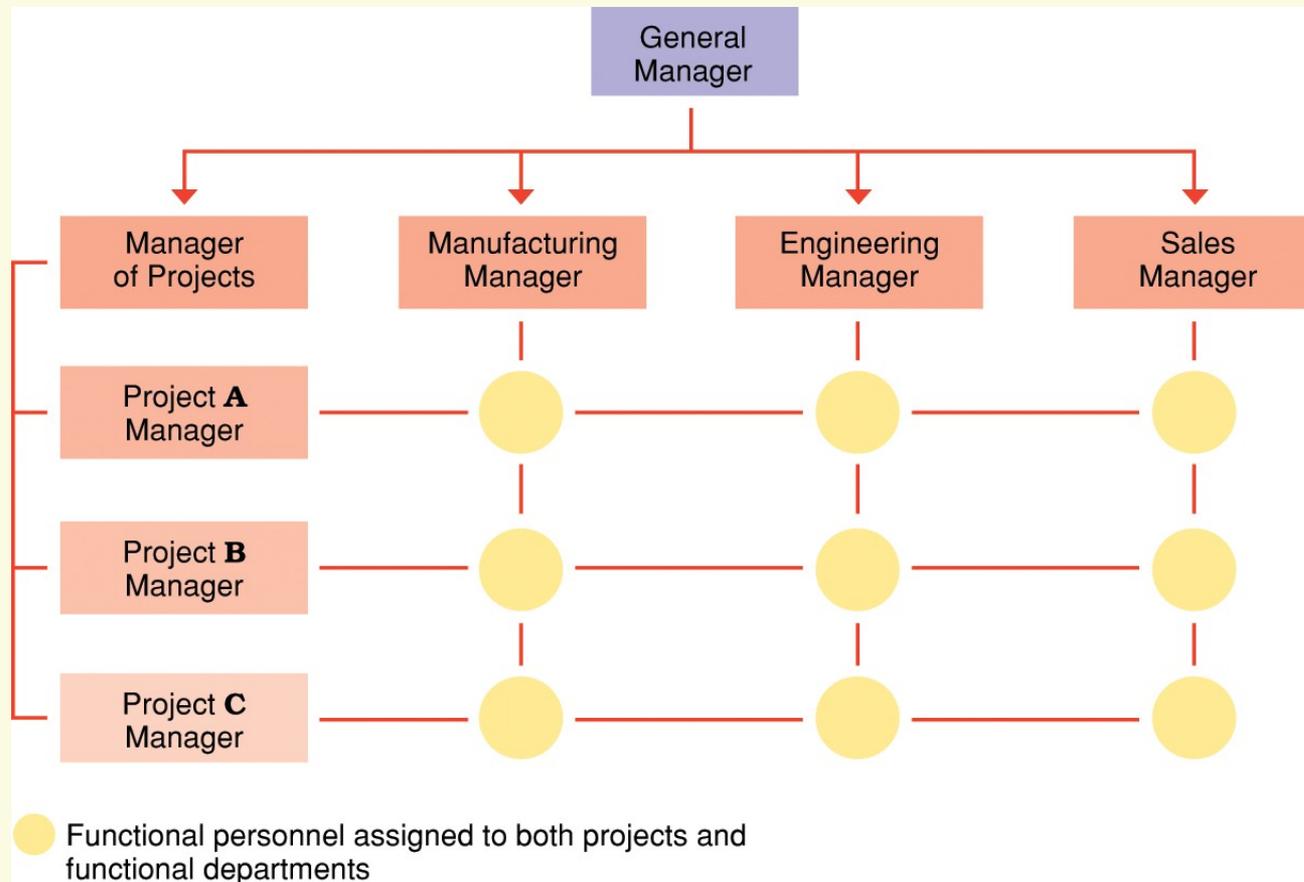
- Types of divisional structures and how they group job and activities:
 - Product structures focus on a single product or service.
 - Geographical structures focus on the same location or geographical region.
 - Customer structures focus on the same customers or clients.
 - Process structures focus on the same processes.

Study Question 2: What are the major types of organization structures?

➤ Matrix structure

- Combines functional and divisional structures to gain advantages and minimize disadvantages of each.
- Used in:
 - Manufacturing
 - Service industries
 - Professional fields
 - Non-profit sector
 - Multi-national corporations

Figure 10.4 Matrix structure in a small multiproject business firm.



Study Question 2: What are the major types of organization structures?

- Potential advantages of matrix structures:
 - Better cooperation across functions.
 - Improved decision making.
 - Increased flexibility in restructuring.
 - Better customer service.
 - Better performance accountability.
 - Improved strategic management.

Study Question 2: What are the major types of organization structures?

- Potential disadvantages of matrix structures:
 - Two-boss system is susceptible to power struggles.
 - Two-boss system can create task confusion and conflict in work priorities.
 - Team meetings are time consuming.
 - Team may develop “groupitis.”
 - Increased costs due to adding team leaders to structure.

Study Question 3: What are the new developments in organization structures?

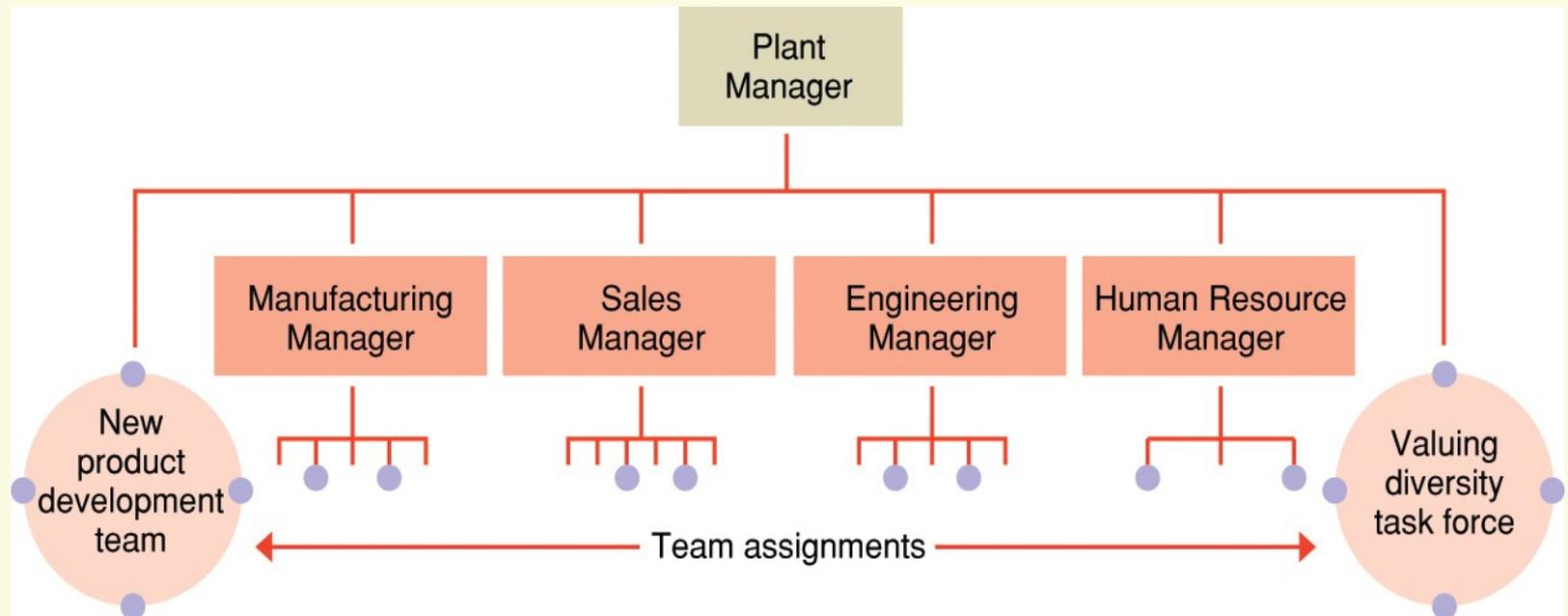
- Guidelines for horizontal structures:
 - Focus the organization around processes, not functions.
 - Put people in charge of core processes.
 - Decrease hierarchy and increase the use of teams.
 - Empower people to make decisions critical to performance.
 - Utilize information technology.
 - Emphasize multiskilling and multiple competencies.
 - Teach people how to work in partnership with others.
 - Build a culture of openness, collaboration, and performance commitment.

Study Question 3: What are the new developments in organization structures?

➤ Team structures

- Extensively use permanent and temporary teams to solve problems, complete special projects, and accomplish day-to-day tasks.
- Often use cross-functional teams.

Figure 10.5 How a team structure uses cross-functional teams for improved lateral relations.



Study Question 3: What are the new developments in organization structures?

- Potential advantages of team structures:
 - Eliminates difficulties with communication and decision making.
 - Eliminates barriers between operating departments.
 - Improved morale.
 - Greater sense of involvement and identification.
 - Increased enthusiasm for work.
 - Improved quality and speed of decision making.

Study Question 3: What are the new developments in organization structures?

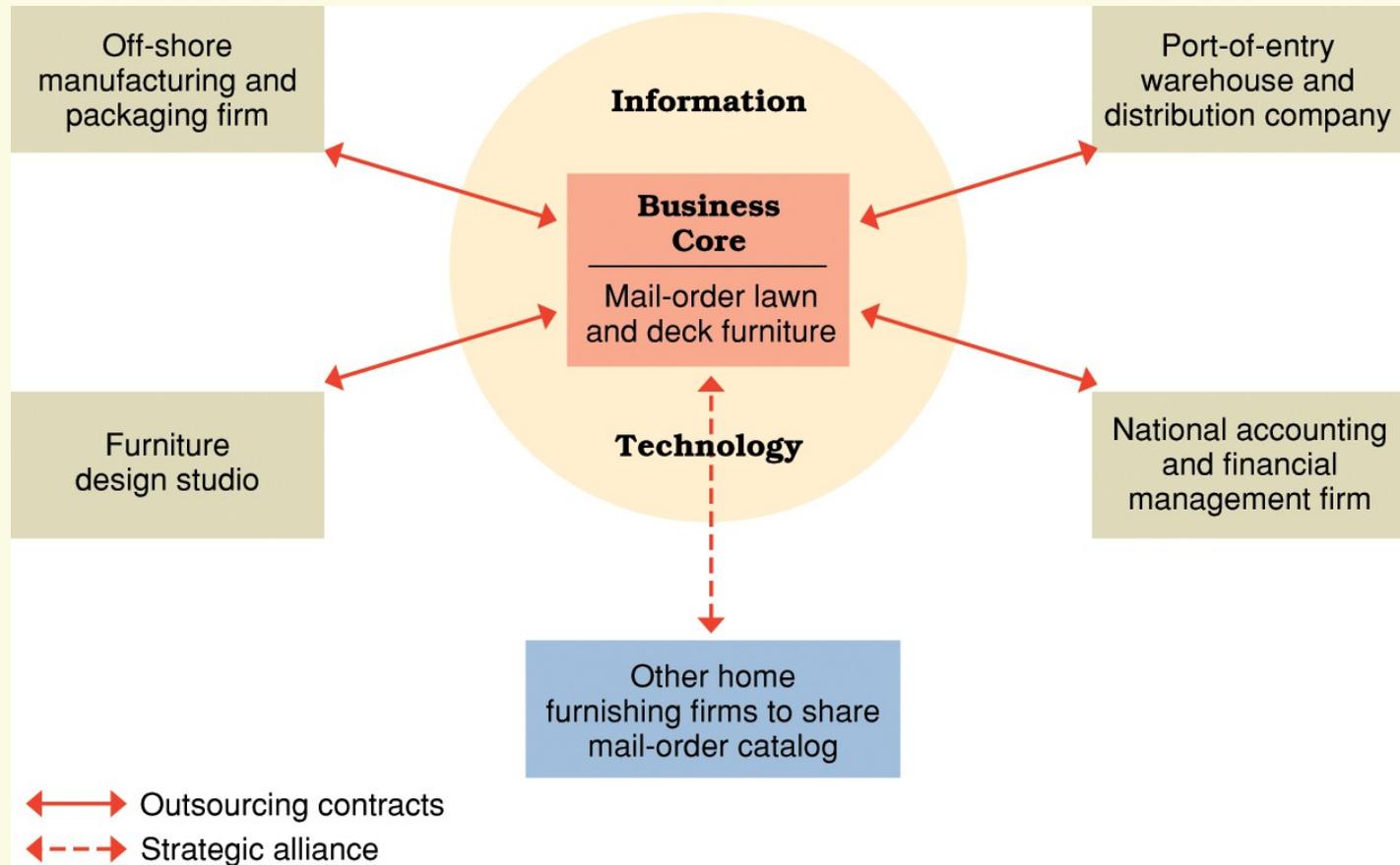
- Potential disadvantages of team structures:
 - Conflicting loyalties among members.
 - Excessive time spent in meetings.
 - Effective use of time depends on quality of interpersonal relations, group dynamics, and team management.

Study Question 3: What are the new developments in organization structures?

➤ Network structures

- A central core that is linked through networks of relationships with outside contractors and suppliers of essential services.
- Own only core components and use strategic alliances or outsourcing to provide other components.

Figure 10.6 A network structure for a Web-based retail business.



Study Question 3: What are the new developments in organization structures?

- Potential advantages of network structures:
 - Firms can operate with fewer full-time employees and less complex internal systems.
 - Reduced overhead costs and increased operating efficiency.
 - Permits operations across great distances.

Study Question 3: What are the new developments in organization structures?

- Potential disadvantages of network structures:
 - Control and coordination problems may arise from network complexity.
 - Potential loss of control over outsourced activities.
 - Potential lack of loyalty among infrequently used contractors.
 - Excessively aggressive outsourcing can be dangerous.

Study Question 3: What are the new developments in organization structures?

- **Deadly sins of outsourcing:**
 - Outsourcing activities that are part of the core.
 - Outsourcing to untrustworthy vendors.
 - Not having good contracts with the vendor.
 - Overlooking impact on existing employees.
 - Not maintaining oversight; losing control to vendors.
 - Overlooking hidden costs of managing contracts.
 - Failing to anticipate need to change vendors, cease outsourcing.

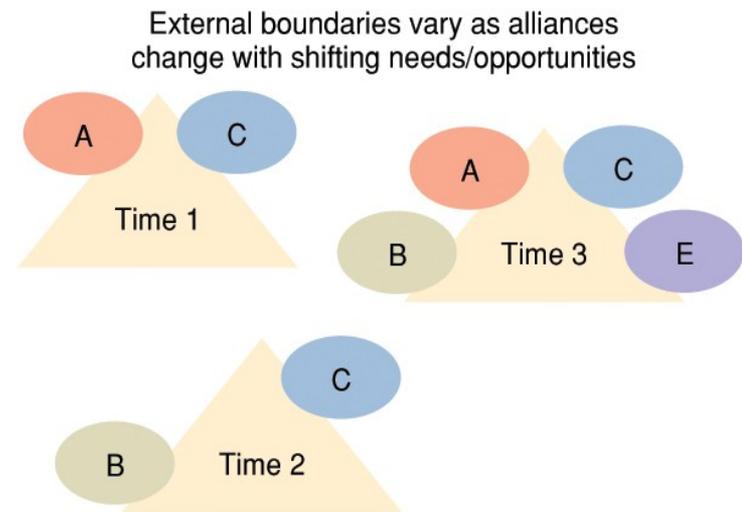
Study Question 3: What are the new developments in organization structures?

- Boundaryless organizations
 - Eliminate internal boundaries among subsystems and external boundaries with the external environment.
 - A combination of team and network structures, with the addition of “temporariness.”
 - Key requirements:
 - Absence of hierarchy.
 - Empowerment of team members.
 - Technology utilization.
 - Acceptance of impermanence.

Figure 10.7 The boundaryless organization eliminates internal and external barriers.



Internal boundaries are eliminated as people work together as needed



Study Question 3: What are the new developments in organization structures?

➤ Boundaryless organizations (cont.)

- Encourage creativity, quality, timeliness, flexibility, and efficiency.
- Knowledge sharing is both a goal and essential component.
- Virtual organization.
 - A special form of boundaryless organization.
 - Operates in a shifting network of external alliances that are engaged as needed, using IT and the Internet.

Study Question 4: What organizing trends are changing the workplace?

- Contemporary organizing trends include:
 - Shorter chains of command.
 - Less unity of command.
 - Wider spans of control.
 - More delegation and empowerment.
 - Decentralization with centralization.
 - Reduced use of staff.

Study Question 4: What organizing trends are changing the workplace?

➤ **Shorter chains of command**

- The line of authority that vertically links all persons with successively higher levels of management.
- Organizing trend:
 - Organizations are being “streamlined” by cutting unnecessary levels of management.
 - Flatter structures are viewed as a competitive advantage.

Study Question 4: What organizing trends are changing the workplace?

➤ **Less unity of command**

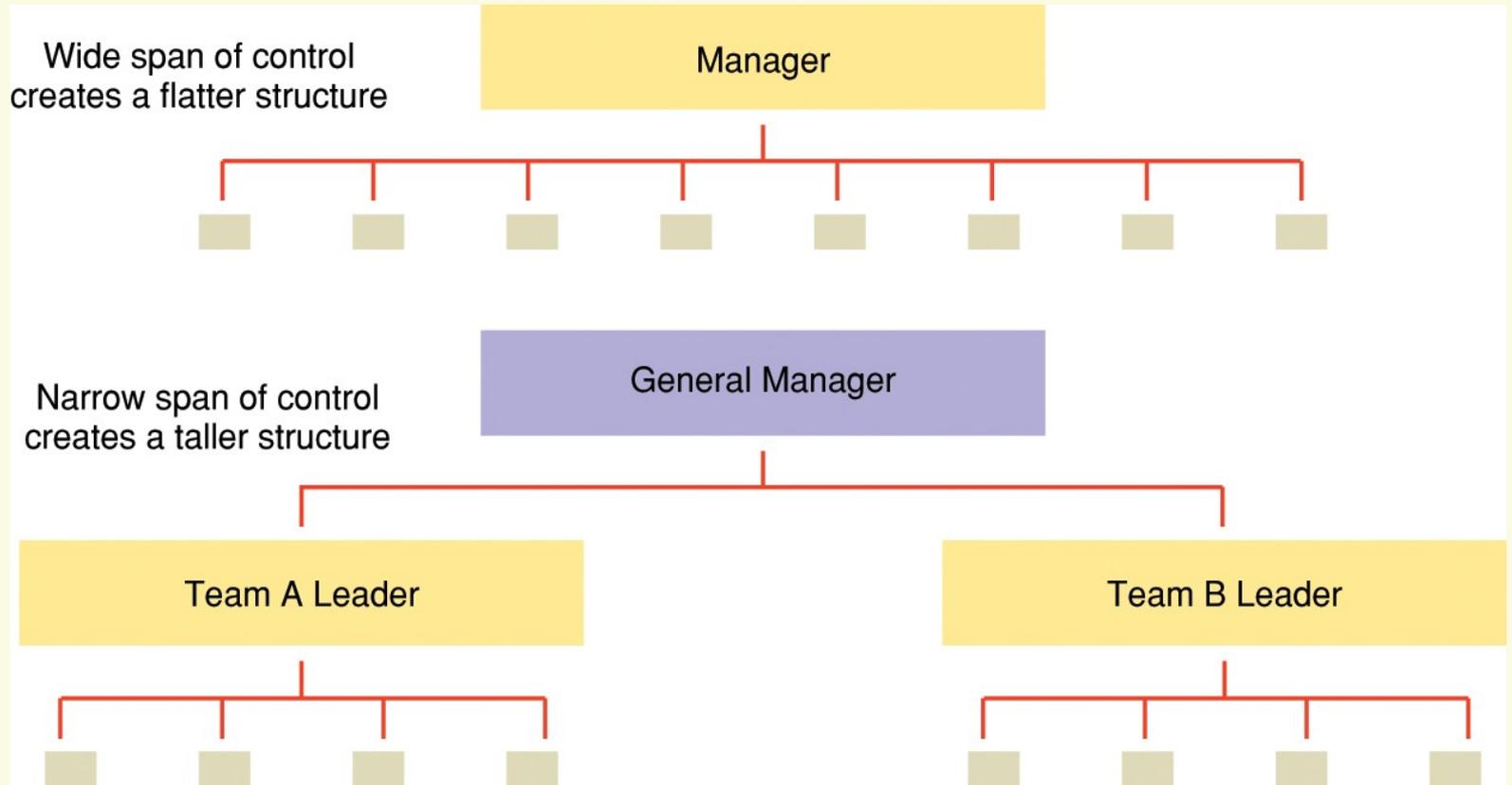
- Each person in an organization should report to one and only one supervisor.
- Organizing trend:
 - Organizations are using more cross-functional teams, task forces, and horizontal structures.
 - Organizations are becoming more customer conscious.
 - Employees often find themselves working for more than one boss.

Study Question 4: What organizing trends are changing the workplace?

➤ **Wider spans of control**

- The number of persons directly reporting to a manager.
- Organizing trend:
 - Many organizations are shifting to wider spans of control as levels of management are eliminated.
 - Managers have responsibility for a larger number of subordinates who operate with less direct supervision.

Figure 10.8 Spans of control in “flat” versus “tall” structures.



Study Question 4: What organizing trends are changing the workplace?

➤ **More delegation and empowerment**

- Delegation is the process of entrusting work to others by giving them the right to make decisions and take action.
- The manager assigns responsibility, grants authority to act, and creates accountability.
- Authority should be commensurate with responsibility.

Study Question 4: What organizing trends are changing the workplace?

➤ Guidelines for effective delegation:

- Carefully choose the person to whom you delegate.
- Define the responsibility; make the assignment clear.
- Agree on performance objectives and standards.
- Agree on a performance timetable.
- Give authority; allow the other person to act independently.
- Show trust in the other person.
- Provide performance support.
- Give performance feedback
- Recognize and reinforce progress.
- Help when things go wrong.
- Don't forget your accountability for performance results.

Study Question 4: What organizing trends are changing the workplace?

➤ **More delegation and empowerment (cont.)**

- A common management failure is unwillingness to delegate.
- Delegation leads to empowerment.
- Organizing trend:
 - Managers are delegating more and finding more ways to empower people at all levels.

Study Question 4: What organizing trends are changing the workplace?

➤ **Decentralization with centralization**

- Centralization is the concentration of authority for making most decisions at the top levels of the organization.
- Decentralization is the dispersion of authority to make decisions throughout all levels of the organization.

Study Question 4: What organizing trends are changing the workplace?

➤ **Decentralization with centralization (cont.)**

- Centralization and decentralization not an “either/or” choice.
- Organizing trend:
 - Delegation, empowerment, and horizontal structures contribute to more decentralization in organizations.
 - Advances in information technology allow for the retention of centralized control.

Study Question 4: What organizing trends are changing the workplace?

➤ **Reduced use of staff**

– Specialized staff

- People who perform a technical service or provide special problem-solving expertise to other parts of the organization.

– Personal staff

- People working in “assistant-to” positions that provide special support to higher-level managers.

Study Question 4: What organizing trends are changing the workplace?

➤ **Reduced use of staff (cont.)**

- Line and staff managers may disagree over staff authority.
 - Advisory Authority.
 - Functional authority.
- No one best solution for dividing line-staff responsibilities.
- Organizing trend:
 - Organizations are reducing staff size.
 - Organizations are seeking increased operating efficiency by employing fewer staff personnel and smaller staff units.