

Organisation Structures

In this recording we summarise the content of chapter 22 Organisation Structures.

Studying this chapter should help you define and discuss the nature of organization design; identify factors likely to determine the design of organizations; explain the basic parts of organizations; evaluate common organization designs (structural forms); compare centralisation and decentralisation; discuss organization levels in different contexts; .

Introducing the chapter, the authors start with 1. As was discussed in the previous chapter, not all employees perform the same work activities, nor should they if efficiency gains are to be made from specialisation. There are many work tasks to be carried out in any organization and consequently the work must be divided up and allocated. Employees performing similar work are often grouped together in order to manage interdependencies and work activity. Once work has been allocated and differentiated there is then a need to integrate the various parts of the organisation, ensuring they pull together to achieve corporate goals. The overall pattern of structural components and configurations used to manage the total organization is termed the organization design.

2. A number of fundamental design questions may be proposed for managers of organizations: Should jobs be broken down into narrow areas of work (Specialization) or do we, for flexibility, require generalists? Should there be a tall or flat hierarchy i.e. how many levels of management do we need? How should jobs and therefore people be grouped together (by function, geography or product)? How should employee groups be differentiated and integrated? Within this chapter we seek answers to such questions and consider aspects of organizational design and structure, noting Duncan (1979) who suggested that organizational structure is more than boxes on a chart; it is a pattern of interactions and co-ordination linking technology, tasks and human components of the organization to ensure the organization accomplishes its purpose.

3. The study of organisation design and structure (the words will be used interchangeably throughout this chapter) has been a major source of interest for classical theorists (see Chapter 3), the inspiration for Weber's theory of bureaucracy (Chapter 4), and a key element in the work of the theorists of complex organisation – the contingency school (Chapter 10). This chapter summarises the structural issues facing modern organisations and identifies the most important practical options available to senior management.

4. In the opening part of the chapter we explore what organizational design means and ask what is its purpose? We then consider elements of structure (the building blocks) before discussing how they may be configured. We outline the common designs to be found within organizations before concluding with a discussion of the determinants of structure..

The key concepts discussed within this chapter are:

Contingency approach to organization structure - a perspective which argues that an organization, to be effective, must adjust its structure in a manner consistent with the main type of technology it uses, the environment within which it operates, its size and other contextual factors; Design

(structure) purpose - The primary purposes of design are to divide and allocate work and then coordinate and control that work so that goals are met; Functional Structure - The organization is structured according to functional areas such as finance, marketing and HR; Organizational design - The design of an organization patterns its formal structure and culture. It allocates purpose and power to departments and individuals. It lays down guidelines for authoritarian or participative management by its rigidity or flexibility, its hierarchical or non-hierarchical structure.; Organizational structure - The way in which the interrelated groups of an organization are constructed; Product Structure - The organization is structured according to related products or services; Structure - The structure of an organization is the way in which employees are formally divided into groups for co-ordination and control; Tall hierarchical structure - An organisation that has narrow spans of control and a relatively large number of levels of authority.; .

Other terms discussed include:

Adhocracy; Area Structure; authority; centralization; differentiation; Divisional structure; integration; Line relationship; Machine bureaucracy; Matrix Management; .

Summarising and concluding, the author(s) make the following comments - 38. This chapter focused on how to (organise) make efficient and effective use of human resources in order to attain goals through design and structure. We identified the purpose of design - to divide up organizational activities, allocate resources, tasks and goals and to coordinate and control activities so that goals can be achieved. An appropriate design might yield benefits such as efficiency, access to specialized and location-embedded resources, enhanced innovation and the creation of operational flexibility; the design can impact upon performance through employee motivation, commitment and loyalty and has the ability to link interdependent activities.

39. Mintzberg identified five basic parts of an organizational structure: strategic apex, middle line, operating core, technostructure and support staff. This presents a broad framework to guide thoughts at the start of the design process. Departmentalization is a process of grouping employees together. Such employees can then be assigned line, functional or lateral relationships with one another. Employees are often grouped together by area, function/ specialism, product, customer group or process. Arguments stating why organizational parts should be configured in particular ways were presented through contingency theory. However, ultimately design is determined by decision-makers who make choices based on their predispositions (experience, values and beliefs).

40. The tools used to structure organizations include: organisational charts, job definitions, span of control, authority, responsibility and accountability descriptions. A key concept in contemporary design is decentralisation, where specific delegation is given to sub-units or groups within an organisation such that they enjoy a measure of autonomy or independence..

We have now reached the end of the chapter 'Organisation Structures'.

There are a number of references for this chapter where further reading opportunities are identified for you.

Additionally, there are questions or activities to help develop and test your understanding of this chapter