

Centralized decision making

decision making
in which problems
and decisions are
funneled to top levels
of the hierarchy for
resolution.

Decentralized decision making

decision making in
which authority is
pushed down to lower
organizational levels.

Departmental grouping

a grouping in which employees share a common supervisor and common resources, are jointly responsible for performance, and tend to identify and collaborate with one another.

Divisional grouping

a grouping in which employees are organized according to what the organization produces.

Divisional structure

structure in which divisions can be organized according to individual products, services, product groups, major projects or programs, divisions, businesses, or profit centers; sometimes called a product structure or strategic business units.

Functional grouping

a grouping that consists of employees who perform similar functions or work processes or who bring similar knowledge and skills to bear.

Functional matrix

type of matrix structure in which the functional bosses have primary authority and the project or product managers simply coordinate product activities.

Functional structure

organization structure
in which activities are
grouped together by
common function from
the bottom to the top of
the organization.

Horizontal grouping

a grouping in which employees are organized around core work processes, the end-to-end work, information, and material flows that provide value directly to customers.

Horizontal linkage

communication
and coordination
horizontally across
organizational
departments.

Horizontal structure

organization structure
that organizes
employees around core
processes rather than
by function, product,
or geography.

Hybrid structure

structure that combines characteristics of various structural approaches tailored to specific strategic needs.

Integrator

a position or
department created
solely to coordinate
several departments.

Liaison role

a role in which a person is located in one department but has the responsibility for communicating and achieving coordination with another department.

Matrix structure

organization structure in which both product division and functional structures (horizontal and vertical) are implemented simultaneously.

Multifocused grouping

a grouping in which the organization embraces two or more structural grouping alternatives simultaneously, often called matrix or hybrid.

Organization structure

designates formal reporting relationships, including the number of levels in the hierarchy and the span of control of managers and supervisors; identifies the grouping together of individuals into departments and of departments into the total organization; and includes the design of systems to ensure effective communication, coordination, and integration of efforts across departments.

Outsourcing

contracting out certain functions or tasks, such as manufacturing or credit processing, to other companies.

Process

an organized group of related tasks and activities that work together to transform inputs into outputs that create value for customers.

Product matrix

type of matrix structure in which the project or product managers have primary authority and functional managers simply assign technical personnel to projects and provide advisory expertise as needed.

Reengineering

the redesign of a
vertical organization
along its horizontal
workflows and
processes.

Symptoms of structural deficiency

signs that the organization structure is out of alignment, including delayed or poor-quality decision making, failure to respond innovatively to environmental changes, and too much conflict.

Task force

a temporary committee composed of representatives from each organizational unit affected by a problem.

Teams

permanent task
forces, often used in
conjunction with a full-
time integrator.

Vertical information system

a strategy for
increasing vertical
information capacity.

Vertical linkages

communication and
coordination activities
connecting the top
and bottom of an
organization.

Virtual network grouping

a loosely connected
cluster of separate
components.

Virtual network structure

the firm subcontracts many or most of its major processes to separate companies and coordinates their activities from a small headquarters organization, sometimes called a modular structure.

Virtual team

a team made up of organizationally or geographically dispersed members who are linked primarily through advanced information and communications technologies.