

KEY CONCEPTS – CHAPTER 3

Chapter 3	
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 <i>product structure</i> or <i>strategic business units</i> .
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 <i>matrix</i> or <i>hybrid</i> .
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 <i>modular structure</i> .
virtual team	a team made up of organizationally or geographically dispersed members who are linked primarily through advanced information and communications technologies.