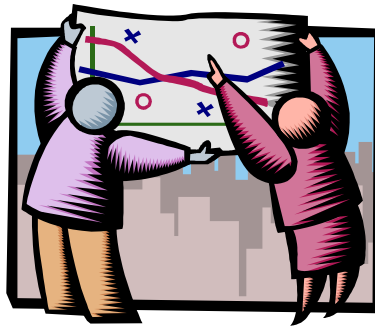




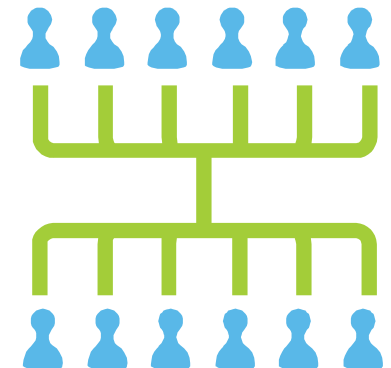
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Principles of Managing Tourism Organisations (POMTO)

People & Organisations (P&O)

Lecture 4:

Organisation Structure & Design

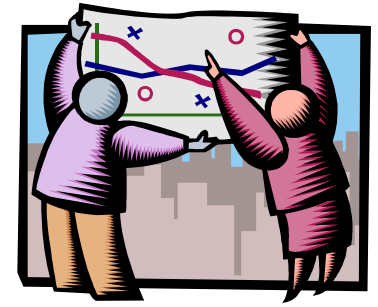




Last time we...

1. Explained what an organisation is and how it is designed
2. Distinguished between the different types
3. Began to consider the future shape of organisations

Today's objectives



- To review the concept of organisation structure and the key principles involved
- To identify levels of organisation and formal organisational relationships
- To explain why a good structure matters and the consequences of getting it wrong
- To consider new and emerging organisational structures

<https://youtu.be/BYufMjSle0Q>

Organisations



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GIG
CYMRU
NHS
WALES



Škoda



eden project



HSBC 
The world's local bank

Why organisations exist?

Organisations are **mechanisms** through which many **people** combine their efforts and **work together** to accomplish **more** than any one person could alone

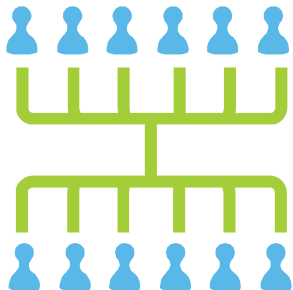
What is organisational structure?

'The structure of an organisation can be defined simply as the sum total of the ways in which it divides labour into distinct tasks and then achieves co-ordination between them.'

Mintzberg (1979)

'Structure is a means of attaining the objectives and goals of an organisation.'

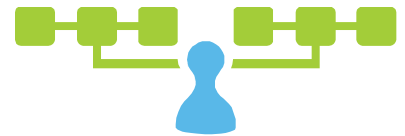
Peter Drucker (1993)



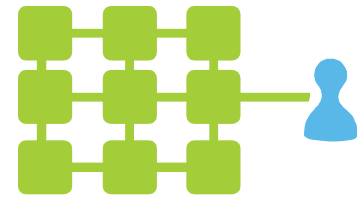
Organisation Structure



- Pattern of relationships between levels and members of the organisation
- Allows management to take place
- Creates a framework of order and command
- Activities can be planned, organised, directed and controlled



Objectives of structure

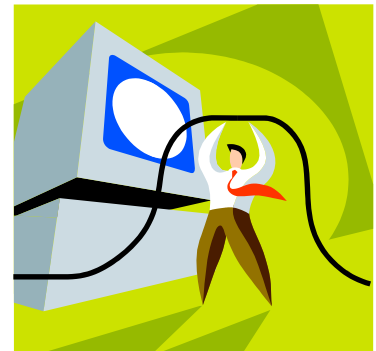


- The economic and efficient performance of the organisation
- Monitoring the activities of the organisation
- Accountability for areas of work undertaken by groups and individuals
- Co-ordination of different parts of the organisation
- Flexibility in order to respond to future demands and adapt to changing environmental influences
- The social satisfaction of members working in the organisation

Knight (1977)

Factors influencing organisational design

- **Scale** – bigger = more complex
 - more people, more rules
- **Technology**
 - what converts inputs to outputs
- **Environment** – micro and macro
- **Strategy**
 - must reflect goals & vision



5 key structural design issues (Child)



- Extent jobs will be **specialised** or broken down into narrow job descriptions (also known as differentiation)
- Number of **hierarchical levels** and the span of control (who reports to whom);
- **Departmentalisation** - how to group jobs together;
- **Co-ordinating** mechanisms ensuring people in the organisation work together towards common goals (also known as integration);
- The extent of management **control** (centralisation or decentralisation).

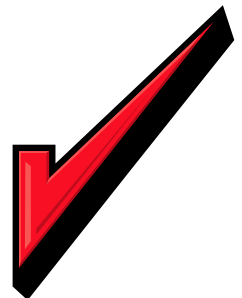
The importance of good structure

'Good organisational structure does not by itself produce good performance.'

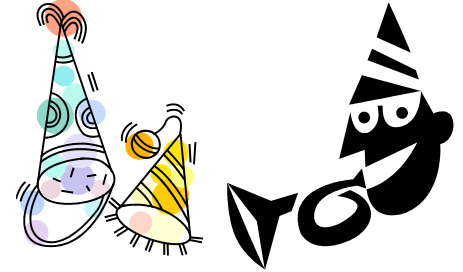
But a poor organisational structure makes good performance impossible, no matter how good the individual managers may be.

To improve organisation structure... will therefore always improve performance.'

Drucker



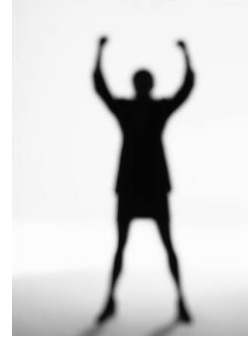
Activity



**You are in a group or ‘organisation’ whose task is:
to plan the end of year student party for this course.**

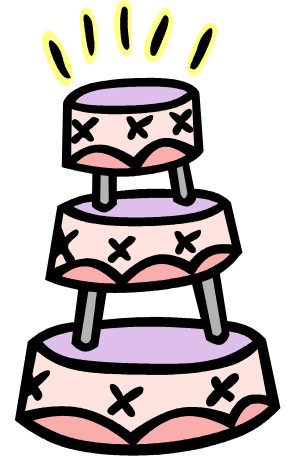
- How would you organise and structure yourselves?
- Would you give some people authority to do certain things?
- Would there be any division of labour to organise different parts of the party?
- Would you form subgroups or departments?
- How would you coordinate everyone to work together?
- How would you control the people doing the tasks?

The human element



- The actual operation of the organisation and success in meeting the business objectives will depend on the **behaviour of people** who work within the structure and who give shape and personality to it.
- Managers need to consider how structural design and methods of work organisation **influence the behaviour** and performance of members of the organisation.

Levels of organisation



- Technical level: *front line/base*
 - specific operations and discrete tasks
 - the actual job or tasks to be done
 - the performance of the technical function
- Managerial level: *the middle*
 - the co-ordination and integration of work at the technical level
 - Mediating between the organisation and environment
- Community level: *the top*
 - broad objectives and the work of the organisation as a whole

Interrelated levels of organisation

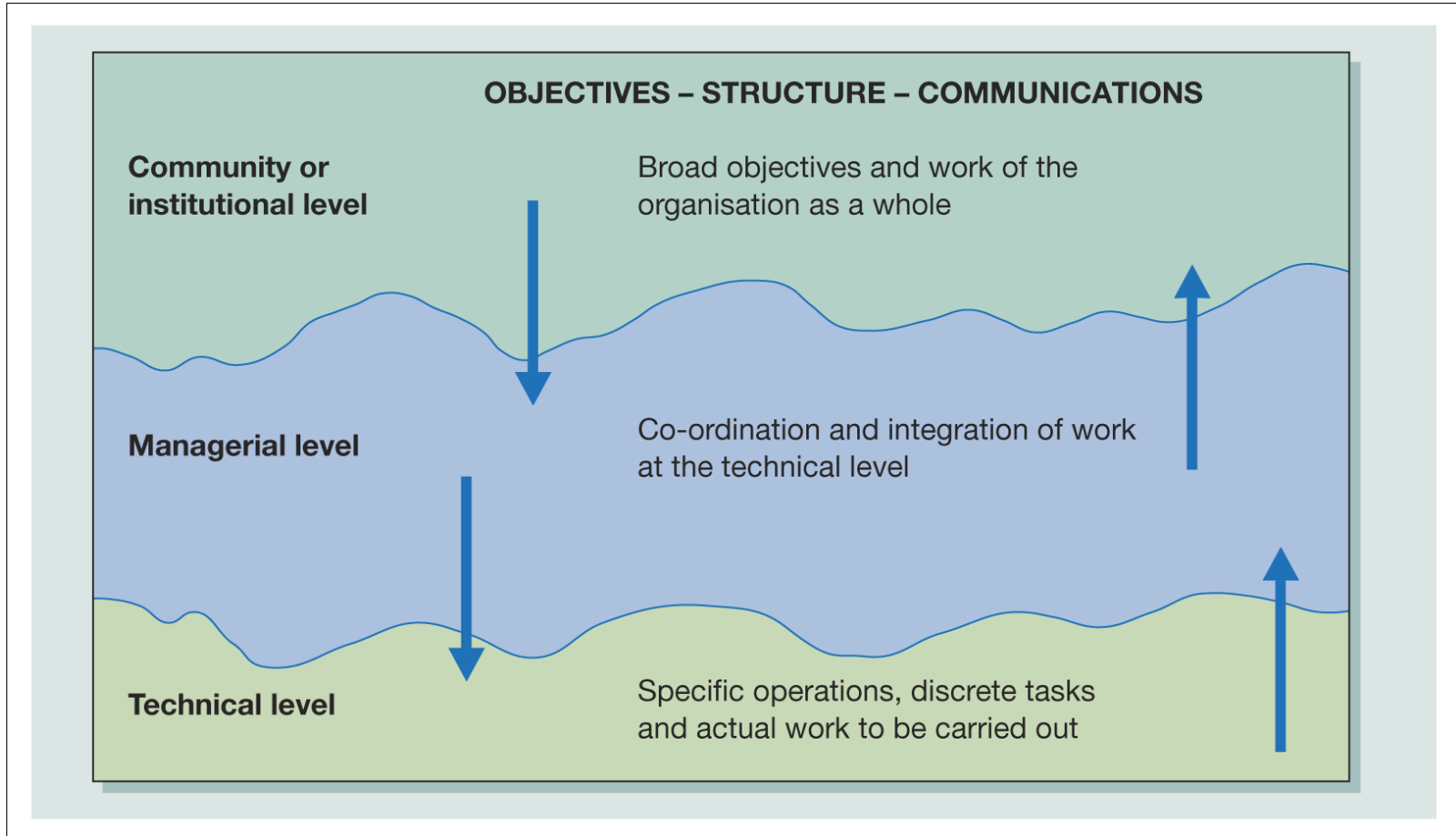
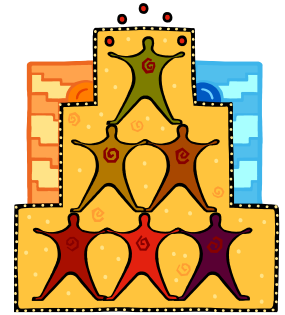


Figure 15.1 Interrelated levels of organisation

The importance of hierarchy:

2 views



'Authority is, and is likely to continue to be, less acceptable than in the past. Better educated & more independent people expect to be consulted rather than told what to do.'

Stewart



'The hierarchy is not dead, it has just changed its form. The trappings of power in the modern workplace may have been toned down, but the boss is still the boss.'

Jebb

Organisational Tasks

- To function an organisation must:
 - Develop goods or services
 - Create value (make/do something)
 - Distribute the product or service
 - Finance the organisation

Woodward (1980)



Organisational **Support/Element** functions

- Activities supportive of the task functions
- Part of the management process:
 - Human resource management (HRM)
 - Planning
 - Public relations
 - Quality control
 - Maintenance



Division of work by function

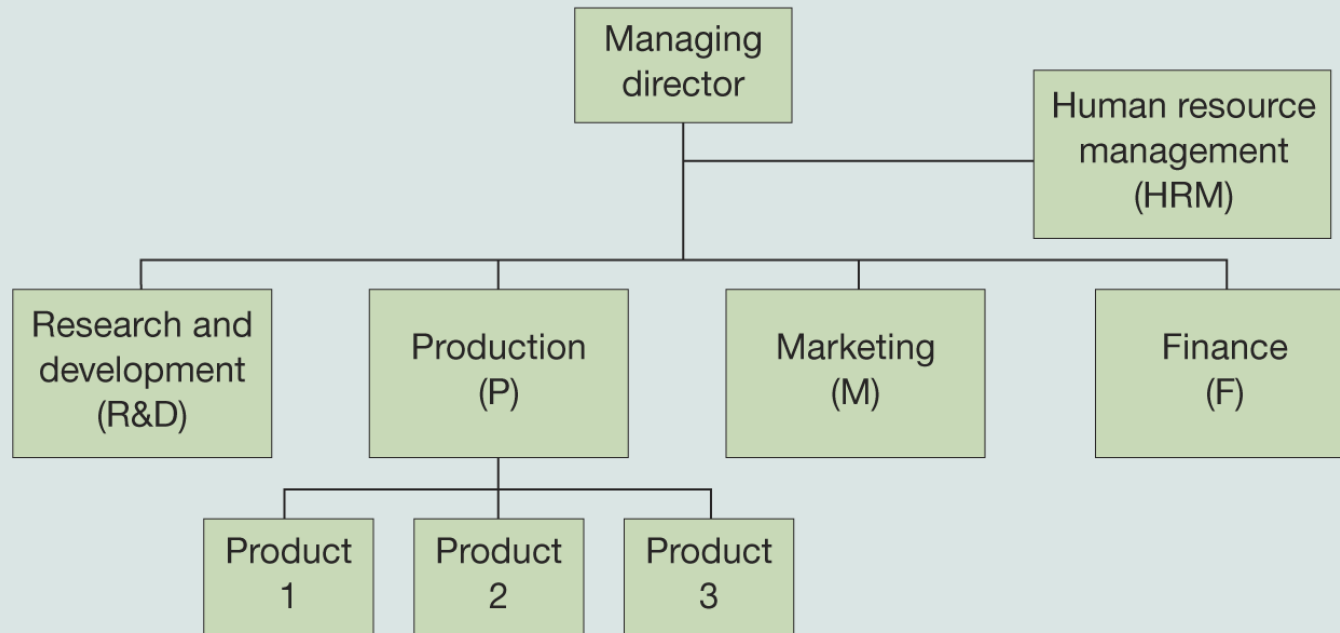


Figure 15.3 Division of work by major purpose or function

Functional structure (division of work by function)



Advantages

- ✓ Specialisation – each department focuses on its own work
- ✓ Accountability /control– someone is responsible
- ✓ Clarity – know your and others' roles
- ✓ Less duplication

Disadvantages

- ✗ Insular – micro not macro picture
- ✗ Departments can become resistant to change
- ✗ Coordination may take too long
- ✗ Gap between top and bottom

Division of work by product or service

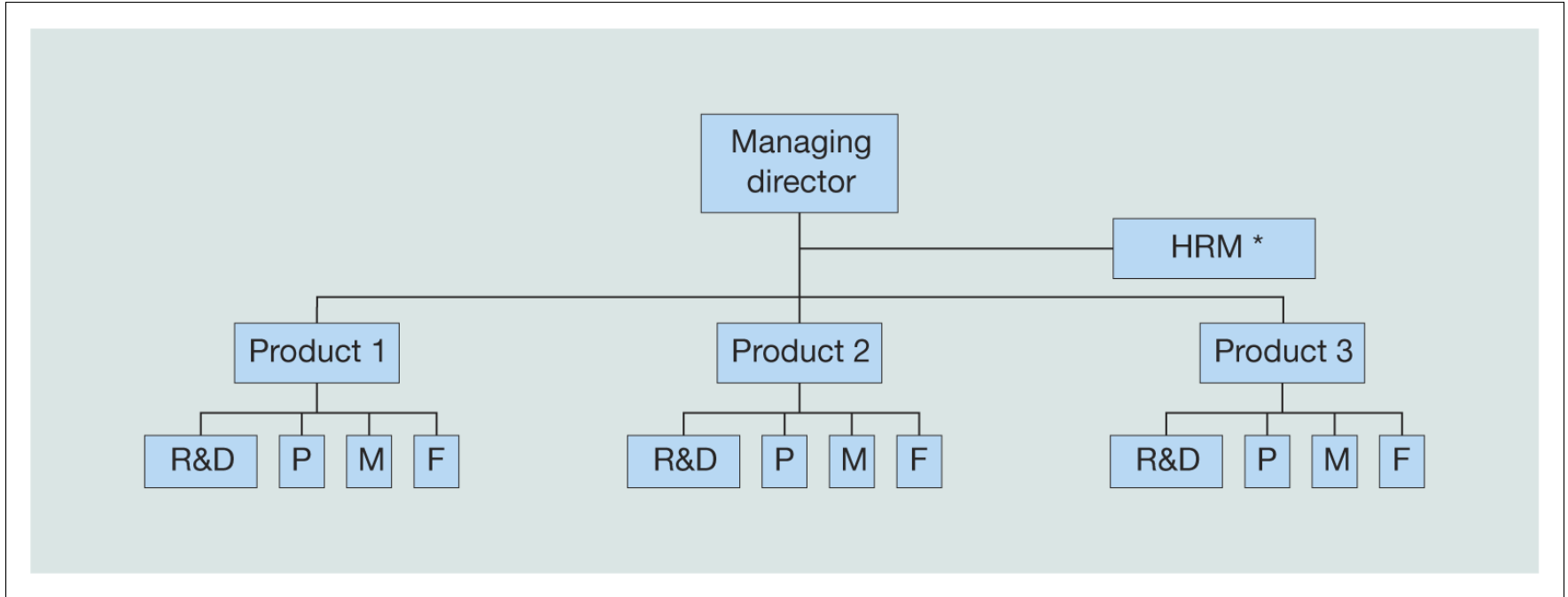


Figure 15.4 Division of work by product or service

Division of work by product / service



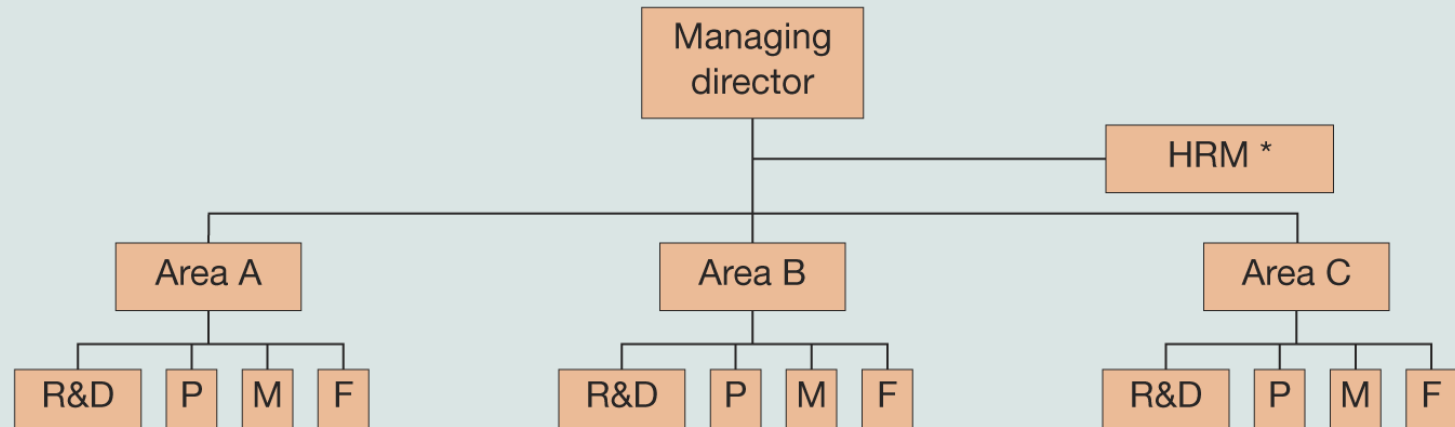
Advantages

- ✓ Clear focus on market segment helps meet customers' needs
- ✓ Positive competition between divisions
- ✓ Better control as each division can act as separate profit centre

Disadvantages

- ✗ Duplication of functions (e.g. different sales force for each division)
- ✗ Negative effects of competition
- ✗ Lack of central control over each separate division

Division of work by location



*In the case of division of work by product or service, or by geographical location, it is possible that certain aspects of support services, such as human resource management, may also be assigned to individual units of the organisation. However, the main responsibility of the HRM manager, as a separate entity, is to provide a specialist advisory service to all unit managers and to ensure implementation of HRM policy throughout the organisation as a whole. Responsibility for the main aspects of the HRM function is likely to remain, therefore, in a direct line of authority from top management.

Figure 15.5 Division of work by location

Division by location



Advantages

- ✓ Serve local needs better e.g. ethnic foods, etc.
- ✓ Positive competition
- ✓ More effective communication between firm and local customers

Disadvantages

- ✗ Conflict between local and central management
- ✗ Duplication of resources and functions

Control and decision-making



Centralisation:

The concentration of authority for making most decisions at the top levels of the organisation



Decentralisation:

The dispersion of authority to make decisions throughout all levels of the organisation

Activity 2



Think of an organisation you know/work for.

Is the decision making centralised or decentralised?

Can your boss decide things/do they have to refer up to head office?

What are the advantages of each approach?

Advantages of centralisation

Advantages of centralisation

- the easier implementation of a common policy for the organisation as a whole;
- providing a consistent strategy across the organisation;
- preventing sub-units becoming too independent;
- making for easier co-ordination and management control;
- improved economies of scale and a reduction in overhead costs;
- greater use of specialisation, including better facilities and equipment;
- improved decision-making which might otherwise be slower and a result of compromise because of diffused authority.

Figure 15.6 Advantages of centralisation and decentralisation

Advantages of decentralisation

Advantage of decentralisation

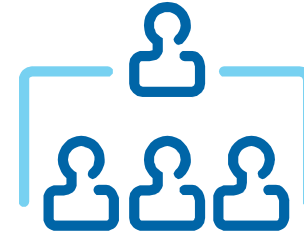
- enables decisions to be made closer to the operational level of work;
- increased responsiveness to local circumstances;
- improved level of personal customer service;
- more in keeping with developments in flatter and more flexible structures;
- support services, such as administration, are more likely to be effective if provided as close as possible to the activities they are intended to serve;
- provides opportunities for training and development in management;
- usually, it has an encouraging effect on the motivation and morale of staff.

Figure 15.6 Advantages of centralisation and decentralisation (Continued)

Two specific **design** principles

- The **span of control**

- The number of subordinates who report directly to a given manager or superior.



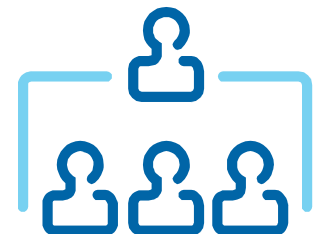
- The **chain of command**

- The number of different levels in the structure of the organisation, or ‘scalar chain’.



Factors influencing the **span of control**

- Nature of the organisation, complexity of work, range of responsibilities, and similarity of function
- Ability and personal qualities of the manager
- Amount of time manager is available to spend on subordinates
- Ability and training of subordinates
- Effectiveness of co-ordination and nature of communication
- Physical location
- Length of scalar chain



Chain of command/Scalar chain

- Establishes the vertical graduation of authority and responsibility
- Provides the framework for superior –subordinate relationships
- Often represented through organisation charts
- Shows a clear line of authority and responsibility



The span of control: effect on structure

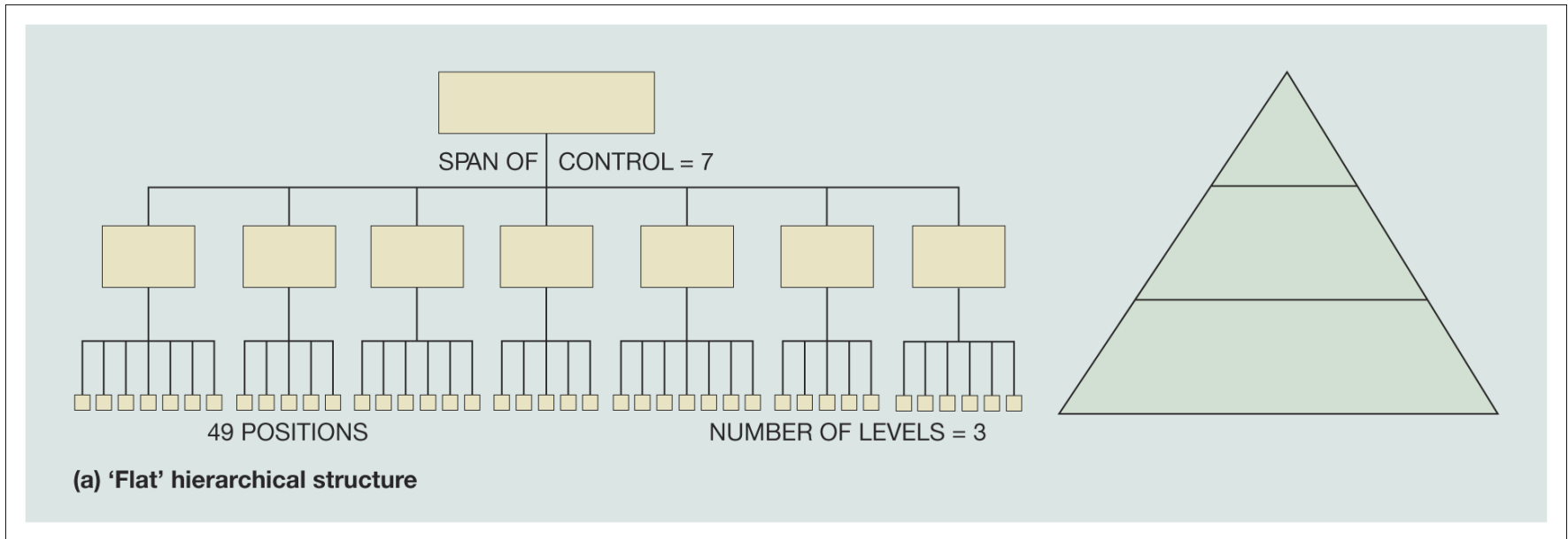


Figure 15.7a How the span of control affects organisational structure

The span of control: effect on structure

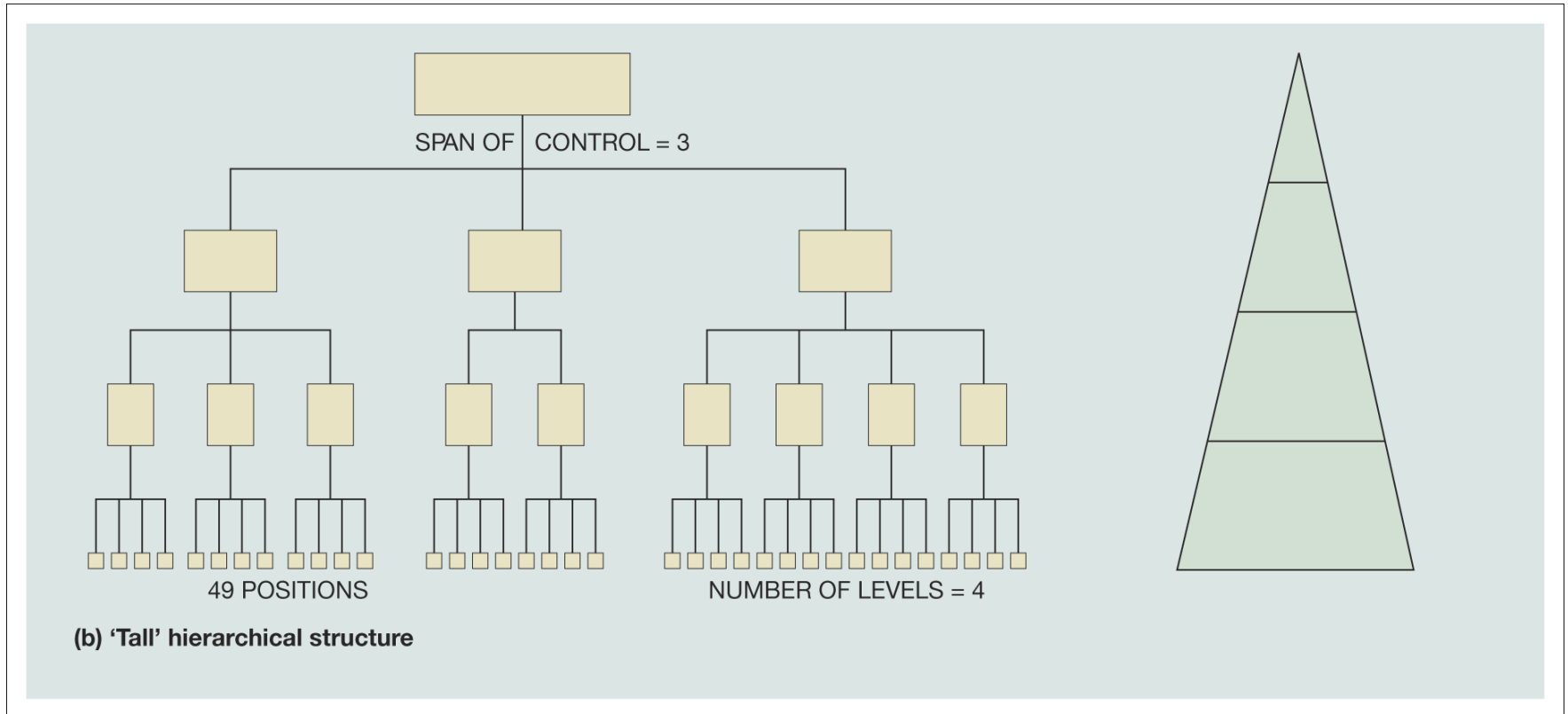
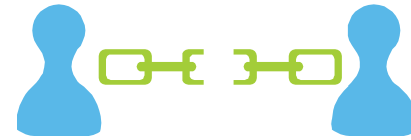


Figure 15.7b How the span of control affects organisational structure (Continued)

Formal organisational relationships



- **Line**
 - flows vertically directly down through the structure
- **Functional**
 - relationship between people in specialist or advisory positions
- **Staff**
 - arise from the appointment of personal assistants to senior managers who act as gatekeepers
- **Lateral**
 - exist between individuals in different departments or sections especially those on the same levels

Formal organisational relationships

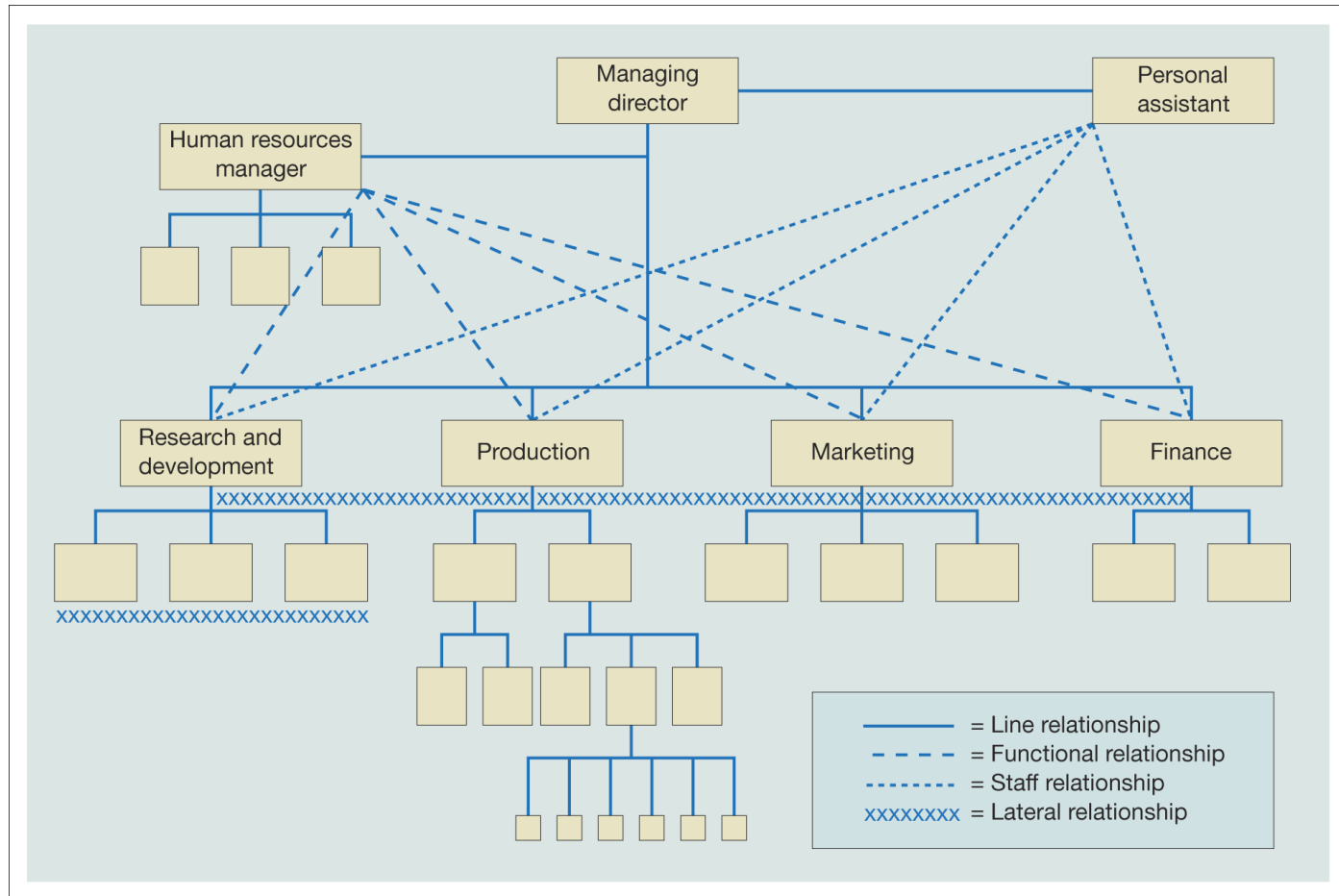


Figure 15.8 Illustration of formal organisational relationships

Project teams and matrix organisations



- Project teams
 - Often separate, temporary units
 - Formed for the attainment of a particular task
- Matrix organisations
 - Functional departments provide a stable base for specialised activities and a base for staff
 - Units integrate the activities of functional departments around a project, product or client

Matrix structure of a university

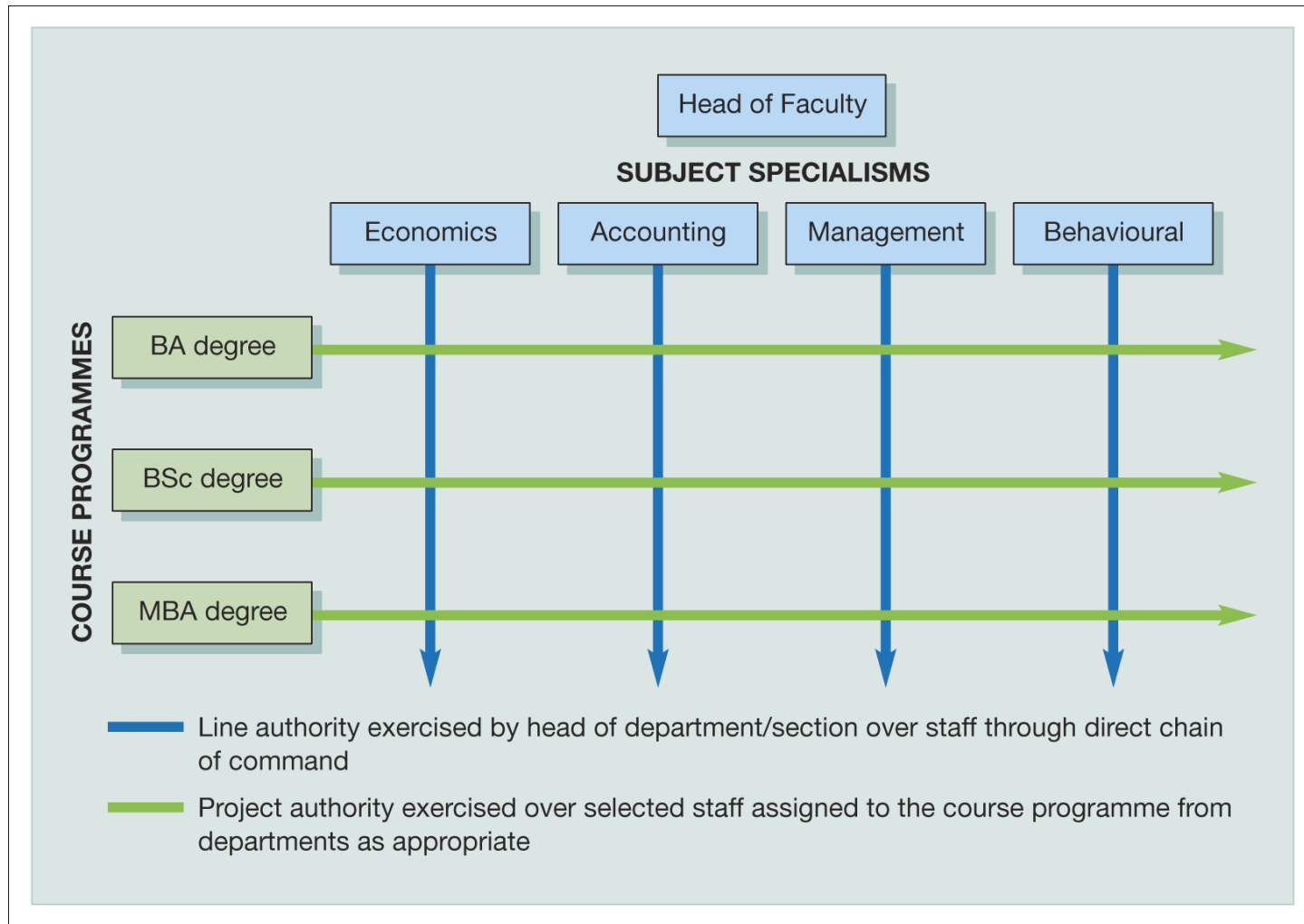


Figure 15.10 Outline of a matrix structure in a university

Departmentalisation by matrix

Advantages	Disadvantages
1. It combines strengths of both functional and divisional departmentalisation.	1. It is expensive.
2. It helps to provide a blending of technical and market emphasis in organisations operating in exceedingly complex environments.	2. Unity of command is lost (because individuals have more than one supervisor).
3. It provides a series of managers able to converse with both technical and marketing personnel.	3. Authority and responsibilities of managers may overlap, causing conflicts and gaps in effort across units and inconsistencies in priorities.
	4. It is difficult to explain to employees.

Consequences of badly designed structure



- Low motivation and morale
- Late and inappropriate decisions
- Conflict and lack of co-ordination
- Poor response to new opportunities and external change
- Rising costs

Child <https://youtu.be/32WjO7liHpl>

How we look and how we work

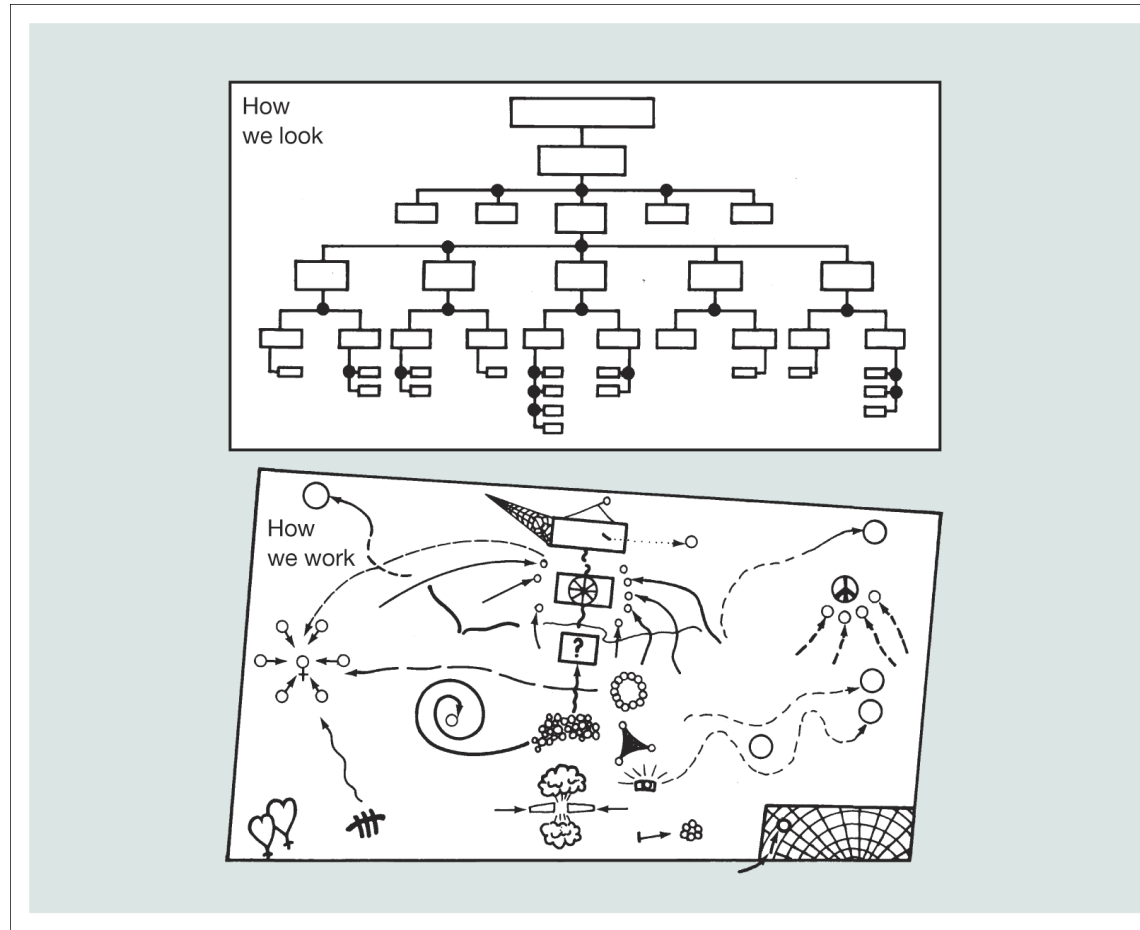


Figure 15.12 How the organisation should be compared with how it actually works

Source: Gray, J. L. and Starke, F. A., *Organisational Behaviour: Concepts and Applications*, Fourth Edition. Merrill Publishing Company (1988), p. 431. Reproduced with permission from Pearson Education, Inc.

Structure and organisational behaviour



- Structuring the organisation involves balancing a series of trade-offs.
- In analysing the effectiveness of structure, consideration should be given to both:
 - the formal and technological requirements and principles of design
 - social factors and the needs and demands of the human part of the organisation

Mechanistic and Organic Systems:

Burns and Stalker (1966)

Mechanistic organisations:

- Rigid systems of management
- Clear hierarchy
- Task specialisation
- Defined duties
- Knowledge centred at the top of the hierarchy



<https://youtu.be/hPx2503UiKc>

Organic organisations:

- Fluid and flexible management
- Continual redefinition of tasks
- Networked control and communication structure
- Knowledge dispersed through the organisation



<http://youtu.be/9bJBeCI0e3U>

Purpose	Implications for organisation design
■ 'Ideas factory' such as an advertising or promotions agency	■ Loose, fluid structure with limited formalised relationships. As it grows in size, however, more formal structures are usually inevitable
■ Multinational company in branded goods	■ Major linkage and resource issues that need carefully co-ordinated structures, e.g. on common suppliers or common supermarket customers for separate product ranges
■ Government civil service	■ Strict controls on procedures and authorisations. Strong formal structures to handle major policy directions and legal issues
■ Non-profit-making charity with a strong sense of mission	■ Reliance on voluntary members and their voluntary contributions may require a flexible organisation with responsibility devolved to individuals
■ Major service company such as a retail bank or electricity generating company	■ Formal structures but supported by some flexibility so that variations in demand can be met quickly
■ Small business attempting to survive and grow	■ Informal, willingness to undertake several business functions such as selling or production, depending on the short-term circumstances
■ Health service with strong professional service ethics, standards and quality	■ Formalised structure that reflects the seniority and professional status of those involved while delivering the crucial complex service provisions
■ Holding company with subsidiaries involved in diverse markets	■ Small centralised headquarters acting largely as a banker, with the main strategic management being undertaken in individual companies

Figure 15.1 Examples of the connection between purpose and organisation design

Source: Lynch, R. *Corporate Strategy*, fourth edition, Financial Times Prentice Hall (2006), p. 582. Reprinted by permission of Pearson Education Ltd.

Mechanistic		Organic
High, many and sharp differentiations	SPECIALISATION	Low, no hard boundaries, relatively few different jobs
High, methods spelled out	STANDARDISATION	Low, individuals decide own methods
Means	ORIENTATION OF MEMBERS	Goals
By superior	CONFLICT RESOLUTION	Interaction
Hierarchical, based on implied contractual relation	PATTERN OF AUTHORITY CONTROL AND COMMUNICATION	Wide net based upon common commitment
At top of organisation	LOCUS OF SUPERIOR COMPETENCE	Wherever there is skill and competence
Vertical	INTERACTION	Lateral
Directions, orders	COMMUNICATION CONTENT	Advice, information
To organisation	LOYALTY	To project and group
From organisational position	PRESTIGE	From personal contribution

Table 15.1 **Characteristics of mechanistic and organic organisations**

Source: Litterer, J. A. *The Analysis of Organizations*, second edition, John Wiley & Sons (1973), p. 339. Reproduced with permission from the estate of Joseph A. Litterer

How do we integrate?

Bring everyone together to make it work
=Job of management

but in:

Mechanistic organisations:

Rules/procedures



Organic organisations:

Teamwork/ mutual co-operation



The changing face of the workplace

What's new?

Explore more in tutorials



The flexible firm: Atkinson



- **Functional flexibility**
 - permits rapid redeployment of employees among different activities and tasks.
- **Numerical flexibility**
 - allows for restructuring to adjust the number of employees to match the level of demand for labour.
- **Financial flexibility**
 - pay and other employment costs reflect the supply of and demand for labour.

Flexible working arrangements

- Part-time working
- Term-time working
- Compressed hours
- Flexitime
- Staggered hours
- Time off in lieu
- Zero hours
- Shift swapping
- Self-rostering
- Job sharing
- Annual hours
- Career breaks
- Working from home
- Teleworking

Telecommuting/ Home working

‘The advantages of telecommuting are already clear and distinct.... Managers have to appreciate the telecommuting management challenges and determine how to overcome them.’

Manochehri and Pinkerton



Telecommuting: the management challenge

- Issues for managers include:
 - The creation of trust
 - Effective communication
 - Teamwork amongst people who never see each other
 - Performance management issues
 - Problems of uncertainty and ambiguity
 - Motivation and detachment



Flexible Organisation Design: The shamrock organisation: Handy

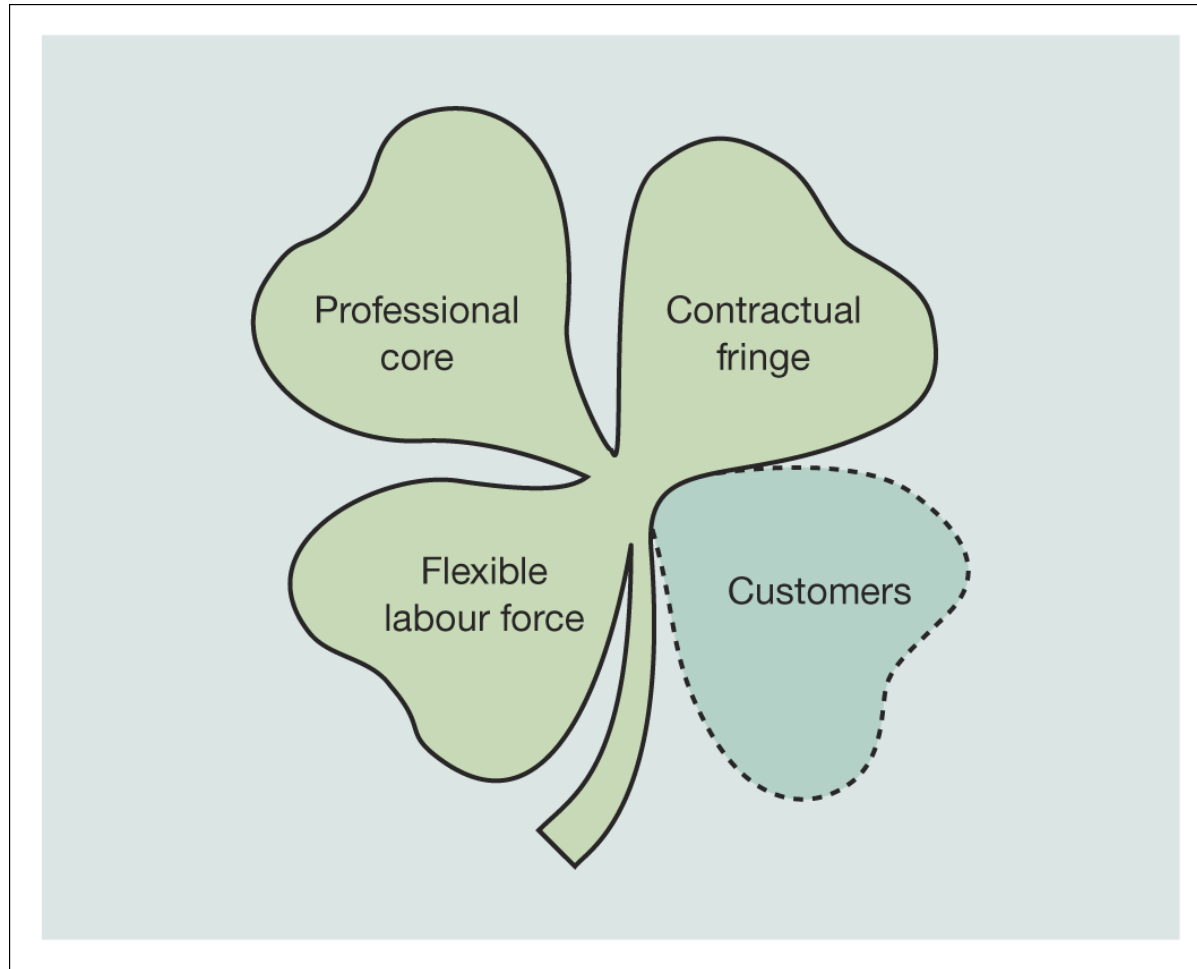
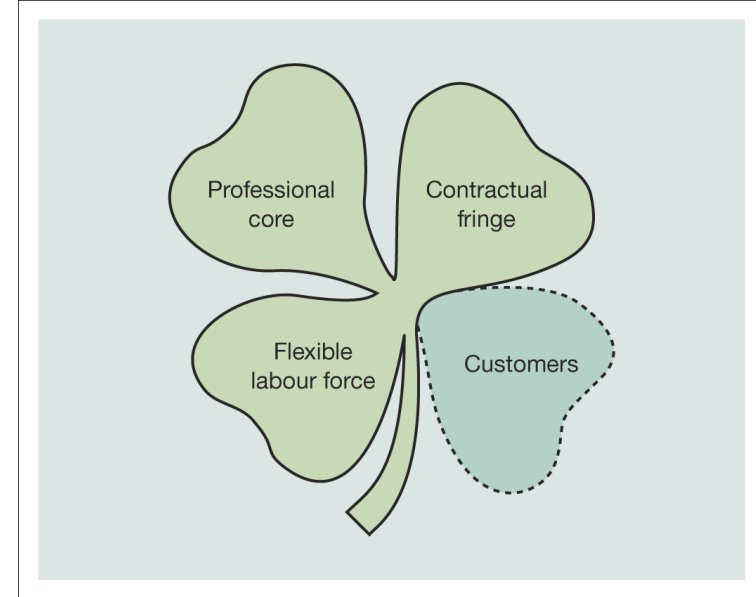


Figure 16.7 Representation of Handy's shamrock organisation

Managerial challenges of Handy's shamrock

- Logical, but difficult to run.
- Each leaf of the shamrock has to be managed differently yet as part of the whole.
- The core is the critical hub of the organisational network



Core-ring organisation



How we look and how we work

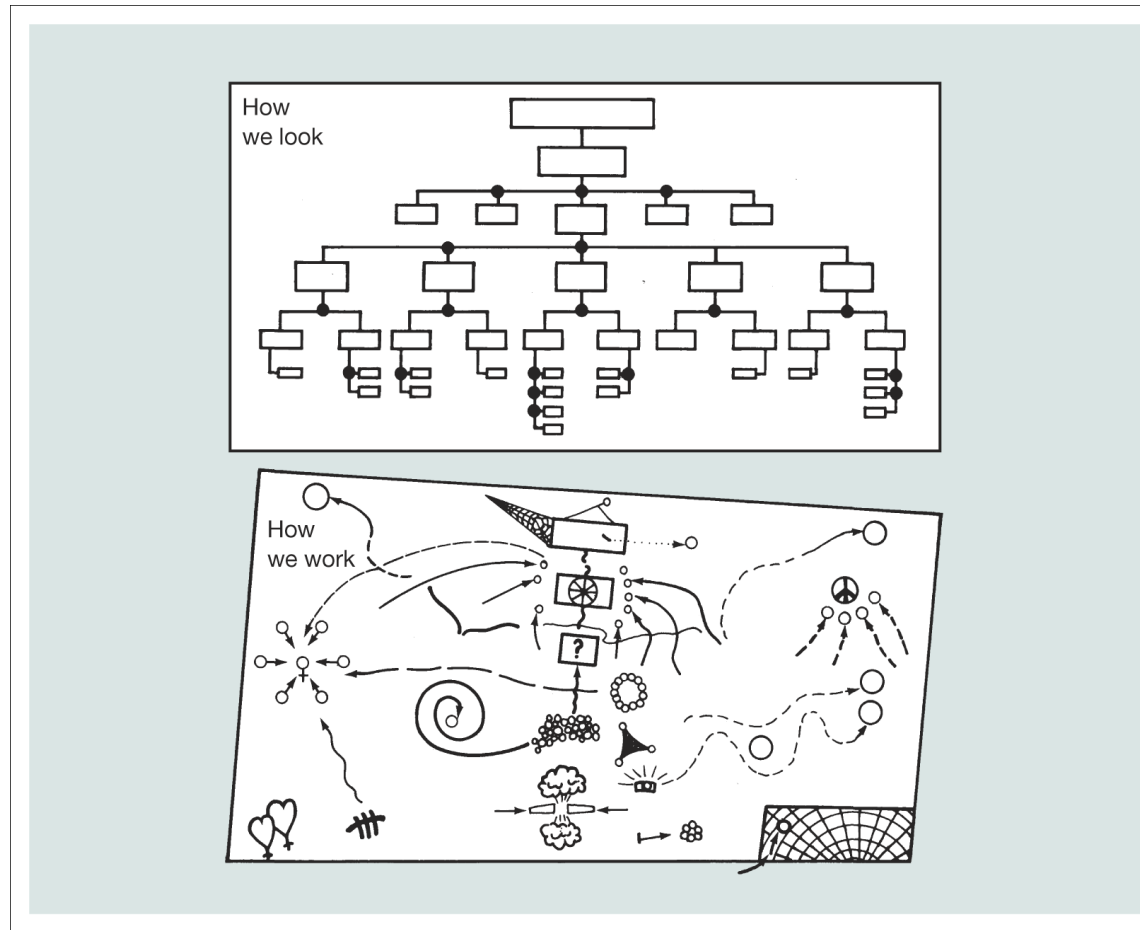


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Source: Gray, J. L. and Starke, F. A., *Organisational Behaviour: Concepts and Applications*, Fourth Edition. Merrill Publishing Company (1988), p. 431. Reproduced with permission from Pearson Education, Inc.

Tutorial:

The future? Today?



Is the concept of management outdated?

Does everyone manage now?

Do we need elaborate organisation structures?

Lean and mean?

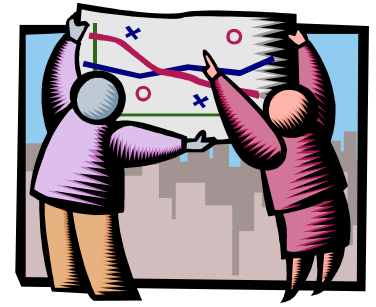
Do only what's key – outsource everything else

Networks

Teams

The end of hierarchy, bureaucracy, autocratic management?

Today's objectives



- To review the concept of organisation structure and the key principles involved
- To identify levels of organisation and formal organisational relationships
- To explain why a good structure matters and the consequences of getting it wrong
- To consider new and emerging organisational structures

Tutorial:
The Modern Workplace
<https://youtu.be/5JNzAmWG2Fs>



Next time:
**Organisational
Culture**

