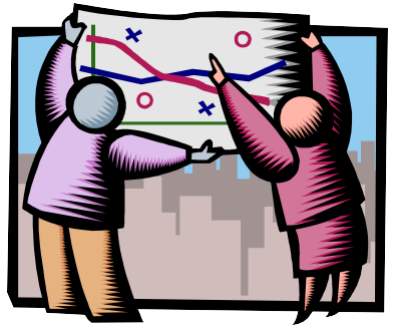
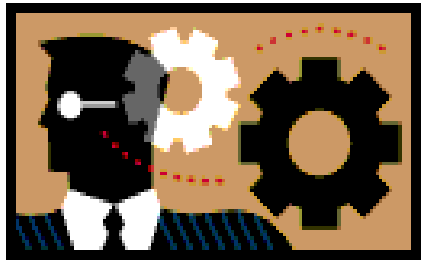
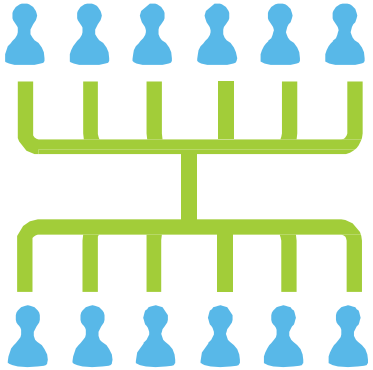






Management and Organisational Behaviour

Organisational Structure & Design

Recap

What did we discuss last time?

Week 3 recap

- **Blake and Mouton Managerial Grid**
- **Adair's Action Centred Leadership**
- **Who is Craig Poole?**
- **What type of managerial styles are evident in the hospitality industry**
- **How good at leadership are you?**

Today's objectives

- To identify the concept of organisation structure and the key principles involved
- To review Centralised vs Decentralised organisations
- To explain the concept of an 'inverted organisation'
- To consider new and emerging organisational structures

Why do organisations exist?

Remember :

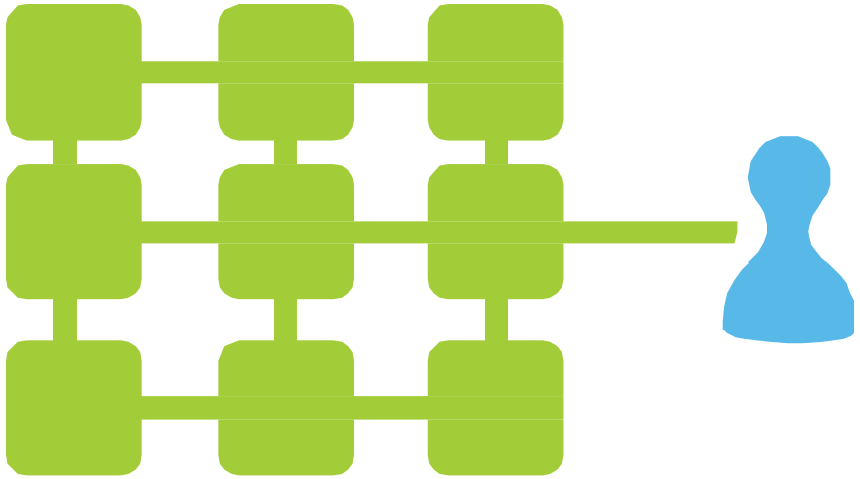
*Organisations are **mechanisms** through which many **people** combine their efforts and **work together** to accomplish **more** than any one person could alone*

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



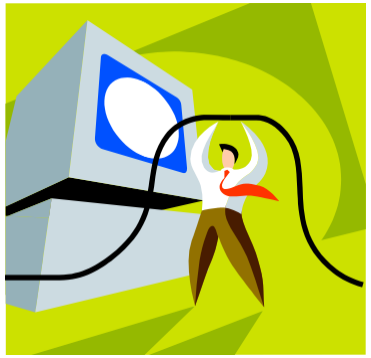
Knight (1977)

Group Discussion

What factors might determine how an organisation is structured?

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**



(Burton and Obel, 2018)

5 key structural design considerations

- 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).

(Burton and Obel, 2018)

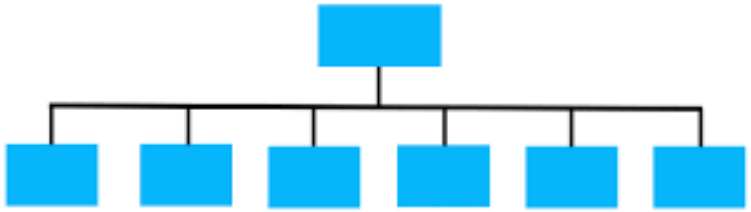
The importance of good structure

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

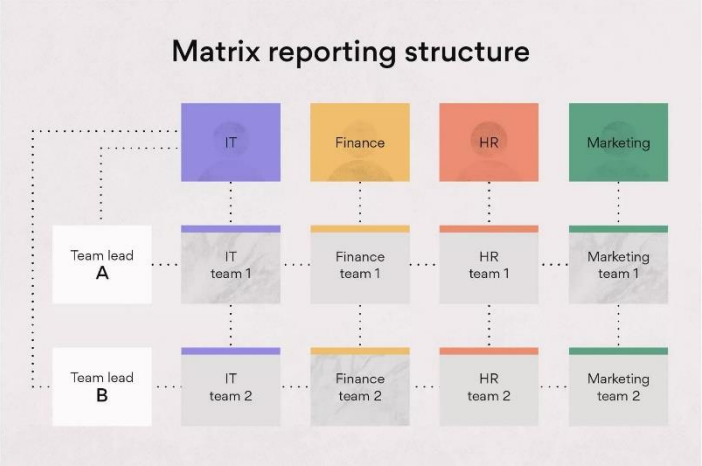
But a poor organisational structure makes good performance impossible, no matter how good the individual managers may be.

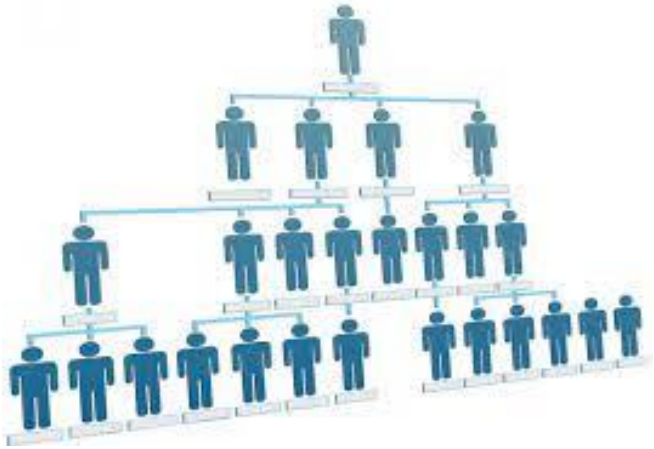
To improve organisation structure… will therefore always improve performance.'

(Drucker, 2007)



Types of organisational structures



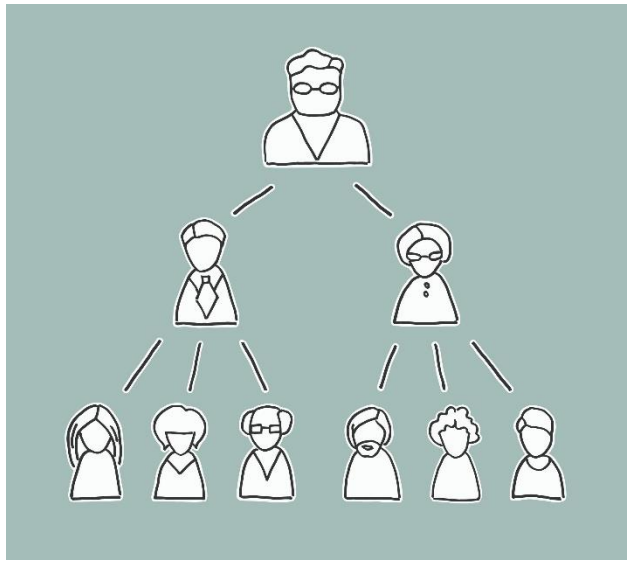


Key terms associated with structures:

- **Span of control -** This is the number of employees that a manager has direct responsibility for

- **Chain of command -** The route by which instructions and communications flow from the top to the bottom of the business, it shows who answer to who

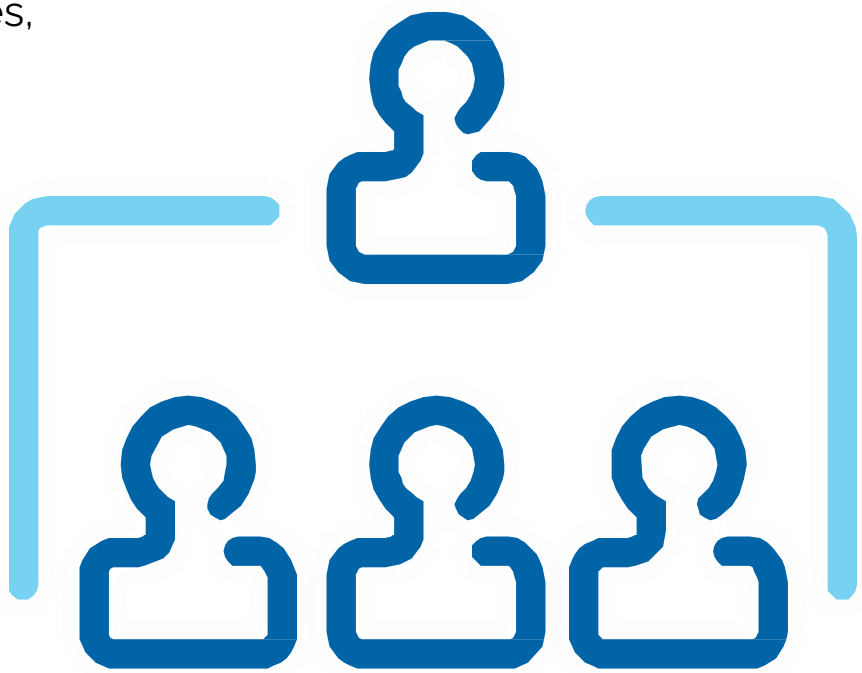
- **Subordinates -** This is basically members of staff that work for a manager, they under that managers span of control and are below them in the chain of command.



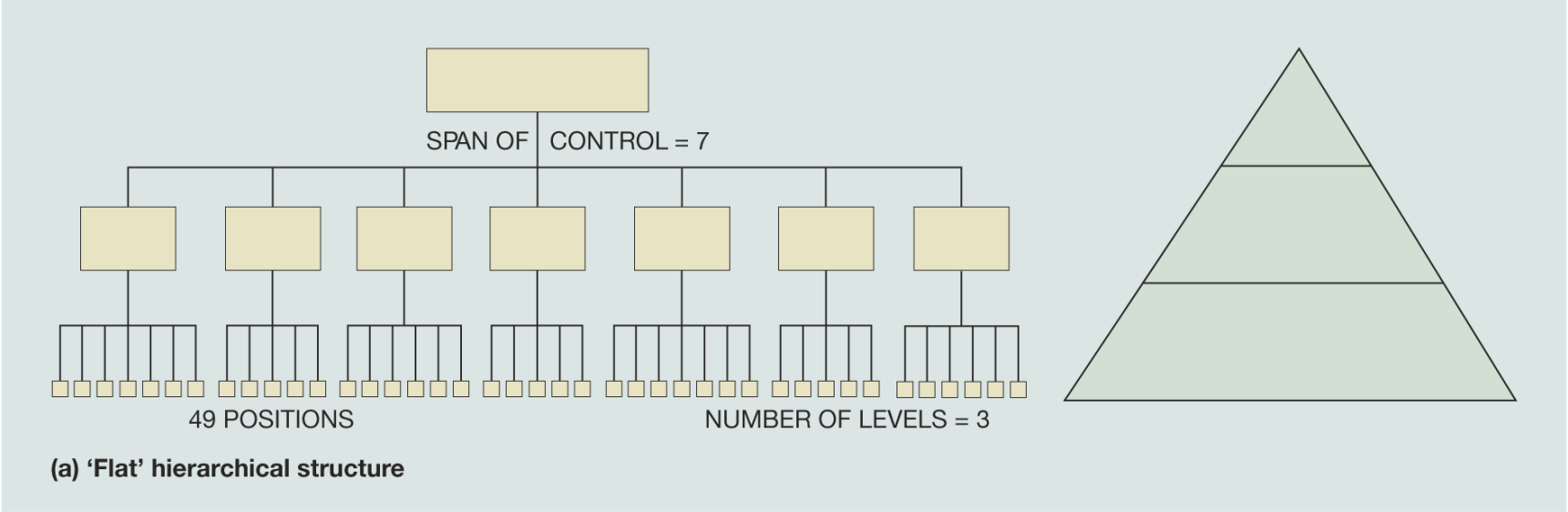
(Mullins, 2007)

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

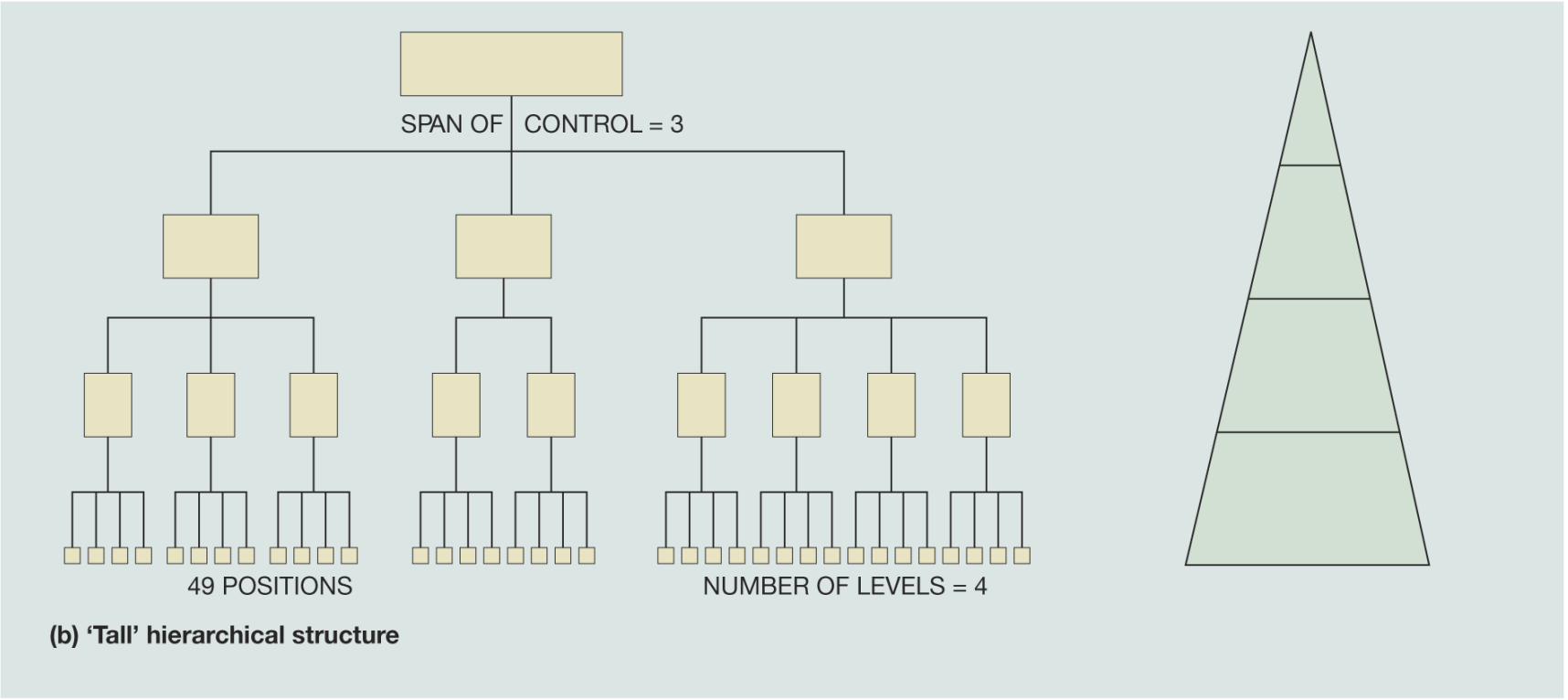


The span of control: effect on structure



(a) 'Flat' hierarchical structure

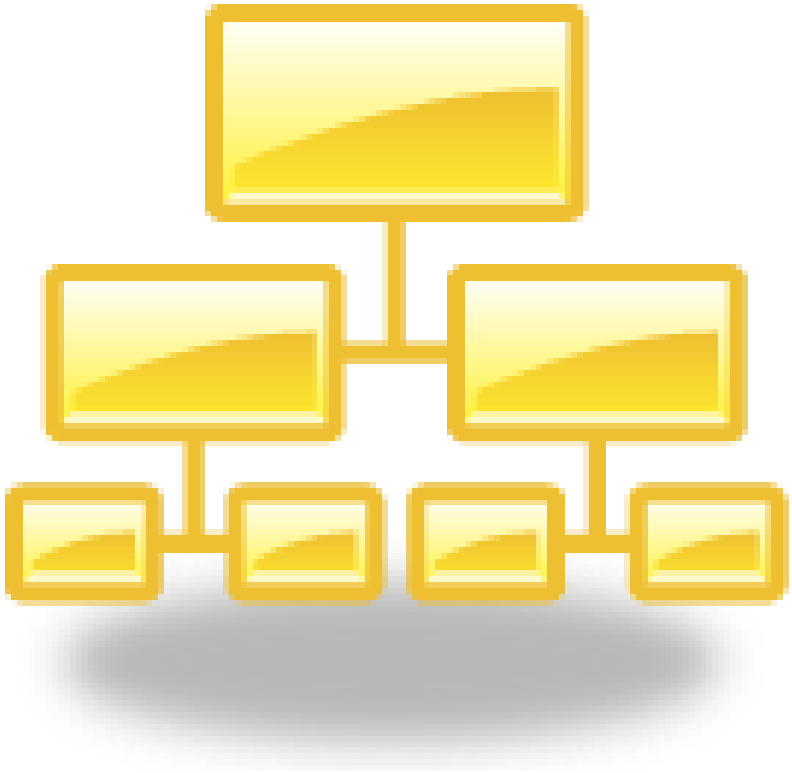
The span of control: effect on structure



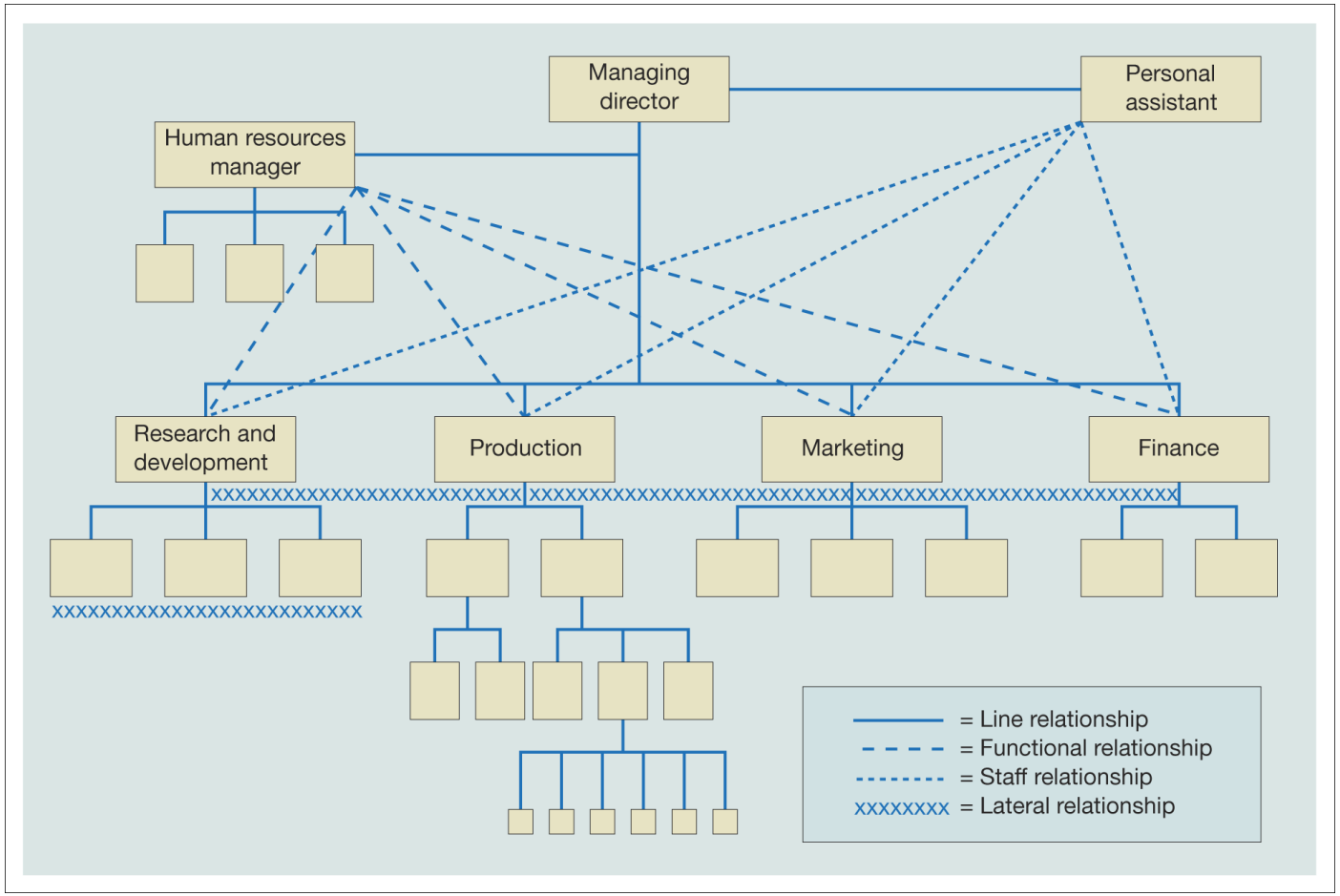
(b) 'Tall' hierarchical structure

Chain of command

- 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



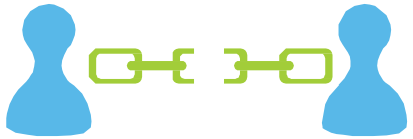
Formal organisational relationships



(Nadler, 1997)

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



Discussion

Why is structure important for organisations?

Structure is important because…

It determines:

- **Authority and responsibility** – who is responsible for whom and who is in charge?
- Individual job roles and titles
- The people to whom others are **accountable**
- The formal routes through which **communication** flows in the business
- One way to think of the organisation structure is of an explanation of the "**command and control**" system in a business.

Group Activity

20 minutes

Research the different organisational structures

- Provide a definition of the structure.

- Key features of the structure.

- Pros and Cons of this structure

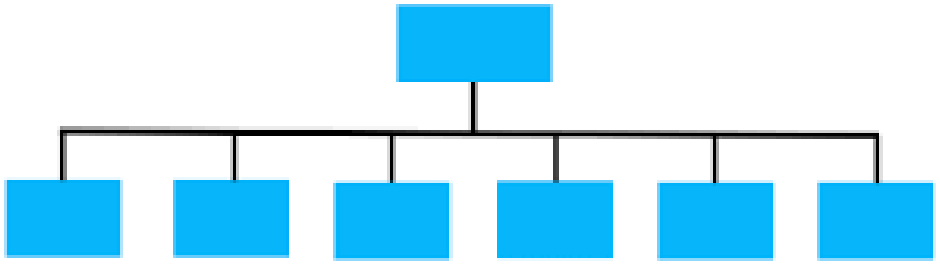
- What does the structure look like?

Flat Structure

Hierarchical structure

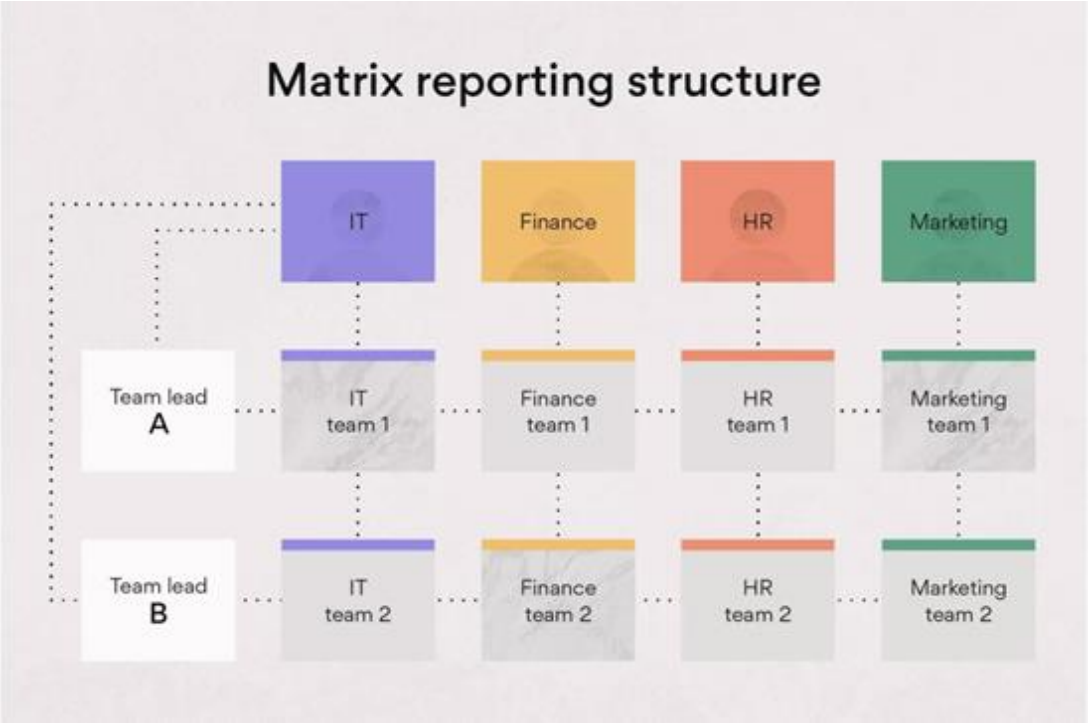
Matrix Structure

Flat structure



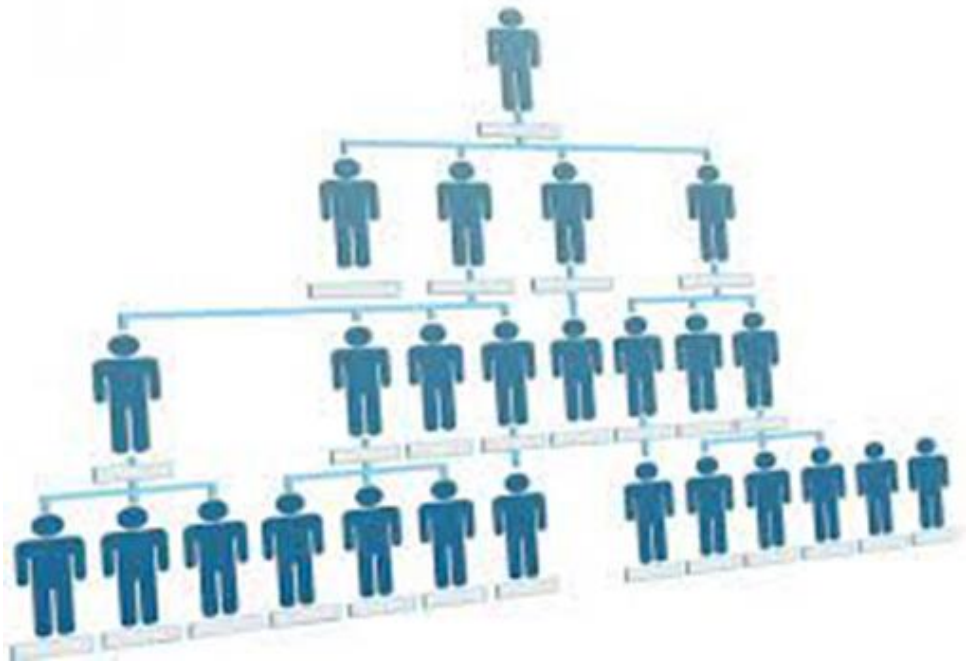
- There are few levels of middle management
- Often used in small or start up businesses
- There are steps between an ‘entry-level’ employee and the company’s CEO
- Employees often feel a greater sense of accountability and autonomy in their job
- Clear route of communication and less room for communication to be missed
- However, internal promotion is harder to seek as there are many subordinates after fewer roles.

Matrix Structure



- Tasks require you to report to more than one manager
- Often used when an organisation requires different skill sets to work together
- It leads to two different chains of command working in conjunction with each other
- Done effectively, it can lead to greater employee motivation as they have a greater input on a particular project
- Can increase the skillset/ knowledge of employees working alongside other departments
- However, there can be confusion over 'hierarchy' - e.g. *which manager is responsible or who do I report too?*

Hierarchal structure



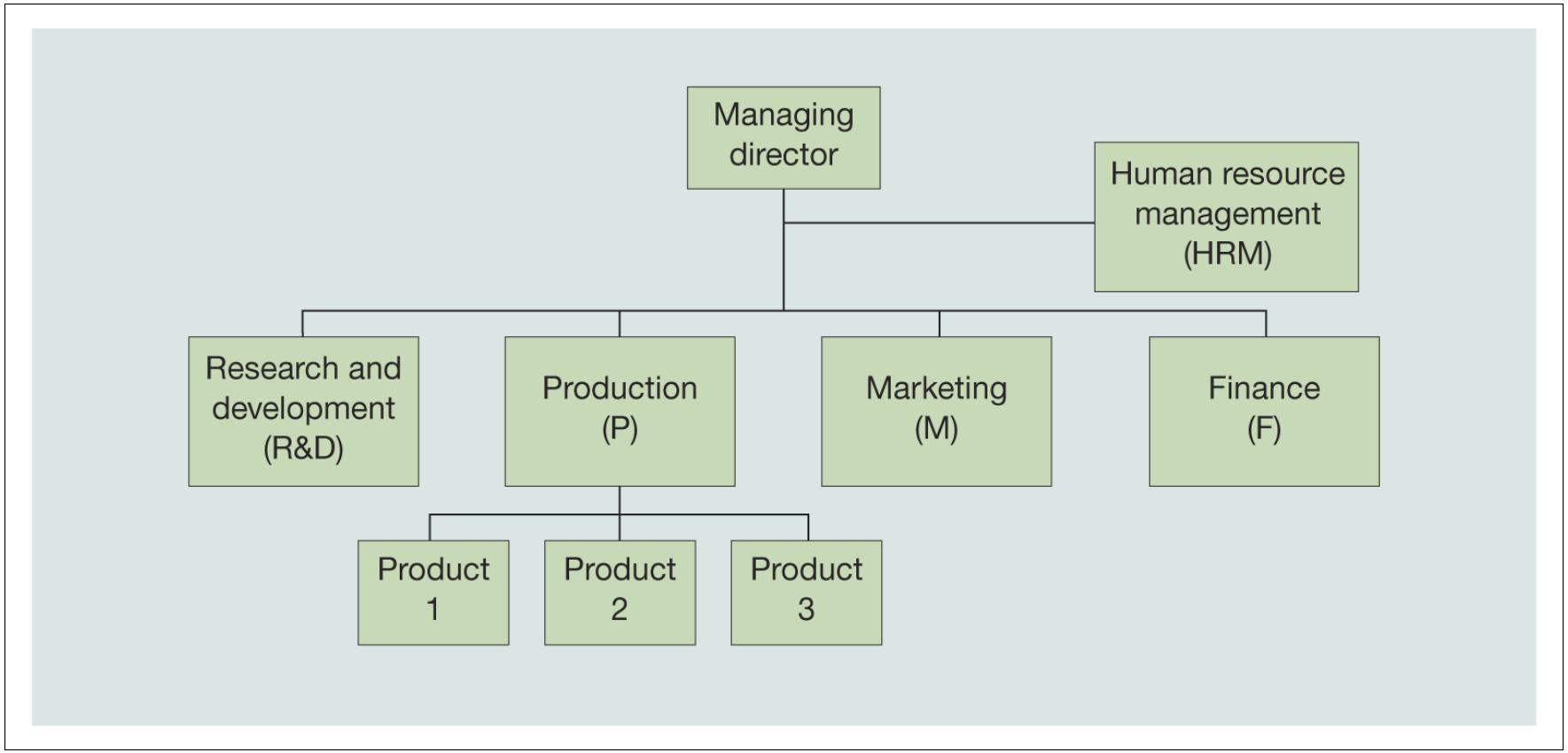
- Follows a clear ‘chain of command’ from top CEO to regular employees
- Often resembles ‘ a pyramid’
- There are distinct reporting structure and everyone knows their place.
- Often evident in larger organisation with many departments that perform different duties
- There can be less ‘span of control’ as there are more managers for staff to report to
- Communication takes longer to reach ‘the top’
- Can show clear progression opportunities for employees looking to develop

There are different types of Hierarchal structures - depending on division of work

Let’s explore after a break

Break Time

Division of work by function



(Nadler, 1997)

Discussion

What are the advantages and disadvantages of division of work by function?

Functional structure (division of work by function)

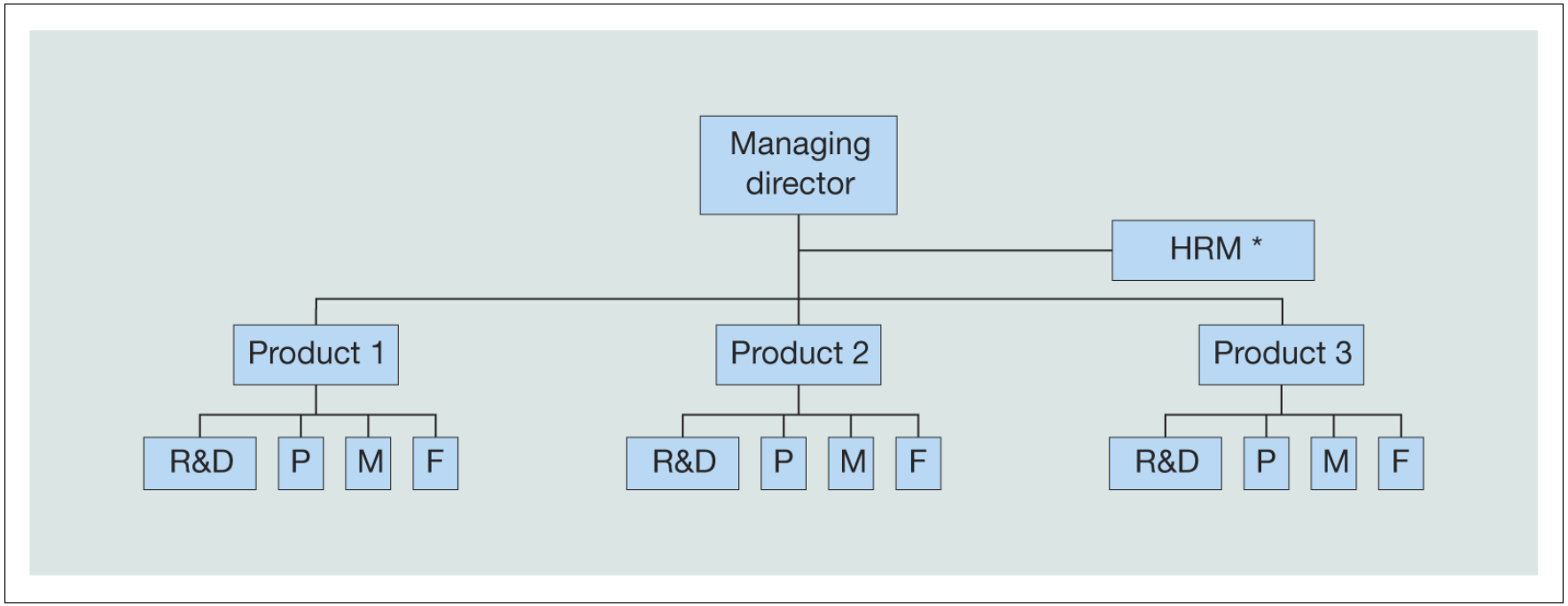
Advantages

- ✓ 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



(Nadler, 1997)

Discussion

What are the advantages and disadvantages of division of work by product/service?

Division of work by product / service

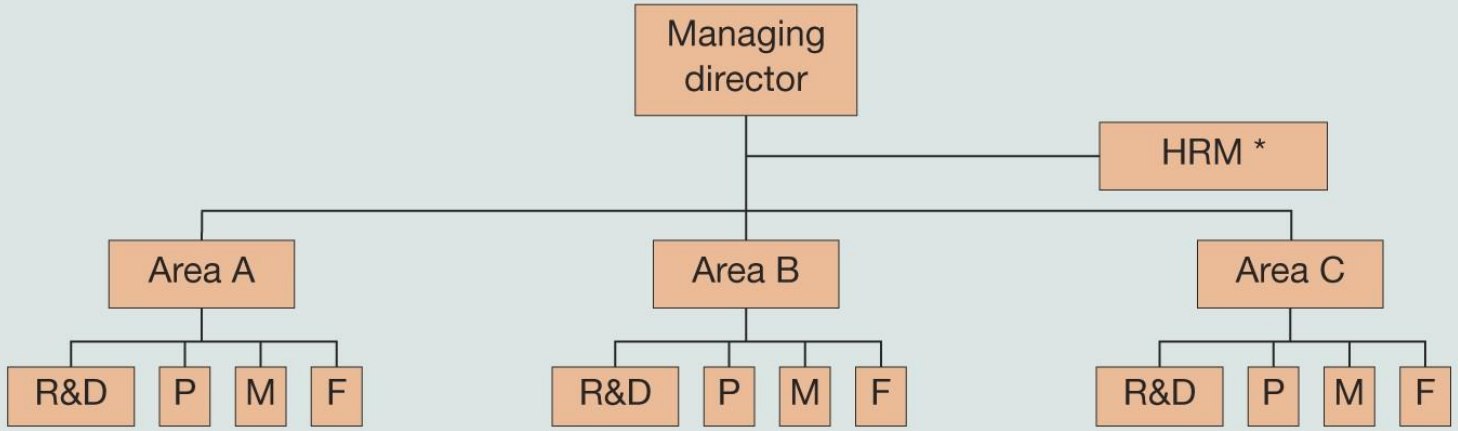
Advantages

- ✓ 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.

(Nadler, 1997)

Discussion

What are the advantages and disadvantages of 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

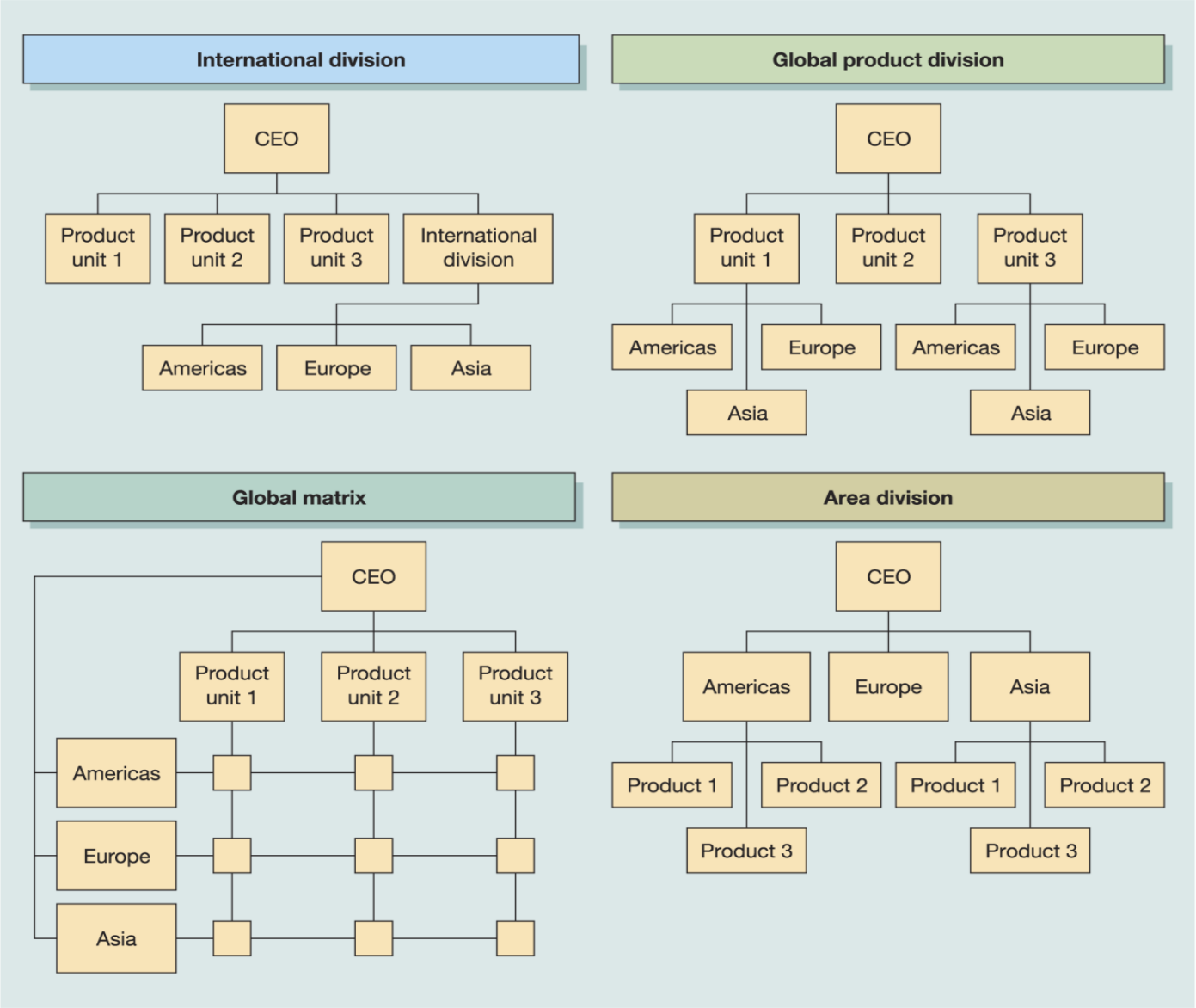
Disadvantages

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

What about global businesses?

Four models:

1. International division
2. Global product division
3. Global matrix
4. Area division



(Birkinshaw, 2001)

Centralisation vs Decentralisation

This is looking at decision making within different organisation and how this is reflective of their structures

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

Centralisation vs Decentralisation

(Lyon, 2018)

Activity

Think of an organisation you know/work for.

1. Is the decision making centralised or decentralised?
2. Can your boss decide things/do they have to refer up to head office?

3. 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.

(Lynch, 2006)

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 adminstration, 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.

(Lynch, 2006)

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

Video link

https://youtu.be/32WjO7liHpI

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 - **ORGANISATION**

  – social factors and the needs and demands of the human part of the organisation -**PEOPLE**

Examples of the connection between purpose and organisation design

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

(Lynch, 2006)

Mechanistic and Organic Systems

Mechanistic organisations:

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

Organic organisations:

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

(Litterer, 1973)

Characteristics of mechanistic and organic organisations

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

(Litterer, 1973)

The changing face of the workplace

What's new?

What factors might organisational structures in the future?

e.g. how is the workplace changing?

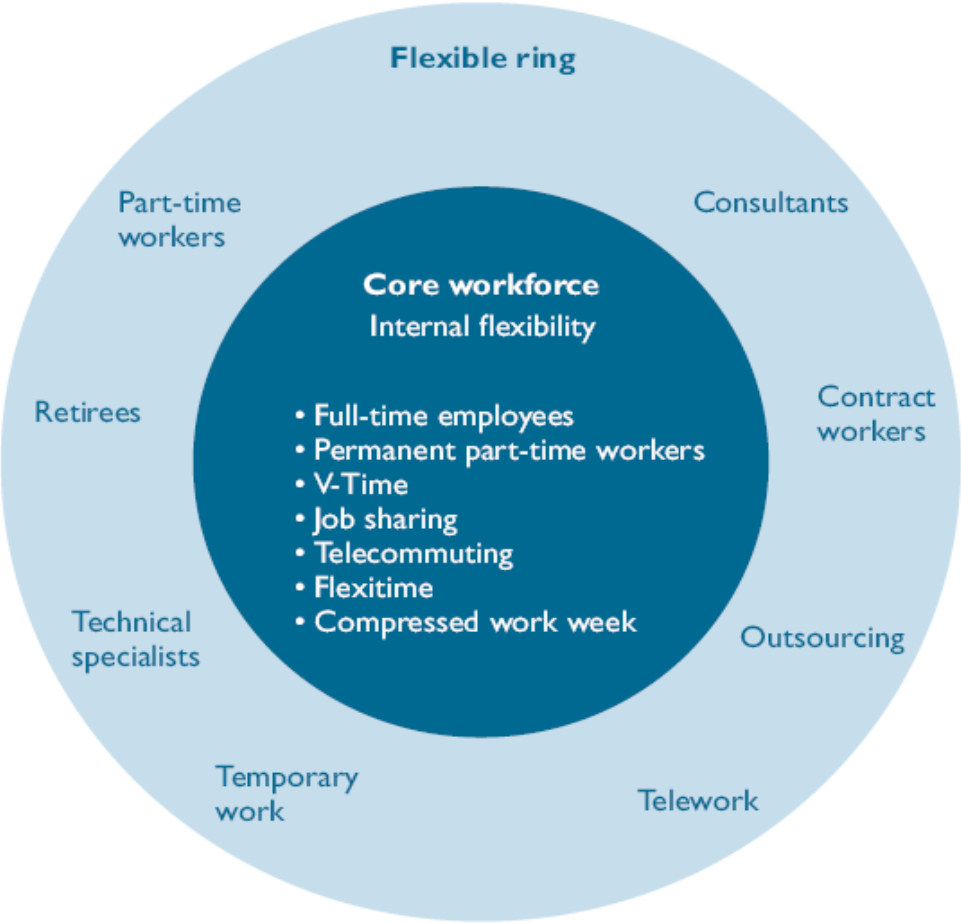
The changing face of the workplace

7 'habits of the new organisation':

- Flexible and free-flowing
- Non-hierarchical
- Based on participation
- Creative and entrepreneurial
- Based around networks
- Driven by corporate goals
- Utilising technology as a key resource

(Birkinshaw, 2001)

Core-ring organisation



(Birkinshaw, 2001)

What do you think?

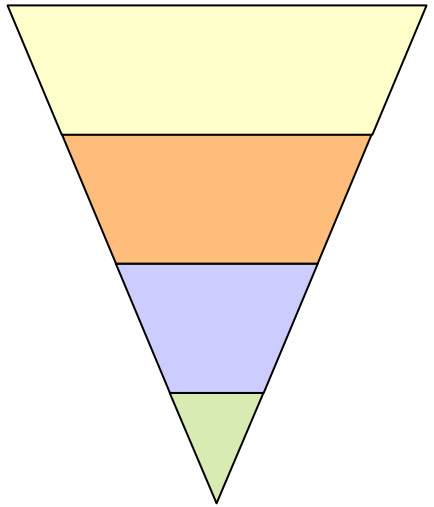
Is the concept of management outdated?

Do we need elaborate organisation structures? Lean and mean?

Should we do only what's key – outsource everything else ?

Is this the end of hierarchy, bureaucracy, autocratic management?

The inverted organisation



- These place customers at the summit and top management at the base.
- Involve the devolution of power and delegation to the empowered, self-managing workers near the top of the inverted pyramid.
- The line hierarchy becomes a support structure.

The flexible firm: Atkinson (1984)

- **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
- Shift swapping
- Self-rostering
- Job sharing
- Annual hours
- Career breaks
- Working from home
- Teleworking

Assignment 1 - Essay

Title – ‘Assess the impact of different leadership styles on team effectiveness and employee morale in the hospitality industry’

Due – Friday 18th October by 23:59

Recap

- A variety of different organisational structures

- Centralised vs Decentralised decision making

- How structures might need to change in the future

I look forward to seeing you next week.

If you have any questions in the meantime, please send an email from your *student account*

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