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Organisational Structure & Design

The Changing Business Environment - BMBM4010

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





Why do Organisations Exist

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

Why have Organisational Structure?

To define roles, responsibilities and relationships which enhances efficiency, communication and overall effectiveness in achieving goals.



Defining roles and
responsibilities



Facilitates
communication



Enhances
Efficiency



Supporting
strategic goals



Adapting to
change

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 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
- **Culture** – stronger cultures often lead to more centralised structures



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).



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 (1989)



The human element

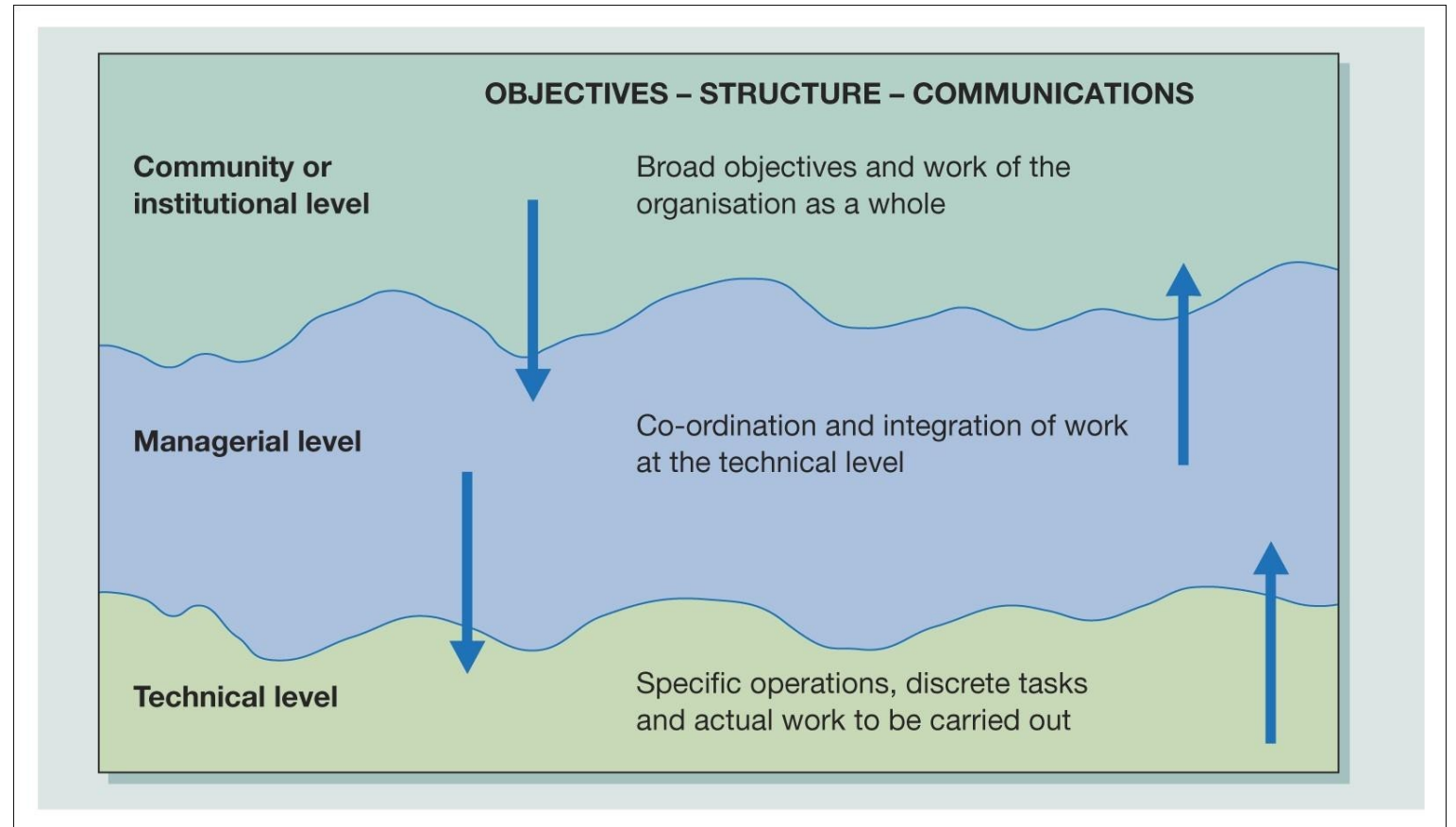
- The actual operation of the organisation and success in meeting the business objectives will depend on the **behaviour of people** who work within the structure and who give shape and personality to it.
- Managers need to consider how structural design and methods of work **influence the behaviour**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

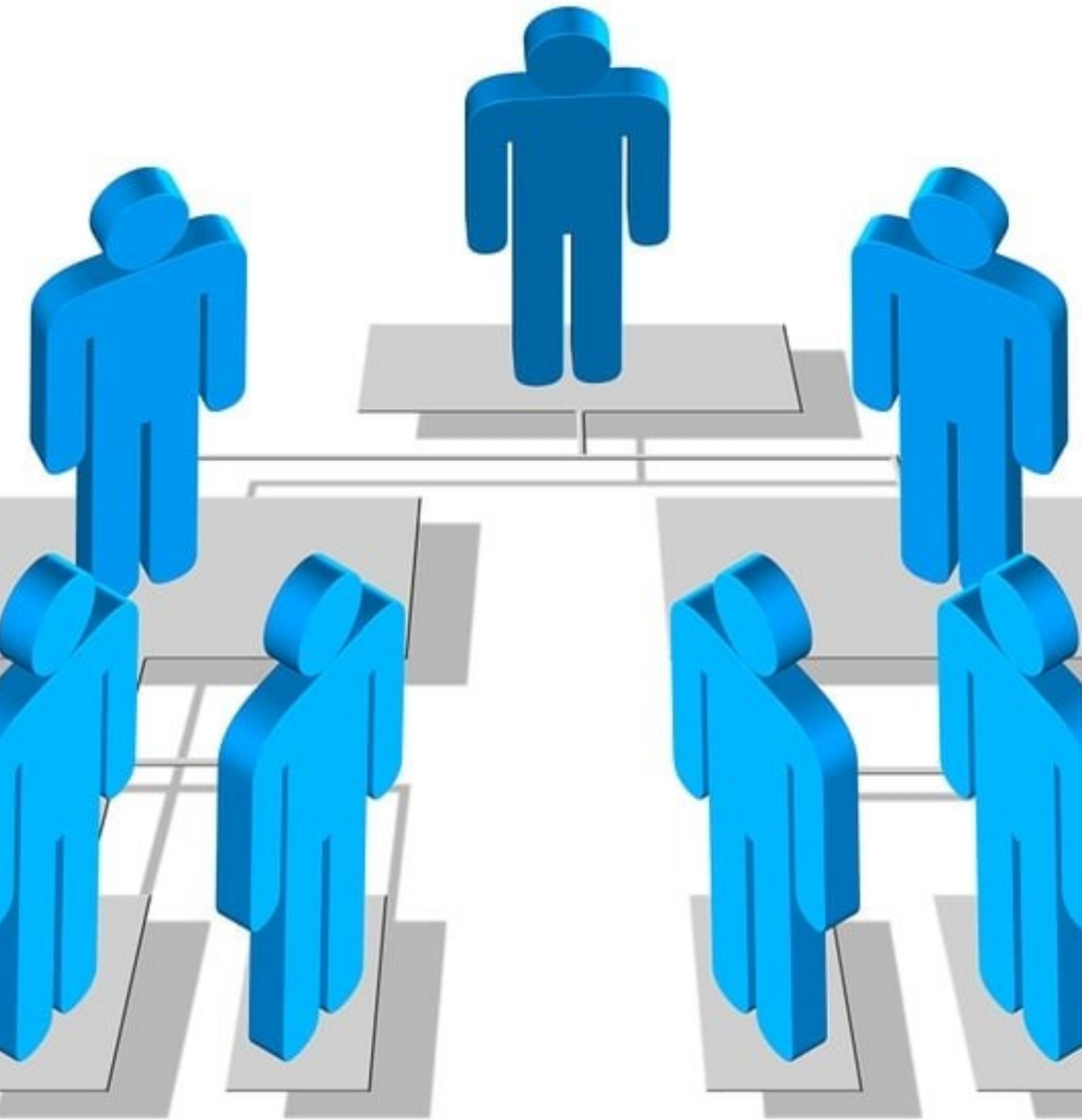
4 Key Elements

- **People Centric Strategies** – Emphasising the importance of human factors in business architecture can lead to operational excellence and improved teams dynamics
- **Holistic Methodology** – The Human Element approach aims to enhance individual and team performance by addressing root causes of unproductive behaviours ultimately leading to better business results
- **Organisational Design** – aligns to multiple facets of an organisation including functions and processes to optimise performance and adaptability
- **Creating a Thriving Environment** – designing spaces that resonate with human senses can enhance employee comfort and productivity making the working environments more inviting and functional.



Inter-related levels of Organisation





The Importance of Hierarchy

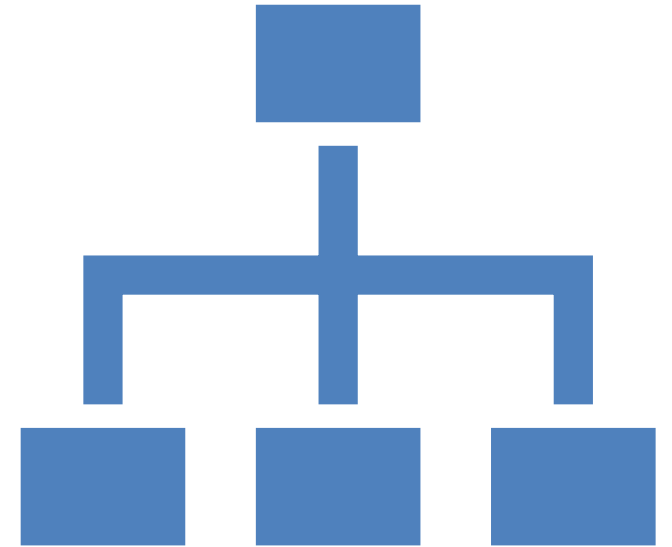
- **Clear chain of Command** – provides a clear structured approach to decision making and communication so everyone knows their roles and responsibilities.
- **Efficient Decision-making** - The top-down approach allows for quick decision-making and compliance with orders during emergencies ensuring timely responses to challenges.
- **Streamlined communications** - Facilitates efficient communication between different levels of organisations promoting collaboration and teamwork.
- **Defined roles and responsibilities** - Each position is clearly defined making accountability and duties transparent which enhances operational efficiency.
- **Organisational Clarity** - helps everyone to understand their place within the organisation, reporting relationships and the hierarchy of authority.

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)

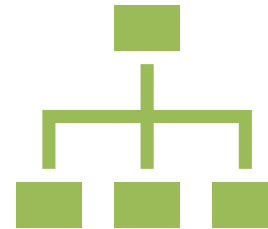


Organisational Support/Element functions



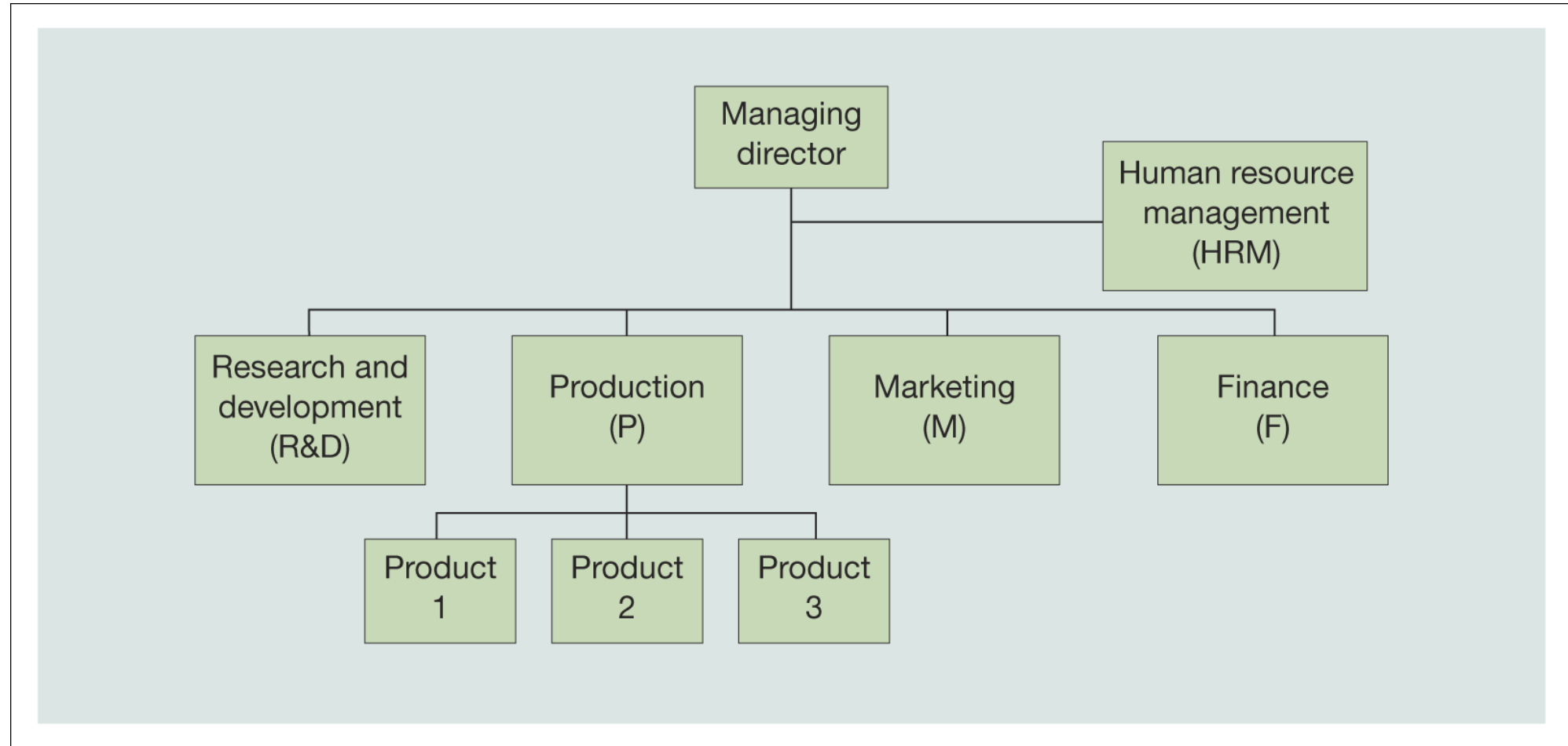
Activities supportive of the task functions:

- Clarify Expectations
- Assign tasks
- Evaluate performance
- Align responsibilities
- Support recruitment



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)

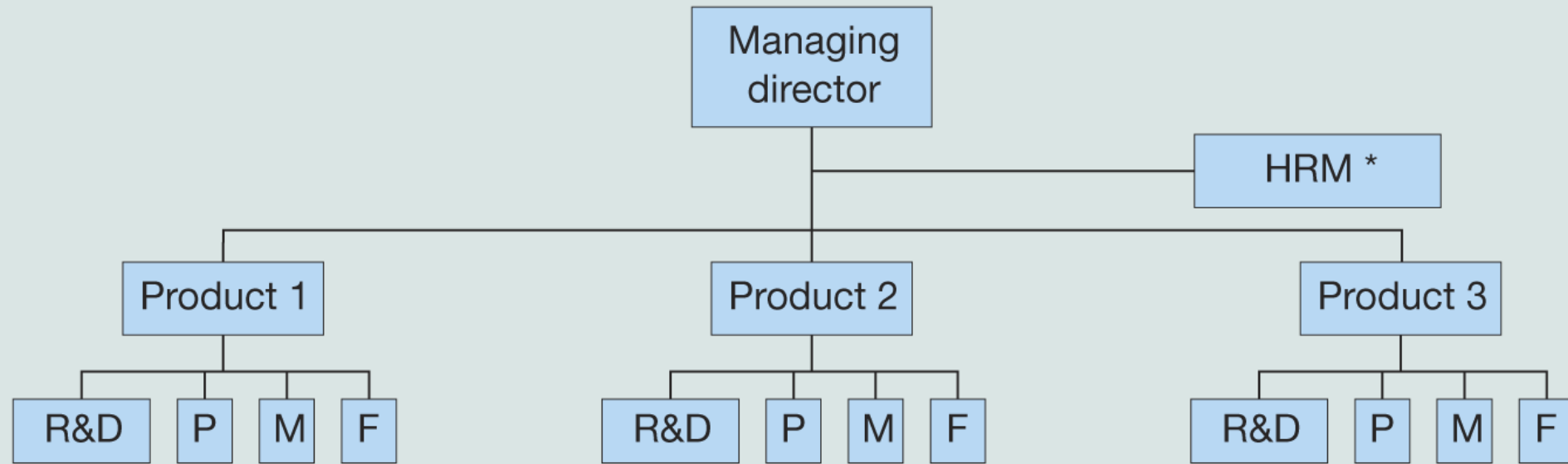
✓ Advantages

- ✓ 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



Division of work by product / service

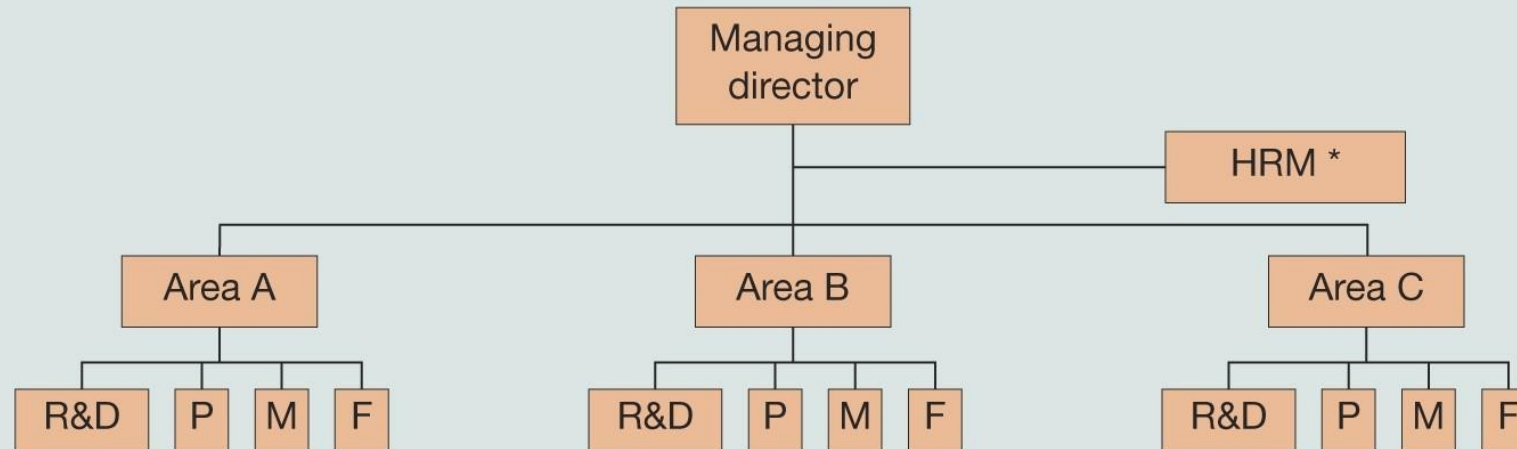
✓ Advantages

- ✓ 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.

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

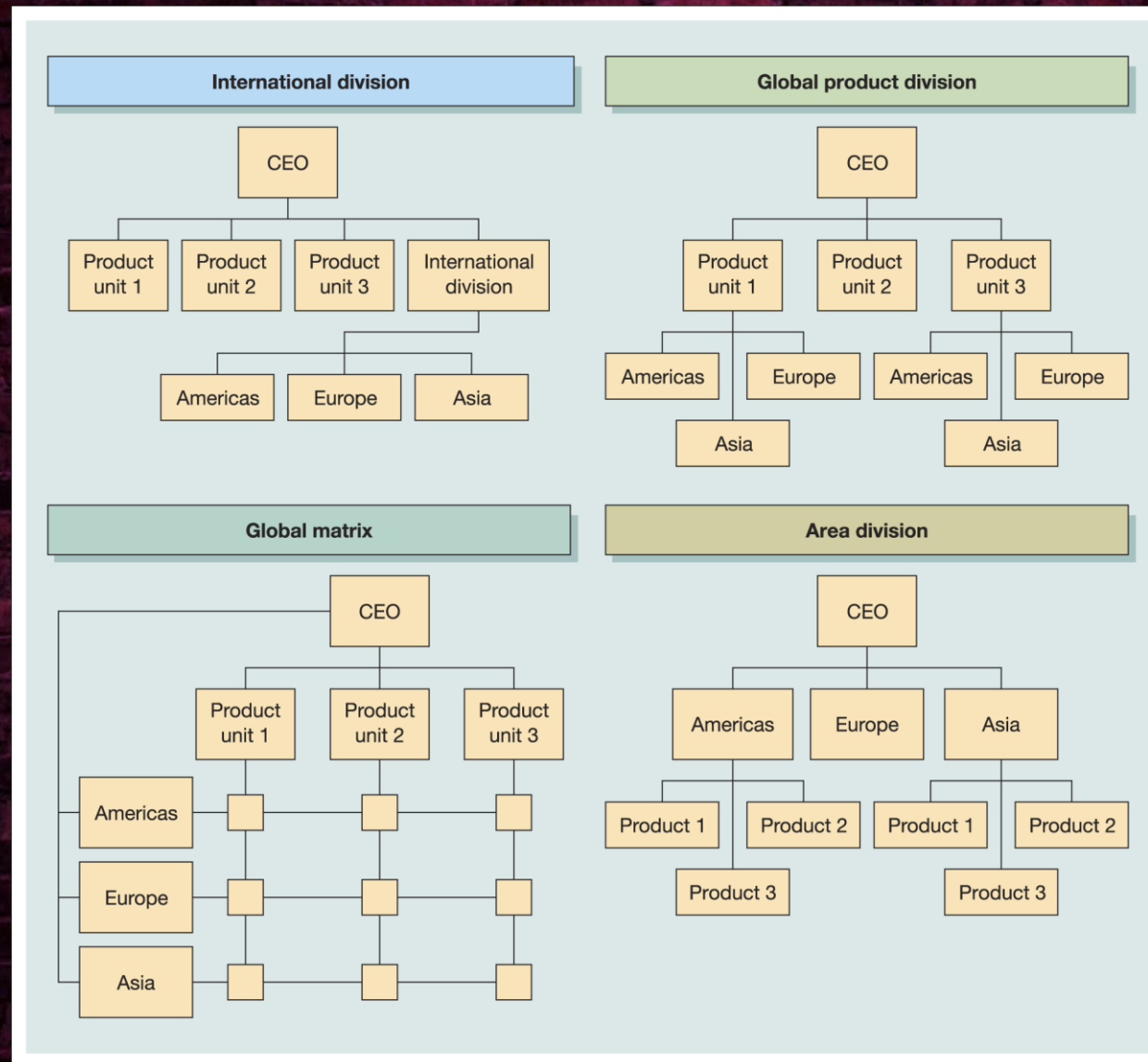


Figure 15.4 Four models for global company structure

Source: From Birkinshaw, J. 'The Structures behind Global Companies', in Pickford, J. (ed.) Mastering Management 2.0, Financial Times Prentice Hall (2001), p. 76. Reproduced with permission from Julian Birkinshaw

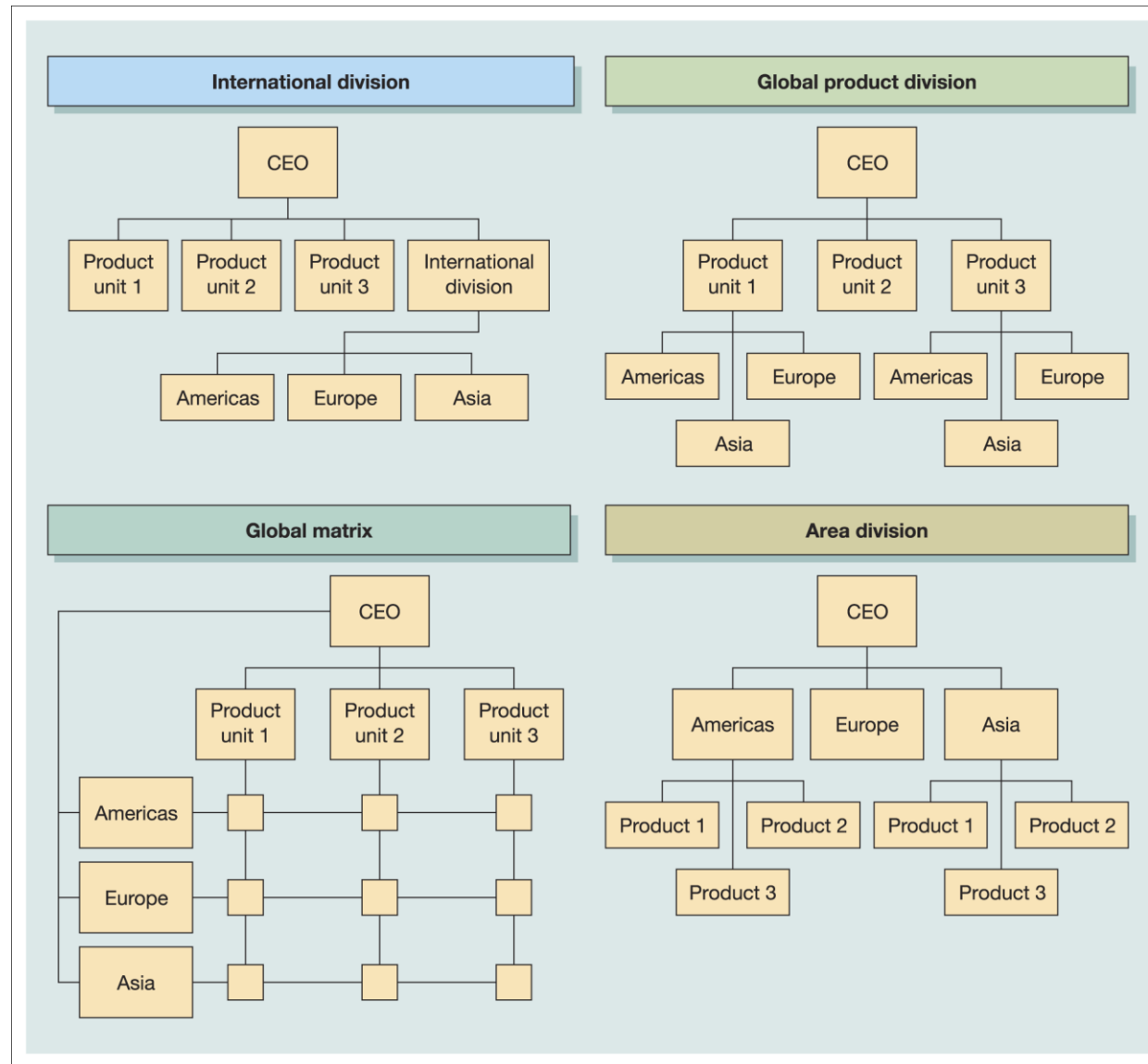


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Other ways of dividing work

01

By the nature of the work performed – e.g. particularly noisy or dirty work

02

According to common timescales – e.g. a restaurant kitchen

03

According to the staff employed – e.g. in a barrister's chambers

04

To deal with different customer or client groups – e.g. Departments in a clothes store

Combining groupings

Decisions on how to group will be based on:

- The culture of the organisation
- The need for co-ordination
- The identification of clearly defined divisions of work
- Economy
- The process of managing the activities
- Avoiding conflict
- The design of work organisation taking into account the nature of staff employed, their interests and job satisfaction.





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

- 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



Greater uniformity and timely decisions are possible



Senior Managers are more aware of an organisations future plans and are more likely to make decisions in its best interests



Clear chain of command



Fewer skilled and highly paid managers are required



Greater control and cost effectiveness in company resources



Less extensive planning and reporting procedures are required.



Enhanced coordination among departments as major decisions made by small group of leaders



Focused Organisation vision as top management enforce the goals and objectives

Advantages of decentralisation



Lower-level decisions made more quickly



Lower-level management problems can be dealt with quickly by junior staff



Lower-level managers have an opportunity to develop their decision-making skills



Increases creativity, innovation and flexibility



Increased motivation of lower-level employees entrusted to make decisions



Organisations workload is spread so to allow top-level managers more time for strategic planning



Increased responsiveness to local circumstances

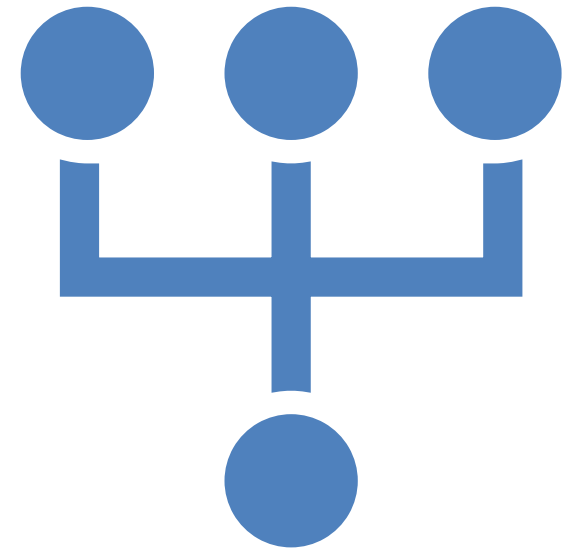
Two specific design principles

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'.



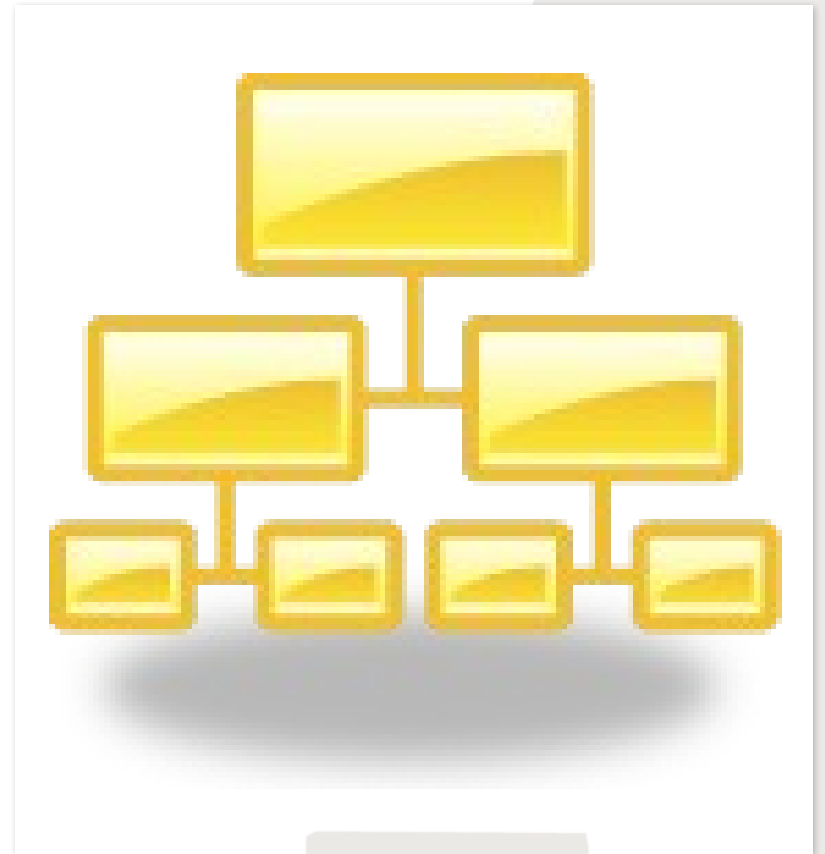
Factors influencing the span of control

- 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

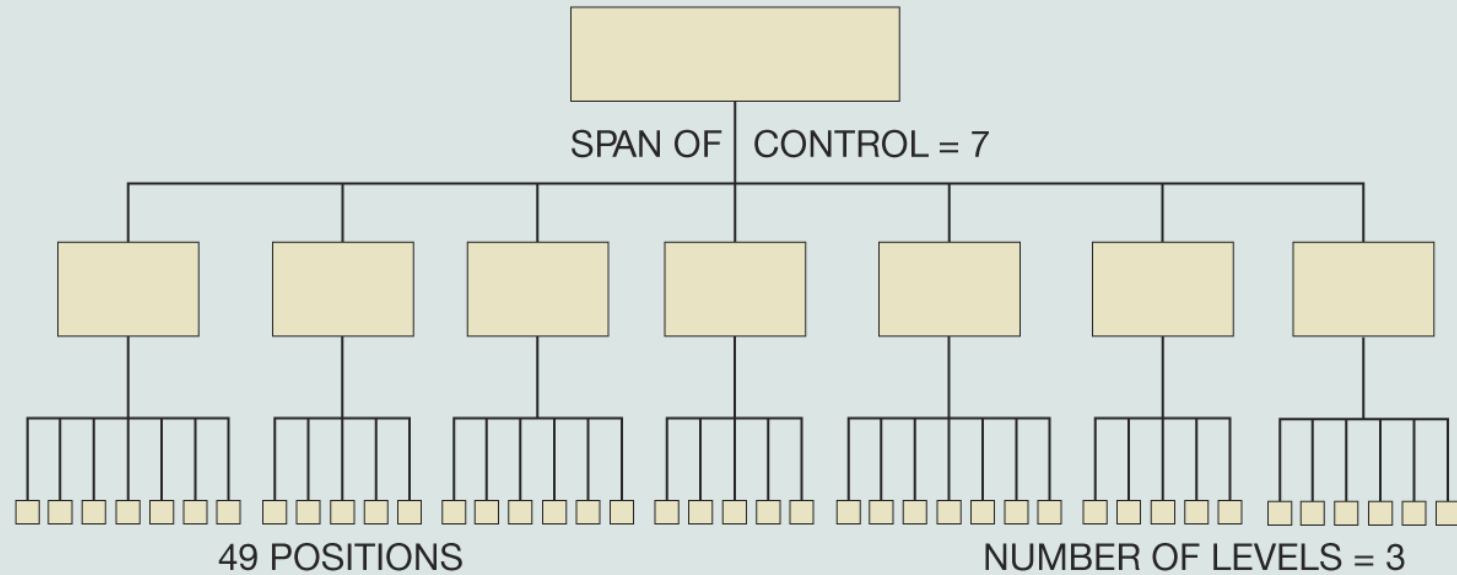


Chain of command/Scalar chain

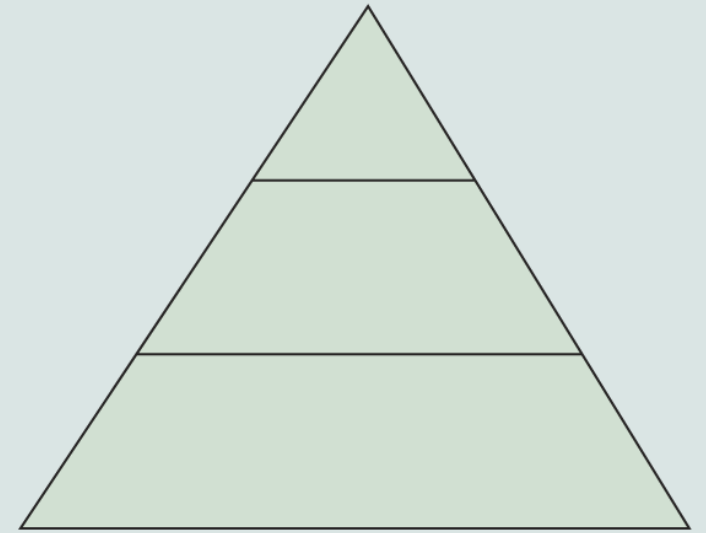
- Chain of command – formal structure of authority outlining who reports to whom
- Scalar chain – introduced by Fayol, emphasises linear flow of authority & communication from the top to bottom
- Establishes the vertical graduation of authority and responsibility
- Provides the framework for superior –subordinate relationships
- Often represented through organisation charts
- Shows a clear line of authority and responsibility

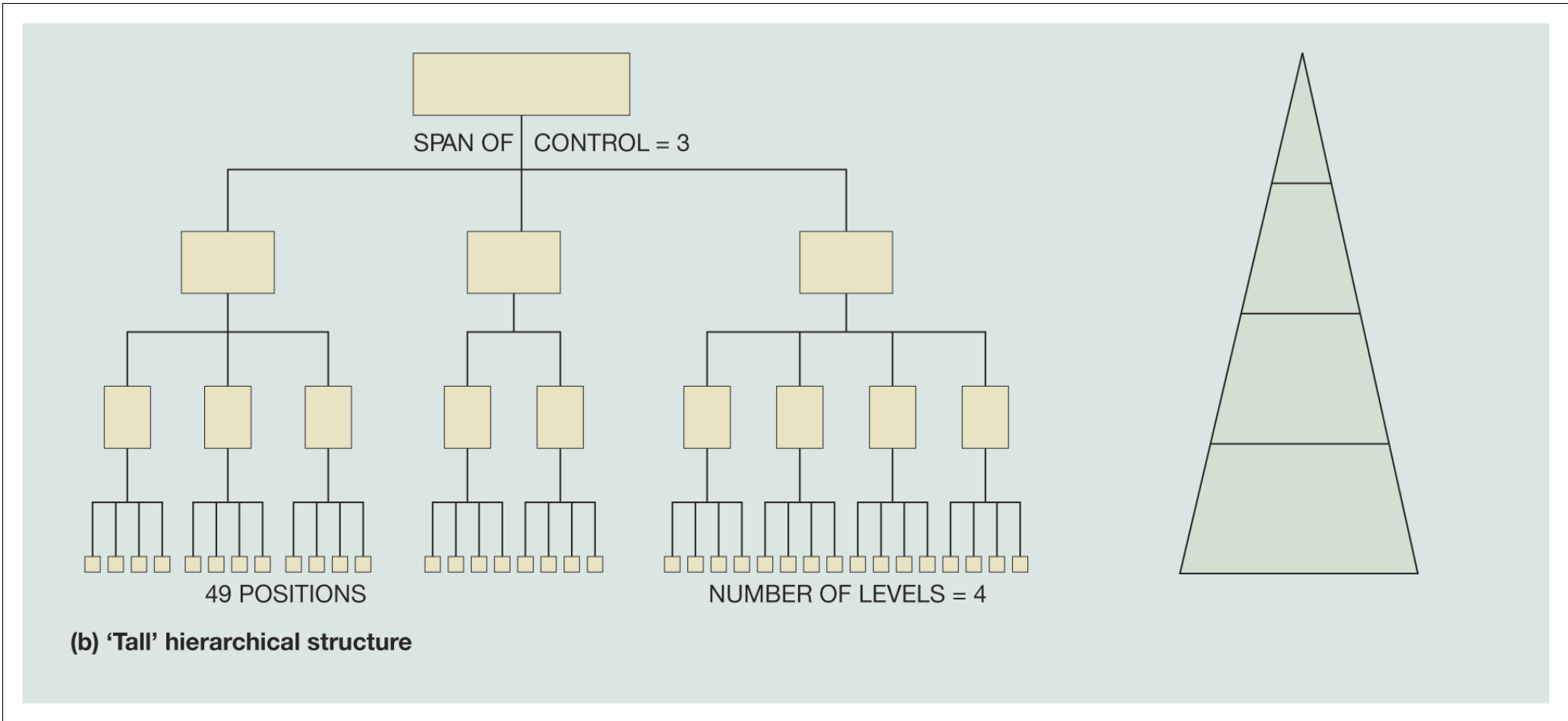


The span of control: effect on structure



(a) 'Flat' hierarchical structure





The span of control: effect on structure

Formal organisational relationships

Line

- flows vertically directly down through the structure

Functional

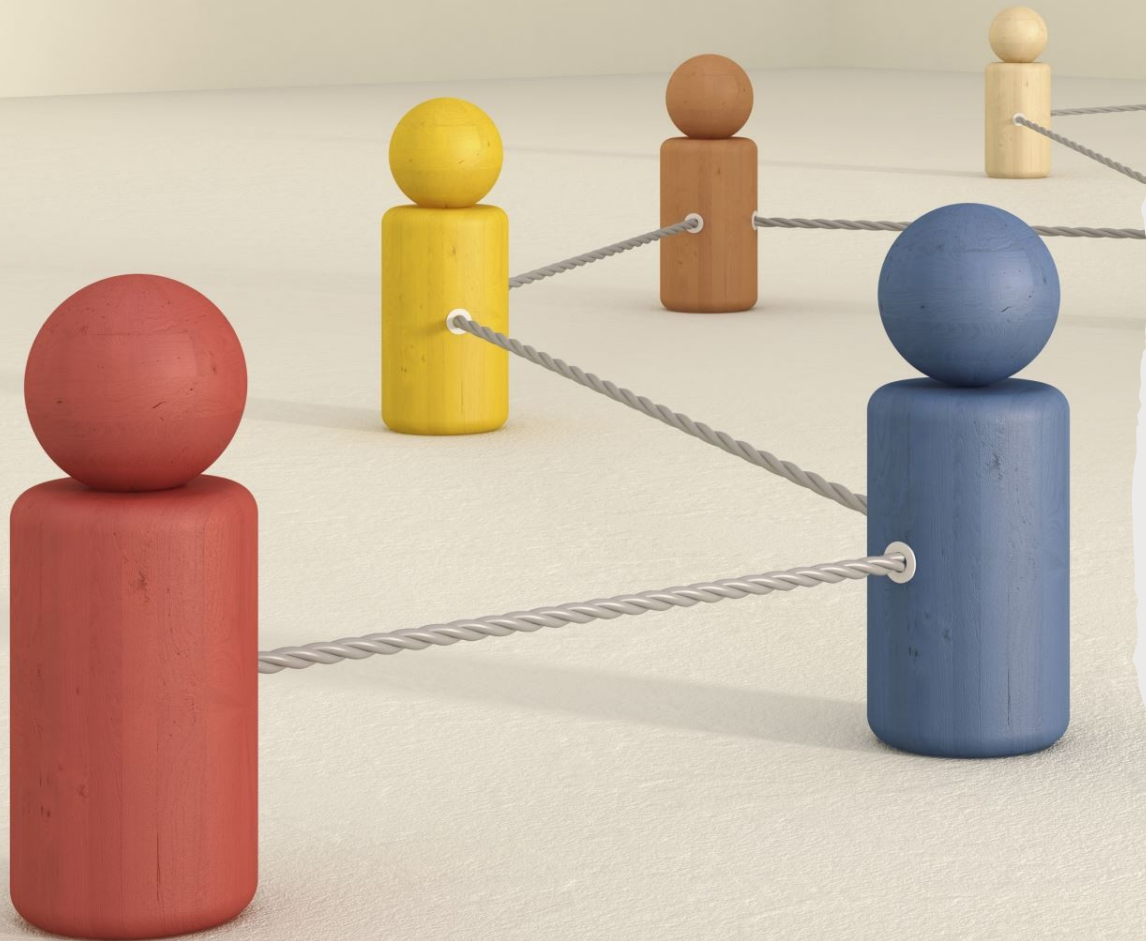
- relationship between people in specialist or advisory positions

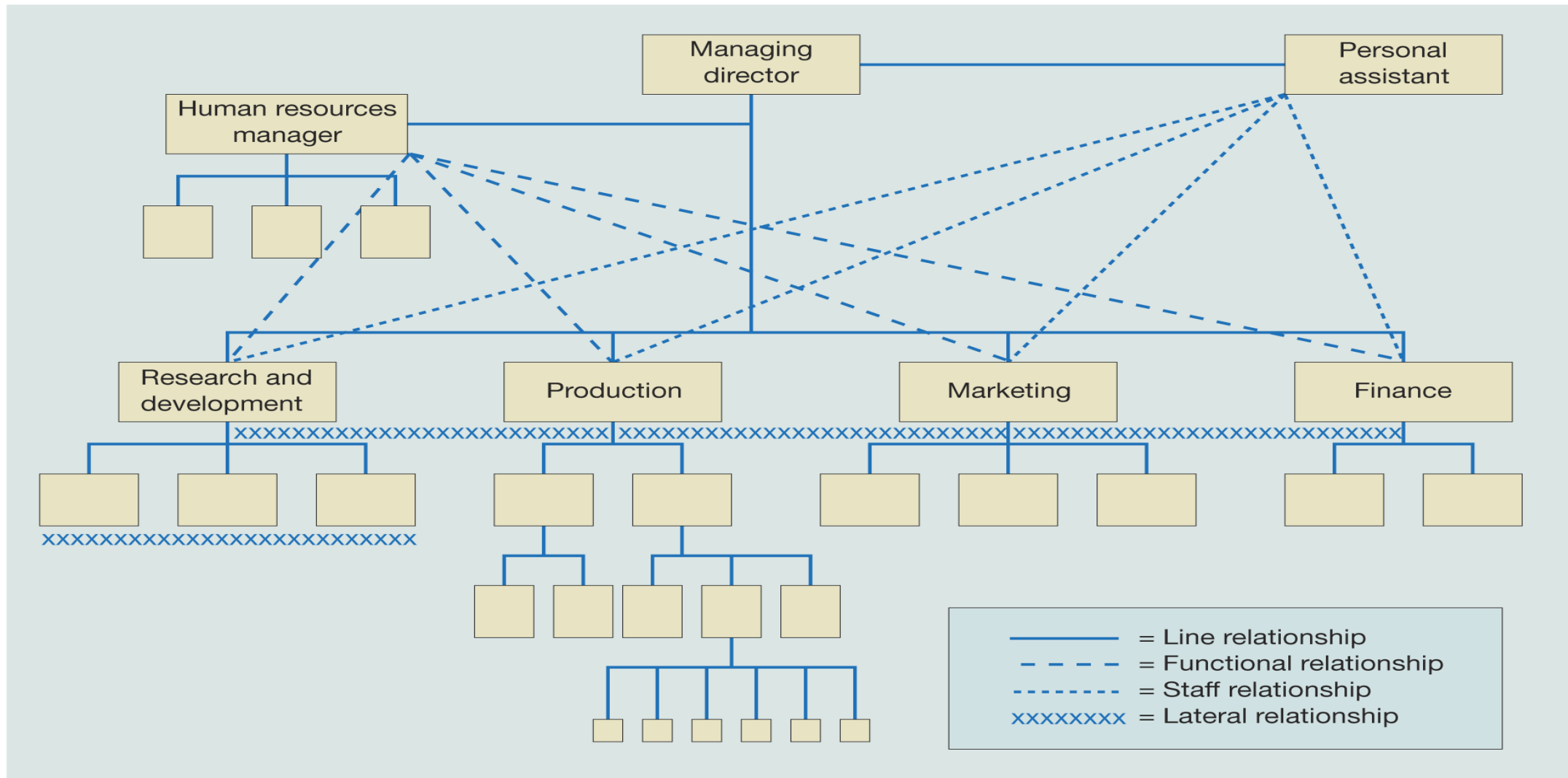
Staff

- 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

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
- Reduced efficiency and productivity
- High employee turnover
- Communication issues
- Lack of innovation



Any questions



**Next lecture –
Monday 23rd
February – 9.00 am**

**Organisational
Structure**