

CHAPTER 7

Designing organisational structure



ORGANISING THE VERTICAL STRUCTURE

- Refers to the deployment of organisational resources to achieve **strategic** goals
- Reflected in:
 - The organisation's **division of labour** into specific jobs and departments
 - Formal lines of authority
 - Mechanism for coordinating various tasks
- Most companies have made structural changes to accommodate use of the Internet



WORK SPECIALISATION

- Refers to the degree to which organisational tasks are subdivided into **individual jobs**, or **division of labour**
- Involves:
 - Specialisation, which results in efficiency
 - But too much specialisation:
 - Reduces motivation
 - Creates silo effects



AUTHORITY, RESPONSIBILITY AND DELEGATION

Authority:

- Refers to the formal and legitimate right of a manager to make decisions, issue orders and allocate resources to achieve organisationally desired outcomes

Key characteristics:

1. Authority is vested in organisational positions, not people
2. Authority flows down the vertical hierarchy
3. Authority is accepted by subordinates



TALL STRUCTURE

- Narrow span of control
- More hierarchical levels
- Slower decision making

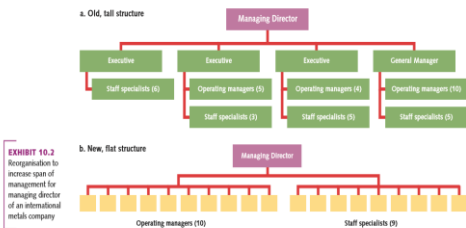


FLAT STRUCTURE

- Trend toward this
- Broader span of control
- Relatively few hierarchical levels



TALL VERSUS FLAT STRUCTURE





MORE TERMS

- **Centralisation**
 - The location of decision authority near top organisational levels.
- **Decentralisation**
 - The location of decision authority near lower organisational levels
- **Formalisation**
 - The written documentation used to direct and control employees



DEPARTMENTALISATION

- The basis on which individuals are grouped into department and departments into total organisations

- 1 Vertical functional approach
- 2 Divisional approach
- 3 Horizontal matrix approach
- 4 Team-based approach
- 5 Network approach



VERTICAL FUNCTIONAL APPROACH

- Positions grouped into departments based on similar skills, expertise and resource use
- Some advantages:
 - Economies of scale
 - Enhances the development of in-depth skills
 - Career progress
- Some disadvantages
 - Slower response to environmental changes
 - Poor communication and coordination
 - Limited management training for employees



DIVISIONAL APPROACH

- Grouping based on similar organisational outputs
- Self-contained units
- Also called **product structure**, **program structure** or **self-contained unit structure**



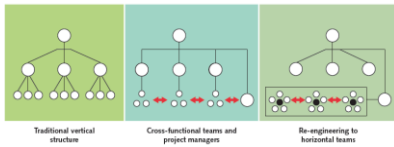
ORGANISING FOR HORIZONTAL COORDINATION

- Growing trend toward emphasis on **horizontal coordination**:
 - Need for coordination
 - Need for collaboration
- Focus on **re-engineering**:
 - Radical redesign of business processes to achieve dramatic improvements in costs, quality, service and speed



EVOLUTION OF ORGANISATION STRUCTURE

EXHIBIT 10.15 Evolution of organisation structures





FACTORS SHAPING STRUCTURE

- Structure follows strategy
- Structure reflects the environment
- Structure fits the technology



CONTINGENCY FACTORS THAT INFLUENCE ORGANISATION STRUCTURE



ORGANISING FOR SUSTAINABLE DEVELOPMENT

- Develop a sustainability strategy
- Requires leadership from the centre and top of the organisation, widespread implementation and decision making
- Involving:
 - Strong stakeholder engagement
 - Values that include social and environmental policies and investments
 - Employee education and training
 - Long-term organisation culture
