

# ORGANIZATIONAL BEHAVIOR

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T E N T H E D I T I O N

PART FOUR

THE  
ORGANIZATION  
SYSTEM

## Foundations of Organization Structure

c h a p t e r

15

**AFTER STUDYING THIS CHAPTER,  
YOU SHOULD BE ABLE TO:**

- 1. Identify the six key elements that define an organization's structure.**
- 2. Explain the characteristics of a bureaucracy.**
- 3. Describe a matrix organization.**
- 4. Explain the characteristics of a virtual organization.**
- 5. Summarize why managers want to create boundaryless organizations.**

**AFTER STUDYING THIS CHAPTER,  
YOU SHOULD BE ABLE TO:**

- 6. Contrast mechanistic and organic structural models.**
- 7. List the factors that favor different organizational structures.**
- 8. Explain the behavioral implications of different organizational designs.**

# What Is Organizational Structure?

## **organizational structure**

How job tasks are formally divided, grouped, and coordinated.

### **Key Elements:**

- **Work specialization**
- **Departmentalization**
- **Chain of command**
- **Span of control**
- **Centralization and decentralization**
- **Formalization**

# What Is Organizational Structure? (cont'd)

## **work specialization**

The degree to which tasks in the organization are subdivided into separate jobs.

### **Division of labor:**

- **Makes efficient use of employee skills**
- **Increases employee skills through repetition**
- **Less between-job downtime increases productivity**
- **Specialized training is more efficient**
- **Allows use of specialized equipment**

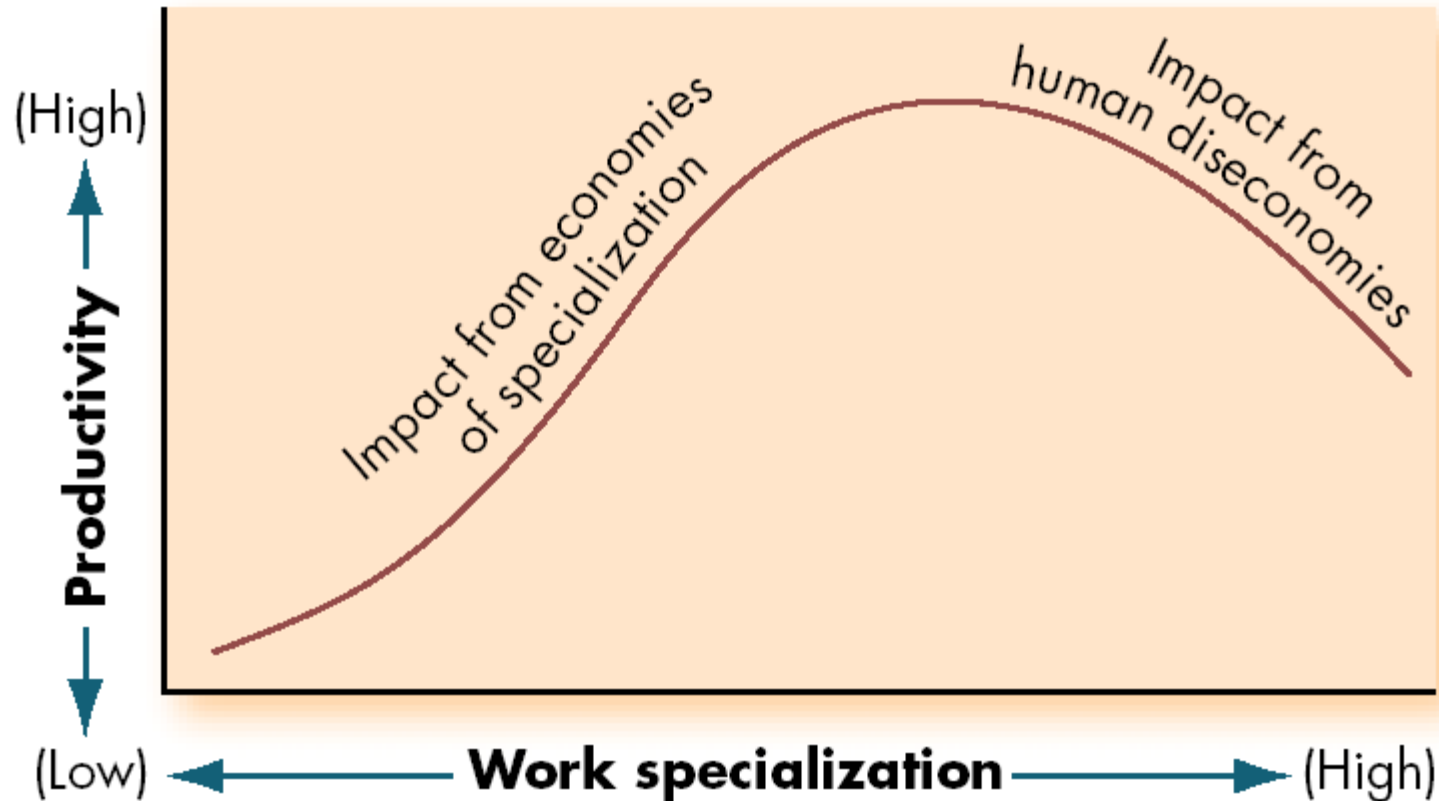
# Key Design Questions and Answers for Designing the Proper Organization Structure

<b>The Key Question</b>	<b>The Answer Is Provided By</b>
1. To what degree are tasks subdivided into separate jobs?	Work specialization
2. On what basis will jobs be grouped together?	Departmentalization
3. To whom do individuals and groups report?	Chain of command
4. How many individuals can a manager efficiently and effectively direct?	Span of control
5. Where does decision-making authority lie?	Centralization and decentralization
6. To what degree will there be rules and regulations to direct employees and managers?	Formalization

EXHIBIT

15-1

# Economies and Diseconomies of Work Specialization



EXHIBIT

15-2

# What Is Organizational Structure? (cont'd)

## **departmentalization**

The basis by which jobs are grouped together.

### **Grouping Activities By:**

- **Function**
- **Product**
- **Geography**
- **Process**
- **Customer**



# What Is Organizational Structure? (cont'd)

## **chain of command**

The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

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## **authority**

The rights inherent in a managerial position to give orders and to expect the orders to be obeyed.

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## **unity of command**

A subordinate should have only one superior to whom he or she is directly responsible.

# What Is Organizational Structure? (cont'd)

## span of control

The number of subordinates a manager can efficiently and effectively direct.

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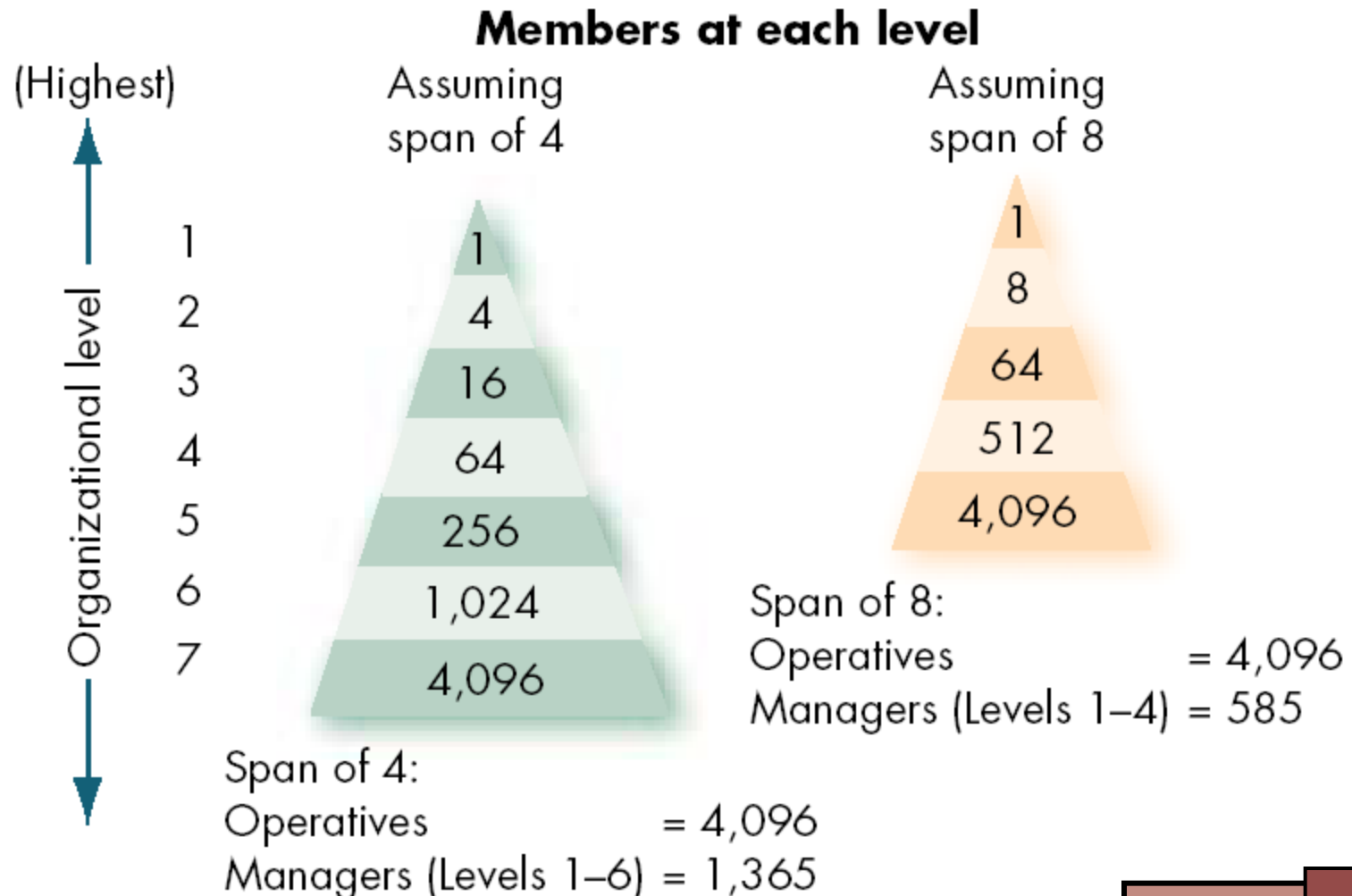
### Concept:

**Wider spans of management increase organizational efficiency.**

### Narrow Span Drawbacks:

- Expense of additional layers of management.
- Increased complexity of vertical communication.
- Encouragement of overly tight supervision and discouragement of employee autonomy.

# Contrasting Spans of Control



EXHIBIT

15-3

# What Is Organizational Structure? (cont'd)

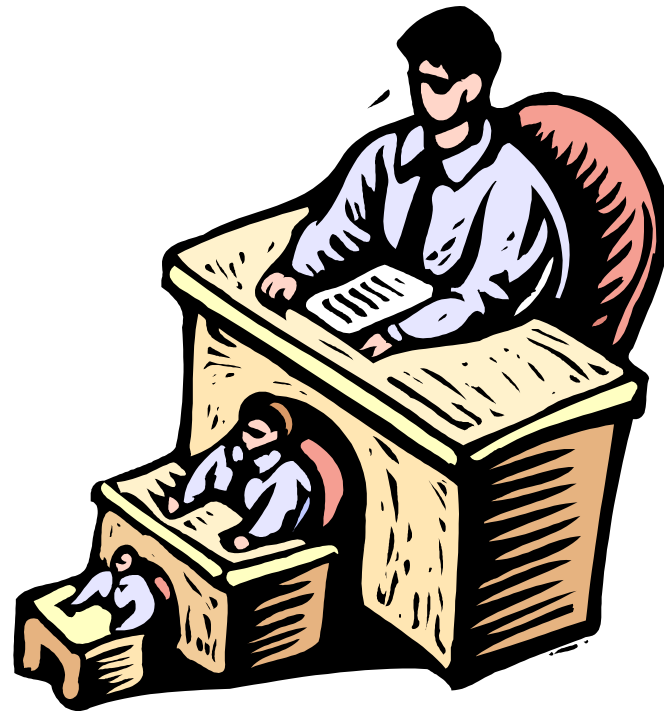
## **centralization**

The degree to which decision making is concentrated at a single point in the organization.

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## **formalization**

The degree to which jobs within the organization are standardized.

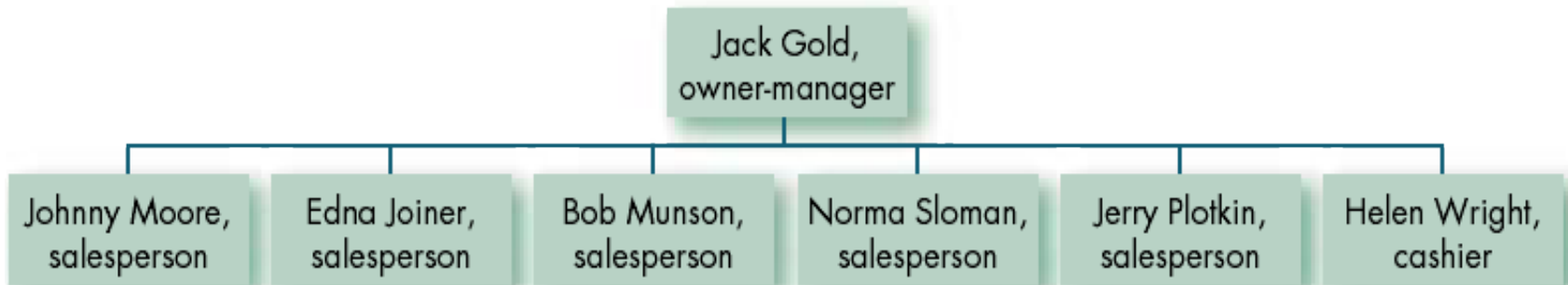


# Common Organization Designs

## simple structure

A structure characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization.

A Simple Structure:  
Jack Gold's Men's Store



EXHIBIT

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# Common Organization Designs (cont'd)

## **bureaucracy**

A structure with highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks that are grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command.



# The Bureaucracy

## ➤ Strengths

- Functional economies of scale
- Minimum duplication of personnel and equipment
- Enhanced communication
- Centralized decision making

## ➤ Weaknesses

- Subunit conflicts with organizational goals
- Obsessive concern with rules and regulations
- Lack of employee discretion to deal with problems

# Common Organization Designs (cont'd)

## **matrix structure**

A structure that creates dual lines of authority and combines functional and product departmentalization.

### **Key Elements:**

- + Gains advantages of functional and product departmentalization while avoiding their weaknesses.**
- + Facilitates coordination of complex and interdependent activities.**
- Breaks down unity-of-command concept.**



# Matrix Structure (College of Business Administration)

Programs	Undergraduate	Master's	Ph.D.	Research	Executive development	Community service (Director)
Academic departments						
Accounting						
Administrative studies						
Finance (Dean)						
Information and decision sciences						
Marketing						
Organizational behavior						
Quantitative methods						

Employee

EXHIBIT

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# New Design Options

## team structure

The use of teams as the central device to coordinate work activities.

### Characteristics:

- Breaks down departmental barriers.
- Decentralizes decision making to the team level.
- Requires employees to be generalists as well as specialists.
- Creates a “flexible bureaucracy.”

# New Design Options (cont'd)

## **virtual organization**

A small, core organization that outsources major business functions.

### **Concepts:**

**Provides maximum flexibility while concentrating on what the organization does best.**

**Disadvantage is reduced control over key parts of the business.**

# A Virtual Organization



# New Design Options (cont'd)

## **boundaryless organization**

An organization that seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams.

### **T-form Concepts:**

**Eliminate vertical (hierarchical) and horizontal (departmental) internal boundaries.**

**Breakdown external barriers to customers and suppliers.**

# Why Do Structures Differ?

## **mechanistic model**

A structure characterized by extensive departmentalization, high formalization, a limited information network, and centralization.



# Why Do Structures Differ?

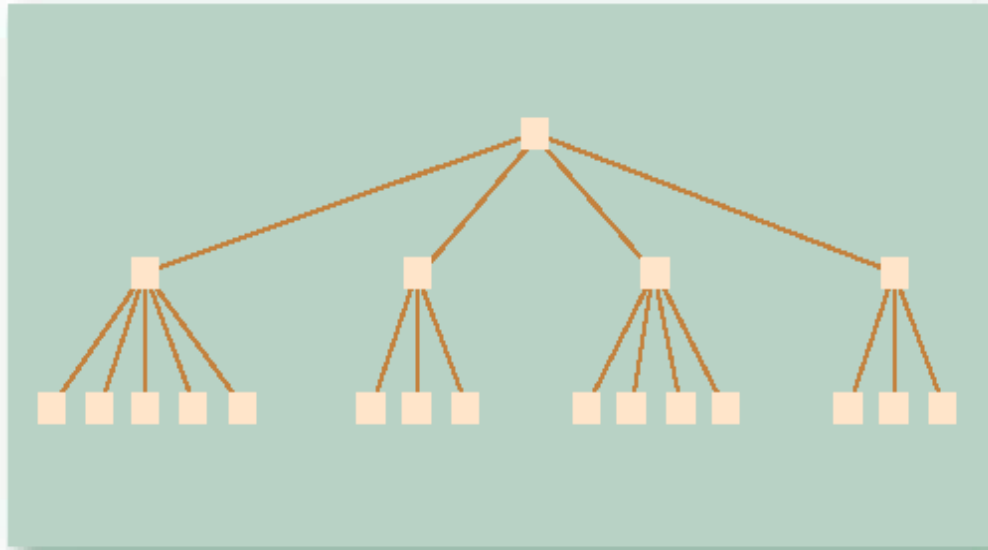
## **organic model**

A structure that is flat, uses cross-hierarchical and cross-functional teams, has low formalization, possesses a comprehensive information network, and relies on participative decision making.



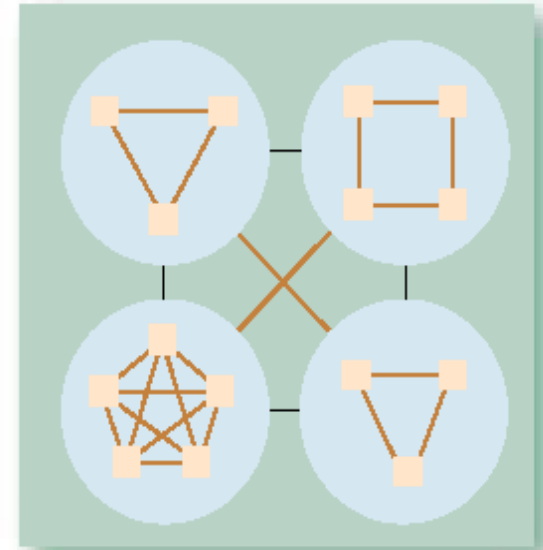
# Mechanistic Versus Organic Models

**The mechanistic model**



- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

**The organic model**



- Cross-functional teams
- Cross-hierarchical teams
- Free flow of information
- Wide spans of control
- Decentralization
- Low formalization

EXHIBIT

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# Why Do Structures Differ? – Strategy

## **innovation strategy**

A strategy that emphasizes the introduction of major new products and services.

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## **cost-minimization strategy**

A strategy that emphasizes tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting.

## **imitation strategy**

A strategy that seeks to move into new products or new markets only after their viability has already been proven.

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# The Strategy-Structure Relationship

Strategy	Structural Option
Innovation	<b>Organic:</b> A loose structure; low specialization, low formalization, decentralized
Cost minimization	<b>Mechanistic:</b> Tight control; extensive work specialization, high formalization, high centralization
Imitation	<b>Mechanistic and organic:</b> Mix of loose with tight properties; tight controls over current activities and looser controls for new undertakings

# Why Do Structures Differ? – Technology

## **technology**

How an organization transfers its inputs into outputs.

### **Characteristics of routineness (standardized or customized) in activities:**

- **Routine technologies are associated with tall, departmentalized structures and formalization in organizations.**
- **Routine technologies lead to centralization when formalization is low.**
- **Nonroutine technologies are associated with delegated decision authority.**

# Why Do Structures Differ? – Environment

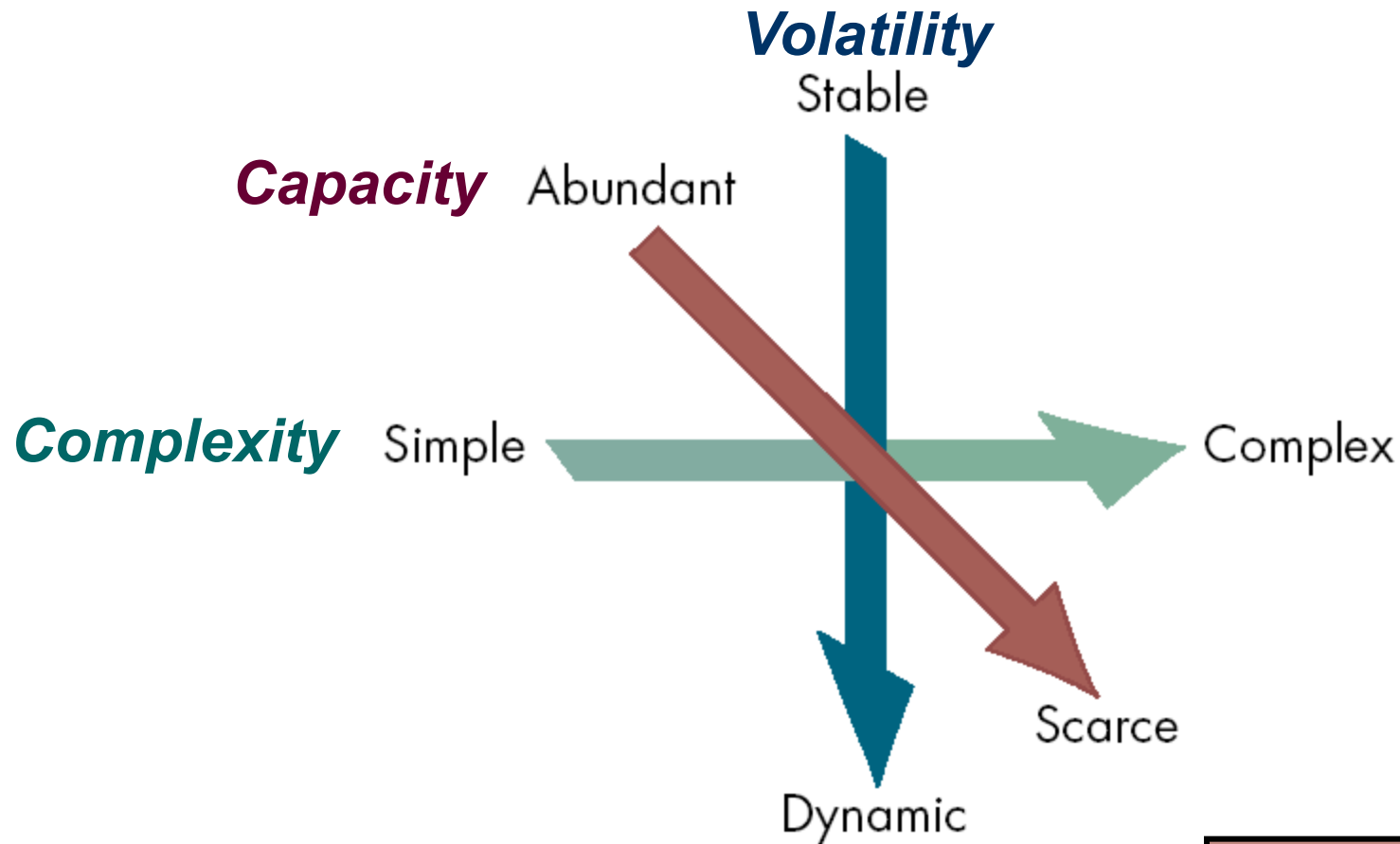
## **environment**

Institutions or forces outside the organization that potentially affect the organization's performance.

### **Key Dimensions:**

- **Capacity:** the degree to which an environment can support growth.
- **Volatility:** the degree of instability in the environment.
- **Complexity:** the degree of heterogeneity and concentration among environmental elements.

# The Three Dimensional Model of the Environment



EXHIBIT

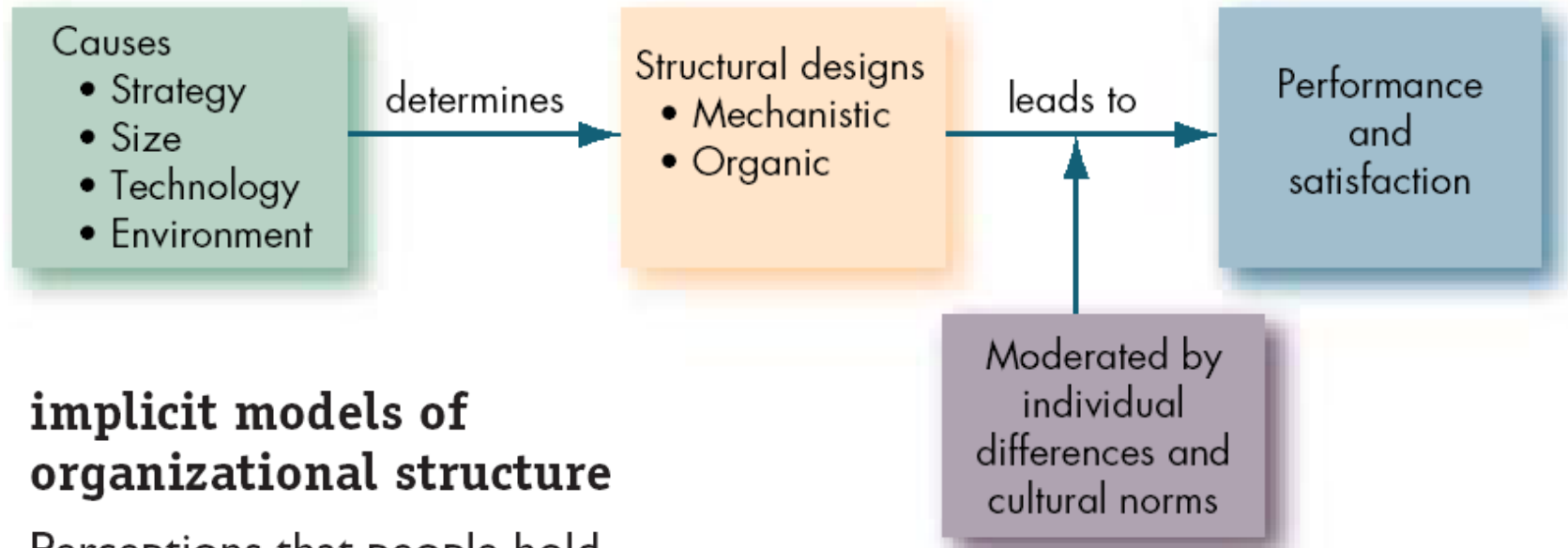
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# Organizational Designs and Employee Behavior

## Research Findings:

- **Work specialization contributes to higher employee productivity, but it reduces job satisfaction.**
- **The benefits of specialization have decreased rapidly as employees seek more intrinsically rewarding jobs.**
- **The effect of span of control on employee performance is contingent upon individual differences and abilities, task structures, and other organizational factors.**
- **Participative decision making in decentralized organizations is positively related to job satisfaction.**

# Organization Structure: Its Determinants and Outcomes



## implicit models of organizational structure

Perceptions that people hold regarding structural variables formed by observing things around them in an unscientific fashion.