Chapter 9
Designing Adaptive Organizations

Organizational Structure

Organizational Structure
The vertical and horizontal configuration of departments, authority, and jobs within a company.

Organizational Process
The collection of activities that transform inputs into outputs that customers value.

Process View of Microsoft’s Organization
Designing Organizational Structures

After reading these sections, you should be able to:

1. describe the departmentalization approach to organizational structure.
2. explain organizational authority.
3. discuss the different methods for job design.

Departmentalization

- Functional
- Product
- Customer
- Geographic
- Matrix

Functional Departmentalization

Insurance Company
- Sales
- Information Systems
- Finance
- Legal
- Health Insurance

Advertising Agency
- Sales
- Information Systems
- Human Resources
- Field Marketing
- Media Planning

Chapter 9
### Functional Departmentalization

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Work done by highly skilled specialists ✓ Lowers costs through reduced duplication ✓ Communication and coordination problems are lessened ✓ Cross-department coordination can be difficult ✓ May lead to slower decision making ✓ Produces managers with narrow experiences</td>
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</tbody>
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### Product Departmentalization

#### United Technologies

- Carrier
- Hamilton Sundstrand
- Pratt & Whitney
  - Administrative services
  - Communication & public relations
  - Customer service & support
  - E-Commerce
  - Engineering
  - etc...
- Chubb
- Otis
- Sikorsky
- UTC Power

#### Advantages
- Managers specialize, but have broader experiences
- Easier to assess work-unit performance
- Decision-making is faster

#### Disadvantages
- Duplication of activities
- Difficult to coordinate across departments
Customer Departmentalization

Advantages
- Focuses on customer needs
- Products and services tailored to customer needs

Disadvantages
- Duplication of resources
- Difficult to coordinate across departments
- Efforts to please customers may hurt the company

Dell’s Spotlight Now on Customers

Traditionally, Dell’s core focus has been making PCs as efficiently as possible to sell at a discount to their competitors. Like most tech companies Dell organized itself around its products. Since the beginning of 2009, Dell has taken a different approach focusing around four customer groups: consumers, corporations, small and midsized businesses, and governments and educational buyers. Dell believes that an outward focus will empower managers to better respond to client needs.
Geographic Departmentalization

Advantages

- Responsive to the demands of different market areas
- Unique resources located close to the customer

Disadvantages

- Duplication of resources
- Difficult to coordinate across departments

Matrix Departmentalization
Matrix Departmentalization

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
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<tbody>
<tr>
<td>• Efficiently manage large, complex tasks</td>
<td>• Requires high levels of coordination</td>
</tr>
<tr>
<td>• Pool of available resources</td>
<td>• Conflict between bosses</td>
</tr>
<tr>
<td></td>
<td>• Requires high levels of management skills</td>
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Organizational Authority

- Chain of Command
- Line versus Staff Authority
- Delegation of Authority
- Degree of Centralization

Chain of Command

- The vertical line of authority in an organization
- Clarifies who reports to whom
- Unity of command
  - matrix organizations violate this principle
  - workers report to only one boss
Line versus Staff Authority

- **Line authority**
  - the right to command immediate subordinates in the chain of command

- **Staff authority**
  - the right to advise but not command others

Delegation of Authority

The assignment of direct authority and responsibility to a subordinate to complete tasks for which the manager is normally responsible.
How to Be a More Effective Delegator

1. Trust your staff to do a good job.
2. Avoid seeking perfection.
3. Give effective job instructions.
4. Know your true interests.
5. Follow up on progress.
6. Praise the efforts of your staff.
7. Don’t wait to the last minute to delegate.
8. Ask questions, expect answers, assist employees.
9. Provide the resources you would expect if doing the assignment yourself.
10. Delegate to the lowest possible level.

Degree of Centralization

 ✓ Centralization of authority
   • primary authority is held by upper management

 ✓ Decentralization
   • significant authority is found in lower levels of the organization

 ✓ Standardization
   • solving problems by applying rules, procedures, and processes

Job Design

- Specialized Jobs
- Job Rotation, Enlargement, Enrichment
- Job Characteristics Model
Job Specialization

- A job that is a small part of a larger task or process
- Jobs are simple, easy to learn, & economical
- Can lead to low satisfaction, high absenteeism, & employee turnover

Job Rotation, Enlargement, and Enrichment

- **Job Rotation**
  - periodically moving workers from one specialized job to another
- **Job Enlargement**
  - increasing the number of tasks performed by a worker
- **Job Enrichment**
  - adding more tasks and authority to an employee’s job

Job Characteristics Model

- A job redesign approach that seeks to increase employee motivation
- Emphasizes internal motivation
  - experience work as meaningful
  - experience responsibility for work outcomes
  - knowledge of results
Job Characteristics Model

Redesigning Jobs
- Combining Tasks
- Forming Natural Work Units
- Establishing Client Relationships
- Vertically Loading the Job
- Opening Feedback Channels

Core-Job Characteristics
- Skill Variety
- Task Identity
- Task Significance
- Autonomy
- Feedback

Job Redesign Techniques

Vertically Loading the Job

Designing Organizational Processes

After reading these sections, you should be able to:

4. explain the methods that companies are using to redesign international organizational processes (i.e., intraorganizational processes).
5. describe the methods that companies are using to redesign external organizational processes (i.e., interorganizational processes).
Intraorganizational Processes

Reengineering

- The fundamental rethinking and radical redesign of business processes
- Intended to achieve dramatic improvements in performance
- Change the orientation from vertical to horizontal
- Change task interdependence

Reengineering and Task Interdependence
Empowerment

**Empowering Workers**

- Permanently passing decision-making authority and responsibilities from managers to workers by giving them the information and resources they need to make good decisions

- A feeling of intrinsic motivation
- Workers perceive meaning in their work
- Employees are capable of self-determination

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Behavioral Informality

<table>
<thead>
<tr>
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<th>Behavioral Formality</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Spontaneity</td>
<td>✓ Routine &amp; regimen</td>
</tr>
<tr>
<td>✓ Casualness</td>
<td>✓ Specific behavior rules</td>
</tr>
<tr>
<td>✓ Interpersonal familiarity</td>
<td>✓ Impersonal detachment</td>
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Beyond the Book

**Popular ways to increase behavioral informality**

- Casual Dress
- Open Offices
Interorganizational Processes

Modular Organizations

Virtual Organizations

Modular Organizations

Advantages

• can cost less to run than traditional organizations
• lets organizations focus on core competencies

Disadvantages

• loss of control from outsourcing
• may reduce their competitive advantage
Virtual Organizations

Advantages

- let companies share costs
- fast and flexible
- being the best should provide better products

Disadvantages

- difficult to control the quality of partners
- requires tremendous management skills

Beyond the Book

Netflix Utilizing Virtual Teams

In an effort to improve the video recommendations on its website, Netflix awarded a $1 million prize to an outside group of designers with members from New Jersey, Quebec, Austria, and Israel. More than 40,000 teams representing 186 countries participated in the competition. Many of the participants posted their results online and teams frequently worked together. A big reason for the project’s success: Netflix was able to present it as a discrete math problem with well defined parameters and objectives.