Organizational Structure and Design

Organizational Structure

Organizing: The process of creating an organization's structure.

Organizational Structure: The formal framework by which jobs are divided, grouped and coordinated.

Organizational Design: A process that involves decisions about six key elements:

1. Work Specialization
2. Departmentalization
3. Chain of Command
4. Span of Control
5. Centralization and Decentralization
6. Formalization

Work Specialization

The degree to which tasks in an organization are divided into separate jobs; also known as division of labor.

Departmentalization

The basis by which jobs are grouped together. There are five common forms of departmentalization.

1. **Functional Departmentalization:** Groups jobs by functions performed.
2. **Product Departmentalization:** Groups jobs by product line.
3. **Geographical Departmentalization:** Groups jobs on the basis of territory or geography.
4. **Process Departmentalization:** Groups jobs on the basis of product or customer flow.
5. **Customer Departmentalization:** Groups jobs on the basis of common customers.

Chain of Command

The continuous line of authority that extends from upper organizational levels to the lowest levels and clarifies who report to whom.

Authority: The rights inherent in a managerial position to tell people what to do and to expect them to do it.

Responsibility: The obligation to perform any assigned duties.

Unity of Command: The management principle that each person should report to only one manager.

Span of Control

The number of employees a manager can efficiently and effectively manage.

Members at each Level

Highest	Assuming Span of 4	Asuming Span of 8
1	1	1
2	4	8
3	16	64
4	64	512*
5	256	4096
6	1024*	
7	4096	

Lowest   *: Mangers Level

Centralization and Decentralization

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

Decentralization: The degree to which lower-level employees provide input or actually make decisions.

Following are the factors that influence the amount of Centralization and Decentralization:

More Centralization	More Decentralization
Environment is stable	Environment is complex, uncertain
Lower-level managers are not as capable & experienced	Lower-level managers are capable & experienced
Lower-level managers do not want to take decisions	Lower level managers want a voice in decisions.
Decisions are significant	Decisions are relatively minor.
Organization is facing a crisis or the risk of company failure.	Corporate culture is open to allowing managers to have a say in what happens.
Company is large.	Company is geographically dispersed.
Effective implementation of company strategies depends on managers retaining say over what happens.	Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

Formalization

The degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures. There are two types of formalization i- High Formalized ii- Low Formalized.

Organizational Designs

Mechanistic Organizational Design: An organizational design that's rigid and tightly controlled. Following are the characteristics of mechanistic organizational design:

- High Specialization
- Rigid Departmentalization
- Clear Chain of Command
- Narrow Spans of Control
- Centralization
- High Formalization

Organic Organizational Design: An organizational design that's highly adaptive and flexible. Following are the characteristics of organic organizational design:

- Cross-Functional Teams
- Cross-Hierarchical Teams
- Free Flow of Information

- Wide Spans of Control
- Decentralization
- Low Formalization

Traditional Organizational Design: Following are the structure of traditional organizational design:

1. **Simple Structure:** An organizational design with low departmentalization, wide spans of control, centralized authority, and little formalization.
2. **Functional Structure:** An organizational design that groups similar or related occupational specialties together.
3. **Divisional Structure:** An organizational structure made up of separate, semiautonomous units or divisions.

Contemporary Organizational Design: Following are the structure of contemporary organizational design:

1. **Team-based Structure:** An organizational structure in which the entire organization is made up of work groups or teams.
2. **Matrix Structure:** An organizational structure that assigns specialists from different functional departments to work on one or more projects.

Project Structure: An organizational structure in which employees continuously work on projects.