

What Is Organizational Structure?

- Organizational Structure
 - How job tasks are formally divided, grouped, and coordinated
 - Key Elements:
 1. Work specialization
 2. Departmentalization
 3. Chain of command
 4. Span of control
 5. Centralization and decentralization
 6. Formalization

1. 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
- Can create greater economies and efficiencies – but not always...

Exhibit 16-1

Work Specialization Economies and Diseconomies

- Specialization can reach a point of diminishing returns
- Then job enlargement gives greater efficiencies than does specialization

Exhibit 16-2

2. Departmentalization

- The basis by which jobs are grouped together
- Grouping Activities by:
 - Function
 - Product
 - Geography
 - Process
 - Customer

3. Chain of Command

- Authority
 - The rights inherent in a managerial position to give orders and to expect the orders to be obeyed
- 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
- Unity of Command
 - A subordinate should have only one superior to whom he or she is directly responsible

4. Span of Control

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

Exhibit 16-3

5. Centralization and Decentralization

- Centralization
 - The degree to which decision making is concentrated at a single point in the organization.
- Decentralization
 - The degree to which decision making is spread throughout the organization.

6. Formalization

- The degree to which jobs within the organization are standardized.
 - High formalization
 - Minimum worker discretion in how to get the job done
 - Many rules and procedures to follow
 - Low formalization
 - Job behaviors are nonprogrammed
 - Employees have maximum discretion

Common Organization Designs: Organic Structure

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

Exhibit 16-4

Common Organizational Designs: Mechanistic

- Mechanistic Structure
 - A structure of highly operating routine 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