Module 6

Organisational Structure

Introduction

Up to this point, we have examined individual and group behaviour, and interpersonal communication between parties. This module introduces another level of analysis, that of the organisation. Specifically, our focus will be on the structure of organisations. Organisational structure identifies traditional structural characteristics and focuses on the impact of structure on behaviour in organisations. We will examine the distinctions between mechanistic and organic structures and also review the nature of boundary-less organisations.

Upon completion of this module you will be able to:

Outcomes

- *explain* what is meant by organisational structure.
- *discuss* the division and coordination of labour.
- *define* the concepts of centralisation and decentralisation.
- *understand* how jobs are groups.
- *explain* the characteristics of structure.
- *discuss* models of organisational structure.
- *identify* the different sub-structures used Mechanistic and Organic structures.
- *discuss* factors that determine organisational structure.

Terminology

Terminology

|	
Bureaucracy:	A form of organisation characterised by division of labour, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships.
Centralisation:	The degree to which decision making is concentrated at upper levels of the organisation.
Chain of Command:	The line of authority extending from upper organisational levels to the lowest levels, which clarifies who reports to whom.

Decentralisation:	The degree to which lower-level employees provide inputs or actually make decisions.
Departmentation:	Departmentation is the grouping of jobs in a way that most effectively serves the needs of the organisation. There are numerous ways in which jobs can be grouped in an organisation, such as functions.
Formalisation:	Formalisation refers to the explicit nature of rules, policies, work process procedures that guide work and decision making within the organisation.
Organisational structure:	Organisational structure defines how individuals and groups are organised, or how their tasks are divided and coordinated. There are a variety of organisational structures, which typically emerge as a function of strategy.
Span of Control:	The number of employees a manager can efficiently and effectively manage.

What is organisational structure?

Up to this point, we have examined individual and group behaviour, and interpersonal communication between parties. This module introduces another level of analysis, that of the organisation. Specifically, our focus will be on the structure of organisations. Structure defines how individuals and groups are organised, or how their tasks are divided and coordinated. A variety of organisational structures typically emerge as a function of strategy. Take a look at the two structures below (**Figure 6.1** and **6.2**). The first one shows a clear separation of duties within a hierarchical rank and is pyramidal. The second structure is much flatter, where the number of layers is reduced. In a flat organisational structure, it is likely that you will have more interaction with the person at the top of the organisation. A pyramidal structure is not designed to facilitate that type of communication.
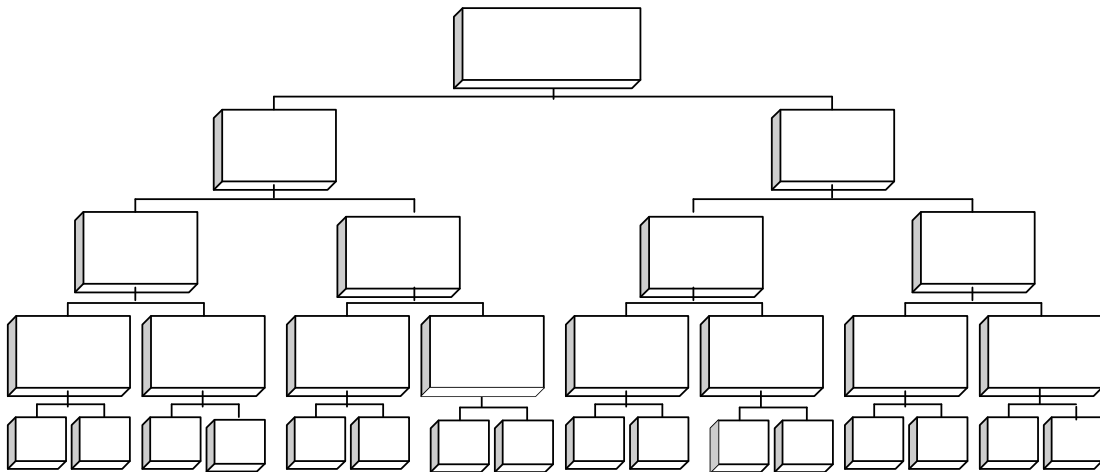
Figure 6.1 Pyramidal organisational structure
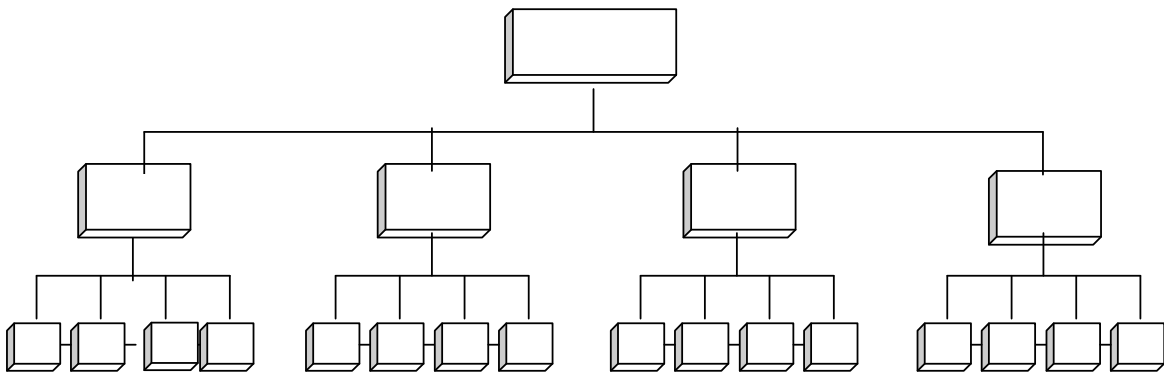
Figure 6.2 Flat organisational structure

Division and coordination of labour

Work specialisation

Work specialisation refers to the division of labour, specifically to the degree to which tasks are broken down into separate jobs. In some manufacturing firms division of labour is very high, where each person performs the same task over and over again, and it represents a small component of the final output. For example in a car plant, workers on the assembly line tend to do one thing repetitively; one person might bolt all of the wheels on the car, while another might install steering wheels. Each person specialises in one component of the process and this allows for a car to be completed more efficiently. Henry Ford, of Ford Motor Company came up with the idea of an assembly line.

While specialisation promotes efficiencies, there is a down side to this type of labour division. Often people experience boredom, fatigue and stress; as a result are increasingly absent from work, or produce poor

quality goods. The very reason for specialisation becomes the source of diseconomies of production. Management in organisations today must structure work in a way that maximises output; and this is very much a function of worker satisfaction and morale. As the workforce has become more educated, so has the need for jobs that are intrinsically rewarding. Therefore, the division of labour must be designed around the nature of the work and the people that must contribute to the process.

Centralisation and decentralisation

These terms refer to the decision-making process in organisations. Centralised decision-making is concentrated, typically at the top of the organisation. Decentralised decision-making allows lower-level employees to make or contribute to the decision-making process. More and more we see organisations becoming decentralised, as they flatten the organisational structure. Decentralised decision-making often boosts employee morale in that it allows people to feel they are a significant part of the organisation. In addition, they can respond quickly to customer expectations and needs. Decentralisation is a definite trend. A survey of 100 international companies showed that only 36 per cent of these organisations are centralised today, compared with 53 per cent in 1990. Employees tend to have increased satisfaction in organisations that are less centralised.
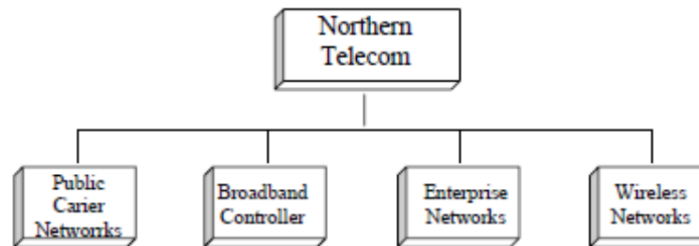
Departmentation

Departmentation is the grouping of jobs in a way that most effectively serves the needs of the organisation. There are numerous ways in which jobs can be grouped in an organisation. The most common grouping is by function. For example we might see that an organisation separates research and development, operations, marketing, finance, human resources into common departments. A functional organisational chart is in **Figure 6.3**.
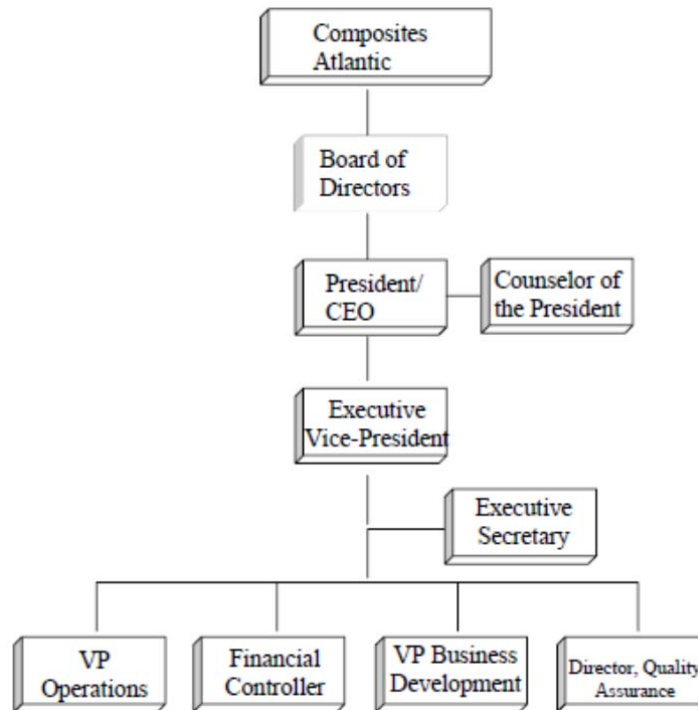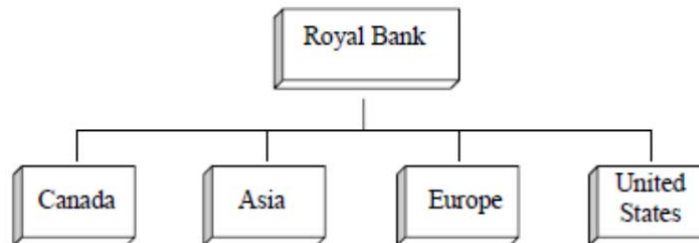
Figure 6.3

Another type of departmentation is by the type of product that the organisation produces (referring to a product, a product line, or a service) (see **Figure 6.4**).

Figure 6.4

Product departmentation often combines functional departmentation. A large organisation may be structured by product line, each of which acts autonomously, with its own functional departments. Often this is done in order to better serve customers, but also because it is easier to track the profitability of each product when they are separated, with their own product-specific costs attached. Should one specific product become consistently unprofitable, it is less destructive to the entire organisation to eliminate that product when it is, for the most part, produced in an autonomous unit.

Some organisations will departmentalise on the basis of geography. Specifically, the division can be by country or by any geographic region that serves similar needs (see **Figure 6.5**).

Figure 6.5

This type of departmentation often allows for greater flexibility in meeting external demands that might differ by region. The disadvantages of this structural form include goal incongruence (between the division and corporate offices) and functional duplication.

Customer departmentation is another structural form, which organises departments by specific customer groups. Again, the primary goal is to service the customer as effectively as possible, through specialisation. Banks typically divide their business into retail and commercial lending divisions; universities might divide services between graduate and undergraduate students, and then further by full-time and part-time. Finally, hybrid departmentation represents some combination of the above structures. If we use the university example again, often areas are divided by subject of study: history, business, fine arts, sciences, etc. as well as by function: registration, finance, social clubs, etc.; and often even geographically, if the university has multiple campuses.

Chain of command

The coordination of labour in a large organisation comes under a chain of command which may be short or long. This is the reporting system — who reports to whom — and it is something that must be clear to members of the organisation so they will understand the process of communication and reporting. The chain of command has seen dramatic changes over the last number of years. This is partly due to the structural changes that have emerged as organisations focussed on getting closer to the customer. We have seen the growth of self-managed work teams, and cross-functional groups, and this has collapsed the hierarchical chain of command significantly. In addition, technology has greatly facilitated information access to all employees in the organisation; it also provides a very common source of communication now.

Span of control

The number and functional diversity of employees reporting to a manager or supervisor determines that manager's span of control. In order to determine how wide or narrow the span of control should be, we must

answer the question 'How many employees can a supervisor manage directly and still meet corporate expectations and goals?' The answer to that question is 'it depends'. Some organisations are structured in a way that self-managed teams do not need narrow spans of control because they can make appropriate decisions independently of direct supervision. The success of wide spans of control also depends on individual differences (some people prefer to be directly supervised, while others feel thwarted by such close supervision), as well as the task itself (professional firms may have wider spans of control than manufacturing firms, where division of labour is very high).

Formalisation and standardisation

Formalisation refers to the explicit nature of rules, policies, work process procedures that guide work and decision-making within the organisation. Often employees depend on specific written instruction for explanation or clarification of their job descriptions, responsibilities, accountability, etc.

Standardisation refers to the level of variety or range of actions in a job or job series. Standardisation is created in organisations with a view to maximising efficiencies; where similar work activities are performed in a similar fashion. This often eliminates the need to determine a response to problems or challenges, because experience with similar problems has enabled a response to be prescribed.

Cross-functional liaison

The above descriptions of division and coordination are common to most organisations. A growing challenge for many organisations is the effective coordination across lateral departments and functions, where variation and incongruence often exists for goals, time spans and interpersonal communication. Often organisations establish specific roles to address these challenges:

Liaison roles

This typically involves the role of a person who communicates and coordinates between two departments. They are also referred to as linking pins. Sometimes a department will have its own liaison person, who is responsible for communicating with the liaison in another department. For example, in a hospital there might be a liaison role for a person in physical therapy who is in constant contact with the post-operative department in order to help scheduling.

Task forces

Task forces do much the same thing, but instead of communicating between two departments, they communicate between several departments, or activities, or functions. Task forces are typically temporary groups set up to address and coordinate problems and include representatives from each department, either on a full-time or part-time basis. Self-managed teams often serve the same purpose and are disbanded once the integration objectives have been met.

Integrators

Finally, a full-time integrator will do nothing but coordinate between departments, and is not a member of any one department. Sometimes integrators play important roles in change projects, where they will coordinate activities between functions or departments. They are really full-time problem solvers, where the focus is on reconciling diverse or opposing goals and objectives in a complex environment.

Models of organisational structure

The following subsections of organisational structure will examine two primary organisation designs. The first is known as a mechanistic structure. Mechanistic structure is a theme common to three theoretical structures: bureaucracy, classical management theory, and scientific management. Mechanistic structures stress very high degrees of employee specialisation as well as stringent controls and systems that articulate coordination throughout the organisation. In addition, we will discuss organic structures. These structures tend to be more loosely-knit, in that cross-functional, cross-level teams are more common, communication is often more informal and the organisation tends to be flatter than a mechanistic organisation. These and other characteristics of organic structures will be discussed below.

Mechanistic structure

Max Weber, whom you might have come across in previous studies, was a German sociologist who had a tremendous impact on organisation – he is really known as the father of bureaucracy. He studied European organisations in the early 1920s, but his writings were not translated into English, or introduced into North America until the 1940s. He considered the bureaucracy to be the prototype form of organisation. Rather than viewing bureaucracy as endless red tape and unneeded details for people, Weber saw its emphasis on order, system, rationality, uniformity and consistency as the major asset of bureaucracy.

Bureaucracy

Each employee in Weber's bureaucracy has specified and official areas of responsibility that are assigned on the basis of competence and expertise. Not only do rules and regulations exist, but these are translated into detailed employment manuals; hence managers use written documents extensively in managing employees. The division of work is fixed, enabling workers to become experts within their small world, or responsibility. Managers of offices, departments, or other groups of workers receive extensive training in their job requirements. They are expected to use the rules that are consistent and complete and that can be learned. There is a strong emphasis on hierarchy, and chain of command, because that is what enables managers and employees to maximise use of their time.

Weber established these rules primarily because he believed that they would result in increased clarity, efficiency, and overall effectiveness. Despite his obsession with organised hierarchy, he did not eliminate or dismiss the importance of human needs; this dismissal is more consistent with the Classical and Scientific Management Theories.

Classical Management Theory

Henri Fayol was a French manager who wrote of management theory in the early 1900s, but like Weber's, his work was not translated into English until well into the 1940s. At the same time the American, Mooney, and the Englishman, Urwick were also contributing to this school of thought. Classical management theorists developed their theories using the military and engineering as a basic foundation for their frameworks of management.

Like Weber's bureaucracy, these theorists emphasised the importance of, and need for hierarchy, order, and hence, predictability. And the traditional hierarchical organisational chart that we are familiar with is what emerged from their emphasis. It represented a network of parts, dependent on each other to deliver the final product. Classical management theorists focus primarily on the design of the total organisation. This is distinct from scientific management, which focuses on both design and management of individual jobs.

Very much like a car with its engine, battery, fuel tank, tyres and body − each very important but insufficient to realise the objective of movement − an organisation could not function without any one of these parts, which are truly functional.

In terms of 'planning', organisations arrange workers according to logical groupings, such as client, product, expertise, or functional area. For example, General Motors groups workers for the same make of car (Pontiac, Chevrolet, Cadillac), into a single division. In addition, each organisational member has exactly one direct supervisor. So, John Smith might supervise five presidents of five car divisions and each of those presidents might supervise vice presidents in their respective areas. The chain of command looks very traditional. It usually starts with the CEO, and then goes to Senior Vice-Presidents, then to middle managers, then to line staff. Finally, the way that coordination and control are managed is with very formalised mechanisms that ensure communication among groups. Often, this is through written directives. In summary, the classical school of management focussed on extreme discipline, a very well defined and stringent chain of command and extreme specialisation, or division of work.

Scientific management theory

The scientific management school of thought is sometimes also referred to as 'Taylorism', in recognition of its founder, Frederick Taylor. He was a foreman at Bethlehem Steel Works. Like the Classical school, there are very clearly laid out managerial responsibilities. Management is responsible for creating the vision, selling the vision, and monitoring progress and outcomes. They are the 'thinkers' in the organisation.

Managing organisations, according to Taylor, could be a science, hence the name. It consists of the following characteristics:

- Managers develop a science for each element of a person's work, which replaces the old rule of thumb method.

- Managers scientifically select and then train, teach and develop the worker, whereas in the past the worker chose their work and trained themselves as best they could.

- Managers heartily cooperate with the workers so as to ensure all of the work being done is in accordance with the principles of the science which has been developed.

- Managers have the responsibility to monitor all performance of the workers whereas, before scientific management, they were pretty much responsible for the outcome of whatever task they were given.

The three mechanistic models discussed above focus on employee specialisation, high standardisation and formalisation. There is also a very high degree of coordination and control. Over time the human relations movement observed that these organisational structures had some major disadvantages: boredom, resentment, fatigue, absenteeism, poor motivation, poor quality and reduced productivity. It was from this realisation, that another form of organisational structure emerged, that of an organic nature.

Organic organisational structures

Organic structures tend to be significantly flatter than mechanistic structures. In addition, they tend to employ cross-functional teams with low formalisation. Typically, communication flows laterally as well as vertically and involves multi-directional decision-making. A visual depiction of a mechanistic versus organic structure is shown in **Figure 6.6** below.

Organic structures characteristically facilitate contributions from lower and middle levels in the organisation that would not be prevalent in mechanistic structures. The following subsections will focus on three forms of organic structure: matrix organisations, network organisations, and so-called boundary-less organisations.
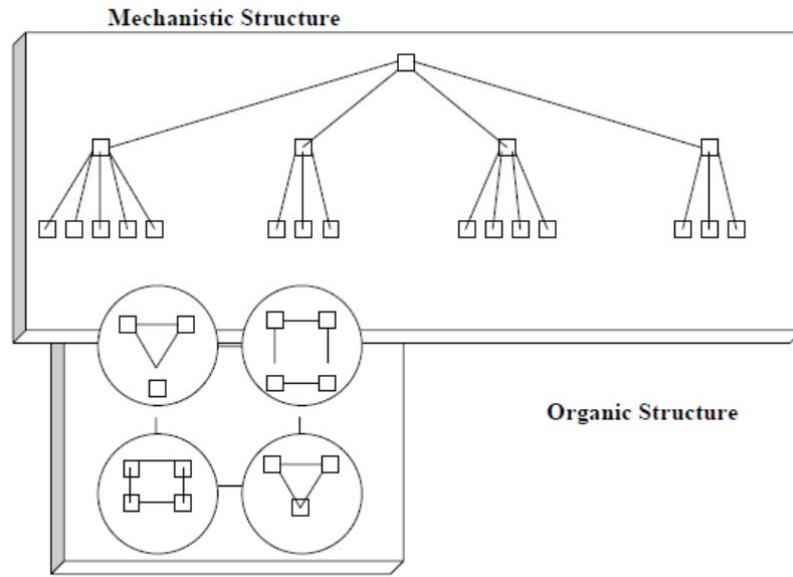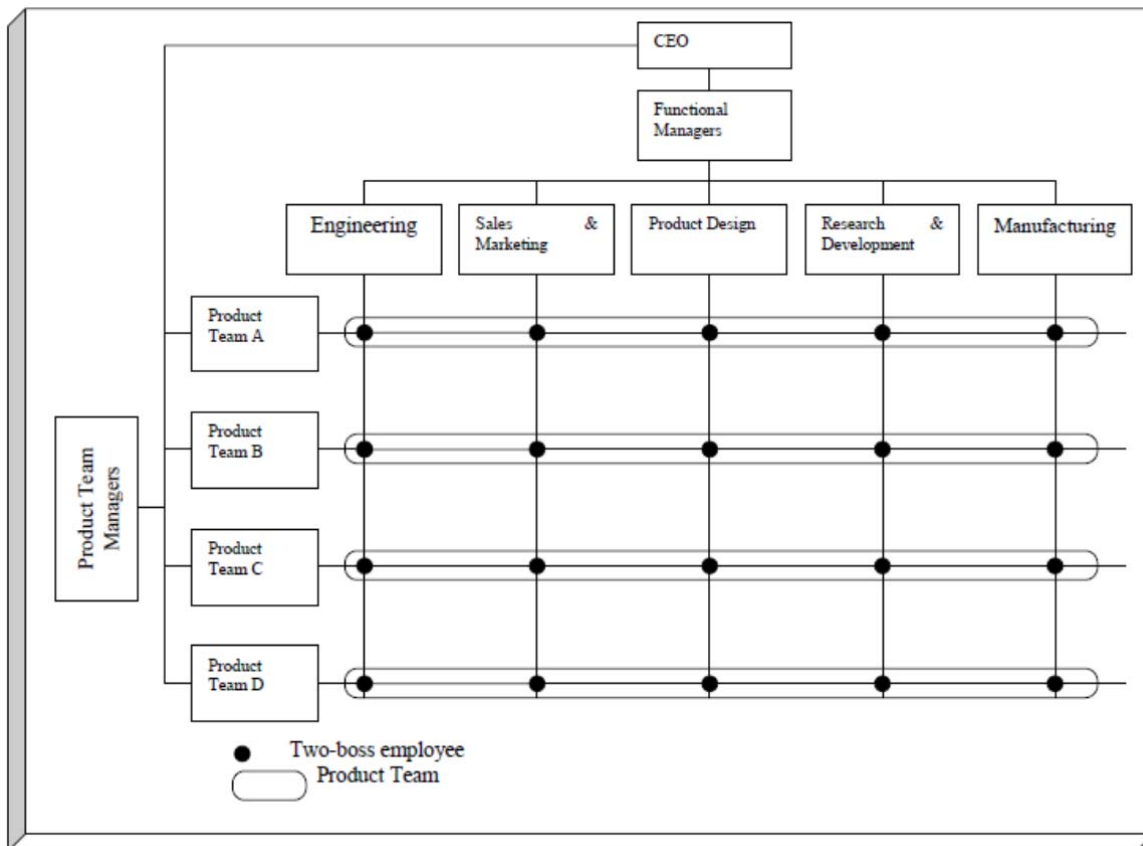
Figure 6.6

Matrix organisations

Matrix organisations tend to be team-driven and combine the advantages of both functional and product departmentation (as shown in **Figure 6.7**). A matrix structure is preferred when three primary conditions exist:

The first condition refers to resource allocation. The organisation might have a moderate number of product lines, and is medium-sized. Therefore it is viewed as most efficient to share various resources (people and equipment) across those products. A clothing manufacturer may produce product lines for men, women and children, yet share designers across product lines.

The second condition emerges from pressure for two or more outputs to share information and integrate activities. For example, there may be frequent new products (divisional structure) that are highly dependent on in-depth technical knowledge (functional structure). This necessitates a dual-authority structure to manage the balance of power.

The third condition exists where the environmental domain of the organisation is characterised by uncertainty and complexity. There may be fast-paced change and high interdependence between departments, which necessitates sharing of information and high coordination in both vertical and horizontal directions.

The dual authority structure in a matrix organisation is established so that the balance of power between them is equal. A number of organisations have attempted implementation of the matrix structure, some of which include banks, insurance companies, government agencies and hospitals.

Figure 6.7

There are a number of strengths and weaknesses to the matrix structure:

Matrix structures are implemented in environments where change is fast-paced and complex, and where goals often necessitate a focus on both product and functional goals. The structure facilitates coordination in an environment of interdependent and complex processes. Often the increased communication lends itself nicely to flexibility, creativity and innovation. The structure enables information to be transmitted and understood very quickly. Politics and power struggles (in theory) can be kept to a minimum, where dual lines of authority require focus on a shared vision. Finally, a matrix structure facilitates the allocation of specialists. Often when individuals are assigned to a functional department, their skills are not shared throughout the organisation. A matrix structure enables economies of scale, by allowing these resources to be spread across a wider terrain.

Without strong interpersonal skills, participants working within a matrix structure often find working with dual authority frustrating and confusing. In addition, these structures often require frequent meetings that provide a source of conflict; they can be time-consuming and frustrating. Possibly the most significant shortcoming of the matrix structure is its propensity

to foster power struggles between two bosses. Often there is ambiguity with respect to who reports to whom. In addition, power struggles can erupt from two bosses who have distinct priorities and management styles; this can lead to enormous stress for the individuals that must report to them.

Network organisations

Network structures are also referred to as virtual or modular organisations. These organisations emerged in the 1980s, from the pressures of globalisation and deregulation, and the need for flexibility and innovation. A network organisation is an evolving liaison or network of independent companies (suppliers, customers, producers, designers, distributors, competitors) linked to share and coordinate skills, costs and access to one another's markets. There are four primary characteristics of a network structure:

1. Vertical disaggregation: many functions typically performed within an organisation are carried out by independent organisations.

2. Brokers: often brokers are used to assemble the networks of designers, suppliers, distributors, etc.

3. Market mechanisms: functions tend to be tied together by market mechanisms rather than plans and controls.

4. Full disclosure information systems: all participants have broad access, and computerised information systems substitute for extensive trust-building processes.

The primary motivation for establishing a network organisation is that it creates an opportunity for organisations and managers to concentrate on their specific strengths and subcontract various processes or activities that are not consistent with organisational strengths. In addition, network structures allow organisations to manage very complex relationships in and outside the organisation, in rapidly changing environments. Network or virtual organisations tend to be more flexible than matrix structures.

Network structures are not without disadvantages. One of the primary disadvantages of a network organisation is that it is difficult to ensure quality and working conditions in a company that is owned by a subcontractor. A high dependence on external suppliers and distributors is risky when operational control is diluted through multiple relationships. It has been suggested that the most successful network organisations have adopted a spherical structure, which is discussed in the case below.

Note it!

The multi-firm, spherical network organisation

Technical and Computer Graphics (TCG), located in Sydney, Australia, is a group of small companies that, by practising sophisticated entrepreneurship, project leadership and self-management, has become the largest privately-owned computer service business in Australia. It is a highly interactive network of 24 companies with combined annual revenues of approximately $50 million, and a staff of about 200. TCG is considered to be one of its country's most significant innovators in portable data terminals, computer graphics, simulators, bar-coding systems, electronic data interchange, and other applications of information and communications technology.

Within TCG, new product development (and hence network-expansion) is called 'Triangulation,' meaning that it involves a three-cornered partnership among a TCG firm, a similar technology-based firm outside TCG and a major customer. The triangular product-development process typically involves five key steps:

1. Identify the market niche

2. Find a developmental partner

3. Locate a customer

4. Involve other TCG firms

5. Extend the triangle in new directions.

In a multi-firm spherical network such as that used by TCG, every individual is expected to be an entrepreneur and sometimes project leader. Moreover, every individual in the various TCG firms works closely, as part of a self-managed team, with other professionals within the network. Although the total network staff of 200 is small by most company comparisons, the organisation has global reach. And, perhaps most importantly, TCG has few rules and no pyramidal management hierarchy.

TCG's success, based on the widespread application of technical, entrepreneurial and self-managed skills, provides evidence of how a group of small firms can hook themselves together to form a highly flexible network. But can this structure work in large companies? The evidence suggests it can.

A good example of a well-developed, large company spherical network is that operated by electrical equipment manufacturer ABB (Asea Brown Boveri). Although ABB has more than 200,000 employees, all work in small organisational units. The average plant employs fewer than 200 workers, and most of the company's 5,000 profit centres contain only 40-50 people. Even though the members of most ABB plants and offices do not directly engage in entrepreneurial activities, they come into contact with both external customers and internal partners through ABB's equivalent of global trading companies, called business areas. But, like TCG, virtually every member of the firm is close to the customer and responsive to market developments. ABB also has minimised the amount

of rule-guided behaviour among its internal units, substituting instead a series of market-oriented processes and rewards that encourage cooperation and mutually beneficial action. The overall success of this network hinges on management's willingness to put people in this type of arrangement and the ability to make such an arrangement work once it has been designed. This requires a human resource management philosophy in which employees act as partners in their own development. Management, in turn, must not only facilitate employee development but also locate opportunities for employees to apply their continuously expanding knowledge and ability.

Source: Miles & Snow (1995, pp. 5-183)

Boundary-less organisations

Mechanistic structures, as well as some organic structures consist of boundaries or barriers that vertically and horizontally divide people. This can be problematic because various functions and departments are so interdependent. And often these kinds of barriers stifle productivity and innovation. The notion of a boundary-less organisation was developed by Jack Welch, CEO of General Electric. He believed that boundaries that divide employees by job function, geography or hierarchy, as well as boundaries that create distance between the company and its suppliers and customers, should be eliminated. Cross-managing and cross-functional teams dominate the boundary-less organisation. The primary focus is on business processes that add value to the customers (for example, new product development, or materials handling). Often customers and suppliers are members of these teams. Boundary-less organisations facilitate communication, where information and knowledge is shared quickly throughout the organisation.

While boundary-less organisations certainly enhance a company's ability to adapt to environmental changes and meet the needs of multiple stakeholders, there are some shortcomings. A boundary-less organisation necessitates a significant cultural change within an organisation, and it is often difficult to overcome the political and authority boundaries that have shaped organisational structures for many years.

What determines organisational structure?

How do organisations determine structure? While there is no definitive answer to this question, there are a number of considerations. One design principle suggests that form should follow function. Champy argues that this design principle be restated to 'Form follows customers' where structures should be a function of customer needs. Research has shown that there are four primary forces that act as causes or determinants of an organisation's structure: This section will examine the effect of strategy, size, technology and environment on organisational structure.

Strategy

It has long been argued that structure is partly determined by the organisation's strategy; and strategic objectives are pursued through a

structural form that supports this strategy. There are three primary strategic dimensions: innovation, cost minimisation and imitation, and there is a structural design that is most appropriate with each.

An innovation strategy requires flexibility and creativity. To a large degree, the organisation employing this strategy will focus on the introduction of new products and or services ongoing. In a cost-minimisation strategy, cost efficiencies must be maximised and unnecessary innovation or marketing expenses are avoided. An imitation strategy attempts to capitalise on the strengths of both innovation and cost-minimisation strategies. These organisations will move into new products, but only after they have seen the products demonstrate success. The structural configuration most appropriate to each of these strategies is shown in **Table 6.1**.

Strategy	Structural Option
Innovation	**Organic**: A loose structure; low specialisation, low formalisation, decentralised
Cost-minimisation	**Mechanistic**: Tight control; extensive specialisation, high formalisation, high centralisation
Imitation	**Mechanistic and organic**: Mix of loose with tight properties; tight controls over current activities and looser controls and new undertaking

Table 6.1 The Strategy-Structure Thesis

Source: Reprinted from Robbins & Langton (2001, p. 531)

Size

It is logical to assume that organisational size shapes structure. Large organisations tend to be more structurally complex than small organisations. Large organisations tend to have more functional departments and are often structured around multiple product lines. As a result, the need for integration and communication increases, and becomes more complex. This necessitates more management levels so that spans of control do not become unmanageable. Political environments sometimes emerge from multiple hierarchical reporting structures. In a small organisation, the president or CEO is often in a position to make more decisions. Formalisation and standardisation is typically not part of a small organisational structure.

Technology

Technology is defined as the activities, equipment and knowledge necessary to turn organisational inputs into desired outputs. For example, in a hospital, sick patients and interns represent inputs, while desired outputs include well people and experienced doctors. Research has established that the technology-structure relationship is somewhat dependent on the level of routineness in technology. Routine technologies are characterised by standardised and automated operations (for example, an assembly line). Non-routine technologies are customised (patient management, custom shirtmakers). There is a relationship between routineness and formalisation in an organisation. Routineness is associated with rule manuals, extensive documentation, job designs, job descriptions, reporting structures. Often routine technology is a function of taller, departmentalised structures. There is also some support for a relationship between routine technology and centralised structures. With non-routine technologies, decision-making tends to be more decentralised.

Environment

The impact of an organisation's environment is substantial and helps to shape the structure of an organisation. Environment is defined as those institutions or forces outside the organisation that potentially affect the organisation's performance. Typically, organisational structures are shaped by the level of environmental uncertainty. Where environments are very stable (minimal technological change, predictable consumer behaviour, few innovations, and static environment) structures tend to be mechanistic, with few departments, formalisation and centralised decision-making. Where environments are highly uncertain and complex, organic structures tend to be more prevalent; decision-making is decentralised and cross-function teamwork is pervasive throughout the organisation. The complexity of the environment may necessitate numerous departments with a high degree of interdependence.

Module summary

Summary

Organisational structure affects how people and groups behave in an organisation. Organisations need to create a structure that allows them to coordinate and motivate people, functions, and divisions effectively. Organisational structure is the formal system of task and job reporting relationships that determines how employees use resources to achieve organisational goals The term division and coordination of labour concerns the extent to which jobs are specialised. Dividing the overall task of the organisation into smaller related tasks provides technical and economic advantages found in specialisation of labour. Centralisation refers to the location of decision-making authority at the top of an organisation's hierarchy. Decentralisation, on the other hand, refers to the management practice of delegating authority for routine operating decisions away from a central location, which allow its employees to behave in a flexible manner (empowering and self-managed team). The span of control is a factor that affects the shape and height of an organisation's structure. To facilitate mutual adjustment, organisations use various kinds of integrating mechanisms. Integrating mechanisms are organising tools used to increase communication and coordination among functions and divisions. These are liaison roles, task forces, and cross-functional liaison teams. Two primary organisational structures were discussed in this module. The first is the mechanistic structure. It is a theme common to three theoretical structures: bureaucracy, classical management theory and scientific management. It is designed to induce employees to behave in predictable and accountable ways. The second organisational structure is called organic organisational structures, which tend to be flatter than mechanistic structures. This type of structure is designed to promote flexibility so that employees can initiate change and adapt quickly to changing conditions. There are three forms of organic structures: matrix, network organisations, and boundary-less organisations. There are a number of factors that determine organisational structure, among these strategy, size, technology and environment.

Case study 6.1

Case study

Insubordination or Unclear Loyalties? (Optional Submission)

Please read case study 6.1, 'Insubordination or Unclear Loyalties?' given in the case study handbook of your study material and analyse it, using the written case format provided in the handbook. Your paper should be no longer than eight pages.

Assessment

1. How would you compare the strengths and weaknesses of a mechanistic versus organic organisational structure?

2. Under what circumstances might a narrow span of control be most appropriate? Why?

3. Summarise the technology and size relationships with structure.

4. What is a matrix structure? Under what circumstances is this structure most appropriate?

5. When does a mechanistic structure make the most sense? Why?

6. In an organisation that must compete within an environment characterised by explosive growth and consistent innovation, which structure would be most appropriate? Why?

7. How does a virtual organisation differ from a boundary-less organisation?

References

References

Amburgey, T. L. & Dacin, T. (1994, December). As the left foot follows the right? The dynamics of strategic and structural change. *Academy of Management Journal*, pp. 1427-1452.

Birnbuam, P. H. (1981). Integration and specialization in academic research. *Academy of Management Journal*, *24*, pp. 487-503.

Bluedorn, A. C. (1993). Pilgrim's progress: Trends and convergence in research on organizational size and environments. *Journal of Management*, *19*, pp. 163- 191.

Burns, T. & Stalker, G. M. (1961). *The management of innovation.* London: Tavistock.

Champy, J. (1999, March). Management strategies: Form follows customers. *Forbes*, pp.130-131.

Chandler, Jr., A. D. (1962). *Strategy and structure: Chapters in the history of the industrial enterprise.* Cambridge, MA: MIT Press.

Courtright, J. A., Fairhurst, J. T. & Rogers, L. E. (1989, December). Interaction patterns in organic and mechanistic systems. *Academy of Management Journal*, pp. 773-802.

Davis, S. M. & Lawrence, P. R. (1978, May-June). Problems of matrix organization. *Harvard Business Review*, pp. 131-142.

Davis, S. M. & Lawrence, P. R. (1977). *P.R. matrix.* Reading, MA: Addison-Wesley, pp. 11-24.

Dess, G. G., Rasheed, A. M. A., McLaughlin, K. J. & Priem, R. (1995, August). The new corporate architecture. *Academy of Management Executive*, pp. 7-18.

Duncan, R. (1979, Winter). What is the right organization structure? Decision tree analysis provides the answer. *Organizational Dynamics*, p. 429.

Fayol, H. (1949). *General and industrial management*. London: Pitman.

Ford, R. & Randolph. W. (1992, June 18). Cross-functional structures: A review and integration of matrix organizations and project management. *Journal of Management*, pp. 267-294.

Galbraith, J. R. (1977). *Organization design.* Reading, MA: Addison-Wesley.

Galunic, D. & Eisenhardt, K. (1994). Renewing the strategy-structure-performance paradigm. In B.M. Staw & L.L. Cummings (Eds.),

Research in organizational behavior, 16. Greenwich, CT: JAI Press, pp.215-255.

Hage, J. & Aiken, M. (1969, September). Routine technology, social structure and organizational goals. *Administrative Science Quarterly*, pp. 366-377.

Harrison, D. B. (1995, Winter). Shaping the organization of the future. *Canadian Business Review*, pp.13-16.

Jacob, R. (1992, May 18). The search for the organization of tomorrow. *Fortune*, pp. 92-98.

Johns, G. & Saks, A. (2001). *Organizational behaviour.* (5th ed.). Toronto, Canada: Addison Wesley Longman.

Johnston, R. & Lawrence, T. R. (1988). Beyond vertical integration – The rise of the value-adding partnership. *Harvard Business Review, 66 (4)*, pp. 94-101.

Miles, R. & Snow, C. C. (1978). *Organizational strategy, structure and process.* New York: McGraw-Hill.

Miles, R. & Snow, C. C. (1995, Spring). The new network firm: A spherical structure built on a human investment philosophy. *Organizational Dynamics*, pp.5-183

Miles, R. E. & Snow, C. C. (1988). Organizations: New concepts and new forms. *California Management Review*, *26*, pp. 62-73.

Miller, D. (1987, January-February). The structural and environmental correlates of business strategy. *Strategy Management Journal*, pp. 55-76.

Pennings, J. M. (1992). Structural contingency theory: A reappraisal. In B.M. Staw & L.L. Cummings (Eds.), *Research in organizational behavior*, *14*. Greenwich, CT: JAI Press, pp. 267-309.

Perrow, C. (1967, April). A framework for the comparative analysis of organizations. *American Sociological Review*, pp. 194-208.

Robbins, S. & Langton, N. (2001). *Organizational behaviour.* (2nd ed.). Upper Saddle River, NJ: Prentice Hall, pp. 531-535.

Snow, C., Miles, R. & Coleman, Jr., H. (1992). Managing 21st century network organizations. *Organizational Dynamics*, *20(3)*, pp. 5-19.

Taylor, F. W. (1911). *Principles of scientific management.* New York: Harper & Row.

Tully, S. (1993). The modular corporation. *Fortune*, pp. 106-114.

Weber, M. (1947). *The theory of social and economic organizations.* Translated by A.M. Henderson & T. Parsons. New York: Free Press.

Welch, J. (2001). *Straight from the gut.* New York: Warner Books, Inc.

Woodward, J. (1965). *Industrial organization: Theory and practice.* London: Oxford University Press.