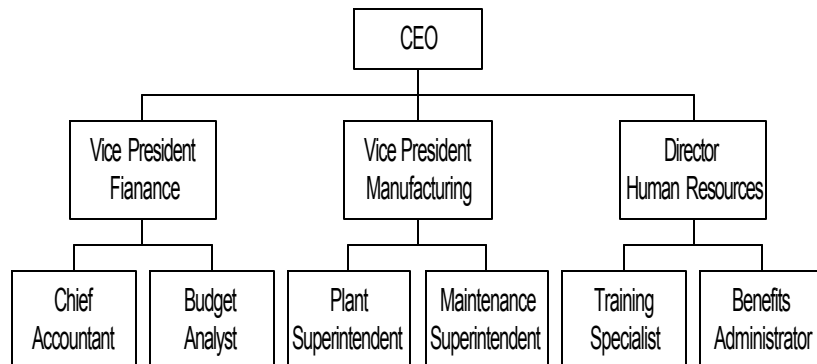


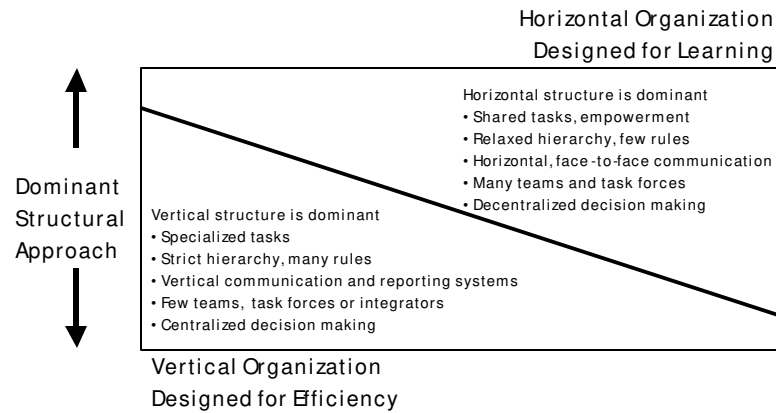
Chapter Three

Fundamentals of Organization Structure

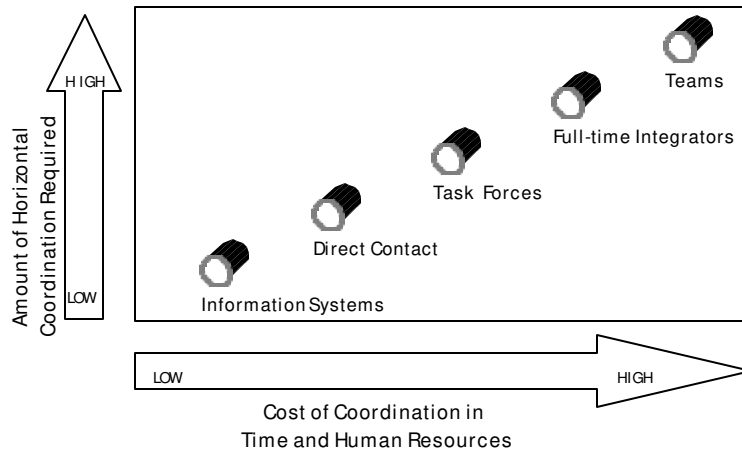
A Sample Organization Chart



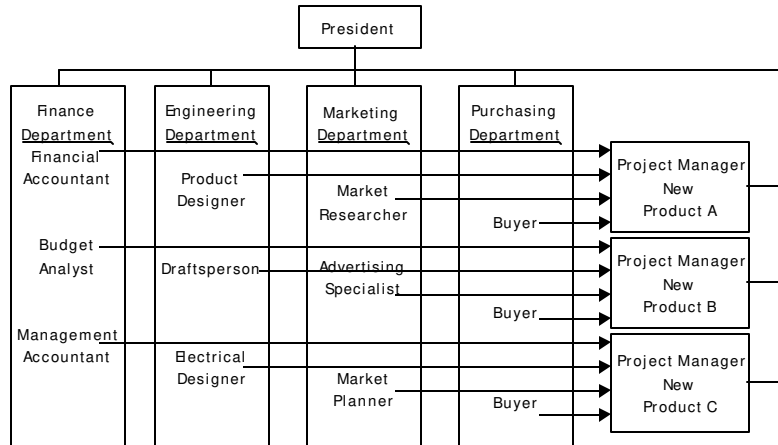
The Relationship of Organization Design to Efficiency vs. Learning Outcomes



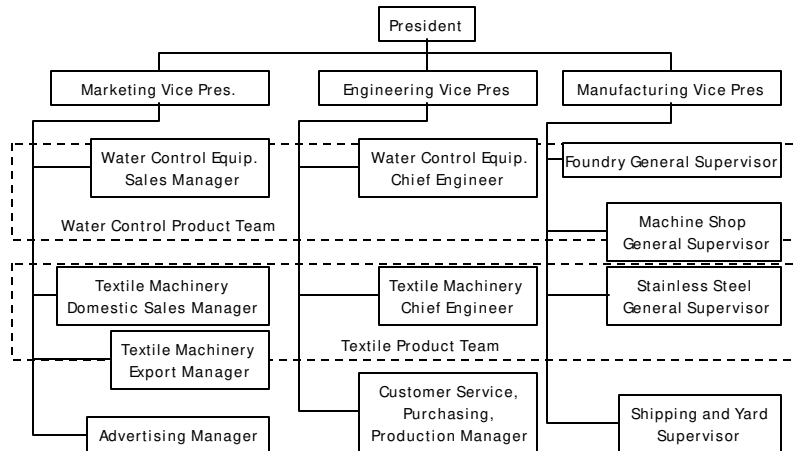
Ladder of Mechanisms for Horizontal Linkage and Coordination



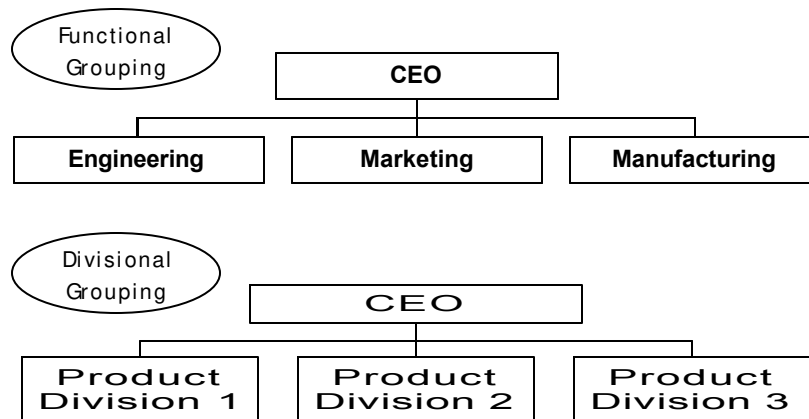
Project Manager Location in the Structure



Teams Used for Horizontal Coordination at Rodney Hunt Company



Structural Design Options for Grouping Employees into Departments



Source: Adapted from David Nadler and Michael Tushman, *Strategic Organization Design* (Glencview, Ill.: Scott Foresman, 1988), 68.

Strengths and Weaknesses of Functional Organization Structure

∞ STRENGTHS:

- Allows economies of scale within functional departments
- Enables in-depth knowledge and skill development
- Enables organization to accomplish functional goals
- Is best with only one or few products

∞ WEAKNESSES:

- Slow response time to environmental changes
- May cause decisions to pile on top, hierarchy overload
- Leads to poor horizontal coordination among departments
- Results in less innovation
- Involves restricted view of organizational goals

Source: Adapted from Robert Duncan, "What Is the Right Organization Structure? Decision Tree Analysis Provides the Answer," *Organizational Dynamics* (Winter 1979): 429.

Strengths and Weaknesses of Divisional Organization Structure

∞ STRENGTHS:

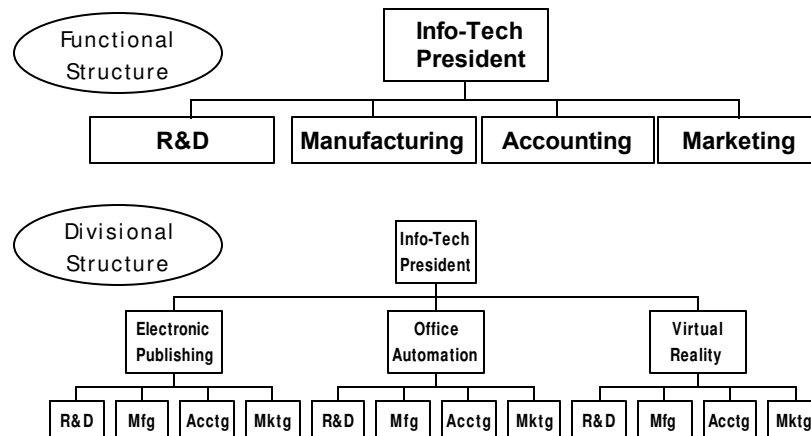
- Suited to fast change in unstable environment
- Leads to client satisfaction because product responsibility and contact points are clear
- Involves high coordination across functions
- Allows units to adapt to differences in products, regions, clients
- Best in large organizations with several products
- Decentralizes decision-making

∞ WEAKNESSES:

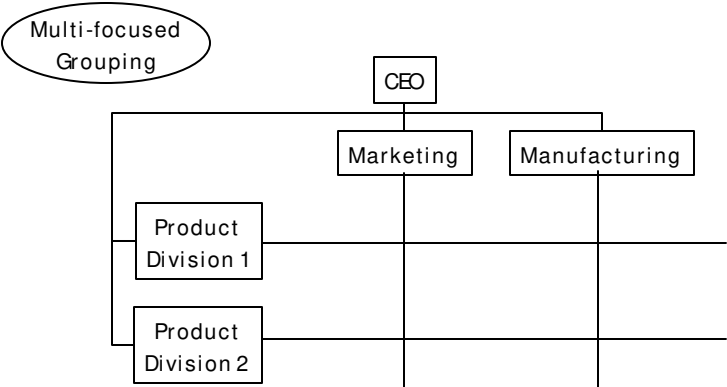
- Eliminates economies of scale in functional departments
- Leads to poor coordination across product lines
- Eliminates in-depth competence and technical specialization
- Makes integration and standardization across product lines difficult

Source: Adapted from Robert Duncan, "What Is the Right Organization Structure? Decision Tree Analysis Provides the Answer," *Organizational Dynamics* (Winter 1979), 431.

Reorganization from Functional Structure to Divisional Structure at Info-Tech

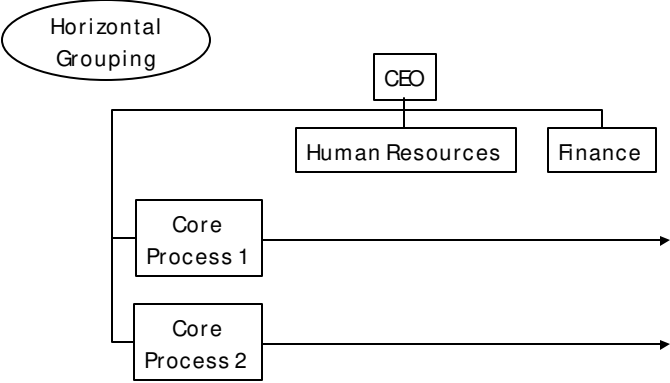


Structural Design Options for Grouping Employees (Continued)



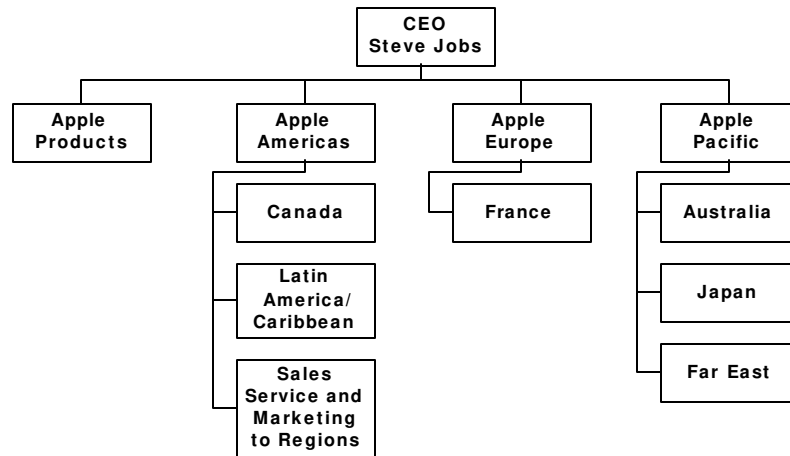
Source: Adapted from David Nadler and Michael Tushman, *Strategic Organization Design* (Glenview, Ill.: Scott Foresman, 1988), 68.

Structural Design Options for Grouping Employees (Continued)



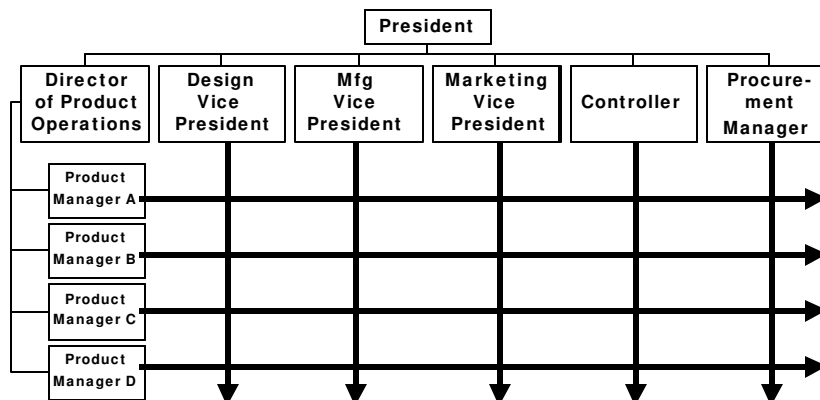
Source: Adapted from David Nadler and Michael Tushman, *Strategic Organization Design* (Glenview, Ill.: Scott Foresman, 1988), 68.

Geographical Structure for Apple Computer



Source: www.apple.com

Dual-Authority Structure in a Matrix Organization



Strengths and Weaknesses of Matrix Organization Structure

STRENGTHS:

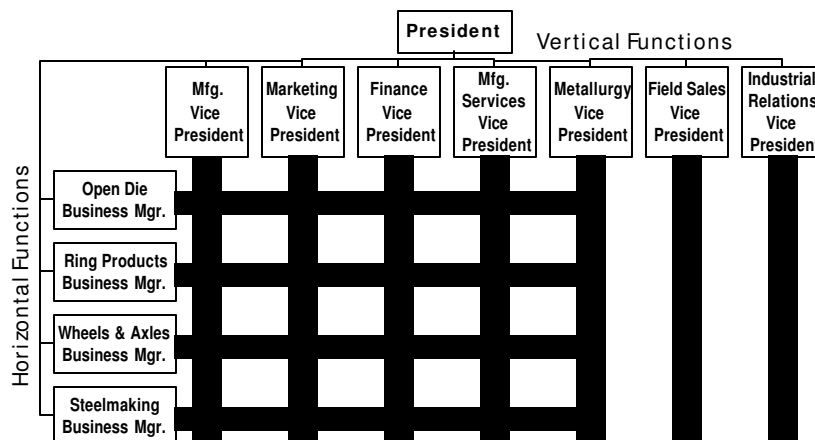
- Achieves coordination necessary to meet dual demands from customers
- Flexible sharing of human resources across products
- Suited to complex decisions and frequent changes in unstable environment
- Provides opportunity for both functional and product skill development
- Best in medium-sized organizations with multiple products

WEAKNESSES:

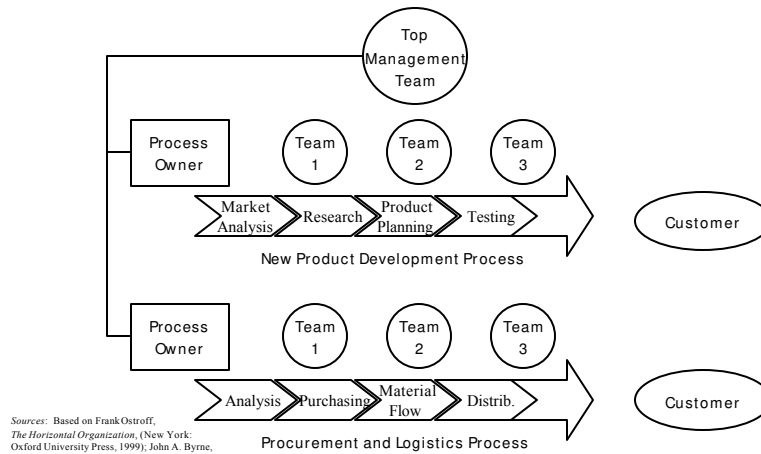
- Causes participants to experience dual authority, which can be frustrating and confusing
- Means participants need good interpersonal skills and extensive training
- Is time consuming; involves frequent meetings and conflict resolution sessions
- Will not work unless participants understand it and adopt collegial rather than vertical-type relationships
- Requires great effort to maintain power balance

Source: Adapted from Robert Duncan, "What Is the Right Organization Structure? Decision Tree Analysis Provides the Answer," *Organizational Dynamics* (Winter 1979): 429.

Matrix Structure for Worldwide Steel Company



A Horizontal Structure



Sources: Based on Frank Ostroff, *The Horizontal Organization*, (New York: Oxford University Press, 1999); John A. Byrne, "The Horizontal Corporation," *Business Week*, December 20, 1993, 76-81; and Thomas A. Stewart, "The Search for the Organization of Tomorrow," *Fortune*, May 19, 1992, 92-98.

Strengths and Weaknesses of Horizontal Structure

Ω STRENGTHS:

- Flexibility and rapid response to changes in customer needs
- Directs the attention of everyone toward the production and delivery of value to the customer
- Each employee has a broader view of organizational goals
- Promotes a focus on teamwork and collaboration—common commitment to meeting objectives
- Improves quality of life for employees by offering them the opportunity to share responsibility, make decisions, and be accountable for outcomes

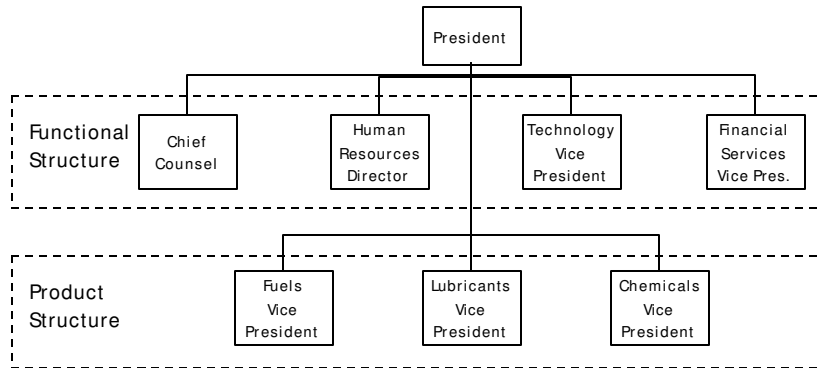
Ω WEAKNESSES:

- Determining core processes to organize around is difficult and time-consuming
- Requires changes in culture, job design, management philosophy, and information and reward systems
- Traditional managers may balk when they have to give up power and authority
- Requires significant training of employees to work effectively in a horizontal team environment
- Can limit in-depth skill development

Sources: Based on Frank Ostroff, *The Horizontal Organization: What the Organization of the Future Looks Like and How It Delivers Value to Customers*, (New York: Oxford University Press, 1999); and Richard L. Daft, *Organization Theory and Design*, 6th ed., (Cincinnati, Ohio: South-Western College Publishing, 1998) 253.

Hybrid Structure

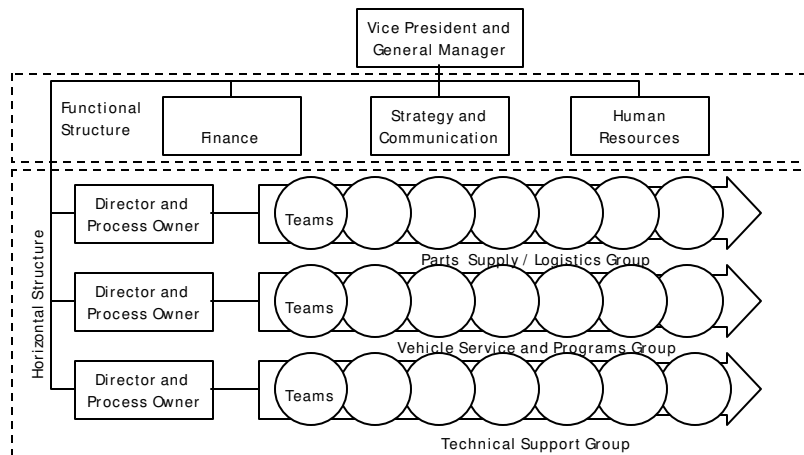
Part 1. Sun Petrochemical Products



Sources: Based on Linda S. Ackerman, "Transition Management: An In-Depth Look at Managing Complex Change," *Organizational Dynamics* (Summer 1982): 46-66; and Frank Ostroff, *The Horizontal Organization*, (New York: Oxford University Press, 1999), Fig. 2.1, 34.

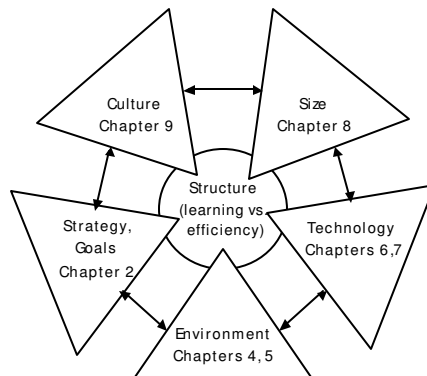
Hybrid Structure

Part 2. Ford Customer Service Division



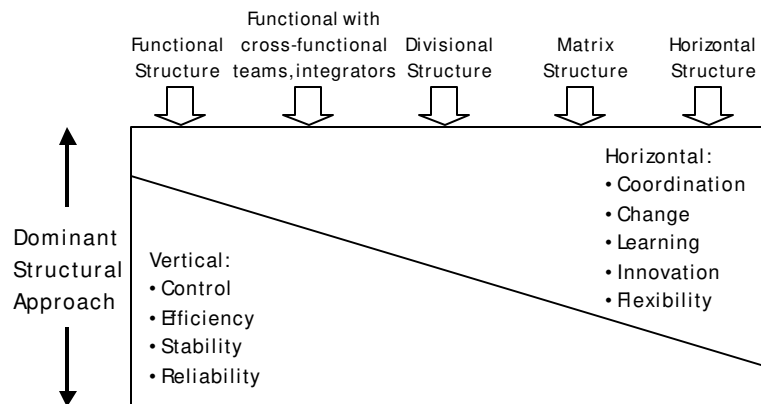
Sources: Based on Linda S. Ackerman, "Transition Management: An In-Depth Look at Managing Complex Change," *Organizational Dynamics* (Summer 1982): 46-66; and Frank Ostroff, *The Horizontal Organization*, (New York: Oxford University Press, 1999), Fig. 2.1, 34.

Organization Contextual Variables that Influence Structure



Sources: Adapted from Jay R. Galbraith, *Competing with Flexible Lateral Organizations*, 2nd ed. (Reading, Mass.: Addison-Wesley, 1994), Ch. 1; Jay R. Galbraith, *Organization Design* (Reading, Mass.: Addison-Wesley, 1977), Ch. 1.

The Relationship of Structure to Organization's Need for Efficiency vs. Learning



Symptoms of Structural Deficiency

- ∞ Decision making is delayed or lacking in quality
- ∞ The organization does not respond innovatively to a changing environment
- ∞ Too much conflict from departments being at cross purposes is evident