

It is much easier to talk about high-performing organizations than to create them. There is no one best way to do things. No one organizational form is the right choice for all environments and markets. And what works well at one moment in time can quickly become outdated or even dysfunctional in the next. This is why you often hear about organizations making changes to their structures in attempts to improve performance.

Management scholar and consultant Henry Mintzberg says that people need to understand how their organizations operate to work well in them.¹ Whenever job assignments and reporting relationships change, whenever an organization grows or shrinks, whenever old ways of doing things are reconfigured, people struggle to fit into new ways of working. They ask questions such as: “Who’s in charge?” “How do the parts connect?” “How should processes and people come together?” “Whose ideas have to flow where?” They also worry about the implications of new arrangements for their job security and careers.

11.1 Organizing as a Management Function

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LEARNING OBJECTIVE 11.1

Explain organizing as a management function and contrast formal and informal organization structures.

Learn More About

What is organization structure? • Formal structures • Informal structures and social networks

Organizing arranges, connects, and integrates people and resources to accomplish a common purpose.

Organizing is the process of arranging, connecting, and integrating people and resources to accomplish a goal. Its purpose as one of the basic functions of management is a division of labor and coordination of processes and results to achieve a common purpose.

Figure 11.1 shows the role that organizing plays in the management process. Once plans are created, the manager’s task is to ensure they are carried out. Once strategy is set and plans are made, organizing launches implementation and accomplishment by clarifying jobs and working relationships. It identifies who does what, who is in charge of whom, and how different people and parts of the organization relate to and work with one another. All of this can be done in many different ways. The challenge is to choose the best organizational form to fit the firm’s strategy and other situational/market demands.

Organization structure is a system of tasks, reporting relationships, and communication linkages.

What Is Organization Structure?

The way in which the parts of an organization are arranged is usually referred to as **organization structure**. It is the system of tasks, workflows, reporting relationships, and communication

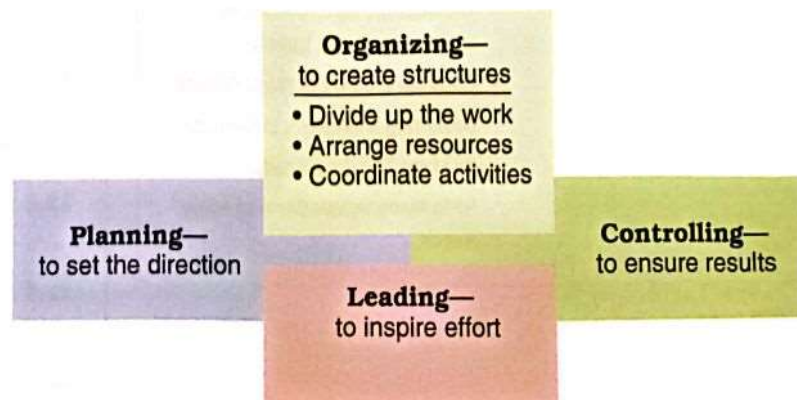


FIGURE 11.1 Organizing viewed in relationship with the other management functions.

channels connecting the work and activities of people and groups in a firm. An organization's structure should both allocate tasks through a division of labor and coordinate performance results. A structure that accomplishes both well helps accomplish an organization's strategy.² But as stated earlier, the problem for managers is that it is much easier to describe what a good structure does than it is to create one.

Formal Structures

You may know the concept of structure best in the form of an **organization chart**. It diagrams reporting relationships and work positions.³ A typical organization chart identifies positions, job titles and the lines of authority and communication between them. It shows the **formal structure**, and how the organization is intended to function. But you have to interpret this information with caution. Charts can be useful . . . or confusing and out of date. At best, they provide a snapshot of how an organization is supposed to work in respect to:

- *Division of work*—Positions and titles show work responsibilities.
- *Supervisory relationships*—Lines show who reports to whom.
- *Communication channels*—Lines show formal communication flows.
- *Major subunits*—Positions reporting to a common manager are shown.
- *Levels of management*—Vertical layers of management are shown.

An **organization chart** describes the arrangement of work positions within an organization.

Formal structure is the official structure of the organization.

Informal Structures and Social Networks

Underneath an organization's formal structure is an **informal structure**. This is a "shadow" organization made up of social networks of unofficial, but important, working relationships connecting organizational members.

Look at **Figure 11.2**. No organization can be fully understood without understanding its web of informal networks as well as the formal organizational structure.⁴ If the informal structure could be drawn, it would show who talks and interacts with whom, regardless of their formal titles and relationships. The lines of the informal structure cut across levels and move from side to side. They show people interacting through social media, meeting for coffee, joining in exercise groups, and participating in leisure activities—all driven by friendship rather than formal requirements.

A tool known as **social network analysis**, or **sociometrics**, is one way of identifying informal structures and social relationships.⁵ This analysis can be done by surveys that ask people to identify others they ask for help most often, with whom they communicate regularly, and

Informal structure is the set of social networks found in unofficial relationships among the members of an organization.

Social network analysis or **sociometrics** identifies the informal structures and their embedded social relationships that are active in an organization.

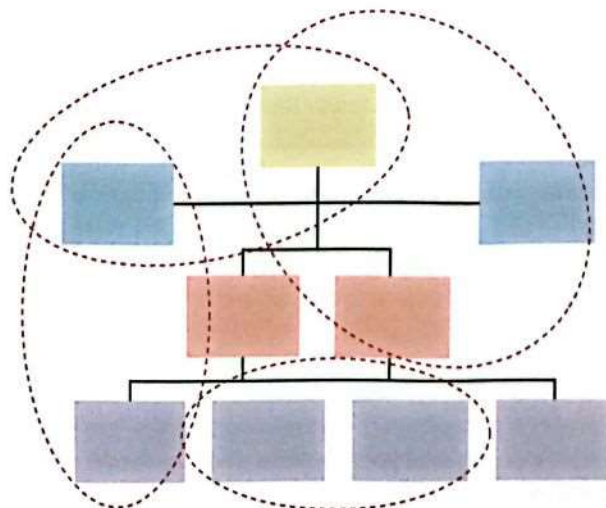


FIGURE 11.2 Informal structures and the "shadow" organization.

who give them energy and motivation.⁶ It can also be done using data mined from an organization's social media sites, and even with data gathered from special electronic badges worn by employees and that record their interactions.⁷ Lines are then drawn to create a social network map or informal structure that shows how a lot of work really gets done and who the "influencers" really are. This information can be used to update the organization chart to reflect how things actually work. It also helps legitimate the informal networks people use in their daily work and identifies talented people whose value as connectors and networkers may otherwise go unnoticed by management.⁸

Informal structures and social networks bring advantages that are essential to organizational success. They allow people to make contacts with others who can help them get things done. They stimulate informal learning as people work and interact throughout the workday. And, they are also sources of emotional support and friendship that satisfy social needs.

Of course, informal structures also have potential disadvantages. They can be susceptible to rumor, carry inaccurate information, breed resistance to change, and even divert work efforts from important objectives. Another problem sometimes found in informal structures is "in" and "out" groups. Those who perceive themselves as "outsiders" may become less engaged in their work and more dissatisfied.

Learning Check

LEARNING OBJECTIVE 11.1

Explain organizing as a management function and contrast formal and informal organization structures.

Be Sure You Can • define *organizing* as a management function • explain the difference between formal and informal structures • discuss the potential advantages and disadvantages of informal structures in organizations

11.2

Traditional Organization Structures

LEARNING OBJECTIVE 11.2

Identify the strengths and weaknesses of traditional organizational structures.

Learn More About

Functional structures • Divisional structures • Matrix structures

A guiding principle of organizing is that performance should improve when tasks are divided and people are allowed to become experts in specific jobs. But there are different ways to accomplish this division of labor, and each has potential advantages and disadvantages. The traditional alternatives are the functional, divisional, and matrix structures.⁹

Functional Structures

In **functional structures**, people with similar skills and who perform similar tasks are grouped together into formal work units. Members of functional departments share technical expertise, interests, and responsibilities. The first example in **Figure 11.3** shows a functional structure you might find in a medium-sized business, with top management arranged by the functions of

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A **functional structure** groups together people with similar skills who perform similar tasks.

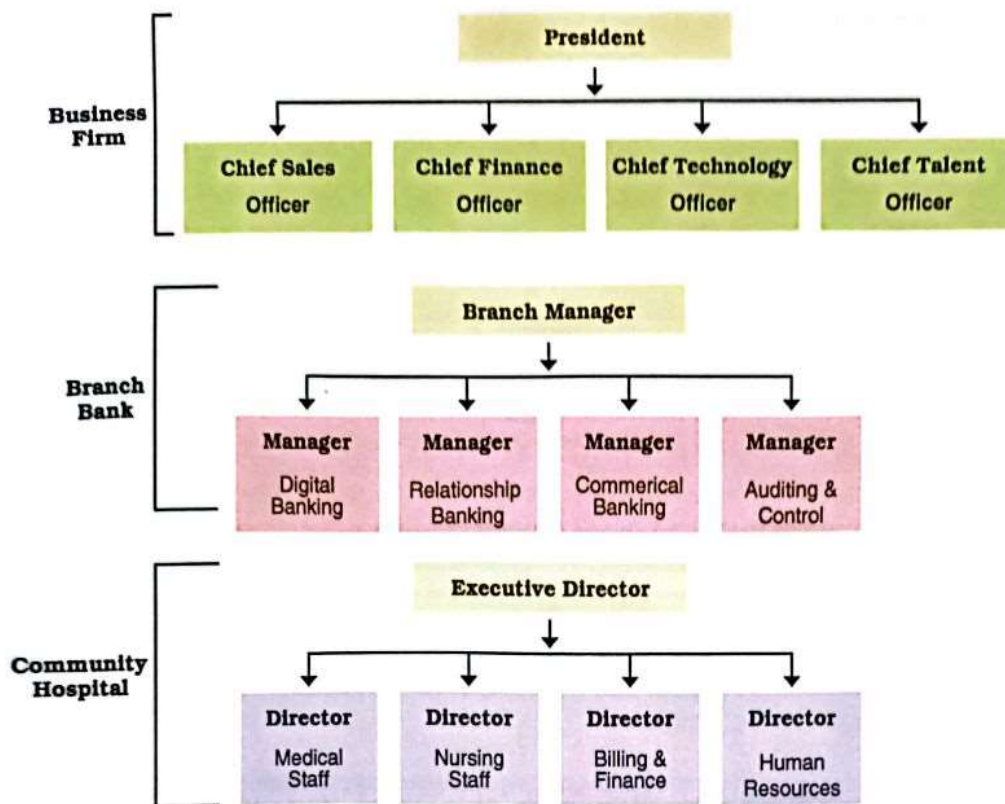


FIGURE 11.3 Functional structures in a business firm, branch bank, and community hospital.

marketing, finance, technology, and human resources. Under this structure, sales tasks are the responsibility of the Chief Sales Officer, data networks and information systems tasks are the responsibility of the Chief Technology Officer, and so on. The figure also shows how functional structures are used in other types of organizations such as banks and hospitals.

Advantages of Functional Structures The goal of the functional structure is to put together people with the same expertise and help them work well together. If each function does its work properly, the organization as a whole should be successful. These structures work well for organizations with only a few products or services. They also tend to work best in relatively stable environments where problems are predictable and the demands for change and innovation are limited. The major advantages of functional structures include the following:

- Economies of scale with efficient use of resources.
- Task assignments consistent with expertise and training.
- High-quality technical problem solving.
- In-depth training and skill development within functions.
- Clear career paths within functions.

Disadvantages of Functional Structures One of the major problems with functional structures is the tendency for each department or function to focus primarily on its own concerns, avoid communications with other functions, and neglect “big picture” issues. There is too little cross-functional collaboration as a sense of common purpose gets lost and as self-centered and narrow viewpoints become emphasized.¹⁰ This is shown in Figure 11.4 as the **functional chimneys** or **functional silos problem**—a lack of communication, coordination, and problem solving across functions. A *Wall Street Journal* reporter describes the problem this way: “How do you get aggressive, fast-talking salespeople to cooperate with reserved, detail-oriented engineers?”¹¹

Organizations are supposed to be cooperative systems, but the functional chimneys problem builds invisible walls that hinder collaboration across functions. This happens because the

The **functional chimneys** or **functional silos problem** is a lack of communication, coordination, and problem solving across functions.

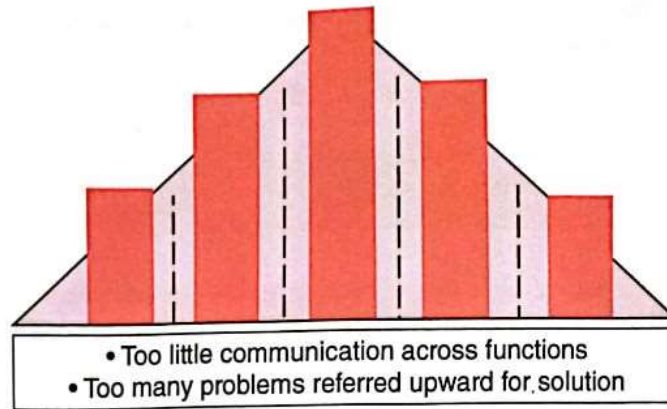


FIGURE 11.4 The ‘Functional Chimneys’ problem in organizations.

functions become formalized not only on the organization chart, but also in people’s mind-sets. Members of various functions end up viewing the function as the center of the organizational world rather than as one among many important parts that need to be working together. This problem tends to get worse as organizations get larger and as the functions get more specialized.

Divisional Structures

A **divisional structure** groups together people working on the same product, in the same area, with similar customers, or on the same processes.

A second organizing alternative is the **divisional structure**. As illustrated in **Figure 11.5**, this structure puts together people who work on the same product or process, serve similar customers, or are located in the same geographical region. The idea is to overcome some of the disadvantages of a functional structure, especially the “functional chimneys” problem. Divisional structures are common in organizations with diverse operations extending across many products, territories, customer segments, and work processes.¹²

A **product structure** groups together people and jobs focused on a single product or service.

Types of Divisional Structures **Product structures** group together jobs and activities focused on a single product or service. They clearly link costs, profits, problems, and successes in a market area with a central point of accountability. This prompts managers to be responsive to changing market demands and customer tastes. Procter & Gamble, for example,

Type	Focus	Example
Product	Good or service produced	<pre> General Manager / \ Grocery products Drugs and toiletries </pre>
Geographical	Location of activity	<pre> President / \ Asian division European division </pre>
Customer	Customer or client serviced	<pre> Agency Administrator / \ Problem youth Senior citizens </pre>
Process	Activities part of same process	<pre> Online Sales Manager / \ Product purchasing Order fulfillment </pre>

FIGURE 11.5 Divisional structures based on product, geographical, customer, and process.

is organized around six divisions: grooming, health care, beauty care, fabric and home care, baby and feminine care, family care and new ventures.¹³

Geographical structures, sometimes called *area structures*, group jobs and activities being performed in the same location. They are typically used to differentiate products or services in various locations, such as in different parts of a country. They also help global companies focus attention on the unique cultures and requirements of particular regions. Heads of the geographical divisions are typically given responsibility for their own logistics, sales, and other business functions.

Customer structures group together jobs and activities serving the same customers or clients. The goal is to serve the diverse needs of different customer groups. Banks, for example, use them to give separate attention to consumer and commercial loan customers. If you look again at Figure 11.5, you'll see that it also shows a government agency using the customer structure to serve different client populations.

A **process structure** groups together jobs and activities that are part of the same processes. A **work process** is a group of related tasks that collectively creates something of value for customers.¹⁴ An example is order fulfillment by an online retailer, a process that takes an order from point of customer initiation all the way through product delivery.

A geographical structure groups together people and jobs performed in the same location.

A customer structure groups together people and jobs that serve the same customers or clients.

A process structure groups jobs and activities that are part of the same processes.

A work process is a group of related tasks that collectively creates a valuable work product.

Advantages and Disadvantages of Divisional Structures Organizations use divisional structures for a number of reasons, including to avoid the functional chimneys problem and other limitations of functional structures. The potential advantages of divisional structures include:

- More flexibility in responding to environmental changes.
- Improved coordination across functional departments.
- Clear points of responsibility for product or service delivery.
- Expertise focused on specific customers, products, and regions.
- Greater ease in changing size by adding or deleting divisions.

Choices: Think before You Act

Workers within organizations spend roughly 40% to 60% of their interaction time every workday talking with their direct neighbors.

Playing Musical Chairs to Increase Collaboration



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Goodbye, private office . . . goodbye, permanent work space . . . and, "hello, stranger!" The childhood game of musical chairs is very likely coming to your workplace!

One of the latest trends in office design is to move employees into new workspaces every few months, as a way to increase communication and collaboration. The regular moves end up putting employees from different departments and work functions into

contact with one another. Seating assignments may be planned based on tasks or employees' personalities, or even done randomly. But regardless of the method, the goal is the same: break down functional silos and habits that limit communication across internal boundaries, and put people side-by-side to talk, learn, and be creative together.

Research indicates that workers spend roughly 40% to 60% of their interaction time every workday talking with their direct neighbors. They have only a 5% to 10% chance of interacting with someone even just a few steps away. Ben Waber, CEO of Sociometric Solutions, a consulting firm that works on such issues, says: "If I change the organizational chart and you stay in the same seat, it doesn't have much of an effect. If I keep the organization chart the same but change where you sit, it is going to massively change everything."

Your Take?

Is musical chairs in the office going a step too far? What's your reaction to this approach? Would you enjoy changing desks every month or so or hate it, and why? Can this idea be used in larger organizations, or is the usefulness of the approach really likely to be limited to smaller firms and startups employing a lot of new college graduates? Overall, is this a useful way to break down "functional silos," or is it just a passing fad that will soon lose its appeal? What do you think?

Divisional structures have potential disadvantages as well. They can reduce economies of scale and increase costs through the duplication of resources and efforts across divisions. They can also create unhealthy rivalries as divisions compete for resources and top management attention, emphasizing division needs over broader organizational goals.

Matrix Structures

A **matrix structure** combines the functional and divisional approaches to create permanent cross-functional project teams.

The **matrix structure**, often called the *matrix organization*, combines functional and divisional structures. The goal is to gain the advantages and avoid the disadvantages of each. This is accomplished by creating permanent teams in a matrix that cuts across functions to support specific products, projects, or programs.¹⁵ As shown in **Figure 11.6**, members of a matrix structure simultaneously belong to at least two formal groups—a functional group and a product, program, or project team. They also report to two supervisors—one within the function and the other within the team.

The benefits of matrix structures derive from increased collaboration. Team members work across functional lines to pursue common goals while sharing expertise and information. This structure goes a long way toward eliminating functional chimneys problems and poor cross-functional communication. The potential advantages of matrix structures include:

- Better communication and cooperation across functions.
- Improved decision making; problem solving takes place at the team level where the best information is available.
- Increased flexibility in adding, removing, or changing operations to meet changing demands.
- Better customer service; there is always a program, product, or project manager informed and available to answer questions.
- Better performance accountability through the program, product, or project managers.
- Improved strategic management; top managers are freed from lower-level problem solving to focus on more strategic issues.

As you might expect, matrix structures also have potential disadvantages. The additional team leaders needed to staff a matrix structure result in higher costs. The two-supervisor

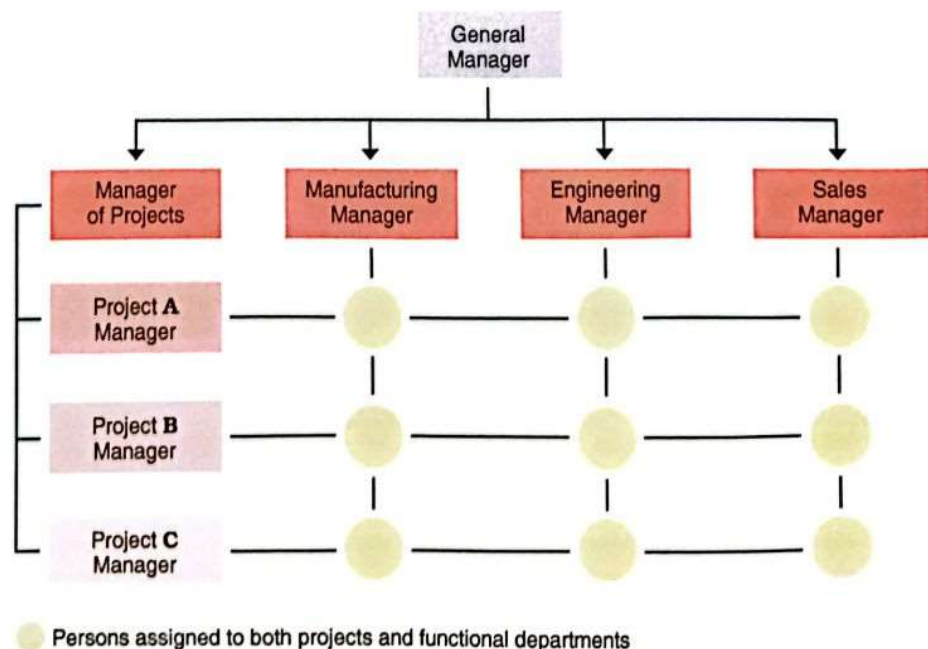


FIGURE 11.6 Matrix structure in a small, multiproject business firm.

system is susceptible to power struggles. Problems and frustrations occur when functional supervisors and team leaders don't coordinate well and end up sending conflicting messages and priorities, or even competing with one another for authority. Matrix teams may develop something called "groupitis," where strong team loyalties cause a loss of focus on larger organizational goals. And, team meetings in the matrix can take lots of time.

Learning Check

LEARNING OBJECTIVE 11.2

Identify the strengths and weaknesses of traditional organizational structures.

Be Sure You Can • explain the differences between functional, divisional, and matrix structures • list advantages and disadvantages of a functional structure, divisional structure, and matrix structure • draw charts to show how each type of traditional structure could be used in organizations familiar to you

11.3 Team and Network Structures

LEARNING OBJECTIVE 11.3

Identify the strengths and weaknesses of team and network structures.

Learn More About

Team structures • Network structures

You will see elements of functional, divisional, and matrix structures in most large organizations, particularly at top levels. They help keep things "organized" and bring a sense of stability to operations. But complexities in today's environments demand flexibility as well.¹⁶ New technologies . . . climate change . . . transforming societies . . . evolving social values . . . information transparency, all these things and more pressure organizations to constantly change everything from strategies to products to workforce composition to systems and practices. So-called **agile organizations** are structured to be fast moving, open to change, and internally connected top to bottom and side to side.¹⁷ The foundations for agility are teams and networks, with technology helping to make connections easy and fast across time and space.

Team Structures

Organizations with **team structures** make use of both permanent and temporary teams to solve problems, complete special projects, and accomplish day-to-day tasks.¹⁸ Like the matrix structure, the intention of team structures is to break down functional silos, foster horizontal connections, and create faster decision making at the levels where work gets done.

As shown in **Figure 11.7**, many of these teams will be **cross-functional teams** whose members are drawn from different areas of work responsibility.¹⁹ Others will be **project teams** created for a specific assignment and that disband once the task is completed. Still others may be **self-managing teams** whose members share roles and leadership responsibilities while working together to accomplish a common goal.

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A **agile organization** is structured to be fast moving, open to change, and internally connected top to bottom and side to side.

A **team structure** uses permanent and temporary cross-functional teams to improve lateral relations.

A **cross-functional team** brings together members from different functional departments.

Project teams are convened for a particular task or project and disband once it is completed.

Members of **self-managing teams** share roles and leadership responsibilities while working toward a common goal.

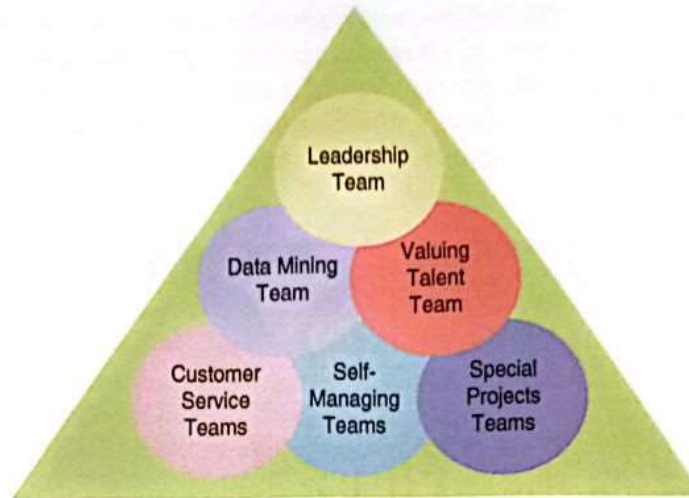


FIGURE 11.7 Team structures empower human talents to create agile organizations.

A **virtual structure** uses 3T powers of teams, technology, and temporariness to change shapes and act wherever and whenever needed.

A **network structure** uses information technologies to link with networks of outside suppliers and service contractors.

A **strategic alliance** is a cooperation agreement with another organization to jointly pursue activities of mutual interest.

Advantages and Disadvantages of Team Structures The main advantages of team structures are empowerment and flexibility. Teams boost morale when members experience a greater sense of task involvement and identification, as well as increased enthusiasm for their contributions to the organization. The various forms of teamwork break down functional and interpersonal barriers and bring together diverse talents. Members of teams share knowledge and expertise to deal with problems and opportunities. And, teams improve performance by increasing the speed and quality of decisions. By harnessing the “3T” powers of teams, technology, and temporariness, organizations are even able to create **virtual structures**. They change shapes constantly as teams are called into action wherever and whenever needed, and then rest until needed again.

The complexities of teams and teamwork create potential disadvantages as well. Team structures can create conflicting loyalties for members with both team and functional assignments. They also include issues of time management and group process. By their very nature, teams spend a lot of time in meetings. Whether meetings are face-to-face or virtual, not all meeting time is productive. The quality of outcomes depends on how well tasks, relationships, and team dynamics are managed.

Network Structures

Think “networks” the next time you request an Uber or Lyft, or book on Airbnb. They are part of the sharing economy we are getting so used to. And, they also use **network structures** that operate with a central core of full-time employees surrounded by “networks” of outside contractors and partners supplying essential services.²⁰ Because the central core is relatively small and surrounding networks can be expanded or contracted as needed, this structure lowers costs and improves speed in dealing with changing environments.²¹ The central core keeps things stable, while the network connections promote agility.

Instead of doing everything for itself with full-time employees, a network structure contracts out as much work as possible. This is done through **strategic alliances** which are cooperative agreements with partners. Some are *outsourcing strategic alliances* to purchase services such as accounting or product distribution, or to hire labor from independent contractors on the employment side. Others are *supplier strategic alliances* that guarantee a smooth and timely flow of quality supplies.

Network structures aren’t limited to large and high-tech settings such as Uber and Airbnb. You’ll find them in universities, for example, where services such as residences, food service, and even student recruiting is done by contractors.²² They are also helpful for entrepreneurs

11.4

Organizational Designs

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LEARNING OBJECTIVE 11.4

Discuss how and why organizational designs are changing in today's workplace.

Learn More About

Mechanistic and organic organizational designs • Trends in organizational designs

Organizational design is the process of creating structures that accomplish mission and objectives.

Organizational design is the process of choosing and implementing structures to accomplish an organization's mission and objectives.²⁴ Because every organization faces its own unique challenges and opportunities, no one design can be applied in all circumstances or at all points in the organization. The best design is one that achieves a good match between structure and situational contingencies—including task, technology, environment, and people.²⁵ The choices among design alternatives are broadly framed in the distinction between mechanistic or bureaucratic designs at one extreme, and organic or adaptive designs at the other end.

Mechanistic and Organic Organizational Designs

A **bureaucracy** emphasizes formal authority, order, fairness, and efficiency.

The classic **bureaucracy** is described by Max Weber as being based on logic, order, and the legitimate use of formal authority.²⁶ It is a vertical structure, and its distinguishing features include a clear-cut division of labor, strict hierarchy of authority, formal rules and procedures, and promotion based on competency. And according to Weber, it should be orderly, fair, and highly efficient.²⁷

Unfortunately, the bureaucracies we know are often associated with “red tape.” Instead of being orderly and fair, they seem cumbersome and impersonal.²⁸ Rather than view all bureaucratic structures as inevitably flawed, however, management theory asks two contingency questions. When is bureaucracy a good choice for an organization? When it isn't, what alternatives are available?

Analysis: Make Data Your Friend | “It doesn't matter what industry you're in. People have blind spots about where they are weak.”

Managers May Overestimate Their Managing Skills



Karen Moskowitz/The Image Bank/Getty Images

A survey by Development Dimensions International, Inc., found that managers were overestimating their management skills. “It doesn't matter what industry you're in. People have blind spots

about where they are weak,” says DDI vice president Scott Erker. Consider these results from a sample of 1,100 first-year managers:

- 72% never question their ability to lead others.
- 58% claim planning and organizing skills as strengths.
- 53% say they are strong in decision making.
- 32% claim proficiency in delegating.
- Skills needing improvement were delegating, gaining commitment, and coaching.

Your Thoughts?

Would you, like the managers in this survey, overestimate your strengths in management skills? What might explain managers' tendencies toward overconfidence? What would you identify as being among the skills on which you most need improvement? What might account for the fact that 72% of managers never question their ability to lead others?

Pioneering research concludes that two very different organizational forms can be successful, depending on the firm's external environment.²⁹ A more bureaucratic form, called "mechanistic," thrives in stable environments but has problems in uncertain and rapidly changing ones. In dynamic environments a much less bureaucratic form, called "organic," performs best. **Figure 11.9** shows the mechanistic and organic approaches as opposite extremes on a continuum of organizational design alternatives.

Organizations with more **mechanistic designs** are highly bureaucratic. As shown in the figure, they are vertical structures that typically operate with centralized authority, many rules and procedures, a precise division of labor, narrow spans of control, and formal coordination. They can be described as "tight" structures of the traditional pyramid form.³⁰ Such mechanistic designs work best for organizations doing routine tasks in stable environments.

Organizations with more **organic designs** are able to change forms in dynamic and uncertain environments in order to adapt quickly to changing times. The figure depicts them as agile, horizontal structures with decentralized authority, fewer rules and procedures, shared tasks, wide spans of control, and emphasizing personal means of coordination.³¹

A **mechanistic design** is centralized, with many rules and procedures, a clear-cut division of labor, narrow spans of control, and formal coordination.

An **organic design** is decentralized, with fewer rules and procedures, open divisions of labor, wide spans of control, and more personal coordination.

Trends in Organizational Designs

The complexity, uncertainty, and change inherent in today's environment are prompting more organizations to shift toward horizontal structures and agile organic designs. We see this in the matrix, team, virtual, and network structures discussed previously. And more generally, a number of trends are evident as structures and practices are adjusted to add teams, fit new technologies, and deal with challenging conditions.

More Delegation and Empowerment All managers must decide what work they should do themselves and what should be left for others. At issue here is **delegation**—entrusting work to others by giving them the right to make decisions and take action. Unfortunately, many managers and team leaders don't do enough delegation and end up overloaded with work that could be done by others. And one of the reasons is **self-enhancement bias**. This is the tendency to see yourself as more capable, intelligent, and ethical than others. Self-enhancement bias makes it hard to "let go" and give others a chance to work independently without close supervision.³²

Delegation is the process of distributing and entrusting work to others.

Self-enhancement bias is the tendency to view oneself as more capable, intelligent, and ethical than others.

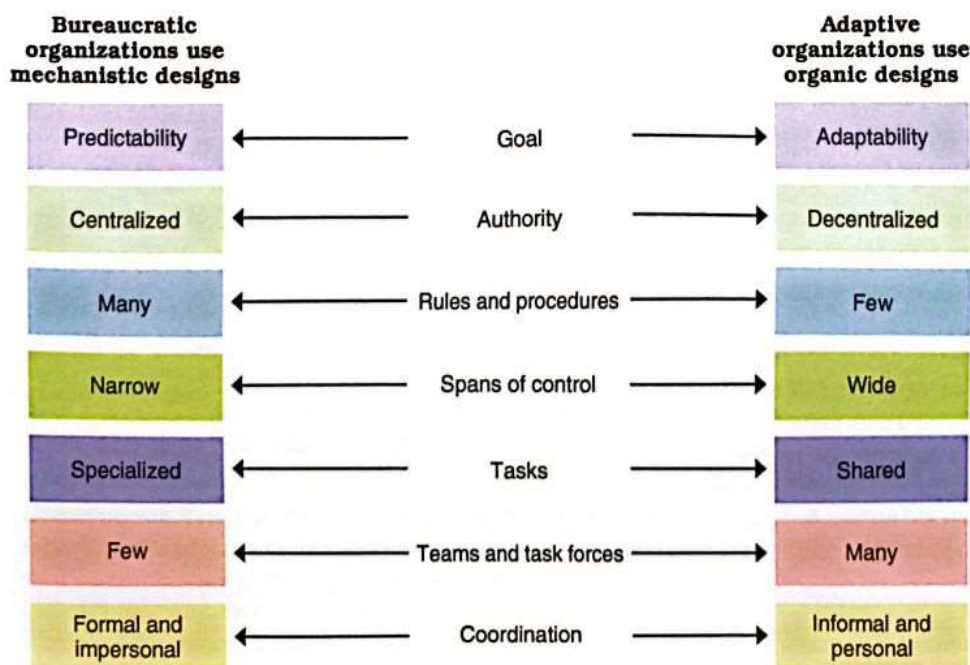


FIGURE 11.9 Organizational design alternatives: from bureaucratic to adaptive organizations.

The **authority-and-responsibility principle** is that authority should equal responsibility when work is delegated.

When it comes to delegating, a classical principle of organization warns managers to make sure the person being delegated to has sufficient authority to perform. The **authority-and-responsibility principle** states that authority should equal responsibility when work is delegated by a supervisor to a subordinate. When done well, the process of delegation involves these three steps:

- **Step 1**—The manager assigns responsibility by carefully explaining the work or duties someone else is expected to do. This responsibility is an expectation for the other person to perform assigned tasks.
- **Step 2**—The manager grants authority to act. Along with the assigned task, the right to take necessary actions (for example, to spend money, direct the work of others, or use resources) is given to the other person.
- **Step 3**—The manager creates accountability. By accepting an assignment, the person takes on a direct obligation to the manager to complete the job as agreed.

Empowerment allows others to make decisions and exercise discretion in their work.

Delegation that is done well leads to **empowerment**, meaning that workers are allowed to make decisions and use discretion in their jobs. You can think of it as freedom to act. Empowerment builds performance potential by allowing individuals freedom to use their talents, contribute ideas, and do their jobs in the best possible ways. And because empowerment creates a sense of ownership, it also increases commitment to follow through on decisions and work hard to accomplish goals.

Trend: Managers are delegating more. They are finding ways to empower people at all organizational levels to make more decisions that affect themselves and their work.

Insight: Learn about Yourself | Do you have a problem “letting go,” or letting others do their share?

Empowerment Gets More Things Done

It takes a lot of trust to be comfortable with **empowerment**—letting others make decisions and exercise discretion in their work. But if you aren’t willing and able to empower others, you may try to do too much on your own and end up accomplishing too little.

The fundamental, underlying reason for organizations is synergy—bringing together the contributions of many people to achieve something that is much greater than any individual could accomplish alone. Empowerment enables synergy to flourish. It means collaborating with others to accomplish firm objectives—allowing others to do things that you might be good at doing yourself. Many managers fail to empower others, and the result is their organizations often underperform.

How often do you get stressed out by group projects in your classes, feeling like you’re doing all the work? Do you have a problem “letting go,” or letting others do their share of group assignments? The reason may be the fear of losing control. People with control anxiety often end up trying to do too much. This unfortunately raises the risks of missed deadlines and poor performance.

If the prior description fits you, your assumptions probably align with those in the upper left box in the Empowerment Quick Test. Alternatively, you could be in the lower right box and perhaps find that you work smarter and better while also making others happier.

Get To Know Yourself Better

Are you someone who easily and comfortably empowers others? Or do you suffer from control anxiety, with little or no willingness to delegate? The next time you are in a study or work group,

EMPOWERMENT QUICK TEST

In a team situation, which square best describes your beliefs and behaviors?

It’s faster to do things myself than explain how to do them to others

Some things are just too important not to do yourself

?

People make mistakes, but they also learn from them

Many people are ready to take on more work, but are too shy to volunteer

be a self-observer. The question is: How well do you handle empowerment? Write a short narrative that accurately describes your behavior to someone who wasn’t present. Focus on both your tendencies to empower others and how you respond when others empower you. Compare that narrative with the results from the chapter Self-Assessment—Empowering Others. Is there a match?

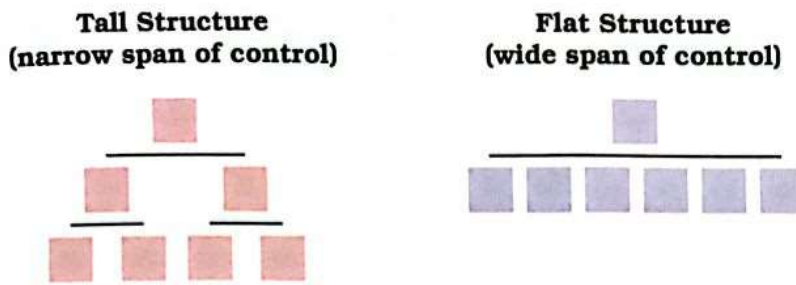


FIGURE 11.10 Contrasting spans of control in tall and flat organization structures.

Fewer Levels of Management A typical organization chart shows the **chain of command**, or the line of authority that vertically links each position with successively higher levels of management. The number of persons reporting directly to a manager is called the **span of control**.

When organizations get bigger they tend to add levels of management to the chain of command. These **tall structures** tend to have narrow spans of control as shown in **Figure 11.10**. Because tall organizations have more managers, they are more costly. They also tend to be less efficient, less flexible, and less customer-sensitive. Wider spans of control are found in **flat structures** with fewer levels of management. This reduces overhead costs and improves agility. It can also be good for workers who gain empowerment and independence because of reduced supervision.³³

Trend: Organizations are cutting unnecessary levels of management and shifting to wider spans of control. Managers are taking responsibility for larger teams whose members operate with less supervision.

Decentralization with Centralization Should most decisions be made at the top levels of an organization, or should they be dispersed by extensive delegation across all levels? The former approach is referred to as **centralization**; the latter is called **decentralization**. And the decision to operate one way or another is a strategic choice.

At Rovio, the Finnish company making *Angry Birds*, one person used to be in charge of game development—centralization. But as the firm grew this wasn't working anymore. In response, a decision was made to create smaller "tribes" and give each "their own profit and loss sheet, their own management, their own targets."³⁴ In other words, Rovio shifted from centralization to decentralization.

A closer look at the Rovio story would likely show that the centralization and decentralization issue isn't an either/or choice. A game maker is already a high-tech setting. It should be able to operate with greater decentralization without giving up centralized control.³⁵ High-speed information systems allow top managers to easily stay informed about day-to-day performance matters throughout an organization. With this information so readily available, they can be confident in allowing more decentralized decision making. If something goes wrong, say in one of Rovio's tribes, information systems should sound an alarm that triggers almost immediate corrective actions.

Trend: Delegation, empowerment, and horizontal structures are contributing to more decentralization in organizations; at the same time, advances in information technology help top managers maintain centralized control.

Reduced Use of Staff When it comes to coordination and control in organizations, the issue of line-staff relationships is critical. People in **staff positions** provide expert advice and guidance to line personnel. In a large retail chain, for example, line managers in each store typically make daily operating decisions regarding direct merchandise sales. But, staff specialists at the corporate or regional levels often provide direction and support so that all

The **chain of command** links all employees with successively higher levels of authority.

Span of control is the number of subordinates directly reporting to a manager.

Tall structures have narrow spans of control and many hierarchical levels.

Flat structures have wide spans of control and few hierarchical levels.

Centralization is the concentration of authority for most decisions at the top level of an organization.

Decentralization is the dispersion of authority to make decisions throughout all organization levels.

Staff positions provide technical expertise for other parts of the organization.

Ethics: Know Right from Wrong

I even feel guilty now taking time to watch my daughter play soccer on Saturday mornings.

Help! I've Been Flattened into Exhaustion

Tom Grill/Photographer's Choice RF/Getty Images

Dear Stress Doctor:

My boss came up with the great idea of laying off some managers, assigning more workers to those of us who haven't been laid off, and calling us "coaches" instead of supervisors. She says this is all part of a new management approach to operate with a flatter structure and more empowerment.

For me this means a lot more work coordinating the activities of 17 operators instead of the 6 that I previously supervised. I can't get everything cleaned up on my desk most days, and I end up taking a lot of work home.

As my organization "restructures" and cuts back staff, it puts a greater burden on the rest of us. We get exhausted, and our families get short-changed and angry. I even feel guilty now taking time to watch my daughter play soccer on Saturday mornings. Sure, there's some decent pay involved, but that doesn't make up for the heavy price in terms of lost family time.

But you know what? My boss doesn't get it. I never hear her ask: "Camille, are you working too much? Don't you think it's time to get back on a reasonable schedule?" No! What I often hear instead is "Look at Andy; he handles our new management model really well, and he's a real go-getter. I don't think he's been out of here one night this week before 8 pm."

What am I going to do, just keep it up until everything falls apart one day? Is a flatter structure with fewer managers always best? Am I missing something here with the whole "new management"?

Sincerely,
Overworked in Cincinnati

What Do You Think?

Is it ethical to restructure, cut management levels, and expect remaining managers to do more work? Or is it simply the case that managers used to the "old" ways of doing things need extra training and care while learning "new" management approaches? What about this person's boss—is she on track with her management skills? Aren't managers supposed to help people understand their jobs, set priorities, and fulfill them, while still maintaining a reasonable work-life balance?

the stores operate with the same credit, purchasing, employment, marketing, and advertising procedures.

Problems in line-staff distinctions can and do come up, and organizations sometimes find that staff size grows to the point where its costs outweigh its benefits. This is why cutbacks in staff positions are common during downsizing and other turnaround efforts. There is no one best solution to the problem of how to divide work between line and staff responsibilities. What is best for any organization is a cost-effective staff component that satisfies, but doesn't overreact to, needs for specialized technical assistance to line operations. But overall, the trend toward reduced use of staff across all industries is increasing.

Trend: Organizations are lowering costs and increasing efficiency by employing fewer staff personnel and using smaller staff units.

Learning Check

LEARNING OBJECTIVE 11.4

Discuss how and why organizational designs are changing in today's workplace.

Be Sure You Can • define *organizational design* • describe the characteristics of mechanistic and organic designs • explain when the mechanistic design and the organic design work best • describe trends in levels of management, delegation and empowerment, decentralization and centralization, and use of staff

Management Learning Review: Get Prepared for Quizzes and Exams

Summary

LEARNING OBJECTIVE 11.1 Explain organizing as a management function and contrast formal and informal organization structures.

- Organizing is the process of arranging people and resources to work toward a common goal.
- Organizing decisions divide up the work that needs to be done, allocate people and resources to do it, and coordinate results to achieve productivity.
- Structure is the system of tasks, reporting relationships, and communication that links people and positions within an organization.
- The formal structure, such as that in an organization chart, describes how an organization is supposed to work.
- The informal structure of an organization consists of the informal relationships that develop among members.

For Discussion If organization charts are imperfect, why bother with them?

LEARNING OBJECTIVE 11.2 Identify the strengths and weaknesses of traditional organizational structures.

- In functional structures, people with similar skills who perform similar activities are grouped together under a common manager.
- In divisional structures, people who work on a similar product, work in the same geographical region, serve the same customers, or participate in the same work process are grouped together under common managers.
- A matrix structure combines the functional and divisional approaches to create permanent cross-functional project teams.

For Discussion Why use functional structures if they are prone to functional chimneys problems?

LEARNING OBJECTIVE 11.3 Identify the strengths and weaknesses of team, virtual, and network structures.

- Team structures use cross-functional teams and task forces to improve lateral relations and problem solving at all levels.
- Virtual organizations use information technology to mobilize a shifting mix of strategic alliances to accomplish tasks and projects.
- Network structures use contracted services and strategic alliances to support a core organizational center.
- Agile structures combine team and network structures with the advantages of technology to accomplish tasks and projects.

For Discussion What problems could reduce the effectiveness of team-oriented organization structures?

LEARNING OBJECTIVE 11.4 Discuss how and why organizational designs are changing in today's workplace.

- Contingency in organizational design basically involves finding designs that best fit situational features.
- Mechanistic designs are bureaucratic and vertical, performing best for routine and predictable tasks.
- Organic designs are adaptive and horizontal, performing best in conditions requiring change and flexibility.
- Key organizing trends include fewer levels of management, more delegation and empowerment, decentralization with centralization, and fewer staff positions.

For Discussion Which of the organizing trends is most likely to change in the future, and why?

Self-Test 11

Multiple-Choice Questions

1. The main purpose of organizing as a management function is to _____
- make sure that results match plans
 - arrange people and resources to accomplish work
 - create enthusiasm for the work to be done
 - match strategies with operational plans

2. _____ is the system of tasks, reporting relationships, and communication that links together the various parts of an organization.

- Structure
- Staff
- Decentralization
- Differentiation

3. Rumors and resistance to change are potential disadvantages often associated with _____.
- virtual organizations
 - informal structures
 - delegation
 - specialized staff
4. An organization chart showing vice presidents of marketing, finance, manufacturing, and purchasing all reporting to the president is depicting a _____ structure.
- functional
 - matrix
 - network
 - product
5. The functional chimneys problem occurs when people in different functions _____.
- fail to communicate with one another
 - try to help each other work with customers
 - spend too much time coordinating decisions
 - focus on products rather than functions
6. A manufacturing business with a functional structure has recently developed three new product lines. The president of the company might consider shifting to a(n) _____ structure to gain a stronger focus on each product.
- virtual
 - informal
 - divisional
 - network
7. _____ structure tries to combine the best elements of the functional and divisional forms.
- Virtual
 - Boundaryless
 - Team
 - Matrix
8. The system of dual reporting relationships—to both a functional and project manager—is characteristics of a _____ structure.
- functional
 - matrix
 - network
 - product
9. Better lower-level teamwork and more top-level strategic management are among the expected advantages of a _____ structure.
- divisional
 - matrix
 - geographical
 - product
10. "Tall" organizations tend to have long chains of command and _____ spans of control.
- wide
 - narrow
 - informal
 - centralized
11. A student volunteers to gather information on a company for a group case analysis project. The other members of the group agree and tell her to go ahead and choose the information sources. In terms of delegation, this group is giving the student _____ to fulfill the agreed-upon task.
- responsibility
 - accountability
 - authority
 - decentralization
12. The current trend in the use of staff in organizations is to _____.
- give staff personnel more authority over operations
 - reduce the number of staff personnel
 - remove all staff from the organization
 - combine all staff functions in one department
13. The bureaucratic organization described by Max Weber is similar to the _____ organization described by Burns and Stalker.
- adaptive
 - mechanistic
 - organic
 - adhocracy
14. Which type of organization design best fits an uncertain and changing environment?
- mechanistic
 - bureaucratic
 - organic
 - traditional
15. An organization that employs just a few "core" or essential full-time employees and outsources a lot of the remaining work show signs of using a _____ structure.
- functional
 - network
 - matrix
 - mechanistic

Short-Response Questions

16. What symptoms might indicate that a functional structure is causing problems for the organization?
17. Explain by example the concept of a network organization structure.
18. Explain the practical significance of this statement: "Organizational design should be done in contingency fashion."
19. Describe two trends in organizational design and explain their importance to managers.

Essay Question

20. Faisal Sham supervises a group of seven project engineers. His unit is experiencing a heavy workload, as the demand for different versions of one of his firm's computer components is growing. Faisal finds that he doesn't have time to follow up on all design details for each version of the product. Until now he has tried to do this all by himself. Two of the engineers have shown an interest in helping him coordinate work on the various designs. As a consultant, how would you advise Faisal in terms of delegating work to them?

Career Skills & Competencies: Make Yourself Valuable!

Evaluate Career Situations

What Would You Do?

1. The New Branch Manager

As the newly promoted manager of a branch bank, you will be leading a team of 22 people. Most members have worked together for a number of years. How can you discover the informal structure or “shadow organization” of the branch and your team? Once you understand them, how will you try to use informal structures to advantage while establishing yourself as an effective manager in this situation?

2. Advisor to the Business School

The typical university business school is organized on a functional basis, with department heads in accounting, finance, information systems, management, and marketing all reporting to a dean. You are on your alma mater’s advisory board, and the dean is asking for

advice. What suggestions might you give for redesigning this structure to increase communication and collaboration across departments, as well as improve curriculum integration for students in all areas of study?

3. Entrepreneur’s Dilemma

As the owner of a small computer repair and services business, you would like to allow employees more flexibility in their work schedules. But you also need consistent coverage to handle drop-in customers as well as at-home service calls. There are also times when customers need what they consider to be “emergency” help outside of normal 8 a.m. to 5 p.m. office times. You’ve got a meeting with employees scheduled for next week. Your goal is to come out of the meeting with a good plan to deal with this staffing dilemma. How can you achieve this goal?

Reflect on the Self-Assessment

Empowering Others

Instructions

Think of times when you have been in charge of a group in a work or student situation. Complete the following questionnaire by recording how you feel about each statement according to this scale:³⁶

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly agree

When in charge of a team, I find that:

1. Most of the time other people are too inexperienced to do things, so I prefer to do them myself.
2. It often takes more time to explain things to others than to just do them myself.
3. Mistakes made by others are costly, so I don’t assign much work to them.
4. Some things simply should not be delegated to others.
5. I often get quicker action by doing a job myself.

6. Many people are good only at very specific tasks, so they can’t be assigned additional responsibilities.
7. Many people are too busy to take on additional work.
8. Most people just aren’t ready to handle additional responsibilities.
9. In my position, I should be entitled to make my own decisions.

Scoring

Total your responses to get an overall score. Possible scores range from 9 to 45.

Interpretation

The lower your score, the more willing you appear to be to delegate to others. Willingness to delegate is an important managerial characteristic. It is how you, as a manager, can empower others and give them opportunities to assume responsibility and exercise self-control in their work. With the growing importance of horizontal organizations and empowerment, your willingness to delegate is worth thinking about seriously.

Contribute to the Class Exercise

Organizational Metaphors

Instructions

Form into groups as assigned by the instructor and do the following:

1. Think about organizations and how they work.
2. Select one of the following sets of organizational metaphors.
 - a. human brain—spiderweb
 - b. rock band—chamber music ensemble
 - c. cup of coffee—beehive
 - d. cement mixer—star galaxy
 - e. about the fifth date in an increasingly serious relationship—a couple celebrating their 25th wedding anniversary
3. Brainstorm how each metaphor in your set can be used to explain how organizations work.
4. Brainstorm how each metaphor is similar to and different from the other in this explanation.
5. Draw pictures or create a short skit to illustrate the contrasts between your two metaphors of an organization.
6. Present your metaphorical views of organizations to the class.
7. Be prepared to explain what can be learned from your metaphors and engage in class discussion.

Manage a Critical Incident

Crowdsourcing Evaluations to Cut Management Levels

Performance reviews in your firm have always been completed by managers and then discussed with workers. But you've been reading about 360° reviews that include feedback from peers and others working with or for the person being evaluated. You're also aware that new technology makes it easy to conduct evaluations online and even to make them happen in almost real time, on a project-by-project basis, without a manager leading the process. As soon as a task is completed

by an individual or team, a 360° review can be done online and the feedback immediately used for future performance improvement. You'd like to start crowdsourcing evaluations at your firm in order to save costs by cutting management levels, and also to improve the flow and timeliness of performance feedback. Before going further, you sit down to make a list of the pros and cons of the idea.

Questions

What's on your list of pros and cons, and why? You next decide to make another list of resources and support from key persons that would be needed to implement the practice. What's on this second list and why?

Collaborate on the Team Project

Designing a Network University

Instructions

In your assigned team, do the following.

1. Discuss the concept of the network organization structure as described in the textbook.
2. Create a network organization structure for your college or university. Identify the "core staffing" and what will be outsourced. Identify how outsourcing will be managed.
3. Draw a diagram depicting the various elements in your "Network U."
4. Identify why "Network U" will be able to meet two major goals: (a) create high levels of student learning, and (b) operate with cost efficiency.
5. Present and justify your design for "Network U" to the class.

Analyze the Case Study

NPR | Many Voices Serving Many Needs

Go to *Management Cases for Critical Thinking* at the end of the book to find this case.

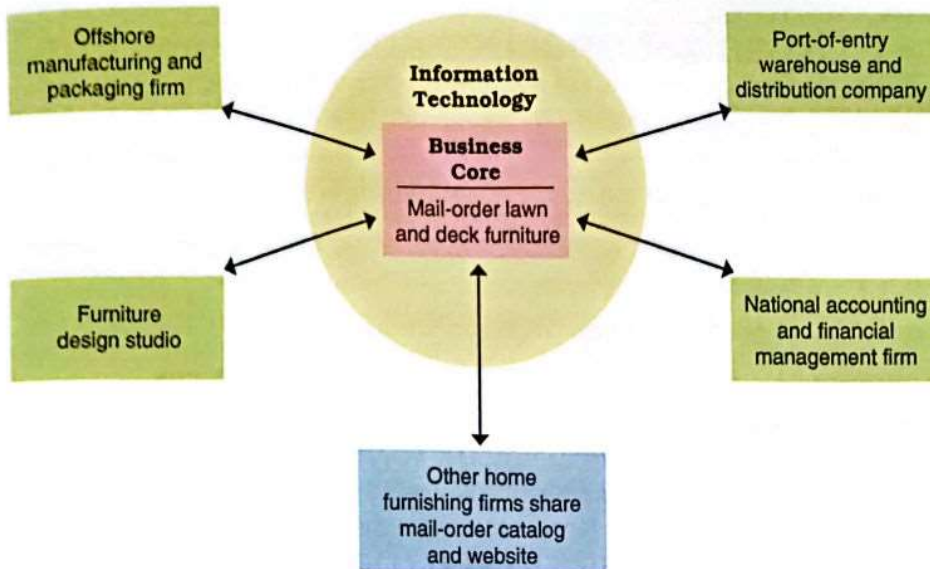


FIGURE 11.8 A network structure for a Web-based retail business.

wanting to start businesses. Look at the small business example in **Figure 11.8**, which shows how a network structure might work for a company selling lawn and deck furniture online and through a catalog.

In this example, merchandise is designed on contract with a self-employed furniture designer. It is manufactured and packaged by subcontractors located around the world—wherever materials are found at the lowest cost and best quality. Stock is distributed from a contract warehouse—ensuring quality storage and on-time expert shipping. Accounting and website maintenance are handled by outside firms with better technical expertise than the merchandiser could afford to employ on a full-time basis. A quarterly catalog is even produced in cooperation with two other firms that sell different home furnishings with a related price appeal.

Advantages and Disadvantages of Network Structures Network structures are lean and fast. They help organizations stay cost-competitive by reducing overhead and increasing operating efficiency. They can quickly adjust to changing markets. But, they have potential disadvantages as well. The more complex the networks, the harder they are to control and coordinate. If one part of the network breaks down, the entire system can fail. Loss of control over contracted activities and personnel is a continuing worry for ride-sharing and home-sharing firms, for example. Network structures may also experience a lack of loyalty among contractors that are used infrequently rather than on a long-term basis. Outsourcing also can be risky, especially when breakdowns occur in critical activities such as finance, logistics, and human resource management.²³

Learning Check

LEARNING OBJECTIVE 11.3

Identify the strengths and weaknesses of team, virtual, and network structures.

Be Sure You Can • describe how organizations can be structured to harness the power of teams • explain how a virtual structure works • illustrate how a network structure operates with speed and efficiency • discuss the potential advantages and disadvantages of network structures