

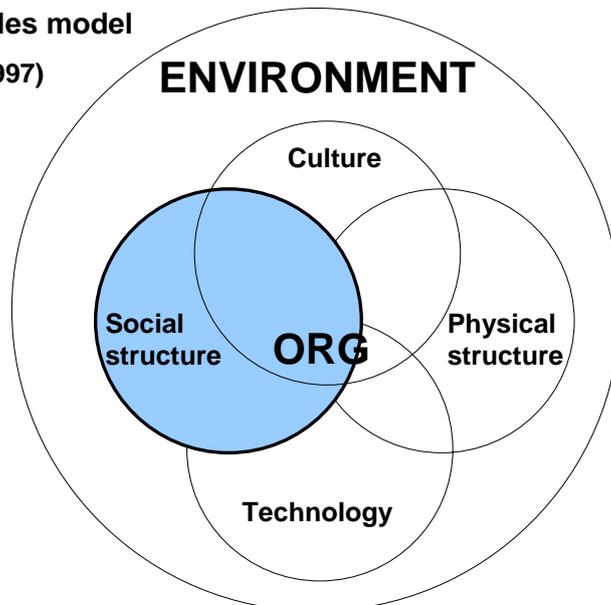
Chap 3 : Organizational Structure

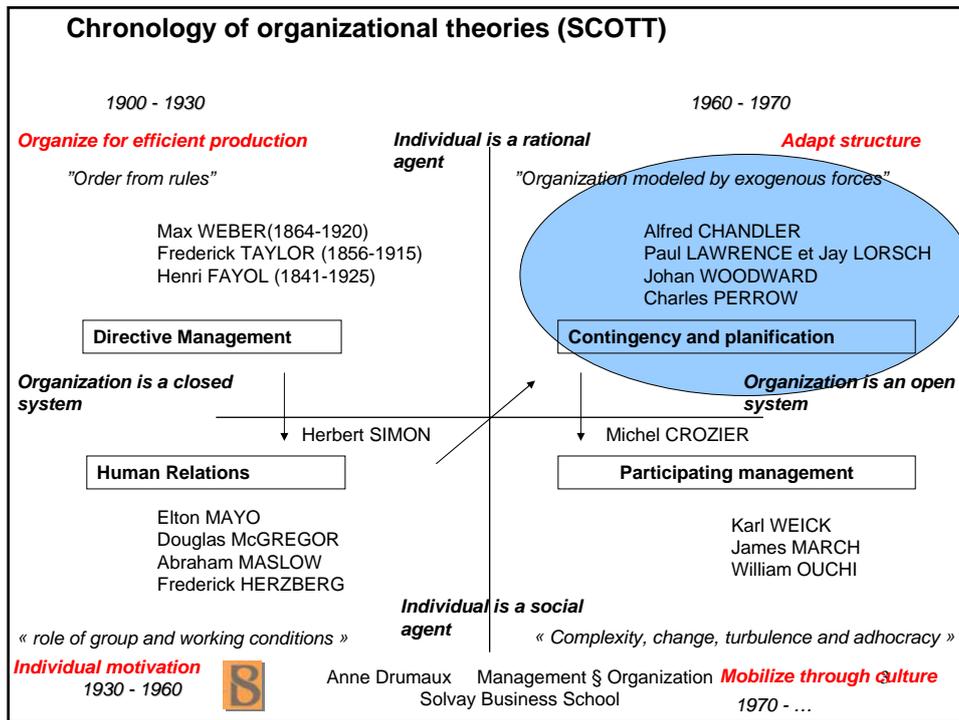
- Organization versus Structure
- Theories of contingency approach
 - Internal and external factors
 - a typology of organizations (Mintzberg)
- Types of organizational structures
 - functional organization (U-form)
 - divisional organization (M-form, H-form)
 - matrix organization (matrix-form)
 - network organization
 - composite structure examples
 - formal and informal structure



Five circles model

(Hatch, 1997)



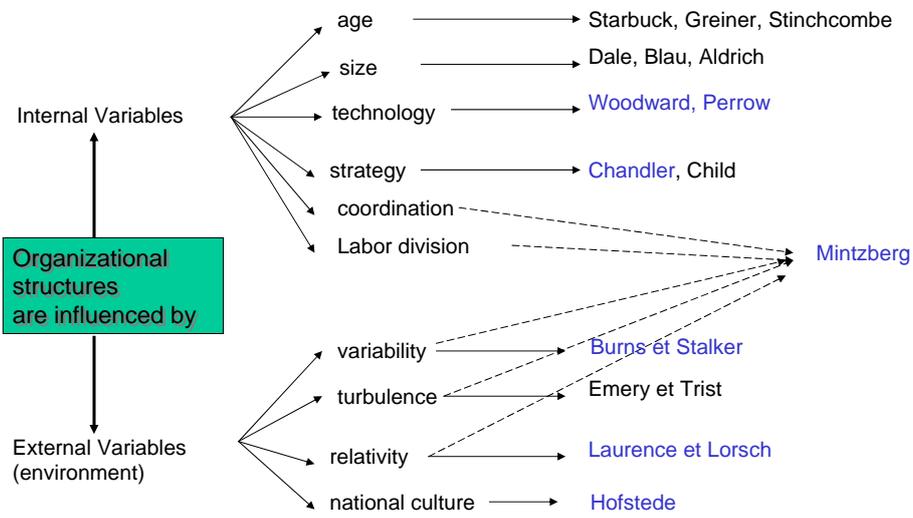


Definitions

- **organization** is a pattern of relationships through which people, under the direction of managers, pursue their common goals
- organizational **structure** is the way in which organization's activities are divided, organized and coordinated

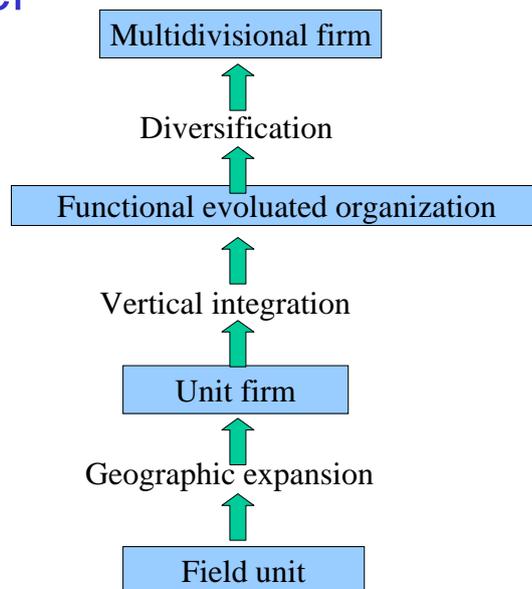


Theories of contingency approach



Chandler

Structure has to match strategy



Environment's factors

- Burns and Stalker
 - The Mechanistic Organization
 - The Organic Organization

- Lawrence and Lorsch
 - Differentiation and Integration
 - Three sub-environments



Organization Environment

Stable	 Dynamic
1. Stable Demand	1. Changes in Demand
2. Unchanged set of competitors	2. Changes in the nature of competition
3. Evolutionary technological innovation and new product developments	3. Revolutionary technological innovation and new product development (R&D)
4. Government policies change little over time	4. Quickly evolving government policies

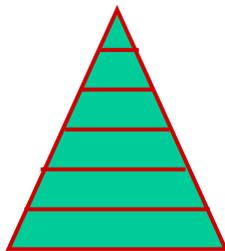


Burns and Stalker

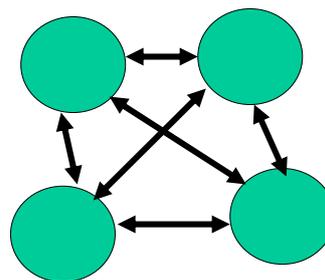
Mechanistic - RIGID	Organic - FLUID
<ul style="list-style-type: none"> • specialization and fragmentation of tasks • hierarchic structure of control • knowledge vertical flow through hierarchy • loyalty and obedience to the superior • instructions and decisions • prestige due to job titles 	<ul style="list-style-type: none"> • coordination of tasks to achieve a common goal • continuous re-definition of responsibilities • lateral flow of knowledge • knowledge dictate authority center • information and advice • prestige due to expertise



Mechanistic and Organic Organization



Specialization & Tall Hierarchy
 Centralized Decision Making
 Knowledge at the top of the pyramid
 Employees – procedure oriented



Flat structure
 Decentralized decision making
 Knowledge locates everywhere
 People – goal oriented



Lawrence and Lorsch (1969)

- Differentiation
 - Different organizational functions deal with distinct segments of environment
 - People in different functions develop unique perspectives and orientations
- Integration
 - Functional activities are coordinated and controlled to achieve goals of organization
 - Vertical and horizontal coordination



Sub-Environment

- The market sub-environment
 - Marketing function
- The technical-economic sub-environment
 - Production function
- The scientific sub-environment
 - Research and Development



Functional Sub-Structure

- **Production**
Short time horizon, stable environment, rules and procedures
- **Research and development**
Long time horizon, unstable situation, fluid and organic
- **Marketing**
Between these two extremes



Comparative Study

	Environ- ment	Differentiation	Integration
Plastics Industry	Dynamic	High	Permanent lateral integration mechanism
Consumer Food Industry	Medium	Medium	Rules and centralized decision making; Lateral integration sometimes can be found
Containers Industry	Stable	Low	Rules and centralized decision making



WS2 Contingency Factors

Questions on contingency factors

- How old is your organization?
- What is its size?
- How could you characterize technologies used?
- What is the status of the environment (stable or unstable, rate of change)?
- What are the nature of the tasks (repetitive or differentiated)?
- How would define the division of labor? (specialization into single tasks, differentiated tasks)
- How would describe the ways the members of your organization coordinate their respective tasks? How activities of each members are integrated to produce common goals?



Questions on internal dynamics between members

- Could you define different types of staff and personnel inside the organization? What are their main role regarding the organization?
- Taking into account difference between formal authority, power and leadership, would you consider that specific groups of staff or personnel are in a “better position” regarding the whole organization? Are they in position to impose their views? On which matters?
- Do conflicts or potential conflicts exist ? On which? What are the most frequent type of conflicts? How are they solved? Which groups are concerned?



Mintzberg H. (1939-)

The Structuring of Organizations 1979
Power in and around Organizations 1983

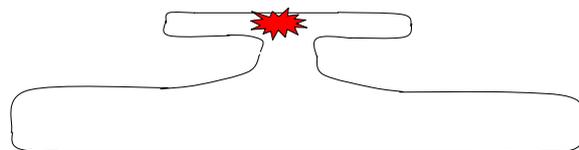
ways of coordination

- mutual adjustment
- direct supervision
- process standardization
- results standardization
- competences standardization

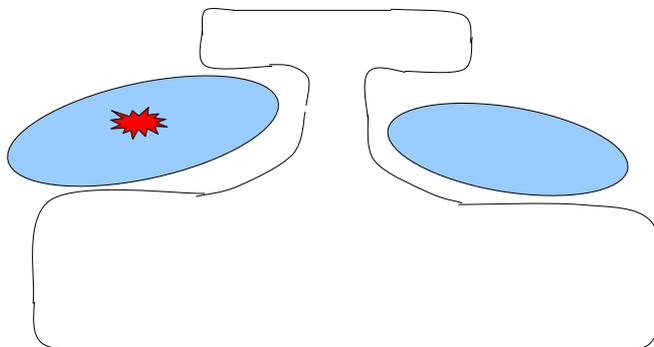


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Simple
structure

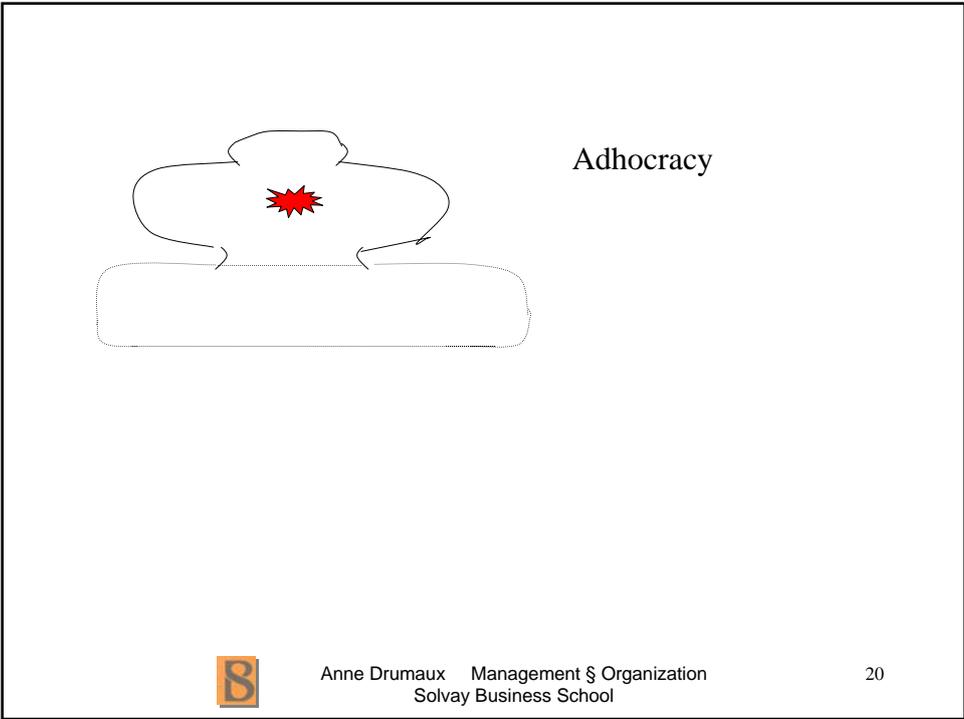
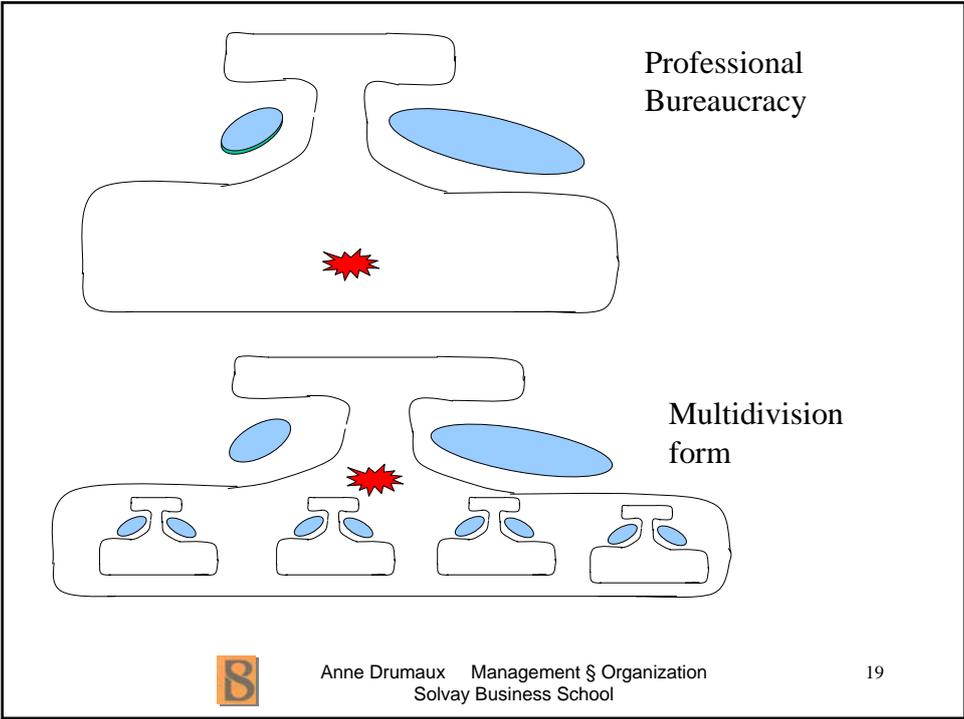


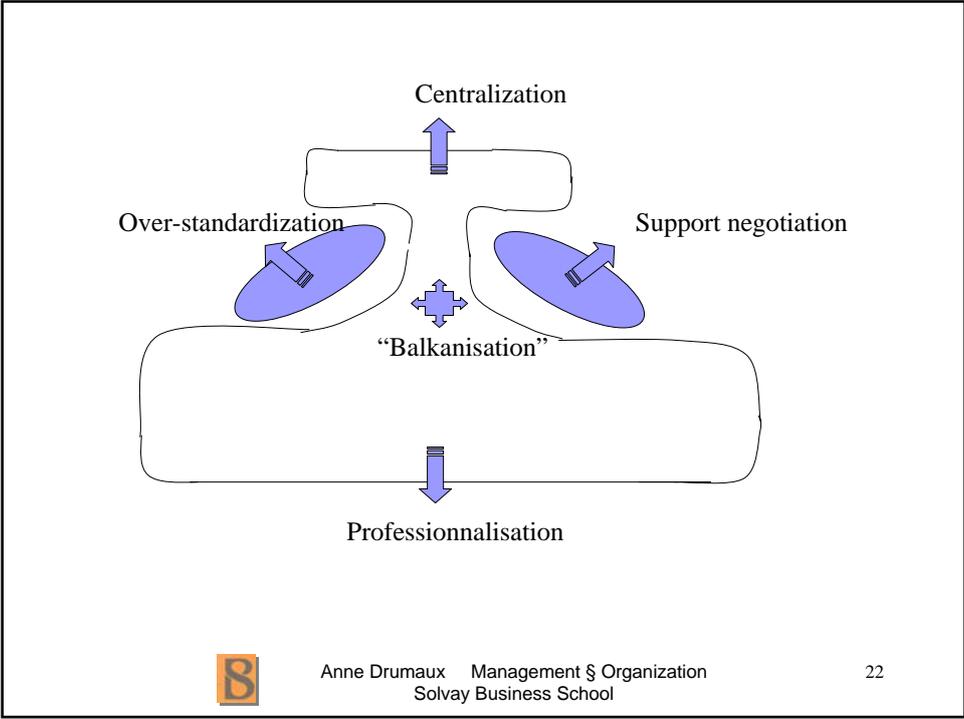
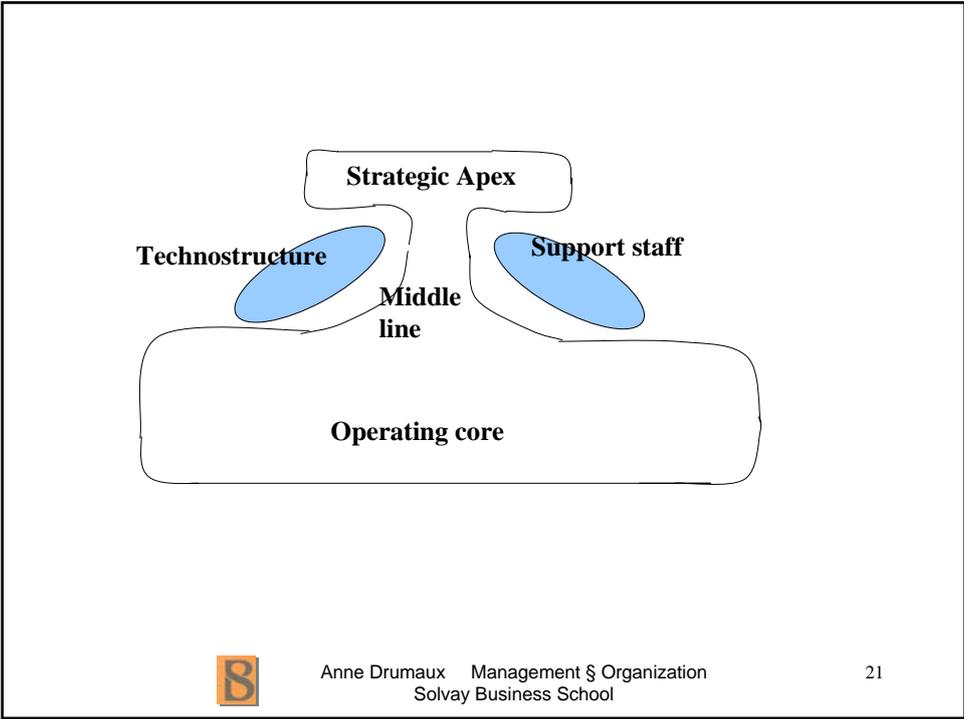
Mechanistic
Bureaucracy



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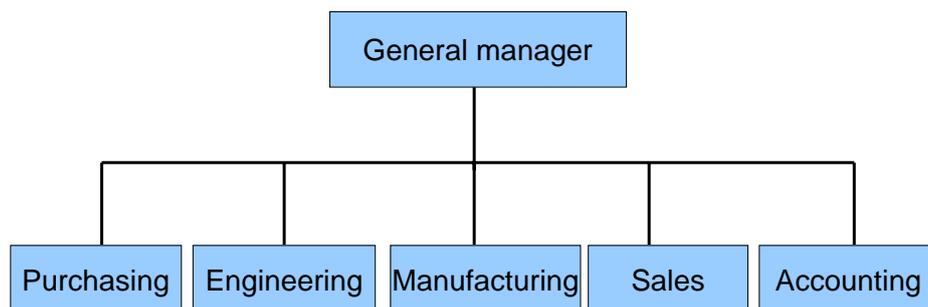


Types of organizational structures

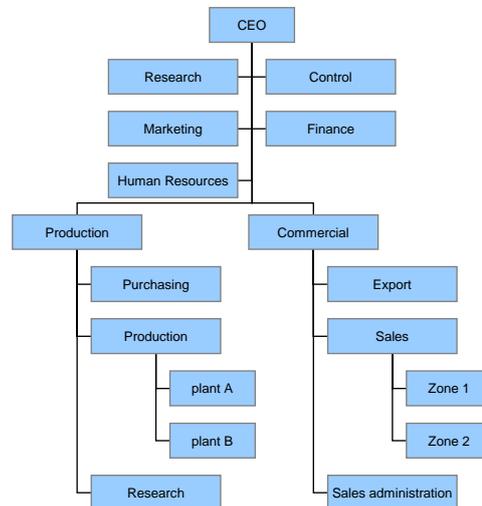
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An organizational chart showing a functional structure



Evolved U-form



Functional structure (U-Form) : advantages & defaults

A+

efficiency if

environmental stability and stable technology

career plans policy in each function

best specialists at the top of each function

D-

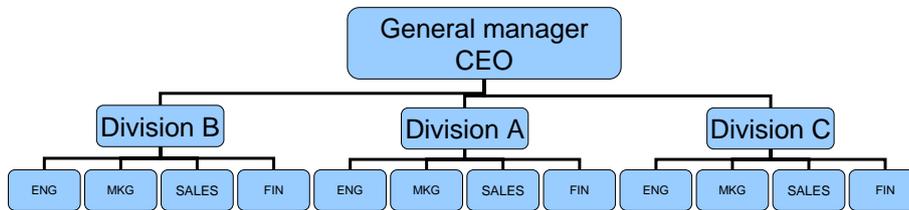
over-centralization due to the General Direction
or/and its staff

no mobility regarding technology

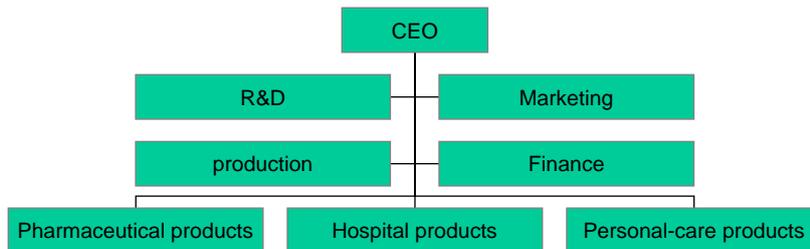
best solution once given a technology



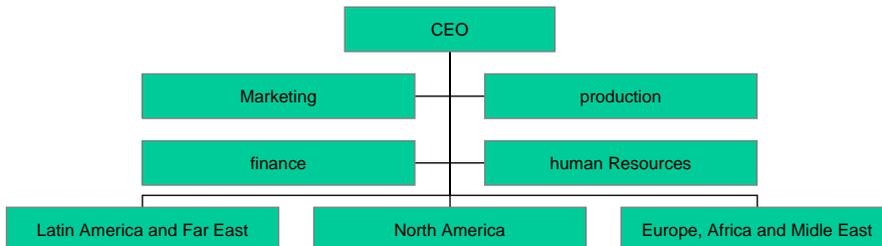
An organizational chart showing a multi-divisional structure



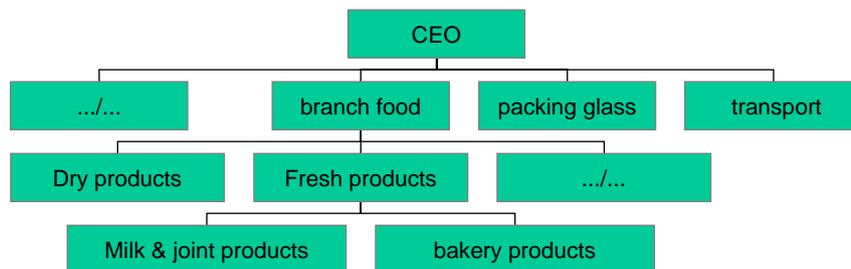
Product M-form



Market M-form



H-form as specific case of multidivisional structure



Divisional structure (M-Form and H-form) : advantages & defaults

A+

based on strategic segmentation : it allows
assessment enterprise position in relation to its
market

constructed as profit centers : it allows
accountability and responsibility in each center
control on same criteria

emergence of generalist senior executives
permits :

strategy definition in each segment leaving global
strategy to top management

duplication of general direction



D-

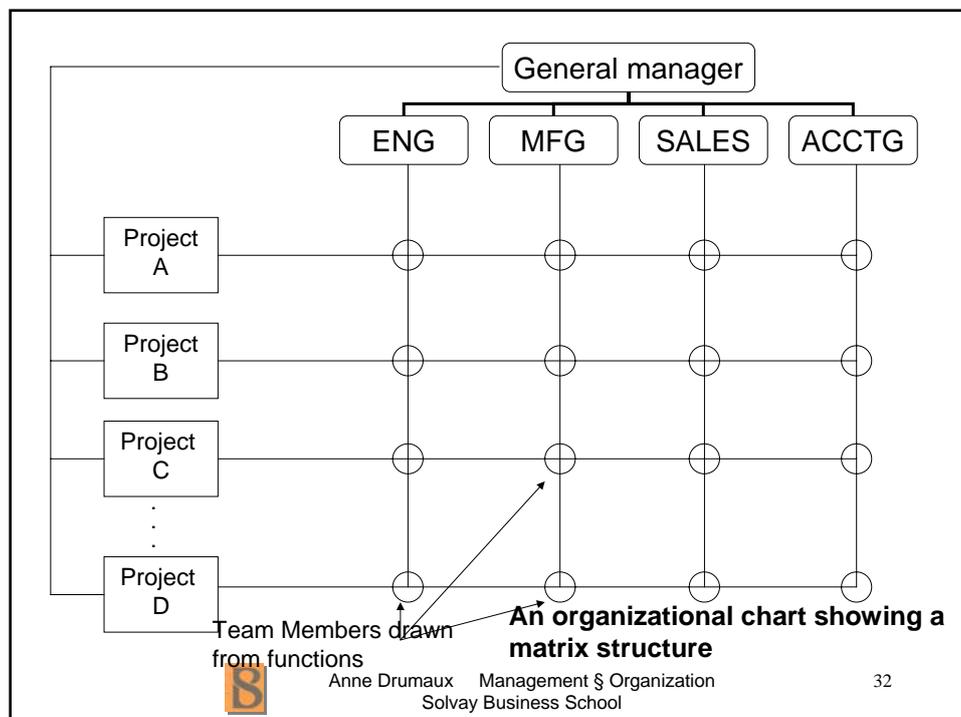
no scale economies :

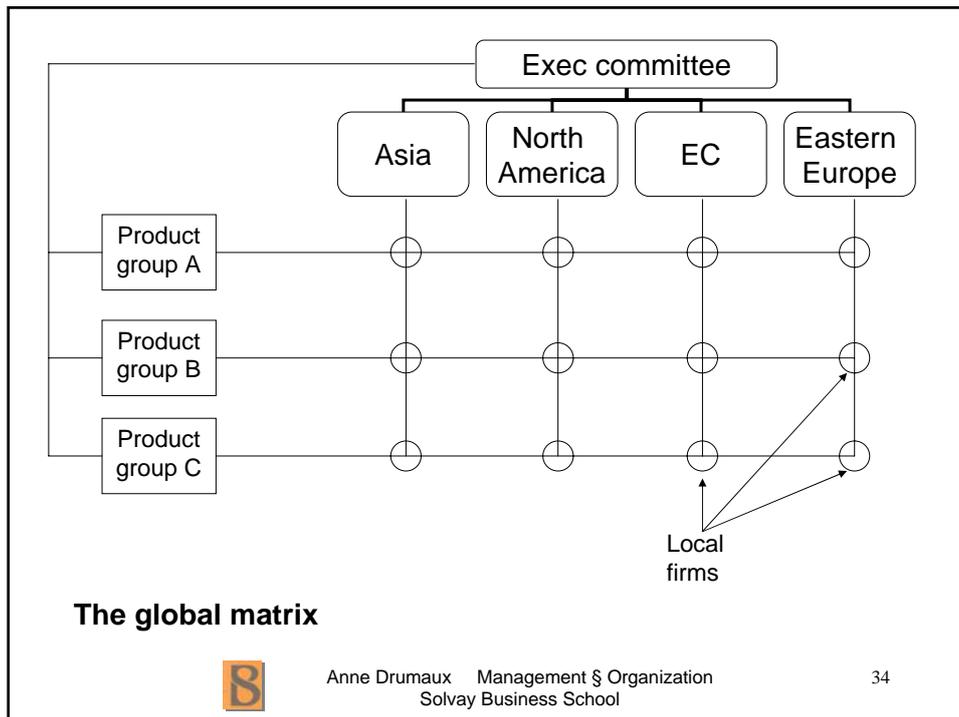
organization aimed at optimization at the level of the division only

no easy transmission of technical competences :

dispersion of specialists in the structure

complex to manage when interdependency between divisions grows





Matrix structure (Matrix-Form) : advantages & defaults

A+

double coordination on functions and products or markets

vertical coordination allows efficiency in each function

horizontal coordination allows effectiveness for each product or market

avoids defaults of U-form and M-form

break the old principles (unity of command, unity of direction)

insists on collective performance more than on individual performance

introduce some plasticity in the structure



D-

efficiency and effectiveness linked to the
acceptance of multiple management

new rules are long to implement

necessity of arbitrage

supremacy stake between functional and divisional
departments

if strong conflict, danger of overflow at direction level

huge cultural shock



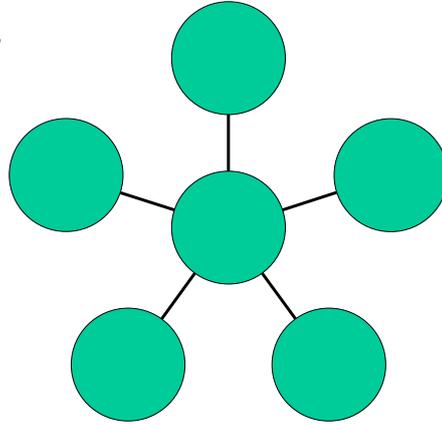
Network structure

- Relatively new
- Replaces vertical communication and control with lateral relationships
- Appear when rapid technological changes, shortened product life cycle, fragmented markets
- Result of outsourcing or collaboration
- Limit : virtual organization

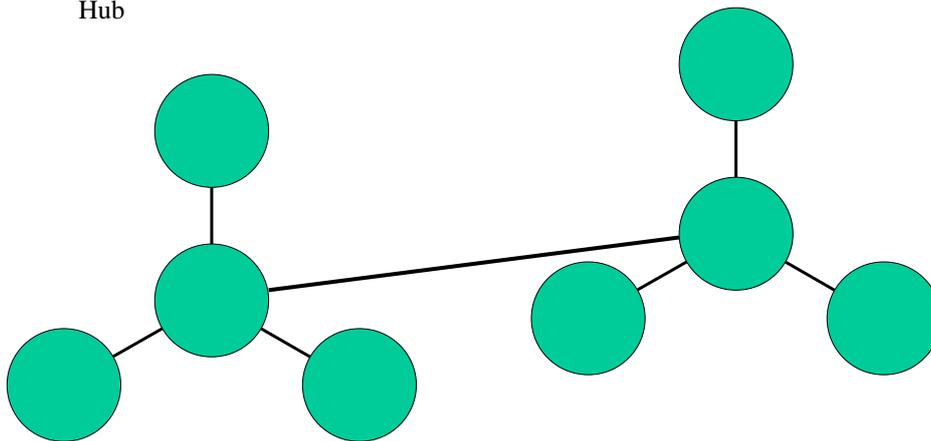


Spider

Toyota and subcontractors

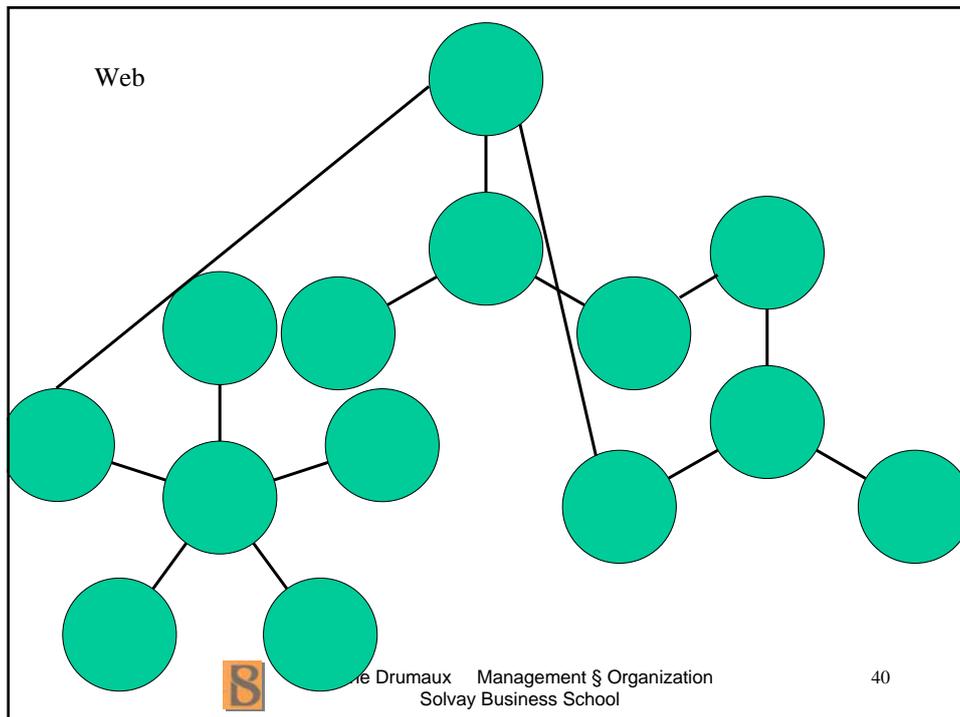


Hub



Dell
Benetton





Network structure: avantages & disadvantages

A+

- Allows rapid growth
- Flexible
- Efficient if control (Ouchi : market, bureaucracy, clan)
- Common branding

D-

- Rapid decline too
- Danger if loss of control
- Common image may be difficult to share



Composit structures

existing structures

under specific conditions

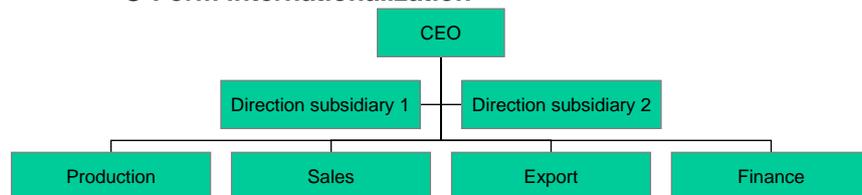
internal growth

partial diversification

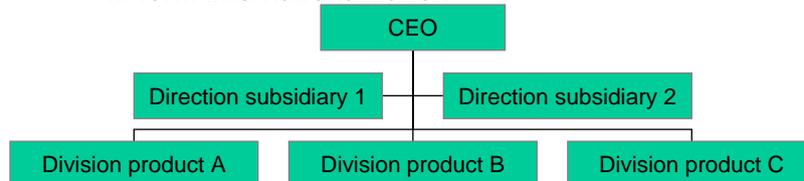
process of international expansion



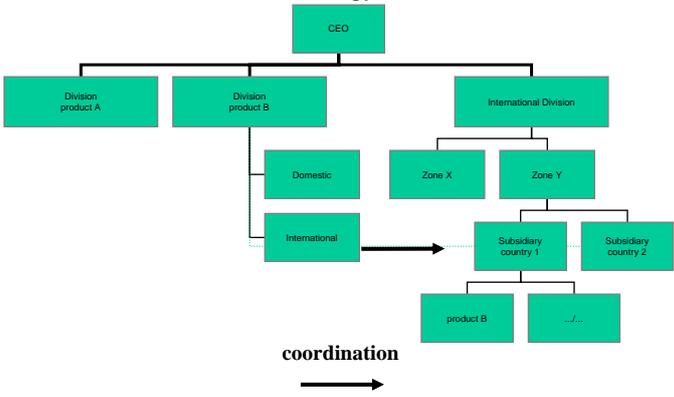
U-Form internationalization



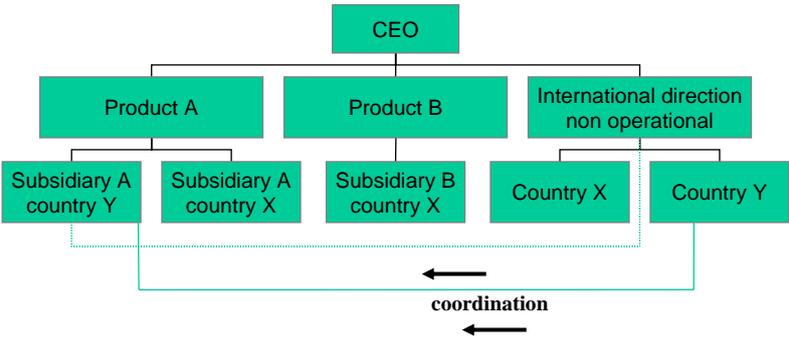
M-form internationalization



Matrix-form internationalization
Product strategy dominant



Matrix-form internationalization
country strategy dominant



Formal & informal structure

Interpersonal relationships makes the informal organizational structure

H. Simon : « *interpersonal relationships in the organization that affect decisions within it but either are omitted from the formal scheme or are not consistent with it* »

C. Barnard : informal relationships help organization members to satisfy their social needs *and* get things done

P. Selznick : « operative system » is the result of both formal and informal structure

