

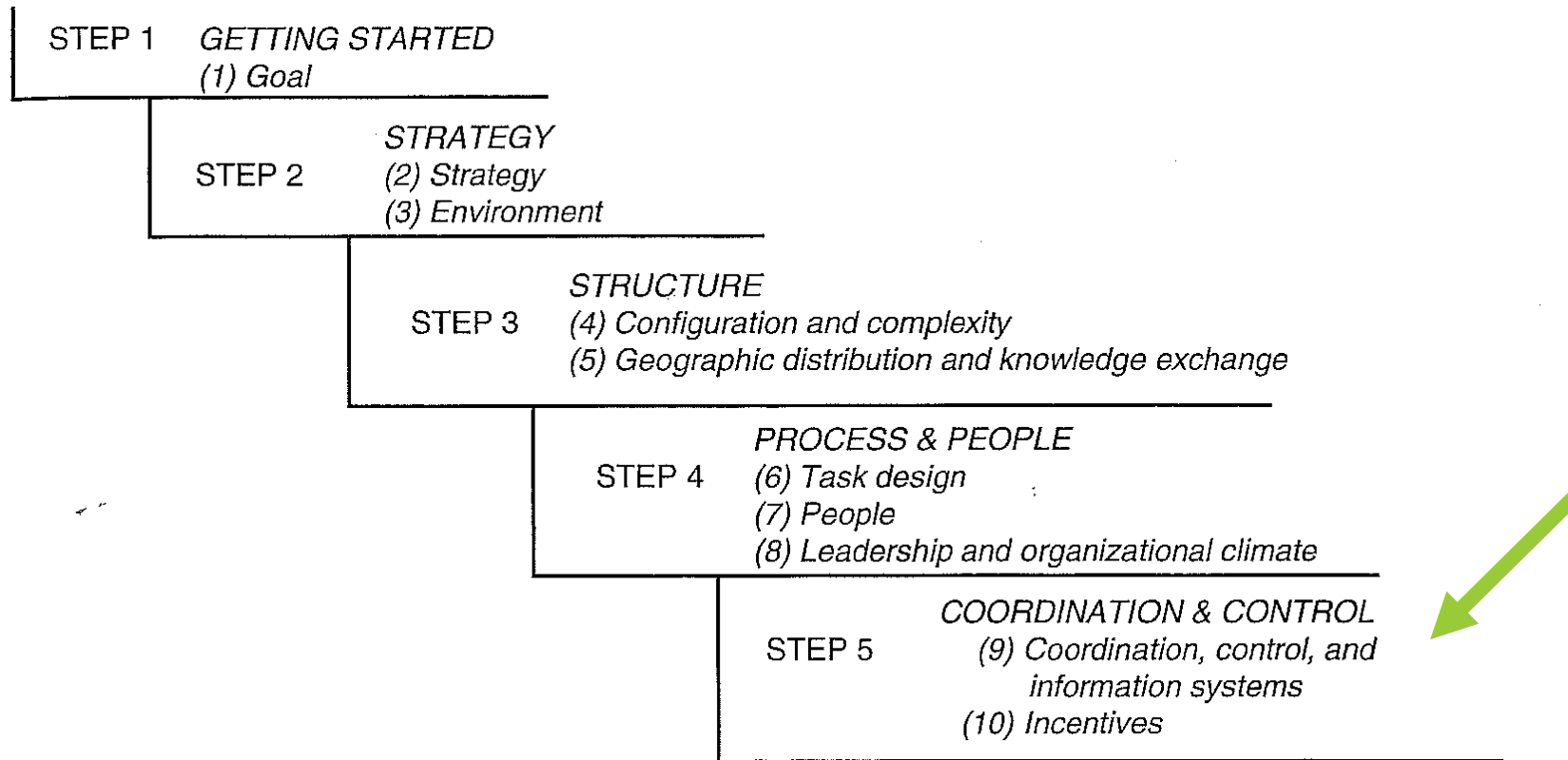
Organisation Design

WEEK 10 S1 2019

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SLIDES ADAPTED FROM: BURTON, R. M., OBEL, B., & HÅKONSSON, D. D. (2010, 2015). ORGANIZATIONAL DESIGN: A STEP-BY-STEP APPROACH. CAMBRIDGE UNIVERSITY PRESS.

Five steps of organisation design



Coordination, control & information systems

We have designed our process and people-based systems. Now we have to design coordination, control and information systems (CCIS) to manage our organisation.

CCIS:

- Support integration of the organisation
- Provide monitoring of decision making
- Support decision making

Coordination and Control

- ❑ **Linking** together disparate elements of the organisation
- ❑ **Support** responsiveness to change in the environment
- ❑ **Support** responsiveness to change in task demands

Formalisation/decentralisation

When designing the coordination and control systems it is useful to consider how formalised you want systems to be and how centralised you want the control to be.

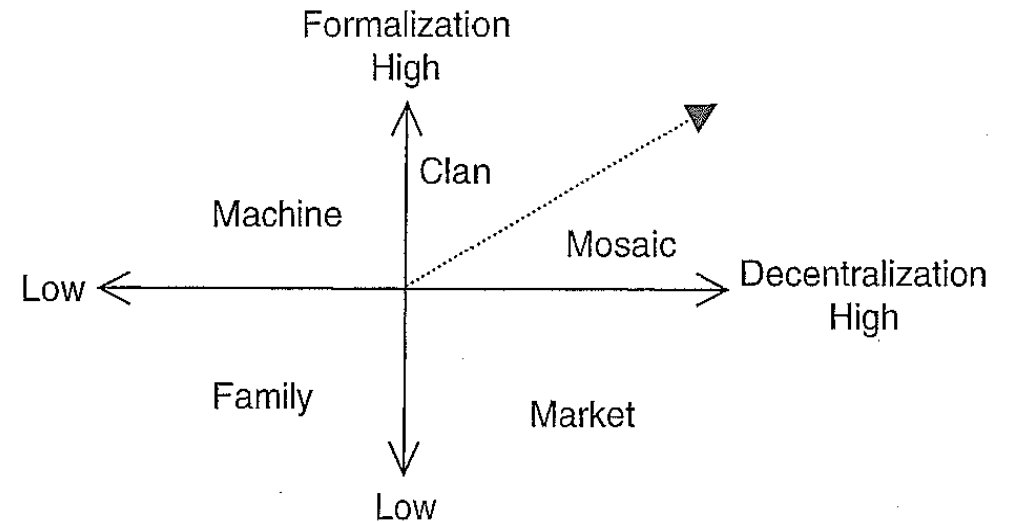
■ Formalisation:

- the degree to which the organisation will have **rules or codes** for how work is done
- Level of detail
- Frequency of communication of rules
- Are they recorded (i.e. policy statements)
- Are there computer programs which monitor work and give feedback
- Are rules communicated through training, modelling behaviour, verbalised codes

Formalisation/decentralisation

Centralisation

- This considers where the decisions are made, for example centralised to one person or one level of the organisation.
- Bureaucracies and start-up usually have high centralisation.
- Consider where operational and strategic decisions are made.



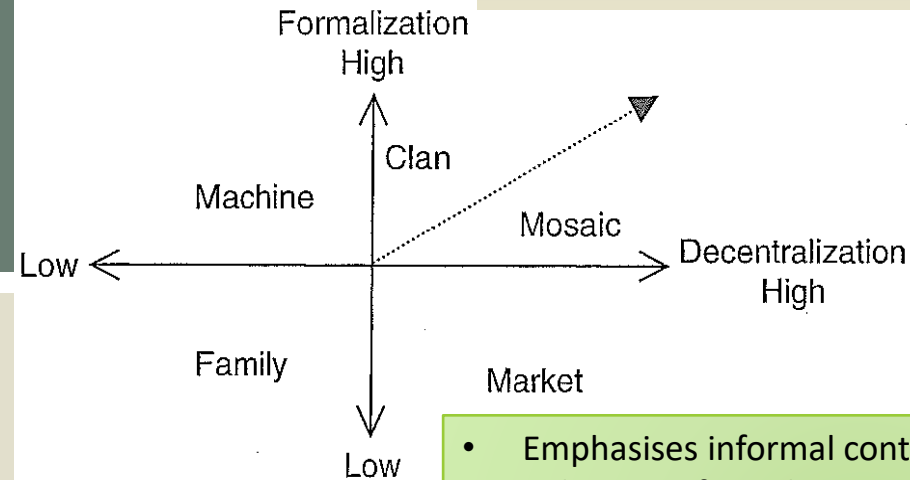
Coordination and control space

- Bureaucracy
- Smart/intelligent machine (just-in-time inventory, Six Sigma quality control, 360-degree feedback)
- Detailed job descriptions
- High use of information – adapts to changing demands
- i.e. Walmart, hospitals
- Lack of creativity, flexibility, need to replace old systems

- Few written rules
- CEO/boss tells people what to do
- Ad-hoc control and coordination
- Flexible
- Difficulties arise when new people join or the leader changes
- i.e. Walt Disney, start-ups

- Uses strong norms for how to get things done embedded in the hearts and minds of employees
- Employee selected on their likelihood to conform with norms – “the way we do things”
- Written rules set the minimum standard
- i.e. Southwest Airlines, Ikea
- Success reliant on leaders setting good norms
- Rules with some freedoms

- Rules not identical throughout the organisation – allows disparate systems across the organisation.
- Requires extensive two-way communication across the organisation to work.
- i.e. Unilever



- Emphasises informal control.
- Relies on informal norms. Employees encourage to share information, speak out.
- Promotes innovation, customisation.
- Risk taking, tactical organisation.
- Difficult if sub-units don't 'police' themselves well.

Diagnostic

Decentralisation

1. To what extent are subunit decisions and actions directed by corporate headquarters or another sole authority (1) versus managed independently by subunits (5)? _____
2. To what degree does top management leave control or operational decisions to managers others in charge of those operations (1) low, 5 (very high)? _____
3. How much discretion do subunit managers have in establishing their budgets (1) low, 5 (very high)? _____
4. How much discretion do subunit managers have in determining how his or her unit will be evaluated (1) low, 5 (very high)? _____
5. How much discretion do subunit managers have over how work exceptions are to be handled (1) low, 5 (very high)? _____

Add, divide by 5 to get degree of decentralisation.

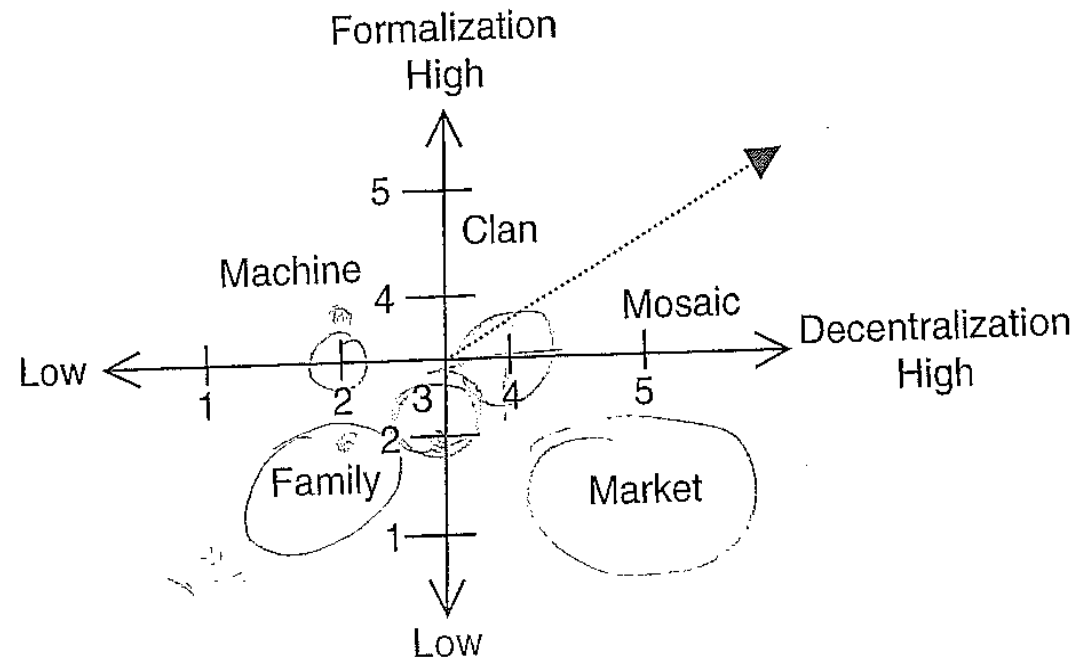
Diagnostic

Formalisation

1. To what extent does the organisation rely on rules, codes, or policies to manage how work is done (1) low, 5 (very high)? _____
2. Are there precise job descriptions to describe who does what and how ? (1) low, 5 (very high)? _____
3. Are there well-known expectations about what is 'correct,' 'acceptable,' or 'expected' of employees (1) low, 5 (very high)? _____
4. Are there well-known penalties for violating rules or not meeting expectations of on-the-job behaviour (1) low, 5 (very high)? _____
5. To what extent are employee actions monitored, recorded and/or provided as feedback to either the workers themselves or to managers (1) low, 5 (very high)? _____

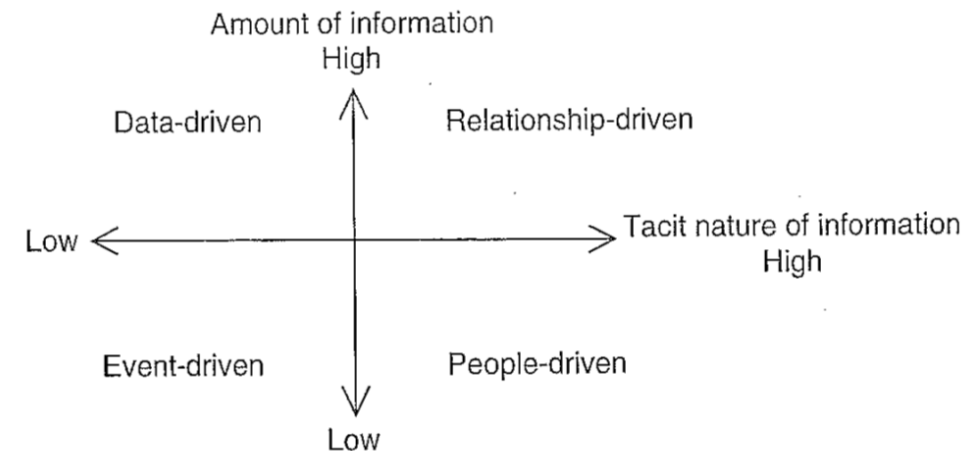
Add, divide by 5 to get degree of formalisation. You can now plot your results.

Coordination and Control Space



Information systems

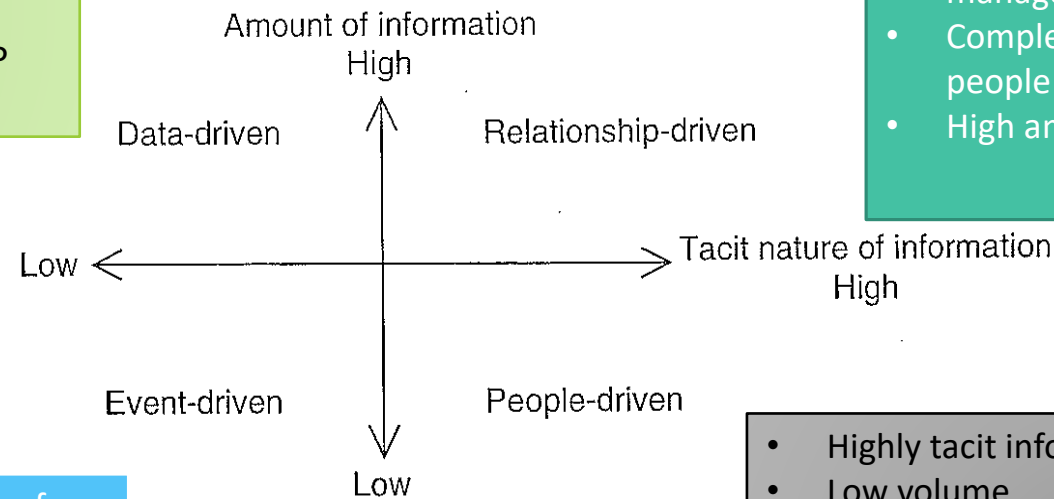
- Information systems enable decision making.
- They include all systems which collect, store and process information.
- They may be computer-based, telecommunications-based or people based.
- To inform our organisation design we consider two dimensions: **the amount of information** the organisation must collect, process and store; and **the tacit nature of the information**.
- Tacit = causal ambiguity + difficulty of codification
- Explicit = can be expressed formally through symbols and facts (easier to communicate)



Information systems space

- Amount of information requires ongoing capture, analysis and transfer.
- Assumes information is codifiable
- Typical systems include Peoplesoft, SAP (enterprise-wide)

- Most complex model but is able to increase both efficiency and effectiveness.
- Focuses on data that is embedded in the links/relationships between people and data.
- i.e. CRM (customer relationship management systems)
- Complex to develop because they involve people and data.
- High amounts of tacit data



- System set-up to process information for specific events
- Little thought required, just purchase and use (email system)
- Systems for sorting or retrieving data not a priority because there is little information.
- Works well when tacit information is low.

- Highly tacit information
- Low volume
- Capture, processing and transfer of knowledge in people's minds and actions.
- Information difficult to codify
- Appropriate in the formative stages on an organisation.
- i.e. Laboratories, consulting

Diagnostic

Tacit nature of the information

1. To what extent is vital knowledge of the firm codifiable (1) or non-codifiable (5)? _____
2. Could most of the important information that is exchanged within the firm be readily recorded on paper or in a computer system (1=yes, 5=no) _____
3. Does the information exchanged within the organisation require interpretation in order to be meaningful (1=not much interpretation, 5=high interpretation required)? _____
4. Is the information relatively easy to understand and explain (1), or are there subtleties to understanding the information, requiring specialised experience or expertise to fully 'make sense' of the information (5)? _____

Add, divide by 4.

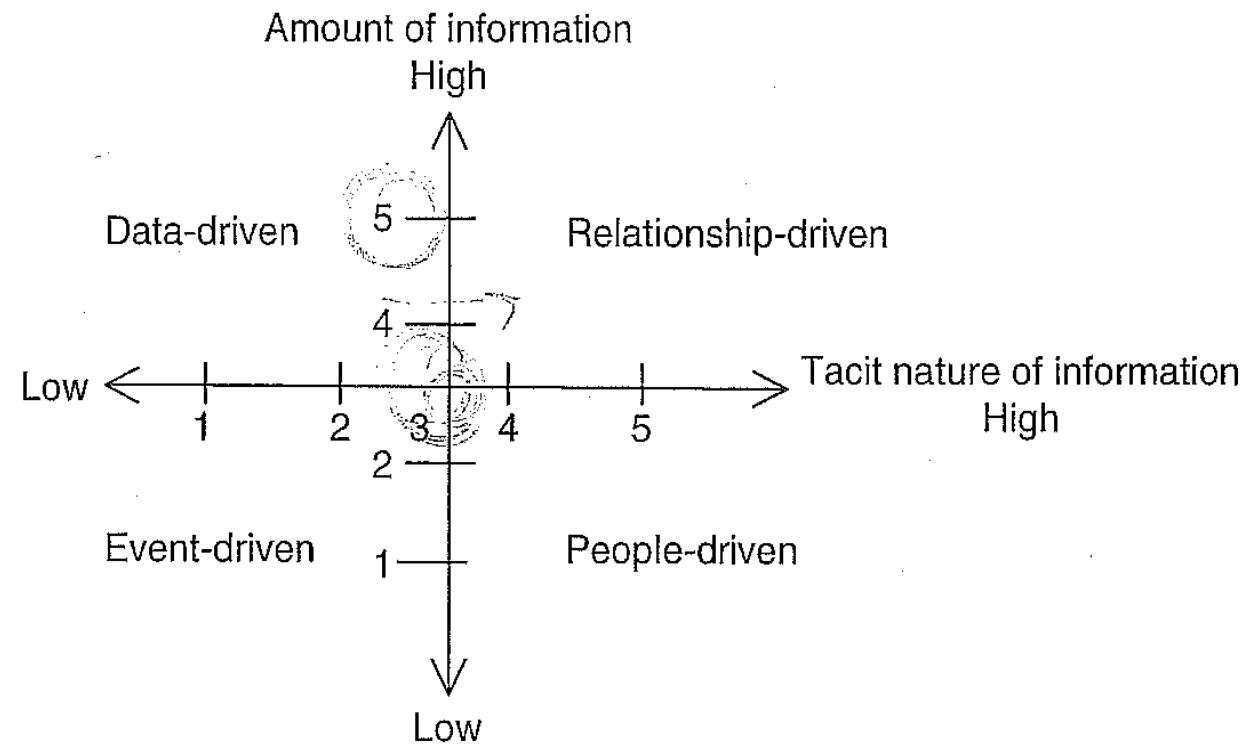
Diagnostic

Amount of information

1. Are most of the organisation's work tasks unique (1), or are the work tasks repeated in large volume (5)? _____
2. Does execution of the work tasks rely on having a relatively small (1) or large (5) amount of data available to the worker or decision maker responsible for the task? _____
3. To what extent are common types of data that can be captured and made useful for many transactions and tasks (1=low extent, 5=high extent)? _____

Add, divide by 3. You can now plot your analysis on the Figure in the next slide.

Diagnostic result



Fits and mis-fits

Table 9.1. Fit and misfit to include coordination, control, and information systems

Corresponding quadrant in organizational design space	A	B	C	D	
Information systems	Event-driven	Data-driven	People-driven	Relationship-driven	
Coordination and control	Family	Machine	Market	Clan/Mosaic	
Climate	Group	Internal process	Developmental	Rational goal	
Leadership	Maestro	Manager	Leader	Producer	
People	Shop	Factory	Laboratory	Office	
Task design	Orderly	Complicated	Fragmented	Knotty	
Knowledge exchange	Ad hoc communications	Informed	Cellular	Network	
Geographic distribution	Global	International	Multi-domestic	Transnational	
Organizational complexity	Blob	Tall	Flat	Symmetric	
Configuration	Simple	Functional	Divisional	Matrix	
Environment	Calm	Varied	Locally stormy	Turbulent	
Strategy types	Reactor	Defender	Prospector	Analyzer with innovation	Analyzer without innovation
Organizational goals	Neither	Efficiency	Effectiveness	Efficiency and Effectiveness	

Incentives

- Means or instruments to encourage certain behaviours in individual employees or groups of employees
- The way people interpret the incentives
- Monetary rewards
- Praise, acceptance, belongingness, recognition, and self-worth
- Many organisation are not successful in aligning incentives with organisational goals
 - “On the folly of rewarding A while hoping for B” (Kerr, 1975).

Incentives

For our purposes we will examine incentives from two perspectives; **target of incentives** and the **basis of evaluation**.

Basis of evaluation: behaviour or results, or a mix?

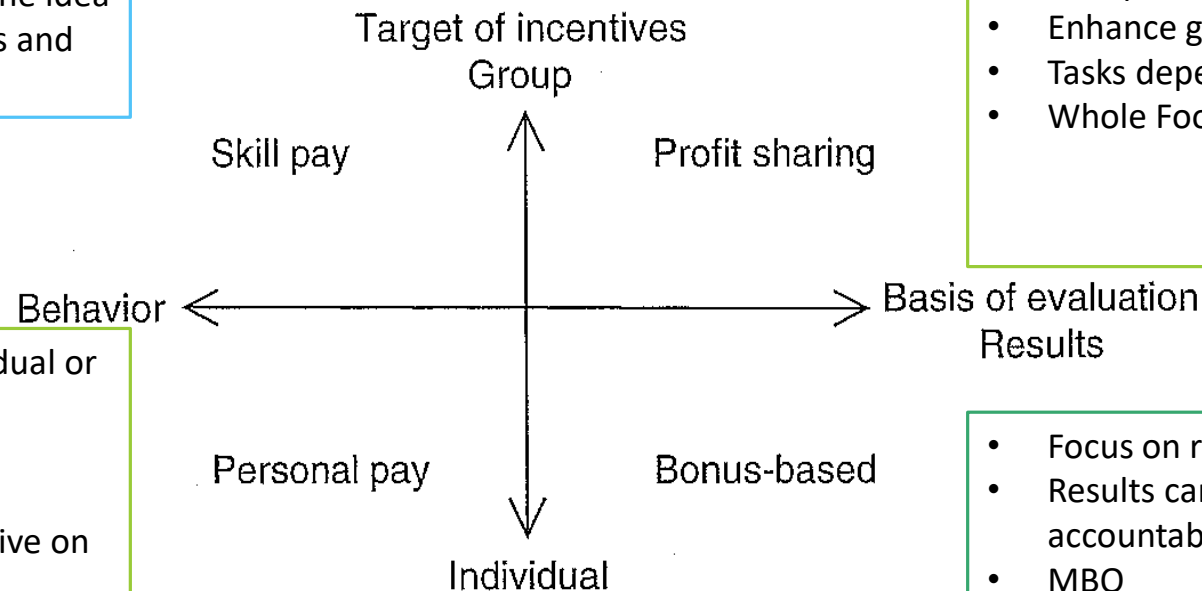
Target of incentives: individual or group, or a mix?

In reality, most organisations design incentive systems with a combination of approaches.

Typology of incentives

- Most widely used in the world
- Pay difference skill or position –based.
- Incentives system underpinned by the idea that people should utilise their skills and follow position descriptions.

- Compensation tied to results rather than behaviour
- Group-based.
- Enhance group performance
- Tasks depend on joint efforts of the group
- Whole Foods/Woolworths



- Behaviour-based, focussed on the individual or sub-unit
- Underpinned by formal or psychological contract
- Compliance with rules or directives – arrive on time, working set hours, meeting job description, follows bosses direction.
- Pay negotiated – can be very different between groups.
- Pay generally lower because organisation takes all the risk.

- Focus on results
- Results can be mapped back to the accountable party
- MBO
- i.e. CEO bonus based on profit.
- Can lead to withholding information.
- Flexible for organisation.
- CISCO, GE.

Diagnostic

Basis of evaluation

1. Are people rewarded using a fixed salary or hourly/daily wage (1), or are they rewarded based solely on the quality/quantity of their work output (5)? _____
2. To what degree are salaries or other rewards based on the skills, experiences, on-the-job efforts or cooperativeness of the employee (1), versus the quantity or quality of their work results (5)? _____
3. In evaluating people for promotions, benefits, or other rewards, whether tangible or intangible, does management emphasise how work is done (1) or the results of the work (5)? _____

Add, divide by 3.

Diagnostic

Group/Individual-based incentives

1. Do the activities in the organisation require collaboration by individuals (1) or can they be done by a group (5)?_____
2. To what extent are teams compensated based only on individual performance (1) versus performance as an organisation (5)?_____
3. In evaluating people for promotions, benefits, or other rewards, whether tangible or intangible, does management emphasise individual's work(1) or the total organisation's (unit of analysis)(5)?_____

Add, divide by 3. Now you can plot your organisation on the Figure in the next slide.

Incentive scheme space

