

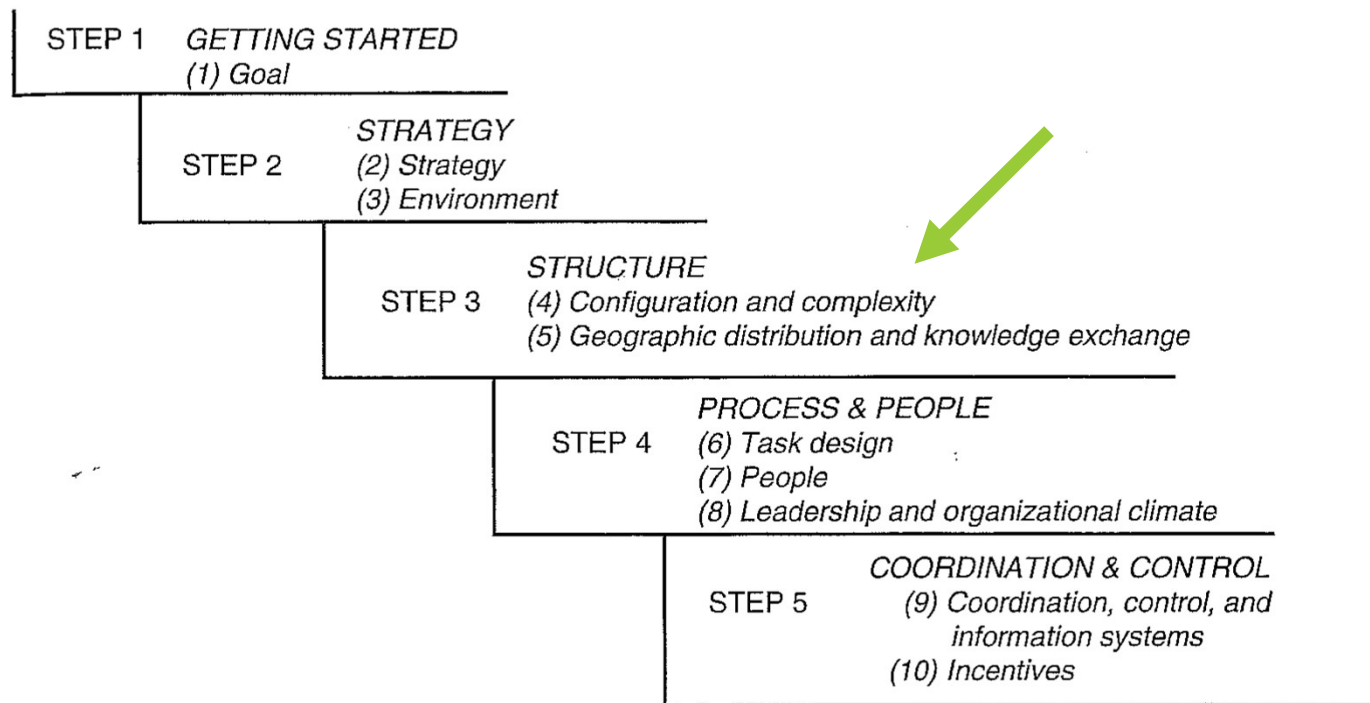
Organisation Design

WEEK 9 S1 2019

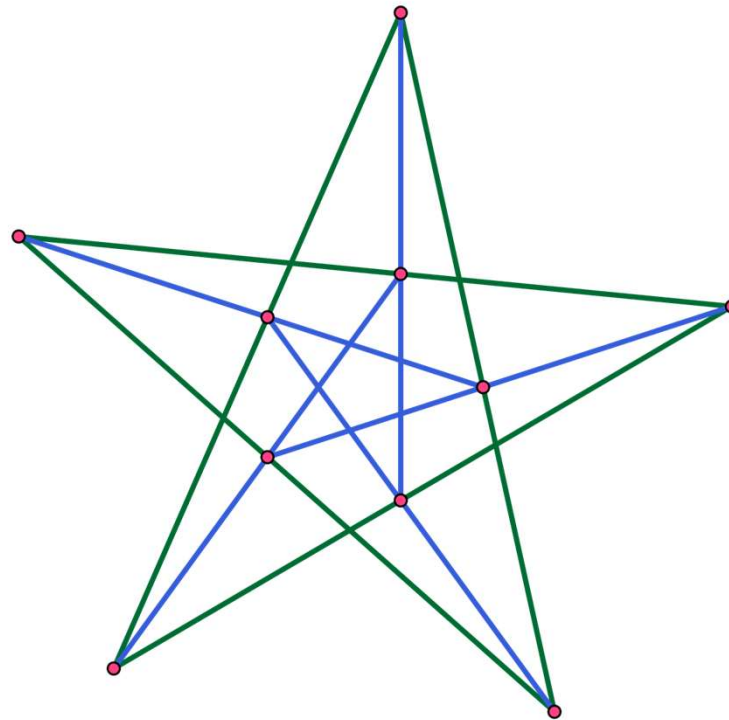
DR VALERIE CAINES

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



Step 3: The configuration and complexity of the organisation



How do we decide on structure?

- Configuration – structure or architecture
- Enables firm to achieve goals and strategy
- Organisation chart
 - How does the organisation partition big tasks into smaller tasks (i.e. specialisation or product)
 - Formal communication patterns
- How do we coordinate smaller tasks so they fit together efficiently to realise the bigger goals.

Organisation complexity

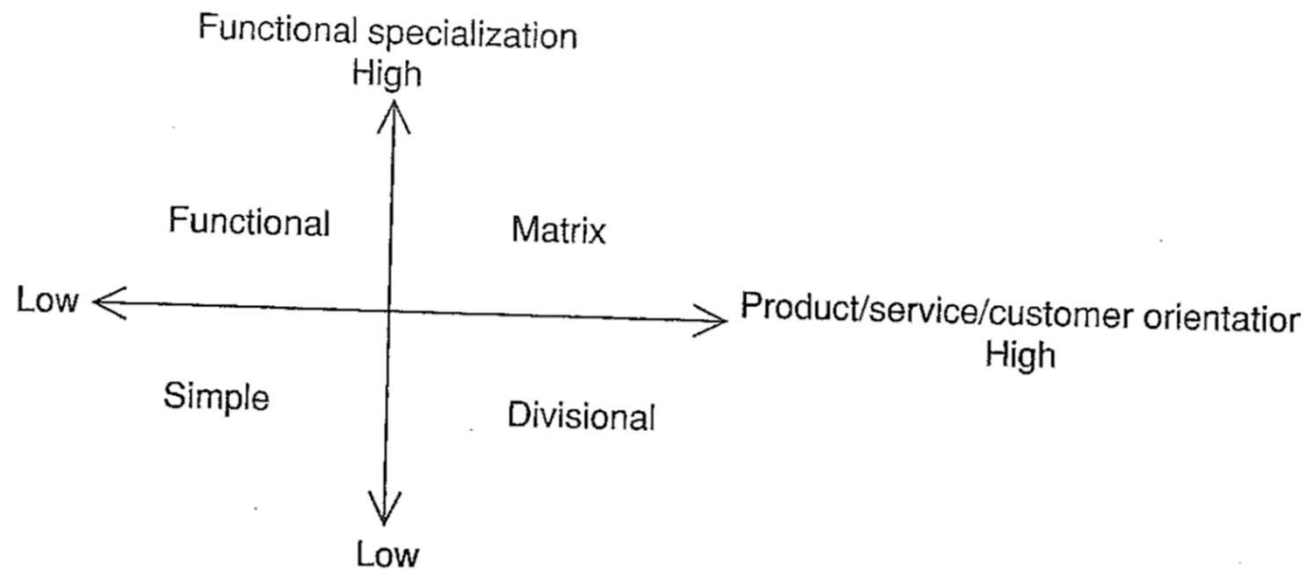
- How many subunits are there?
- Number of departments
- Number of vertical levels
- Degree of virtualisation (IT systems imbedded in the configuration)

Configuration choices

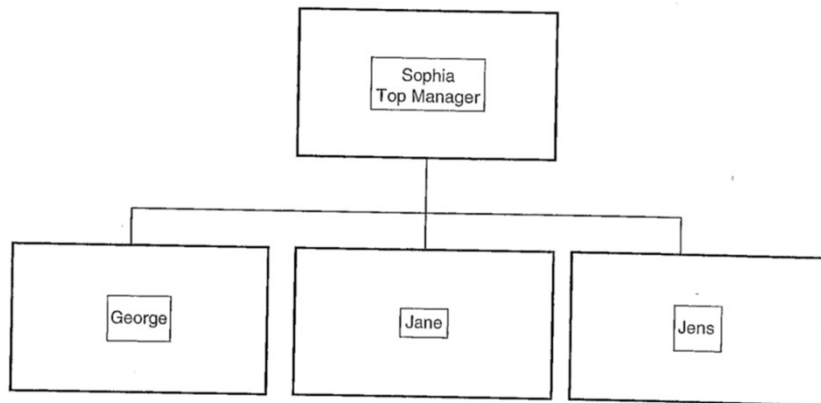
- How will we partition the larger tasks:
 - Product
 - Service
 - Customer orientation
 - Functional specialisation

NOTE: All these dimensions may be present in the one organisation

The alternative organisational configurations of an organisation



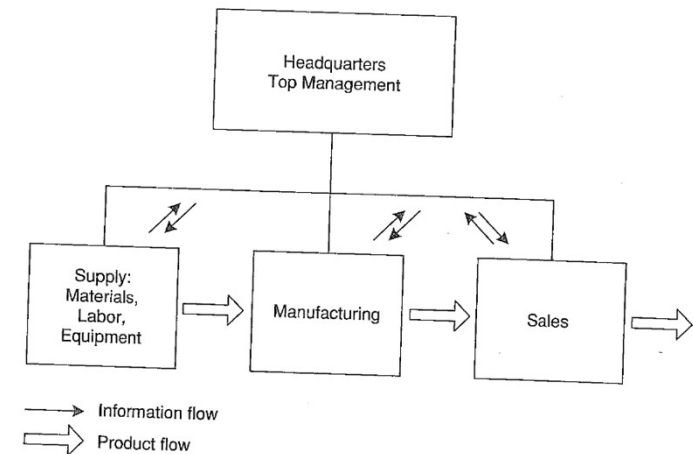
Simple configuration



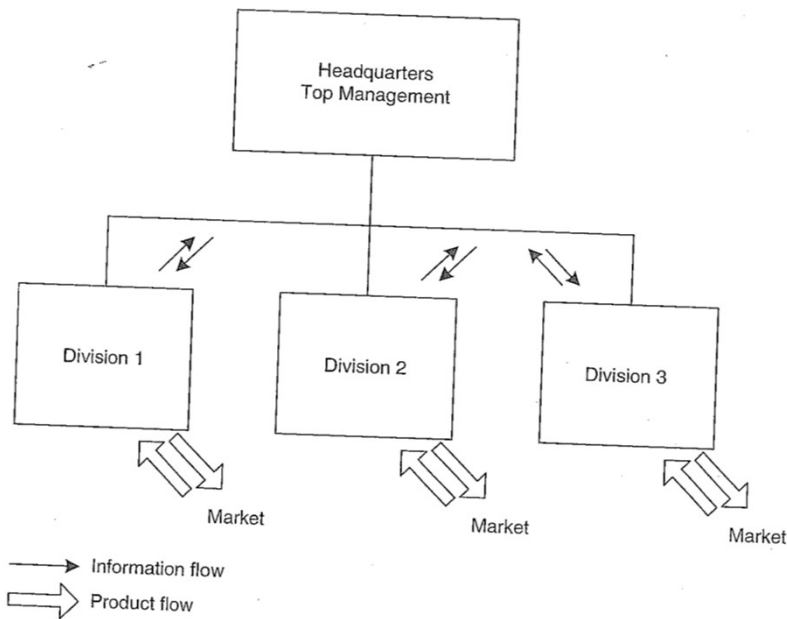
- Low product service + low functional specialisation
- Executive tells people what to do
- No specific tasks for detailed job descriptions
- Coordination of activities done by executive
- Executive at the centre of information flows
- Used by small organisations and where there was an owner start-up
- Flexible but not efficient or effective.
- Employees never to specialise because they are doing too many things (Efficiency)
- Depends heavily on the vision of the executive

Functional configuration

- Low on product etc + high on functional specialisation
- More complex information processing
- Department managers of subunits with clearly defined roles
- Hierarchy is used to put tasks together
- Machine-like, can handle large organisations with high levels of information processing
- Production flow is handing work off to another unit
- Specialisation (in a sub unit) leads to efficiency
- Efficient for unchanging activities, where change is required efficiency is lost.



Divisional configuration



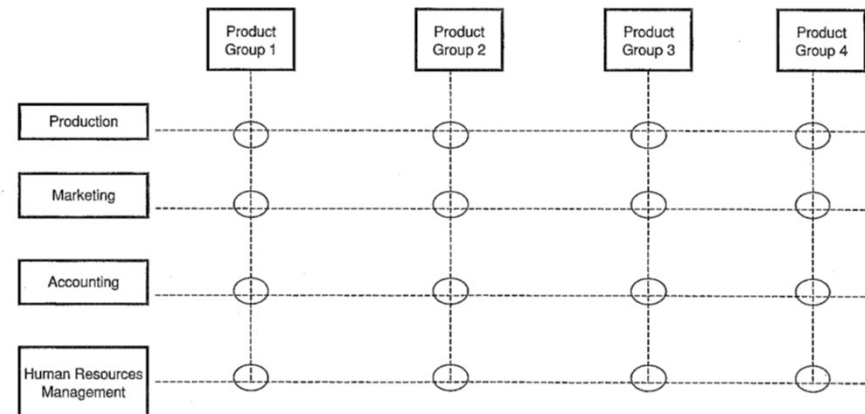
- High product/service etc. + low on specialisation
- Focus is more on products or services rather than internal specialisation
- Subunits are relatively independent of each other
- Each division is externally focussed
- Financial relationship
- Executive involvement varies
- Works best when there is limited coordination from the top
- Divisions work independently and may be structured differently (i.e. simple or functional)

Divisional (cont'd)

- More market responsive than functional
- Can't handle interdivisional dependencies
- Less effective divisions can be sold off
- Division heads must have strong executive capability
- Unlike more functions – more divisions do not increase the coordination demands
- The goal is to have divisions with minimal interdependency to avoid executive overload resolving divisional disputes

Matrix configuration

- High on both product etc. and specialisation
- High information processing capacity need
- Functional hierarchy and divisional hierarchy
- Matrix managers handle coordination problems
- Very flexible
- Special managerial skills needed
- Cross organisational coordination needs to be developed
- Appropriate for when efficiency and effectiveness is needed

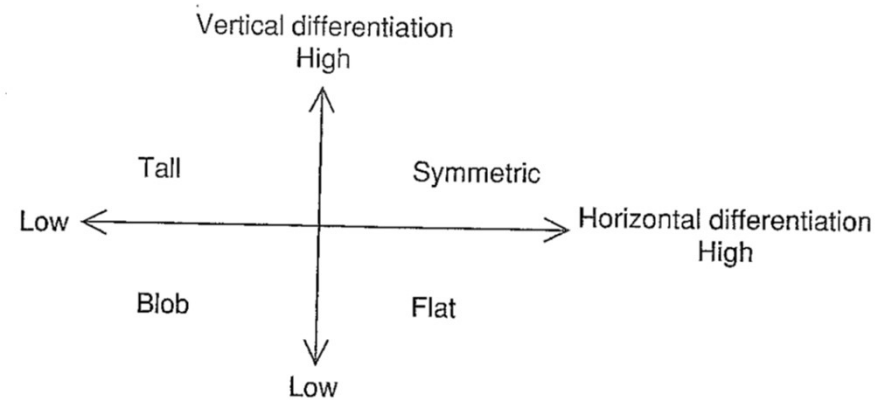


Matrix (cont'd)

- Dual coordination can lead to conflicts
- Unhappy, inefficient employees
- Excessive time spent on coordination
- When it works well it is very effective but when it works badly it is very bad!

Complexity

- Vertical and horizontal differentiation of task management
- Width and height of the hierarchy
- Typical questions include:
 - Width of specialisation
 - Span of control
 - Delaying to eliminate middle management
 - Scope of divisional configuration
 - Limitation of number of functions in a matrix



Blob

- No formal division of work into subunits
- Undifferentiated
- Little specialisation
- Very flexible and quick to respond
- Job descriptions are loose or may not exist
- Demanding on executive
- Can be confusing to customers and new employees

Tall

- Low horizontal differentiation and high on vertical differentiation
- Large middle management
- Middle management take instructions from executive and breaks them down into smaller tasks
- Quite a lot of information processing up and down the hierarchy
- Span of control is limited
- Many modern firms have “delayed” removing a level of middle management.

Flat

- High horizontal differentiation and low vertical differentiation
- Fewer middle managers
- Managers focus on policy, finance and resource allocation (maybe innovation and HR)
- Span of control can be wide
- Information flow can be minimal if just regarding policy
- Executive bear the burden of coordinating across units
- Each unit has autonomy to focus on their work

Symmetrical

- High horizontal and vertical differentiation
- Work can be done simultaneously across subunits
- Parallel processing
- Middle levels help coordinate work for efficiency
- Information processing requirements are very high in this configuration

Diagnostic

Product/service/customer orientation

1. Is the focus of your activities on internal operations of the organisation (1) or are you more focussed toward products, services, and or customers (5)?
2. To what extent do you form subunits to organise work around your customers?
3. To what extent do you form subunits to organise work around your firms products or services?

Add these and divide by 3.

1	2	3	4	5
Very low		Moderate		Very high

Diagnostic (cont'd)

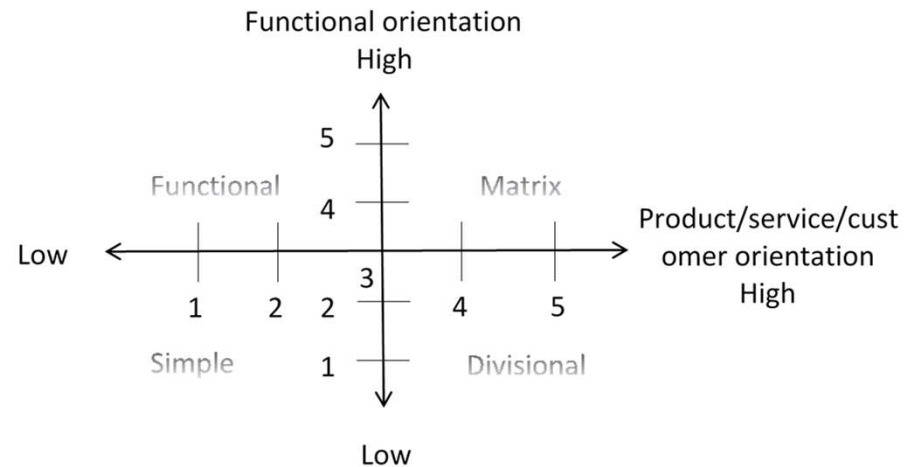
Functional specialisation

1. To what extent does your organisation create subunits based on specialties or skills of it's workers?
2. Is your orientation toward specialisation of functions and clear definition of jobs i.e. high on functional specialisation, or is your orientation low on specialisation?

Add, divide by 2 and locate your organisation on the figure in the next slide.

1	2	3	4	5
Very low		Moderate		Very high

Organisational configuration space



Diagnostic (cont'd)

Horizontal differentiation

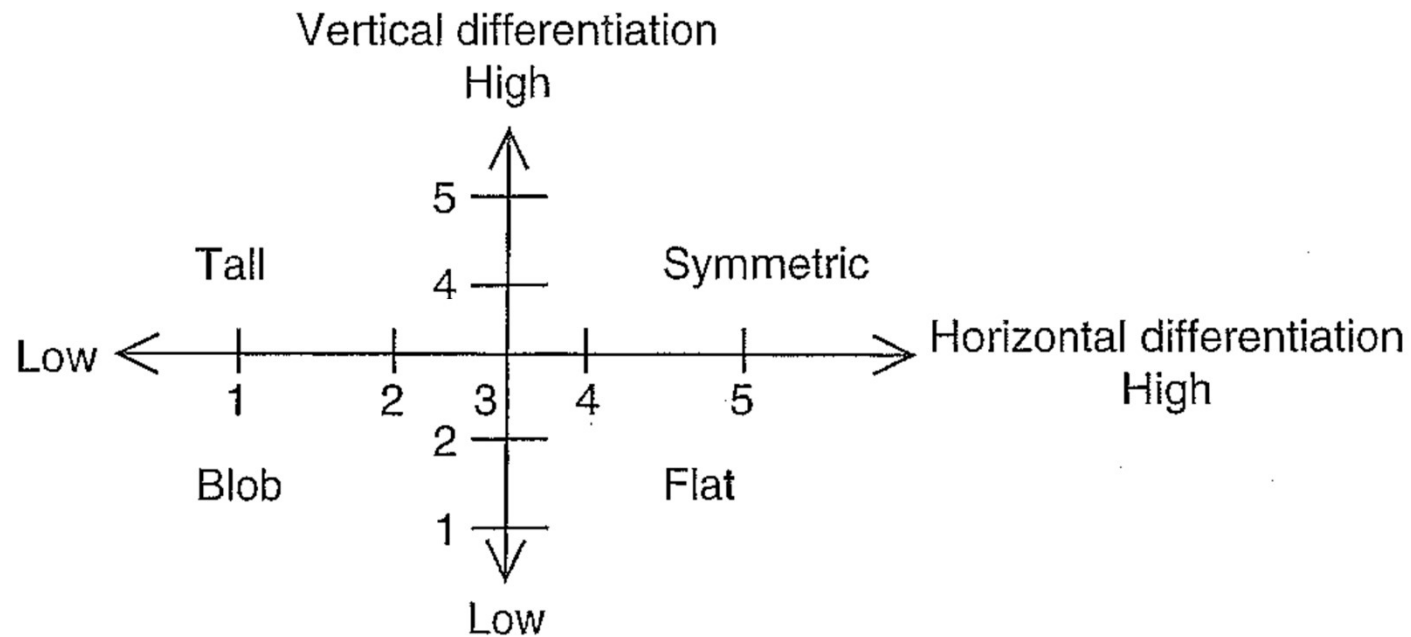
1. At the lowest level of your organisation, how many subunits are there across the organisation? few (1) or many (5)

Vertical differentiation

1. How many levels are there between the lowest-level employee and the CEO, few (1) or many (5)

Find your organisation on the figure in the next slide

Organisational complexity space



Fits and misfits

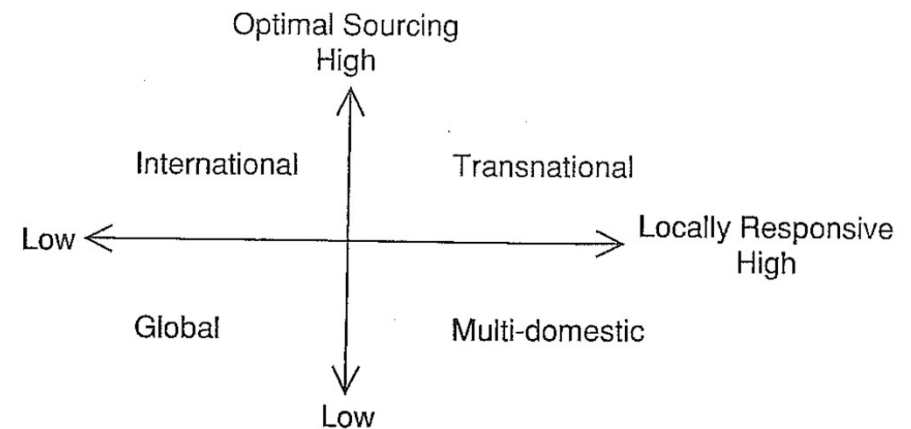
Corresponding quadrant in organization design space	A	B	C	D	
Organizational complexity	Blob	Tall	Flat	Symmetric	
Configuration	Simple	Functional	Divisional	Matrix	
Environment	Calm	Varied	Locally Stormy	Turbulent	
Strategy types	Reactor	Defender	Prospector	Analyzer with innovation	Analyzer without innovation
Organizational goals	Neither	Efficiency	Effectiveness	Efficiency and Effectiveness	

Distributed organisations

- How do organisations operate in multiple locations, coordinating work across national and other geographies?
- How do organisations organise for knowledge exchange?

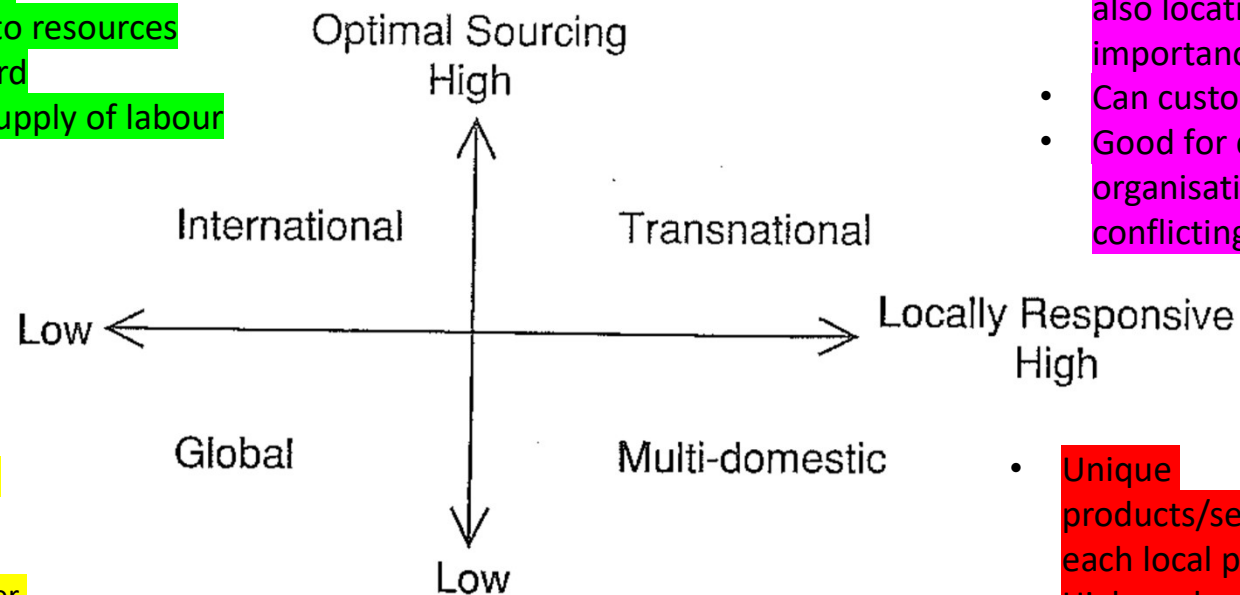
Spanning geographies

- Optimal sourcing or geographical boundaries
- Optimal sourcing:
 - Locate operations where greatest advantage for the organisation can be achieved
 - Customers
 - HR skills needed
 - Cost efficiency
- Local responsiveness:
 - Distribute work in many locations vs one or two
 - Increase flexibility
 - Close to customers
 - Consolidation reduces local responsiveness but brings economies of scale



Structures spanning geographies

- Centres of excellence
- Work located close to resources
- Products are standard
- Usually have good supply of labour



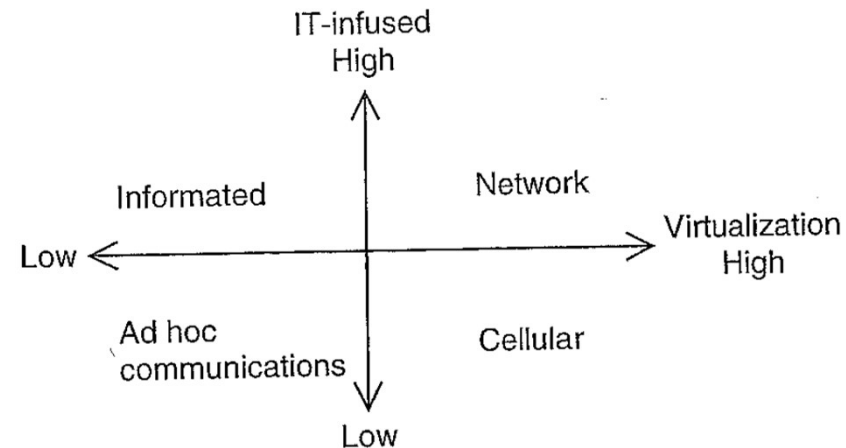
- Close to resources but also locations of strategic importance
- Can customise offerings
- Good for diverse organisations with conflicting strategies

- One location
- Headquarters where business was founded
- Advantage of high centralisation
- Consistent with the strategy to offer similar products or services worldwide

- Unique products/services for each local preference
- High exploration

Structures for managing knowledge exchange

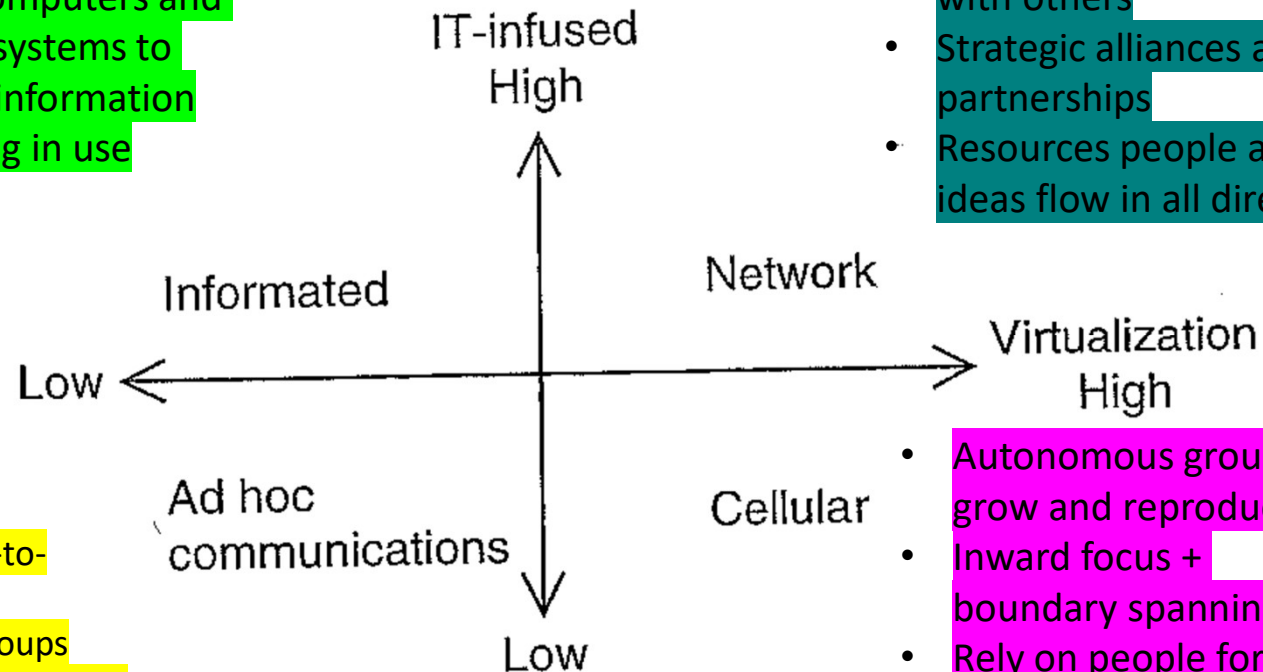
- Knowledge is information that corresponds to a particular context
- Knowledge requires interpretation and intelligence to fully understand and apply.
- Virtualisation:
 - High virtualisation relates to:
 - Boundary-spanning
 - Look outwards
 - Link teams/business units
 - Link the organisation to gain knowledge
 - Low virtualisation:
 - Looking inward
 - Developing knowledge internally
- IT infusion:
 - Reliance on IT-based systems



Structures for managing knowledge exchange (cont'd)

- Use of computers and other IT systems to manage information
- Increasing in use

- Links units and the firm with others
- Strategic alliances and partnerships
- Resources people and ideas flow in all directions



- Small group or person-to-person contact
- Temporary informal groups
- Management of work done on the fly
- Ad-hoc can be very effective.

- Autonomous groups grow and reproduce
- Inward focus + boundary spanning
- Rely on people for interaction

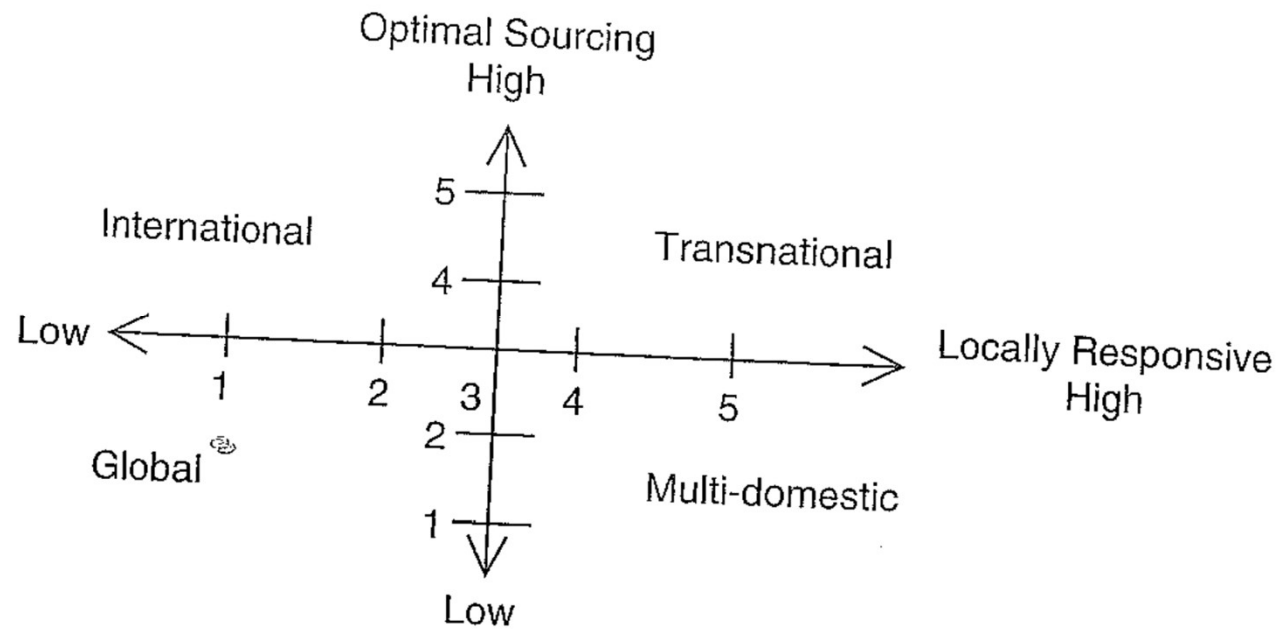
Diagnostic

What is your organisation's **degree of local responsiveness**?

1. To what extent are the units in your firm located close to corporate headquarters (1) or far (5)?
2. To what extent does your firm consolidate work in one region of the world (1) or distribute its work to many locales (5)?
3. To what extent are the important business decisions in your organisation made with a corporate perspective in mind (1) versus a local perspective (5)?
4. Overall, is your organisation organised to assure centralisation of decision making and consistency of work practices across subunits (1) or autonomy of local units and customisation to meet local needs (5)?

Add, divide by 4 and plot your organisation's score on locale responsiveness in the Figure on the next slide.

Geographic Space



Diagnostic continued

What is your organisation's **degree of optimal sourcing**?

1. To what extent does your organisation make decisions about where to locate its operations based on the following criteria:
 1. Close proximity to customers
 2. Close proximity to suppliers
 3. Close proximity to business partners
 4. Close proximity to resources to its ongoing business

Add, divide by 4 (plot on previous graph)

Diagnostic continues

Degree of virtualisation

1. To what extent does the organisation rely on internal (1) versus external (5) sources of knowledge to do its work?
2. To what extent does the organisation develop specialised groups or centres, of expertise that are free to grow on their own (1)-(5)?
3. To what extent does the organisation develop unique partnerships with other units or organisations for the purpose of fostering innovation product development, or innovative forms of service support (1)-(5)?
4. To what extent is the organisation dependent on information supplied by other organisations or units to do its work?
5. To what extent are other organisations or units dependent on information supplied by the organisation in order to do their work?

Diagnostic continued

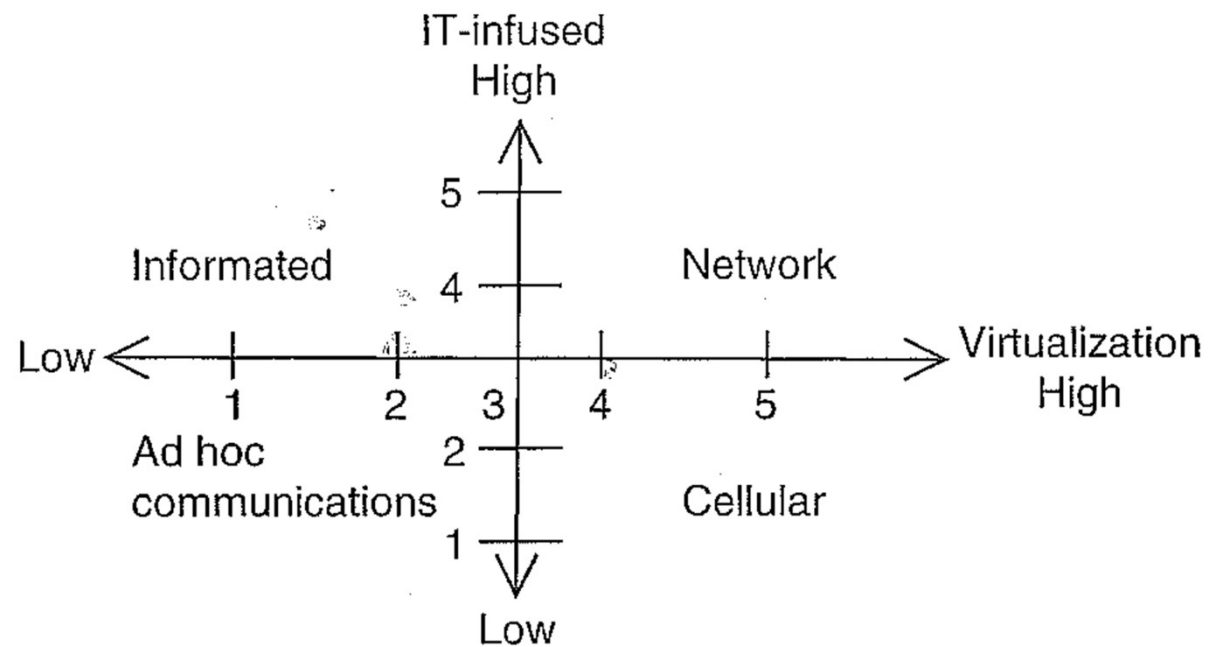
Add, divide by 5, plot your organisation's degree of virtualisation on the graph in the next slide.

Degree of IT infusion

1. To what extent does the organisation rely on computer-based systems to manage its most critical business activities?
2. To what extent does the organisation invest in continual improvement of business process?
3. Which tends to be more frequently used to manage interpersonal communications, face-to-face contact between people (1) or electronic communication systems (5)?
4. Do systems of communication in the organisation tend to be informal and changing (1) or more formalised and prescribed (5)?

Add, divide by 4 and plot the degree of IT infusion. How does this fit?

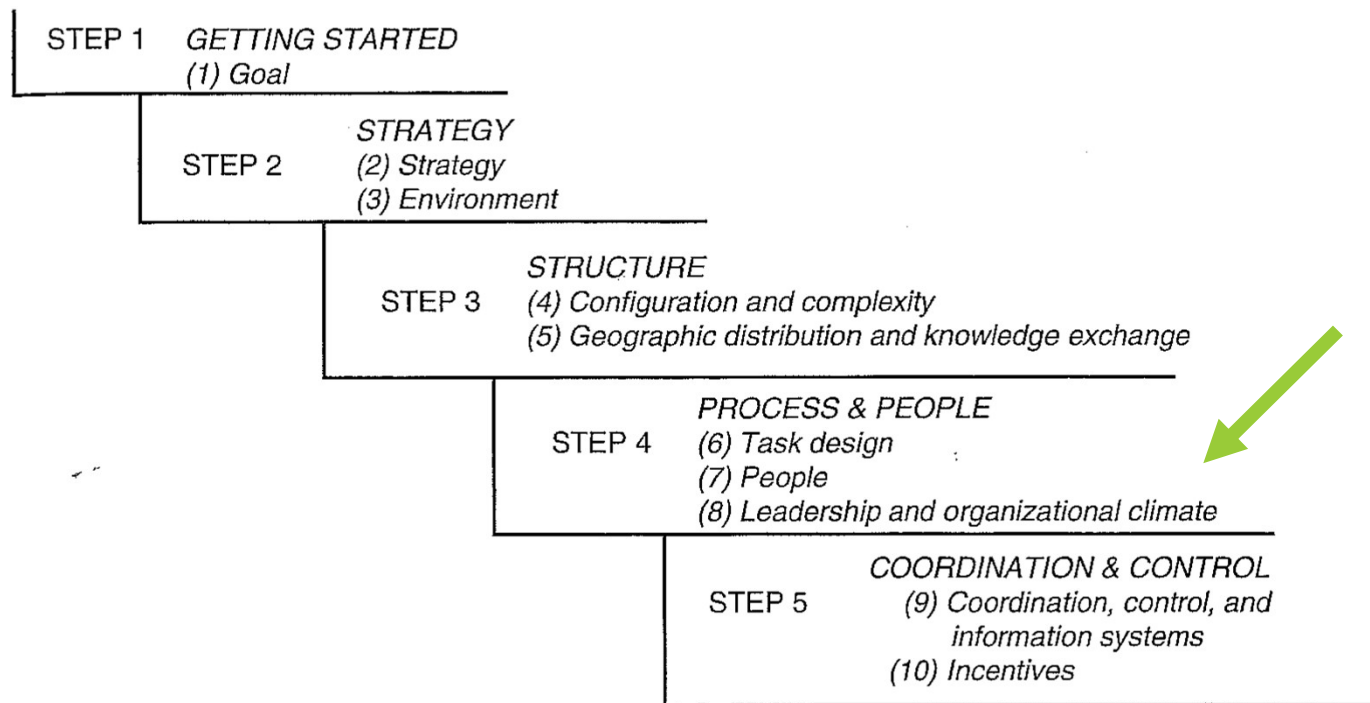
Knowledge exchange space



Fits and misfits

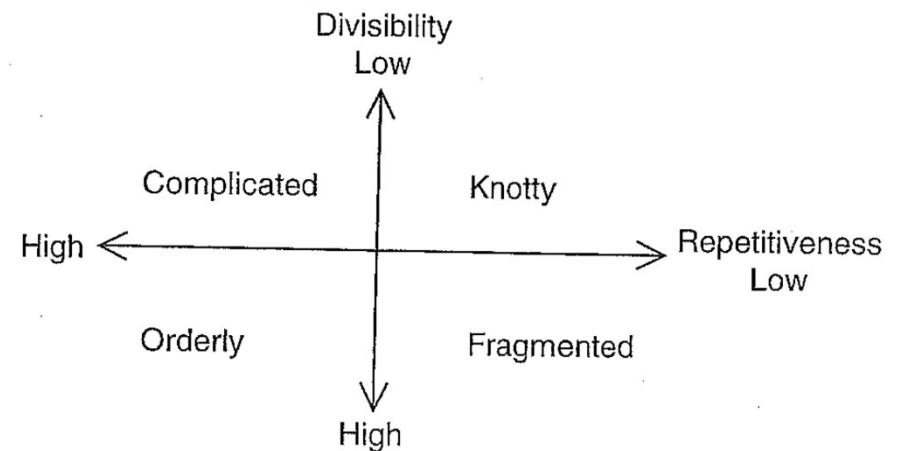
Knowledge exchange	Ad hoc communications	Informed	Cellular	Network	
Geographic distribution	Global	International	Multi-domestic	Transnational	
Complexity	Blob	Tall	Flat	Symmetric	
Configuration	Simple	Functional	Divisional	Matrix	
Environment	Calm	Varied	Locally stormy	Turbulent	
Strategy types	Reactor	Defender	Prospector	Analyzer with innovation	Analyzer without innovation
Organizational goals	Neither	Efficiency	Effectiveness	Efficiency and Effectiveness	

Five steps of organisation design



Task design

- Decomposing work into subtasks
- Follows structure!
- Two important dimensions:
 - Repetitiveness
 - Divisibility
- A task that is undertaken again and again and is well defined (standard) is **repetitive**.
- A bigger task which is broken down into smaller tasks that don't require coordination is **divisible**.



Task design

Orderly

- Highly divisible, highly repetitive
- Units operate independently
- Problems sent up the hierarchy
- Specialised skill development in units
- No coordination between units
- Assignment and completion of work is main executive responsibility

Complicated

- Low divisibility but highly repetitive
- Sub-units are interdependent to get work done
- Examples: emergency room in a hospital, McDonalds

Task design

Fragmented

- Highly divisible, low repetitive
- Less coordination required due to divisibility
- Each unit can produce work at it's own pace because it doesn't have to wait for other units
- Sub-units can be creative in how they complete their tasks (i.e. have own customers or clients)
- Requires lots of adjustments to how work is executed
- Can be a problem if customers want sub-tasks coordinated.

Knotty

- Low divisibility, low repetitiveness
- Encourages innovative approaches to work
- Need to invest in coordination
- Favoured when products are new
- Examples: NPD in car manufacturing, a restaurant which develops new offerings each day.

Diagnostic

What is the degree of **repetitiveness** of the task in the organisation?

NOTE: This is reversed scored 1=high and 5=low

1. Does the organisation treat each task as unique? _____
2. Does it execute the task today much as it did yesterday (high), or is there a good deal of variation (low)? _____
3. To what extent does it standardize the task (high) rather than customise it (low)? _____

Add, divide by 3 and plot your organisation's score on repetitiveness on the Figure on slide 43.

Diagnostic

What is the degree of **divisibility** of the task in the organisation?

NOTE: This is reversed scored 1=high and 5=low

1. Does the organisation divide its big tasks into subtasks that are independent of one another (high), or the subtasks connected, requiring lots of coordination (low)? _____
2. Does it manage the task as a set of specialised independent functions (high) or as a process flow (low)? _____
3. To what extent are the units that perform the subtasks free to design their work as they wish (high) rather than instructed (low)? _____

Add, divide by 3 and plot the organisation's score on divisibility in the Figure on slide 43.

People

For the purpose of organisation design we determine how to manage our people but focussing (minimally) on two areas:

- How many employees we have, and
- The level of professionalisation/capability of our workforce

We use these two factors to guide our decisions about the right management approach.

Note:

- Having more people is not always better

The people space

Lots of people low on professionalism

- Simple routines carried out by people with little expertise
- Tasks can be done repetitively after training
- Focus on efficiency
- Focussed skill sets
- Assembly lines, call centres, large hotel

Few people low on professionalism

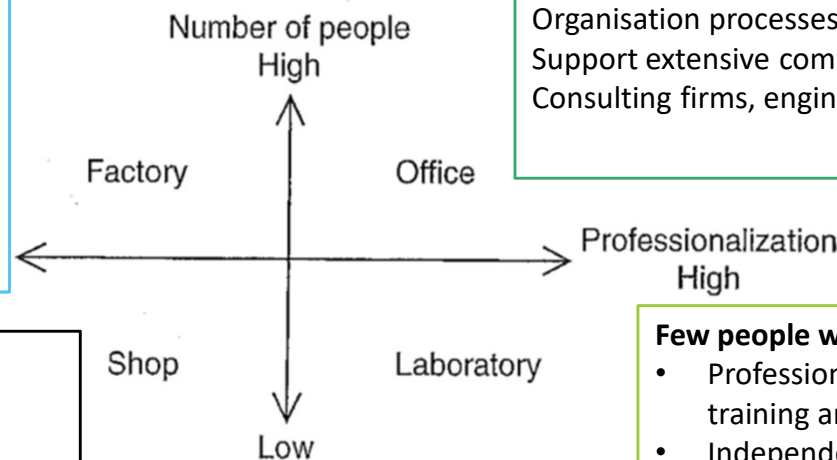
- Small stores
- Manager must be “hands on”
- Coordination requirements are low
- Staff are generally not efficient due to low skill and need to wait for direction
- Development, decision making or improving things is not encouraged

Many people with high professionalism

Educated, trained, experienced people
Need for coordination is very high
Organisation processes lots of information
Support extensive communication
Consulting firms, engineering & construction firms.

Few people with high professionalism

- Professional routines come from education, training and experience
- Independence/Worker autonomy
- Managers job is to support the individual
- University, financial research group, sales people who seek own clients, high-tech software design groups



Diagnostic

How many people work in the organisation (people not FTE):

<100 = 1

101-500 = 2

501-1000 = 3

1001-2000 = 4

More than 2001 = 5

Diagnostic

What proportion of employees hold advanced (university) degrees or have many years of specialised training and experience?

0-10% = 1

11-20% = 2

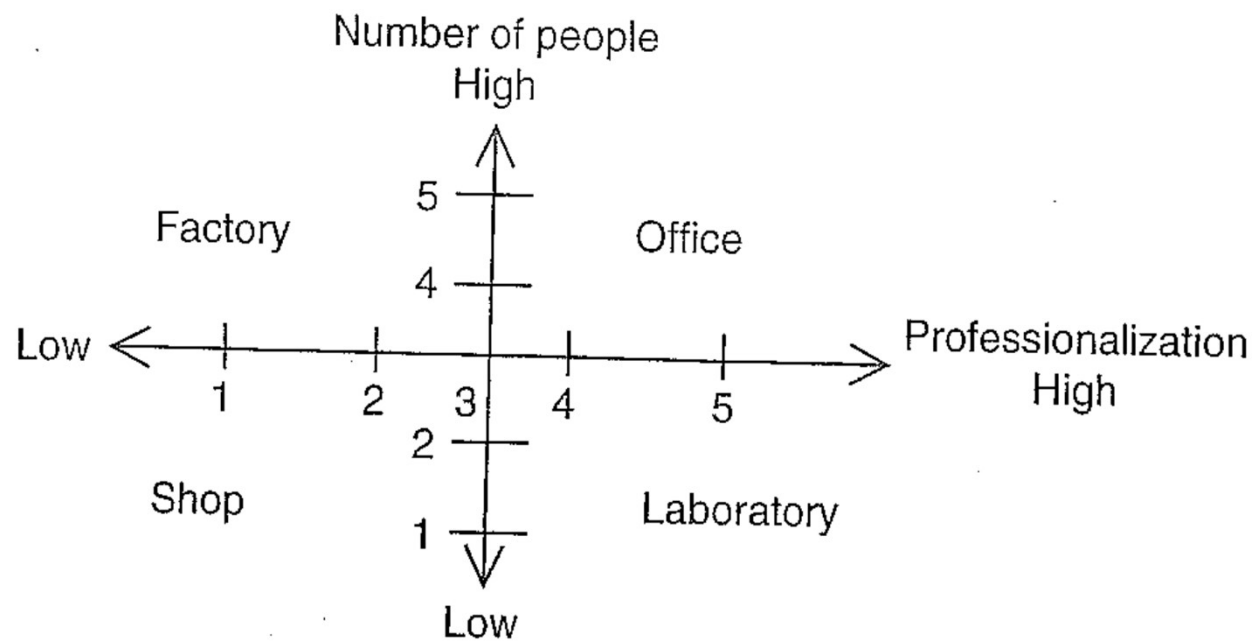
21-50% = 3

51-75% = 4

76 – 100% = 5

You can now locate your organisation on the Figure in the next slide.

Diagnostic results



Fits and Misfits

Corresponding quadrant in organizational design space	A	B	C	D	
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	
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	

Leadership and organisational climate

Contrasting styles of leadership

X = directive, short-term, control oriented

Y = delegates, long-term, motivates through inspiration (McGregor, 1969)

OR

Autocratic vs. democratic (Likert, (1967)

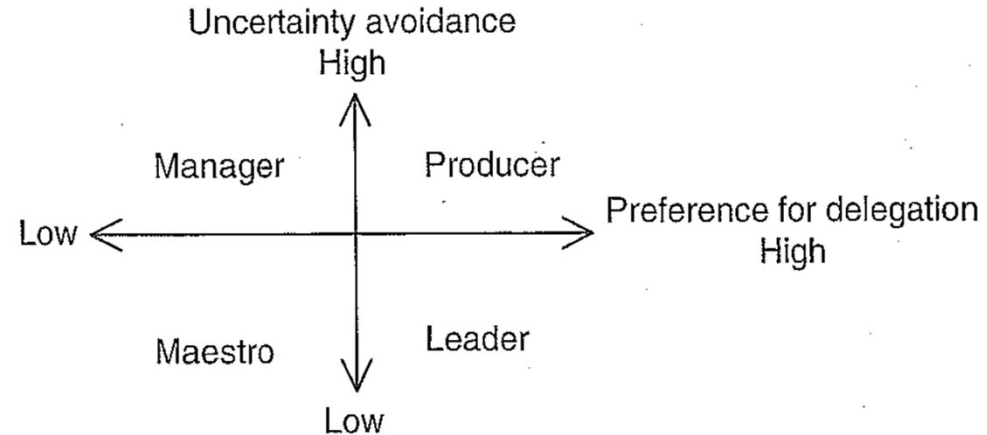
OR

Manager vs. leader (Kotter, 1988)

Preferences

For the purpose organisation design we look at two dimensions of leadership:

1. Preference for delegation
2. Uncertainty avoidance



Delegation key points

- ☐ Encourage lower-level managers or employees to make decisions
- ☐ Working autonomously
- ☐ Make decisions without top-management approval

OR

- ☐ Top management make all the decisions about how work is done and directs all activities

Uncertainty avoidance key points

☐ Top management are risk taking

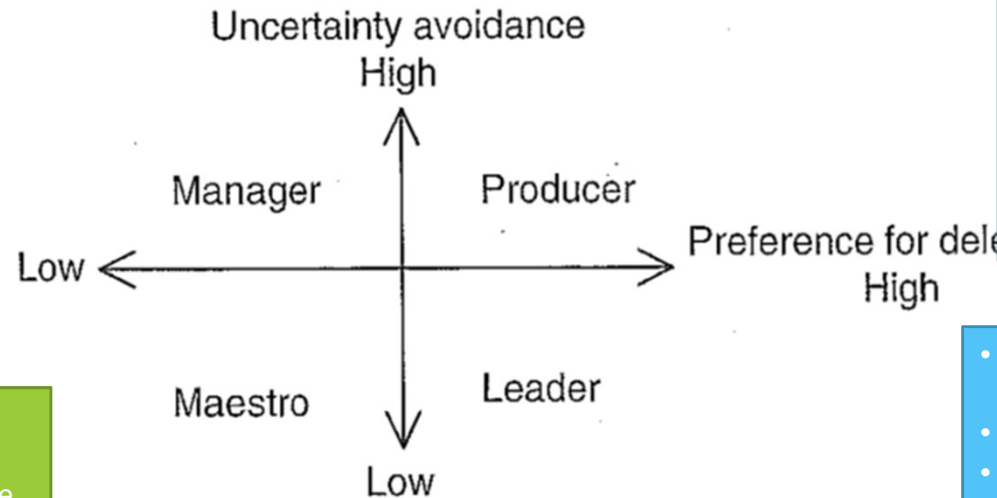
OR

☐ Avoids making any choices which are high risk

Leadership style space

- Makes reactive short-term decisions with a fine level of detail
- No delegation
- Focus on operational control rather than strategy
- Uses rules to manage subordinates
- Excessive attention to detail
- Can harm effectiveness
- Short-term orientation leads to overlooking issues affecting organisation's future.

- Intervenes to make sure decisions meet their desires
- Bottlenecks can be created due to lack of delegation
- Long-term risk is not avoided
- Decisions can sometimes not be made
- Good in small start-ups, a crisis, major changes.



- Focus on efficiency and effectiveness, short and long term
- Wants to know what is going on but doesn't want to make every decision
- Delegation with detailed oversight.

- Confident others can make good decisions
- Attends to strategic decisions
- Encourages new ideas
- Lets subordinates make decisions
- Vulnerable to weak following behaviour
- Lack of attention to detail can be a problem.

Diagnostic

Preference for delegation

1. To what extent does top management maintain control themselves (1), or encourage others to take on responsibility for managing work tasks (5)?
2. To what extent does top management allow its direct reports to make important decisions and take action for the organisation (1=low, 5=high)?
3. Overall, for your unit of analysis, what is top management's preference for delegation, 1= low, 5=high?

Add, divide by 3.

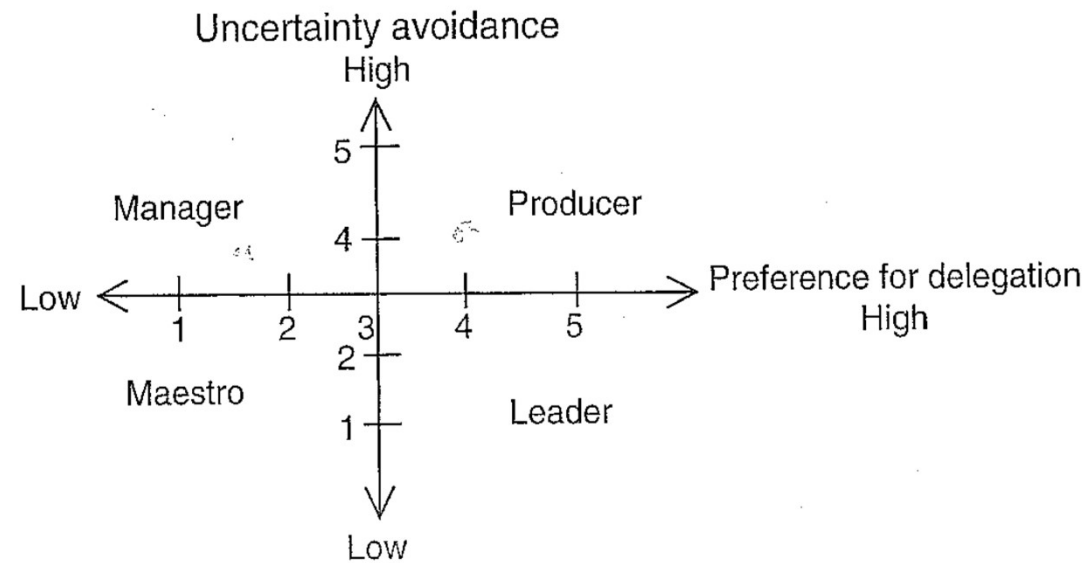
Diagnostic

Uncertainty avoidance

1. To what extent does top management maintain concern itself with the big picture(1), rather than the detail(5), in decision making?
2. Does top management tend to be aggressive (1), or cautious (5), in its decision making?
3. How risk embracing (1), versus risk avoiding (5), is top management?
4. To what extent is top management control oriented in the management of direct reports, low (1) or high(5)?

Add, divide by 4. You can now locate your organisation on the Figure in the next slide

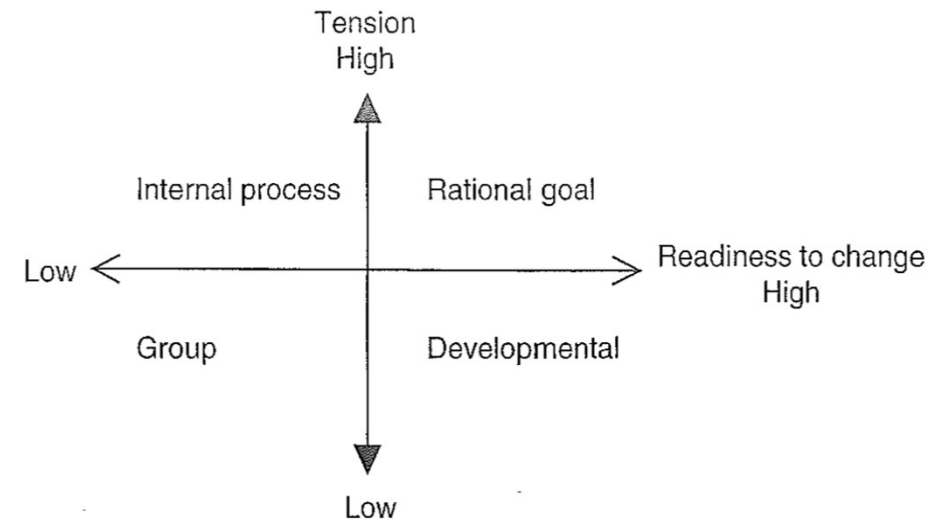
Diagnostic result



Climate

For the purposes of organisation design we will look at two dimensions of climate:

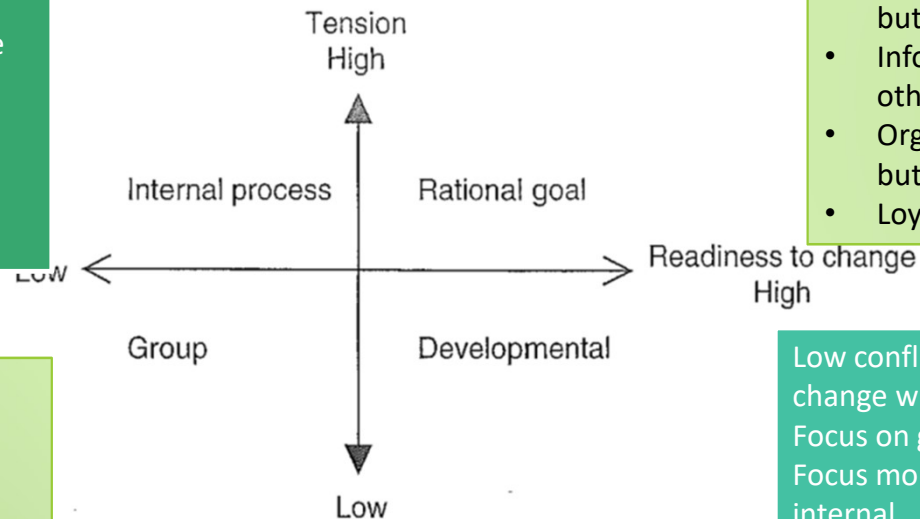
1. Readiness for change – how likely people are to change how work is done
2. Tension – sense of stress or psychological ‘edge’ in the work atmosphere (trust, conflict, morale, rewards, leader credibility, scapegoating).



Climate space

- More conflict
- Less trust
- Rewards are perceived as inequitable
- Yet, little readiness for change
- People focus inwardly
- Obstruct organisation success
- No capacity to process lots of information

- Nice place to work
- People trust each other
- Little readiness for change
- No need to change
- Can be stressful for the leader
- Information flow is easy
- Few secrets



- Goal-driven
- People on edge and tensions are high but not detrimental to performance
- Information shared if goal-oriented, otherwise private
- Org. works hard to keep good people but doesn't mind if others leave.
- Loyalty is not expected.

Low conflict, high trust, high readiness for change with low tension.
Focus on growth of individuals
Focus more on external rather than internal

Diagnostic

Readiness for change

1. To what extent do people prefer old ways of thinking and doing things (1) versus embrace new ways of thinking and doing things (5)? ____
2. To what extent do people tend to shift direction to adjust their work habits, to meet new, unanticipated challenges, low(1) or high(5)? ____
3. Overall, what is the organisation's level of readiness to change, low(1) or high(5)? ____

Add, divide by 3.

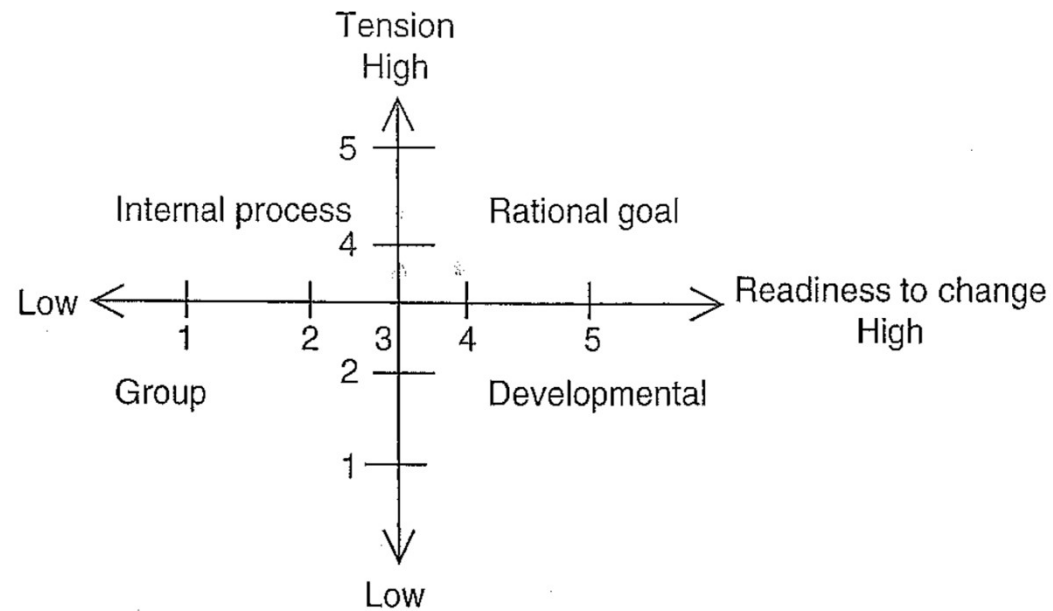
Diagnostic

Tension

1. What is the level of distrust in the organization, low (1) or high(5)? ____
2. What is the level of conflict in the organisation, low(1) or high(5)? ____
3. To what extent do people perceive rewards not to be equal across employees, low(1) or high(5)?
4. To what degree to people question the credibility of the organisation's leaders, low(1) or high (5)?
5. What is the general level of scapegoating, or blaming, of people for problems, low (1) or high (5)?

Add, divide by 5. You can now plot your organisation on the Figure in the next slide.

Diagnostic results



Fits and misfits

Corresponding quadrant in organizational design space	A	B	C	D	
Organizational climate	Group	Internal process	Developmental	Rational goal	
Leader style	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	
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