15 Foundations of Organization Structure

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

15-1 Identify seven elements of an organization's structure.

15-2 Identify the characteristics of the functional structure, the bureaucracy, and the matrix structure.

15-3 Identify the characteristics of the virtual structure, the team structure, and the circular structure.

15-4 Describe the effects of downsizing on organizational structures and employees.

15-5 Contrast the reasons for using mechanistic versus organic structural models.

15-6 Analyze the behavioral implications of different organizational designs.

Employability Skills Matrix (ESM)

	Myth or Science?	Career OBjectives	An Ethical Choice	Point/ Counterpoint	Experiential Exercise	Ethical Dilemma	Case Incident 1	Case Incident 2
Critical Thinking	✓	✓	✓	✓	✓	✓	✓	✓
Communication					✓			
Collaboration	✓		✓	✓	✓		✓	
Knowledge Application and Analysis	✓	✓	✓	✓	✓	✓	✓	✓
Social Responsibility			✓			✓	✓	✓

MyLab Management Chapter Warm Up

If your professor has assigned this activity, go to www.pearson.com/mylab/management to complete the chapter warm up.

FLATTENED TOO THINLY?

GitHub, a software development organization valued at $2 billion and founded by CEO Chris Wanstrath (shown here) and Tom Preston-Werner in 2007, has revolutionized the way software is developed and made. GitHub has grown from a small, San Francisco start-up with only a few employees to a much larger company, with over 600 employees (nearly doubled in size between 2016 and 2017). Furthermore, GitHub had over 22 million users and over 59 million projects hosted as of 2017. Starting out as a smaller organization, the flat, simple structure GitHub was based on was innovative and helpful in the earlier years. GitHub started with no middle managers, and not many of their employees even had job titles—instead, the employees organically organized and worked on projects as teams (with all sharing responsibility for the management role). One benefit GitHub realized from this structure was that people were not arbitrarily divided or limited by divisions—product, specialty, or otherwise. The open-source structure of the company mirrored the open-source nature of their product.

As organizations grow, however, the appropriateness of different forms of organizational structure may change. This became clear to GitHub in 2014, when developer Julie Ann Horvath announced that she had been the victim of harassment. Horvath was sexually harassed by a GitHub engineer,

who then rejected her work on several products for turning him down. In an organization without a flat or simple structure, there perhaps would have been more channels for accountability and authority to handle this grievance earlier and more efficiently instead of letting it play out for two years.

The limitations of these flat organizations are highlighted by Jo Freeman in her essay "The Tyranny of Structurelessness," in which she writes that "there is no such thing as a structureless group…any group of people of whatever nature that comes together for any length of time for any purpose will inevitably structure itself in some fashion." The issue that arises is that, without formal control mechanisms, authority and influence are invisible because they do not operate through explicit channels. For example, Horvath recounted a conversation with Preston-Werner's wife in which she was informally threatened and coerced to not write a negative review about the company, telling Horvath that she had "spies" in the organization and apparently had access to the employees' private chatroom logs. Another issue is a lack of role clarity—Julio Avalos, one of the first 100 hires in 2012 and now the chief business officer (CBO), notes, "Without even a minimal layer of management, it was difficult to have some of those conversations and to get people feeling like they understood what was expected of them, and that they were getting the support that they needed to do the best work."

Wanstrath and GitHub leaders learned their lesson: "I encourage every start-up to think about how you're building…. So many companies think they can put that off 'til later—and then everything explodes. That's the biggest lesson for us." To date, Wanstrath and the board of directors of GitHub have transformed the company's culture from a flat, flexible, meritocratic organization to one with middle management who must be present at the office and not working remotely.

Sources: Based on J. Bort and M. Weinberger, "GitHub Is Undergoing a Full-Blown Overhaul as Execs and Employees Depart," *Business Insider*, February 6, 2016, http://www .businessinsider.com/github-the-full-inside-story-2016-2; K. Finley, "GitHub Swaps CEOs, Proves It Doesn't Need No Stinking Bosses," *Wired*, January 22, 2014, https://www.wired .com/2014/01/github-ceo/; K. Finley, "Why Workers Can Suffer in Bossless Companies Like GitHub," *Wired,* March 20, 2014, https://www.wired.com/2014/03/tyranny-flatness/; J. Freeman, *The Tyranny of Structurelessness*, May 1970, http://www.jofreeman.com/joreen/ tyranny.htm; GitHub, About Page, accessed April 16, 2017, https://github.com/about; M. Mittelman, "Why GitHub Finally Abandoned Its Bossless Workplace," *Bloomberg*, September 6, 2016, https://www.bloomberg.com/news/articles/2016-09-06/why-github-finally-abandoned-its-bossless-workplace; D. Roberts, "GitHub CEO: What I Learned from Our Harassment Scandal," *Forbes,* September 29, 2015, http://fortune.com/2015/09/29/ github-ceo-40-under-40/; and A. Wilhelm and A. Tsotsis, "Julie Ann Horvath Describes Sexism and Intimidation behind Her GitHub Exit," *Tech Crunch*, March 15, 2014, https:// techcrunch.com/2014/03/15/julie-ann-horvath-describes-sexism-and-intimidation-behind-her-github-exit/.

Even for a start-up with only a few employees, choosing an organizational structure requires far more than simply deciding who is the boss and how many employees are needed. The organization's structure determines what relationships form, the formality of those relationships, and many work outcomes. The structure may also change as organizations grow and shrink, as management trends dictate, and as research uncovers better ways of maximizing productivity.

Structural decisions are arguably the most fundamental ones that a leader must make toward sustaining organizational growth.[1] In this chapter, we'll explore how structure affects employee behavior and the organization as a whole.

What Is Organizational Structure?

15-1 Identify seven elements of an organization's structure.

organizational structure   The way in which job tasks are formally divided, grouped, and coordinated.
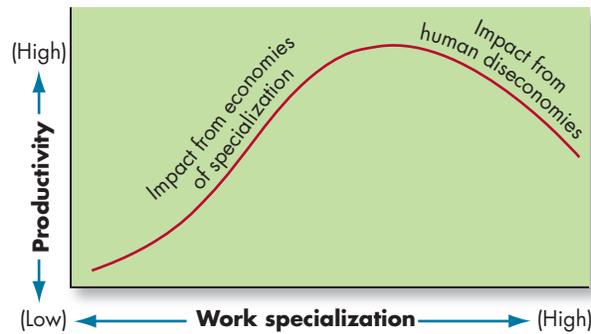
An **organizational structure** defines how job tasks are formally divided, grouped, and coordinated.[2] Managers should address seven key elements when they design their organization's structure: work specialization, departmentalization, chain of command, span of control, centralization and decentralization, formalization, and boundary spanning.[3] Exhibit 15-1 presents each element as the answer to an important structural question, and the following sections describe each one.

Work Specialization

Early in the twentieth century, Henry Ford became rich by building automobiles using an assembly line. Every worker was assigned a specific, repetitive task such as putting on the right front wheel or installing the right front door. By dividing jobs into small standardized tasks that could be performed over and over, Ford was able to produce a car every 10 seconds, using employees with relatively limited skills.[4]

Exhibit 15-1	Key Design Questions and Answers for Designing the Proper Organizational Structure
The Key Question	**The Answer Is Provided by**
1. To what degree are activities subdivided into separate jobs?	Work specialization
2. On what basis will jobs be grouped together?	Departmentalization
3. To whom do individuals and groups report?	Chain of command
4. How many individuals can a manager efficiently and effectively direct?	Span of control
5. Where does decision-making authority lie?	Centralization and decentralization
6. To what degree will there be rules and regulations to direct employees and managers?	Formalization
7. Do individuals from different areas need to regularly interact?	Boundary spanning

| Exhibit 15-2 | Economies and Diseconomies of Work Specialization |

Work specialization, or *division of labor*, describes the degree to which activities in the organization are divided into separate jobs.[5] The essence of work specialization is to divide a job into several steps, each completed by a separate individual. Individuals specialize in doing part of an activity rather than the entirety. Specialization is a means of making the most efficient use of employees' skills and even successfully improving them through repetition. Less time is spent changing tasks, putting away tools and equipment from a prior step, and getting ready for another.

By the 1960s, it increasingly seemed that the good news of specialization could be carried too far. Human diseconomies began to surface in the form of boredom, fatigue, stress, low productivity, inferior quality, increased absenteeism, and high turnover, which more than offset the economic advantages (see Exhibit 15-2).[6] Managers could increase productivity now by enlarging, rather than narrowing, the scope of job activities. Giving employees a variety of activities to do, allowing them to do a whole and complete job, and putting them into teams with interchangeable skills often achieved significantly higher output, with increased employee satisfaction.[7]

Ford demonstrated that work can be performed more efficiently if work is specialized, and the practice still has applications in many industries. For example, could you build a car by yourself? Not likely! Equally important, it's easier and less costly to find and train workers to do specific tasks, especially in highly sophisticated and complex operations. Work specialization increases efficiency and productivity by encouraging the creation of customized inventions and machinery.

Most managers today recognize the economies that specialization provides in certain jobs and the problems when it's carried too far. High work specialization helps fast-food restaurants make and sell hamburgers and fries efficiently, and aids medical specialists in most health maintenance organizations. Wherever job roles can be broken down into specific tasks or projects, specialization is possible. Specialization may still confer advantages outside manufacturing, particularly where job sharing and part-time work are prevalent.[8] Amazon's Mechanical Turk program, TopCoder, and others like it have facilitated a new trend in microspecialization, e-lancing, or crowd sourcing in which extremely small pieces of programming, data processing, or evaluation tasks are delegated to a global network of individuals by a program manager who then assembles the results.[9] This opens the way for employers to use online platforms to assign multiple workers to tasks in a broader functional role like marketing.[10] Automation and the use of computers and information systems within organizations are creating a new form of work specialization in which computers take on specialized work.[11]

work specialization   The degree to which tasks in an organization are subdivided into separate jobs.

Thus, whereas specialization of yesteryear focused on breaking manufacturing tasks into specific duties within the same plant, today's specialization judiciously breaks complex tasks into specific elements by technology, expertise, and region. The core principle, however, is the same.

Departmentalization

Once jobs have been divided through work specialization, they must be grouped so common tasks can be coordinated. The basis by which jobs are grouped is called **departmentalization**.[12]

departmentalization   The basis by which jobs in an organization are grouped together.

One of the most popular ways to group activities is by the *functions* performed. A manufacturing manager might organize a plant into engineering, accounting, manufacturing, human resources (HR), and supply chain departments. A hospital might have departments for research, surgery, intensive care, accounting, and so forth. A professional football franchise might have departments for player personnel, ticket sales, and travel and accommodations. The major advantage of this type of functional departmentalization is efficiencies gained from putting specialists that focus on similar areas together.

We can also departmentalize jobs by the type of *product* or *service* the organization produces. Procter & Gamble places each major product—such as Tide, Pampers, Charmin, and Pringles—under an executive who has complete global responsibility for it. The major advantage here is increased accountability for performance because all activities related to a specific product or service are under the direction of a single manager.[13]

When a firm is departmentalized based on *geography*, or territory, each function (for example, sales) may have western, southern, midwestern, and eastern regions. This form is valuable when an organization's customers are scattered over a large geographic area and have similar needs within their locations. For this reason, Toyota changed its management structure into geographic regions "so that they may develop and deliver ever better products," said CEO Akio Toyoda.[14]

Process departmentalization works for processing customers as well as products. If you've ever been to a state motor vehicle office to get a driver's license, you probably went through several departments before receiving your license. In one typical state, applicants go through three steps, each handled by a separate department: (1) validation by the motor vehicles division, (2) processing by the licensing department, and (3) payment collection by the treasury department. A final category of departmentalization uses the particular type of *customer* the organization seeks to reach.

Organizations do not always stay with the basis of departmentalization they first adopt. Microsoft, for instance, used customer departmentalization for years, organizing around its customer bases: consumers, large corporations, software developers, and small businesses. However, in a June 2013 letter from CEO Steve Ballmer to all employees, he announced a restructuring to functional departmentalization, citing a need to foster continuing innovation. The new departments grouped jobs by traditional functions, including engineering, marketing, business development, strategy and research, finance, HR, and legal.[15]

Ballmer expected the change in Microsoft's organizational structure to "reshape how we interact with our customers, developers, and key innovation partners, delivering a more coherent message and family of product offerings."[16] As we see throughout this text, whenever changes are deliberately made in organizations to align practices with organizational goals, particularly the goals of strong leaders, a good execution of the changes creates a much higher probability for improvement. In Microsoft's case, the results are not

A global firm that operates on a local scale in more than 200 countries, The Coca-Cola Company is organized into five geographic segments: North America, Latin America, Europe, the Middle East and Africa, and Asia Pacific. The structure enables it to tailor its strategy to markets in different stages of economic development and with differing consumer tastes and buying behavior.

Source: Kim Kyung-Hoon/Reuters

yet determined—Ballmer, who is a strong leader, announced his retirement 2 months later (he officially left Microsoft in 2014), and further changes ensued. Microsoft continued to struggle with the reorganization, announcing additional changes in its leadership personnel and team structure less than a year later. These changes included, for example, product specialization and functional specialization; for instance, the PowerPoint, Excel, and Access teams have been reorganized into content creation and data visualization teams.[17]

Chain of Command

While the chain of command was once a basic cornerstone in the design of organizations, it has far less importance today. But managers should still consider its implications, particularly in industries that deal with potential life-or-death situations when people need to rely quickly and suddenly on decision makers. The **chain of command** is an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

We can't discuss the chain of command without also discussing *authority* and *unity of command*. **Authority** refers to the rights inherent in a managerial position to give orders and expect them to be obeyed. To facilitate coordination, each managerial position is given a place in the chain of command, and each manager is given a degree of authority to meet his or her responsibilities. The principle of **unity of command** helps preserve the concept of an unbroken line of authority. It says that a person should have one and only one superior to whom he or she is directly responsible. If the unity of command is broken, an employee might have to cope with conflicting demands or priorities from several superiors, as is often the case in an organization chart's dotted-line reporting relationships depicting an employee's accountability to multiple managers.[18]

Times change, however, and so do the basic tenets of organizational design. A low-level employee today can access information in seconds that was available only to top managers a generation ago, and many employees are empowered

chain of command   The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

authority   The rights inherent in a managerial position to give orders and to expect the orders to be obeyed.

unity of command   The idea that a subordinate should have only one superior to whom he or she is directly responsible.

to make decisions previously reserved for management.[19] Add the popularity of self-managed and cross-functional teams (see Chapter 10) as well as structural designs that include multiple bosses, and you can see why authority and unity of command may appear to hold less relevance. Yet many organizations still find that they are the most productive when they enforce a chain of command. Indeed, one survey of more than 1,000 managers found that 59 percent agreed with the statement, "There is an imaginary line in my company's organizational chart. Strategy is created by people above this line, while strategy is executed by people below the line." However, this same survey found that lower-level employees' buy-in (agreement and active support) to the organization's overall, big-picture strategy was inhibited by their reliance on the hierarchy for decision making.[20]
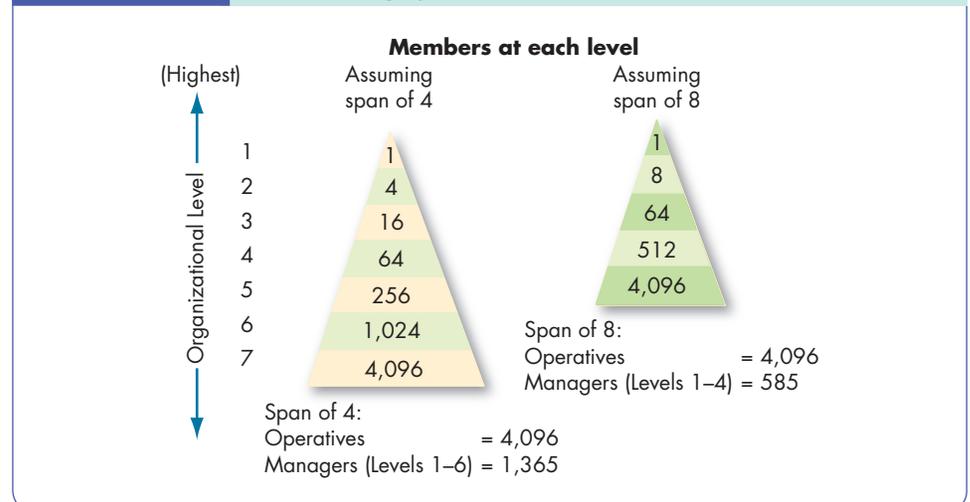
Span of Control

span of control The number of subordinates that a manager can direct efficiently and effectively.

How many employees can a manager direct efficiently and effectively? The **span of control** describes the number of levels and managers in an organization.[21] All things being equal, the wider or larger the span, the fewer the levels, and the more employees at each level, the more efficient the organization.[22]

Assume two organizations each have about 4,100 operative-level employees. One has a uniform span of 4 and the other a span of 8. As Exhibit 15-3 illustrates, the wider span of 8 will have two fewer levels and approximately 800 fewer managers. If the average manager makes $60,000 a year, the wider span will save $48 million a year in management salaries! Obviously, wider spans are more efficient in terms of cost. However, when supervisors no longer have time to provide subordinates with the necessary leadership and support, effectiveness declines and employee performance suffers.[23]

Narrow or small spans have their advocates. By keeping the span of control to five or six employees, a manager can maintain close control.[24] But narrow spans have three major drawbacks.[25] First, they're expensive because they add levels of management. Second, they make vertical communication in the organization more complex. The added levels of hierarchy slow down decision making and can isolate upper management. Third, narrow spans encourage overly tight supervision and discourage employee autonomy.

Exhibit 15-3	**Contrasting Spans of Control**

Members at each level

(Highest) — Assuming span of 4 — Assuming span of 8

Organizational Level

	Span of 4	Span of 8
1	1	1
2	4	8
3	16	64
4	64	512
5	256	4,096
6	1,024	
7	4,096	

Span of 8:
Operatives   = 4,096
Managers (Levels 1–4) = 585

Span of 4:
Operatives   = 4,096
Managers (Levels 1–6) = 1,365

The trend in recent years has been toward wider spans of control.[26] They're consistent with firms' efforts to reduce costs, cut overhead, speed decision making, increase flexibility, get closer to customers, and empower employees. To ensure that performance doesn't suffer because of these wider spans, however, organizations might invest heavily in employee training because managers recognize they can handle a wider span best when employees know their jobs well or can turn to coworkers with questions.

Centralization and Decentralization

centralization   The degree to which decision making is concentrated at a single point in an organization.

Centralization refers to the degree to which decision making is concentrated at a single point in the organization.[27] In *centralized* organizations, top managers make all the decisions, and lower-level managers merely carry out their directives. In organizations at the other extreme, *decentralized* decision making is pushed down to the managers closest to the action or to workgroups.[28] The concept of centralization includes only formal authority—that is, the rights inherent to a position.

An organization characterized by centralization is different structurally from one that's decentralized. A decentralized organization can act more quickly to solve problems, more people provide input into decisions, and employees are less likely to feel alienated from those who make decisions that affect their work lives.[29] The effects of centralization and decentralization can be predicted: Centralized organizations are better for avoiding commission errors (bad choices), while decentralized organizations are better for avoiding omission errors (lost opportunities).[30]

Management efforts to make organizations more flexible and responsive have produced a trend toward decentralized decision making by lower-level managers, who are closer to the action and typically have more detailed knowledge about problems than top managers. When Procter & Gamble empowered small groups of employees to make decisions about new-product development independent of the usual hierarchy, it was able to rapidly increase the proportion of new products ready for market.[31] Concerning creativity, research investigating a large number of Finnish organizations demonstrated that companies with decentralized research and development (R&D) offices in multiple locations were better at producing innovation than companies that centralized all R&D in a single office.[32] Sometimes, however, decentralization can be a double-edged sword—one study of nearly 3,000 U.S. Air Force officers suggests that there can sometimes be negative effects of decentralization in organizations with multiteam systems, including excessive risk seeking and coordination failures.[33]

Decentralization is often necessary for companies with offshore sites because localized decision making is needed to respond to each region's profit opportunities, client base, and specific laws, while centralized oversight is needed to hold regional managers accountable. Failure to successfully balance these priorities can harm not only the organization but also its relationships with foreign governments.[34]

Formalization

formalization   The degree to which jobs within an organization are standardized.

Formalization refers to the degree to which jobs within the organization are standardized.[35] If a job is highly formalized, the employee has a minimal amount of discretion over what to do and when and how to do it, resulting in consistent and uniform output. There are explicit job descriptions, lots of organizational rules, and clearly defined procedures covering work processes. Formalization eliminates the possibility of employees engaging in alternative behaviors, and it removes the need for them to consider alternatives. Conversely, where formalization is low, job behaviors are relatively unprogrammed and employees have a great deal of freedom to exercise discretion in their work.

With more than 7,000 neighborhood and airport locations throughout North America and Europe, Enterprise Rent-A-Car empowers employees at the local level to make decisions that affect their work. Decentralization gives Enterprise a competitive advantage by enabling employees to provide personalized service that results in high customer satisfaction.

Source: Rosalrene Betancourt 3/Alamy Stock Photo

The degree of formalization can vary widely between and within organizations. Research from 94 high-technology Chinese firms indicated that formalization is a detriment to team flexibility in decentralized organization structures, suggesting that formalization does not work as well where duties are inherently interactive or where there is a need to be flexible and innovative.[36] For example, publishing representatives who call on college professors to inform them of their company's new publications have a great deal of freedom in their jobs. They have a general standardized sales pitch, which they tailor as needed, and rules and procedures governing their behavior may be little more than suggestions on what to emphasize about forthcoming titles and the requirement to submit a weekly sales report. At the other extreme, clerical and editorial employees in the same publishing houses may need to be at their desks by 8:00 A.M. and follow a set of precise procedures dictated by management.

Boundary Spanning

We've described ways that organizations create well-defined task structures and chains of authority. These systems facilitate control and coordination for specific tasks, but if there is too much division within an organization, attempts to coordinate across groups can be disastrous. One way to overcome this sense of compartmentalization and retain the benefits of structure is to encourage or create boundary-spanning roles.

boundary spanning Individuals forming relationships outside their formally assigned groups.

Within a single organization, **boundary spanning** occurs when individuals form relationships with people outside their formally assigned groups.[37] An HR executive who frequently engages with the IT group is engaged in boundary spanning, as is a member of an R&D team who implements ideas from a production team. These activities help prevent formal structures from becoming too rigid and, not surprisingly, enhance organization and team creativity, decision making, knowledge sharing, and performance.[38]

Boundary-spanning activities occur not only within but also between organizations. Positive results are especially strong in organizations that encourage extensive internal communication; in other words, external boundary spanning is most effective when it is followed up with internal boundary spanning.[39]

BMW encourages all employees, including this production worker at its plant in Jakarta, Indonesia, to build relationships throughout the global company. Boundary spanning at BMW links R&D, design, production, and marketing individuals to speed problem solving and innovation and to adapt to market fluctuations.
Source: Dadang Tri/Bloomberg/Getty Images

In addition, research on 225 manufacturer–distributor dyads in China suggests that ties between salespersons and buyers across organizations are linked with greater relationship quality between two organizations than are ties between executives across organizations, but when there are strong relationships between executives and employees, there may be cooperation and better conflict resolution.[40]

Organizations can use formal mechanisms to facilitate boundary-spanning activities. One method is to assign formal liaison roles or develop committees of individuals from different areas of the organization.[41] Development activities can also facilitate boundary spanning. Employees with experience in multiple functions, such as accounting and marketing, are more likely to engage in boundary spanning.[42] Many organizations may try to set the stage for these sorts of positive relationships by creating job rotation programs so new hires get a better sense of different areas of the organization. Another method to encourage boundary spanning is to bring attention to overall organizational goals, such as efficiency and innovation, and shared identity concepts.[43]

You probably have personal experience with at least some of the results of decisions that leaders have made in your school or workplace that were related to the elements of organizational structure. The organizational framework, which can be depicted by drawing an organizational chart, can help you clarify these leaders' decisions. We'll discuss them next.
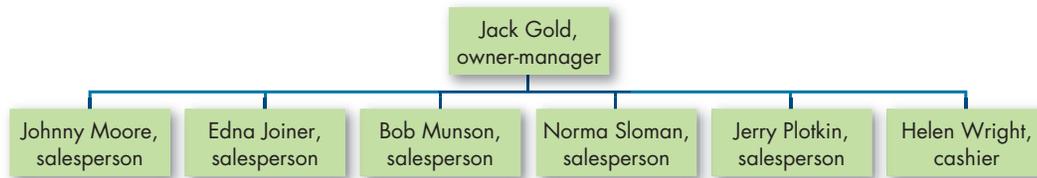
Common Organizational Frameworks and Structures

15-2 Identify the characteristics of the functional structure, the bureaucracy, and the matrix structure.

Organizational designs are known by many names and are constantly evolving in response to changes in the way work is done. We will start with three of the more common organizational frameworks: the *simple structure*, the *bureaucracy*, and the *matrix structure*.

Exhibit 15-4	A Simple Structure (Jack Gold's Men's Store)

```
                          Jack Gold,
                        owner-manager
   ┌──────────┬──────────┬──────────┬──────────┬──────────┐
Johnny Moore,  Edna Joiner,  Bob Munson,  Norma Sloman,  Jerry Plotkin,  Helen Wright,
salesperson   salesperson   salesperson   salesperson   salesperson    cashier
```

The Simple Structure

simple structure   An organizational structure characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization.

What do a small retail store, an electronics firm run by a hard-driving entrepreneur, and an airline's war room during a pilot's strike have in common? They probably all use the simple structure.[44] The **simple structure** has a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization. It is a flat organization; it usually has only two or three vertical levels, a loose body of employees, and one individual with decision-making authority. Most companies start as a simple structure, and many innovative technology-based firms with short life spans, like cell phone app development firms, remain compact by design.[45]

Exhibit 15-4 is an organization chart for a retail men's store owned and managed by Jack Gold. Jack employs five full-time salespeople, a cashier, and extra workers for weekends and holidays, but he "runs the show." Although this type of organization is typical for a small business, in times of crisis large companies often simplify their structures (though not to this degree) as a means of focusing their resources.

The strength of the simple structure lies, of course, in its simplicity. It's fast, flexible, and inexpensive to operate, and accountability is clear. One major weakness is that it becomes increasingly inadequate as an organization grows because its low formalization and high centralization tend to create information overload at the top. Decision making typically becomes slower as the single executive tries to continue doing it all. This proves the undoing of many small businesses. If the structure isn't changed and made more elaborate, the firm often loses momentum and can eventually fail.[46] The simple structure's other weakness is that it's risky—everything depends on one person. An illness for the owner-manager can literally halt the organization's information and decision-making capabilities.[47]

The Bureaucracy

bureaucracy   An organizational structure with highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks that are grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command.

Standardization! That's the key concept that underlies all bureaucracies. Consider the bank where you keep your checking account; the store where you buy clothes; or the government entities that collect your taxes, enforce health regulations, or provide local fire protection. They all rely on standardized work processes for coordination and control.

The **bureaucracy** is characterized by highly routine operating tasks achieved through specialization, strictly formalized rules and regulations, tasks grouped into units, centralized authority, narrow spans of control, and decision making that follows the chain of command.[48] Bureaucracy incorporates all the strongest degrees of departmentalization described earlier.

Bureaucracy is a dirty word in many people's minds. However, this type of organization does have advantages, primarily the ability to perform standardized activities very efficiently. Putting like specialties together in units results

Hospitals benefit from standardized work processes and procedures common to a bureaucratic structure because they help employees perform their jobs efficiently. At Christchurch Women's Hospital in New Zealand, registered nurse Megan Coleman (right) and midwife Sally Strathdee follow formal rules and regulations in caring for mothers and newborns.
Source: Greg Wood/AFP/Getty Images

in economies of scale, minimum duplication of people and equipment, and a common language employees all share. Bureaucracies can get by with less talented—and hence less costly—middle- and lower-level managers because rules and regulations substitute for managerial discretion. There is little need for innovative and experienced decision makers below the level of senior executives, and innovative employees often do not mesh well with bureaucracy.[49]

Listen to this conversation among four executives in one company: "You know, nothing happens in this place until we *produce* something," said the production executive. "Wrong," commented the R&D manager, "Nothing happens until we *design* something!" "What are you talking about?" asked the marketing executive, "Nothing happens until we *sell* something!" The exasperated accounting manager responded, "It doesn't matter what you produce, design, or sell. No one knows what happens until we *tally up the results*!" This conversation highlights how bureaucratic specialization can create conflicts in which the unit perspectives override the overall goals of the organization.

The other major weakness of a bureaucracy is something we've all witnessed: obsessive concern with following the rules. When cases don't fit the rules precisely, there is no room for modification. The bureaucracy is efficient only if employees confront familiar problems with programmed decision rules.[50] There are two types of bureaucracies we should explore: functional and divisional structures.

functional structure An organizational structure that groups employees by their similar specialties, roles, or tasks.

The Functional Structure   The **functional structure** groups employees by their similar specialties, roles, or tasks.[51] An organization organized into production, marketing, HR, and accounting departments is an example. Many large organizations utilize this structure, although this is evolving to allow for quick changes in response to business opportunities. One advantage of the functional structure is that specialists may be able to become experts more easily than if they worked in diversified units. Employees can also be motivated by a clear career path to the top of the organization chart specific to their specialties.

The functional structure works well if the organization is focused on one product or service. Unfortunately, it creates rigid, formal communications because the hierarchy dictates the communication protocol. Coordination

among many units is a problem, and infighting in units and between units can lead to reduced motivation.

divisional structure An organizational structure that groups employees into units by product, service, customer, or geographical market area.

The Divisional Structure   The **divisional structure** groups employees into units by product, service, customer, or geographical market area.[52] It is highly departmentalized. Sometimes this structure is known by the type of division structure it uses: *product/service organizational structure* (for example, units for cat food, dog food, and bird food that report to an animal food producer), *customer organizational structure* (for example, units for outpatient care, inpatient care, and pharmacy that report to hospital administration), or *geographic organizational structure* (for example, units for Europe, Asia, and South America that report to corporate headquarters).

The divisional structure has the opposite benefits and disadvantages of the functional structure. It facilitates coordination in units to achieve their goals while addressing the specific concerns of each unit. It provides clear responsibility for all activities related to a product but with duplication of functions and costs. Sometimes this is helpful, say, when the organization has a unit in Spain and another in China, which are very different markets, and a marketing strategy is needed for a new product. Marketing experts in both places can incorporate the appropriate cultural perspectives into their region's marketing campaign. However, the organization's marketing function employees in two places may represent an increased cost because they are doing basically the same task in two different countries. It appears as if organizations can shift from a divisional to a functional structure, and vice versa; however, those who shift from a functional to a divisional structure tend to perform the best.[53]

The Matrix Structure

matrix structure An organizational structure that creates dual lines of authority and combines functional and product departmentalization.

The **matrix structure** combines the functional and product structures, and we find it in advertising agencies, aerospace firms, R&D laboratories, construction companies, hospitals, government agencies, universities, management consulting firms, and entertainment companies.[54] Companies that use matrixlike structures include ABB, Boeing, BMW, IBM, and P&G.

The most obvious structural characteristic of the matrix is that it breaks the unity-of-command concept. Employees in the matrix have two bosses: their functional department managers and their product managers. Exhibit 15-5 shows the matrix for a college of business administration. The academic departments of accounting, decision and information systems, marketing, and so forth, are

Exhibit 15-5	**Matrix Structure for a College of Business Administration**					
Academic Departments \ Programs	Undergraduate	Master's	Ph.D.	Research	Executive Development	Community Service
Accounting						
Finance						
Decision and Information Systems						
Management						
Marketing						

functional units. Overlaid on them are specific programs (that is, products). Thus, members in a matrix structure have a dual chain of command: to their functional department and to their product groups. A professor of accounting teaching an undergraduate course may report to the director of undergraduate programs as well as to the chairperson of the accounting department.

The strength of the matrix is its ability to facilitate coordination when the organization has many complex and interdependent activities.[55] Direct and frequent contacts between different specialties in the matrix can let information permeate the organization and reach the people who need it more quickly. The matrix reduces so-called bureaupathologies—its dual lines of authority limit people's tendency to protect their territories at the expense of the organization's goals.[56] A matrix also achieves economies of scale and facilitates the allocation of specialists by both providing the best resources and ensuring that they are efficiently used.[57]

The major disadvantages of the matrix lie in the confusion it creates, its tendency to foster power struggles, and the stress it places on individuals.[58] For individuals who desire security and absence from ambiguity, this work climate can be stressful. Reporting to more than one boss introduces role conflict, and unclear expectations introduce role ambiguity. Without the unity-of-command concept, ambiguity about who reports to whom is significantly increased and often leads to conflict and power struggles between functional and product managers.

Alternate Design Options

15-3 Identify the characteristics of the virtual structure, the team structure, and the circular structure.

In the ever-increasing trend toward flatter structures, many organizations have been developing new options with fewer layers of hierarchy and more emphasis on opening the boundaries of the organization.[59] In this section, we describe three such designs: the *virtual structure*, the *team structure*, and the *circular structure*.

The Virtual Structure

virtual structure   A small, core organization that outsources major business functions.

Why own when you can rent? That question captures the essence of the **virtual structure** (also sometimes called the *network*, or *modular*, structure), typically a small, core organization that outsources its major business functions.[60] The virtual structure is highly centralized, with little or no departmentalization.

The prototype of the virtual structure is today's filmmaking organization. In Hollywood's golden era, movies were made by huge, vertically integrated corporations. Studios such as Metro-Goldwyn-Mayer (MGM), Warner Bros., and 20th Century Fox owned large movie lots and employed thousands of full-time specialists—set designers, camera people, film editors, directors, and actors. Today, most movies are made by a collection of individuals and small companies who come together and make films project by project. This structural form allows each project to be staffed with the talent best suited to its demands rather than just with the people employed by the studio. It minimizes bureaucratic overhead because there is no lasting organization to maintain. It lessens long-term risks and their costs because there is no long term—a team is assembled for a finite period and then disbanded.

Exhibit 15-6 shows a virtual structure in which management outsources all the primary functions of the business. The core of the organization is a small group of executives whose job is to oversee directly any activities done in-house and to coordinate relationships with organizations that manufacture, distribute, and perform other crucial functions. The dotted lines represent the

| Exhibit 15-6 | A Virtual Structure |

relationships typically maintained under contracts. Managers in virtual structures spend most of their time coordinating and controlling external relations.

Network organizations often take many forms.[61] Some of the more traditional forms include the *franchise form*, in which there are managers, systems, and other experts in the central node (i.e., executive group), and customer sales and services are carried out by franchise units. This popular form of network organization is very common in service business models, such as 7-Eleven, McDonald's, Jimmy John's, and Dunkin' Donuts. In this form, however, franchisees do not tend to collaborate or coordinate with one another and may actually be in direct competition for resources from the executive group. Another example is the *starburst form*, in which a parent firm splits off one of its functions into a spinoff firm.[62] For example, in 2012, Netflix split off its DVD function into a separate entity, now DVD.com.[63]

The major advantage of the virtual structure is its flexibility, which allows individuals with an innovative idea and little money to successfully compete against larger, more established organizations. The structure also saves a great deal of money by eliminating permanent offices and hierarchical roles for outsourced functions.[64] The drawbacks have become increasingly clear as popularity has grown.[65] Virtual organizations are in a state of perpetual flux and reorganization, which means roles, goals, and responsibilities are unclear, setting the stage for increased political behavior.

The Team Structure

team structure An organizational structure that replaces departments with empowered teams, and that eliminates horizontal boundaries and external barriers between customers and suppliers.

The **team structure** seeks to eliminate the chain of command and replace departments with empowered teams.[66] This structure removes vertical and horizontal boundaries in addition to breaking down external barriers between the company and its customers and suppliers.

By removing vertical boundaries, management flattens the hierarchy and minimizes status and rank. Cross-hierarchical teams (which include top executives, middle managers, supervisors, and operative employees), participative decision-making practices, and the use of 360-degree performance appraisals (in which peers and others evaluate performance) can be used. For example, at the Danish firm Oticon A/S, the world's largest hearing aid manufacturer, all traces of hierarchy have disappeared.[67] Everyone works at uniform mobile

What structure should I choose?

I'm running a small but growing business and need help figuring out how to keep positions flexible as we expand. What advice can you give me about designing job structures that will help combine my success today with growth for tomorrow?

— Anika

Dear Anika:

A surprising number of small businesses fail right at the point where they begin to grow, and for many reasons, including financing deficits and competitors that copy their clever ideas. However, a frequent problem is that the structure that the company began with is simply not right for a larger firm.

There are ways to meet the challenge. Start by looking at individual jobs and their responsibilities. Make a list for each job. When job roles and responsibilities aren't defined, you can pick up a great deal of flexibility, assigning employees to tasks exactly when needed. Unfortunately, this flexibility also means it's hard to determine which skills are available or to identify gaps between planned strategy and available human resources.

Second, you may want to define roles based on broad sets of competencies that span multiple levels of organizational functioning. In this *strategic competency model*, job roles and incentives are defined based on a clear structure. Here are the steps:

- *Look at the top level and think about the future.* In the competency model, you should use the mission statement and overall organizational strategies to evaluate your organization's future needs.
- *Once you've identified the organization's future needs, figure out a smart way to assign responsibilities to individuals.* You'll obviously need some specialization, but at the same time, consider general skills that will be useful for both growth and long-term sustainability.
- *As your business grows, identify applicants with the potential to meet future needs, and develop employee incentives to encourage broad skills profiles.*

You'll want to structure your plan so employees increase in competency as they move up the organization chart.

The most important thing to remember is that you aren't creating a job structure just for today—make sure it's ready to grow and change with your business. Grow well!

———————

Sources: Based on G. W. Stevens, "A Critical Review of the Science and Practice of Competency Modeling," *Human Resource Development Review* 12 (March 2013): 86–107; P. Capelli and J. R. Keller, "Talent Management: Conceptual Approaches and Practical Challenges," *Annual Review of Organizational Psychology and Organizational Behavior* 1 (March 2014): 305–31; and C. Fernández-Aráoz, "21st Century Talent Spotting," *Harvard Business Review*, June 2014, https://hbr.org/2014/06/21st-century-talent-spotting.

workstations, and project teams, not functions or departments, coordinate work.

As previously discussed, functional departments create horizontal boundaries between functions, product lines, and units. The way to reduce them is to replace functional departments with cross-functional teams and organize activities around processes. Xerox, for instance, develops new products through multidisciplinary teams that work on a single process instead of on narrow functional tasks.[68]

When fully operational, the team structure may break down geographic barriers. Today, most large U.S. companies see themselves as team-oriented global corporations; many, like Coca-Cola and McDonald's, do as much business overseas as in the United States, and some struggle to incorporate geographic regions into their structure. In other cases, the team approach is need-based. Such is the case with Chinese companies, which made 93 acquisitions in the oil and gas industry in five years—incorporating each acquisition as a new team unit—to meet forecasted demand that their resources in China could not meet.[69] The team structure provides a solution because it considers geography as more of a tactical, logistical issue than a structural one. In short, the goal may be to break down cultural barriers and open opportunities.

Flexible Structures, Deskless Workplaces

Once upon a time, students fresh from business schools couldn't wait for that first cubicle to call home, midlevel managers aspired to an office of their own, and executives coveted the corner office. These days, the walls are coming down. As organizational structures change, so do their physical environments. Many organizations have been trying to make the physical environment reflect the organizational structures they adopt.

At online retailer Zappos, not even the CEO wants an office, and all 1,500 employees are welcome throughout the open spaces. Firms like Google have workplace designs of public rooms with lounge areas and large, multiperson tables. According to Edward Danyo, manager of workplace strategy at pharmaceuticals firm GlaxoSmithKline, shared environments create efficient work gains, including what he estimates is a 45 percent increase in the speed of decision making. But there are ethical concerns about the dismantling of the physical and mental organizational structure:

- *Where will confidential discussions take place?* In some contemporary workplace designs, ad hoc conference rooms address the need for separate gatherings. This may not be optimal if the walls are made of glass, if employees will feel stigmatized when called into a meeting room, or if they become reluctant to approach human resources staff with issues because of privacy concerns.
- *How can differences in personality traits be overcome?* Employees high in extraversion will be more comfortable building collaborative relationships without assigned workspaces, while introverted individuals may be uncomfortable without an established office structure where they can get to know others over time.
- *How can personal privacy be maintained?* Zappos gives employees personal lockers, asks employees to angle laptop screens away from neighbors, and tries to make open spaces more private by encouraging ear buds to create a sound barrier between working employees.

- *How can you assure your clients about confidentiality?* Even walled, soundproof rooms for virtual or live meetings may not provide the desired level of security for clients who need to know their business will stay on a need-to-know basis.
- *How will expectations and accountabilities be enforced?* In an environment without offices and sometimes without job titles, there is an even greater need for clearly assigned goals, roles, and expectations. Otherwise, open collaborative structures may foster diffusion of responsibility and confusion.

Sources: Based on S. Henn, "'Serendipitous Interaction' Key to Tech Firm's Workplace Design," NPR, March 13, 2013, www.npr.org/blogs/alltechconsidered/2013/03/13/174195695/serendipitous-interaction-key-to-tech-firms-workplace-design; H. El Nasser, "What Office? Laptops Are Workspace," *USA Today*, June 6, 2012, 1B–2B; R. W. Huppke, "Thinking Outside the Cubicle," *Chicago Tribune*, October 29, 2012, 2-1, 2-3; "Inside the New Deskless Office," *Forbes*, July 16, 2012, 34; and E. Maltby, "My Space Is Our Space," *The Wall Street Journal*, May 21, 2012, R9.

Some organizations create teams incorporating their employees and their customers or suppliers. For example, to ensure that important product parts are made reliably and to exacting specifications by its suppliers, Honeywell International partners some of its engineers with managers at those suppliers.

The Circular Structure

circular structure An organizational structure in which executives are at the center, spreading their vision outward in rings grouped by function (managers, then specialists, then workers).

Picture the concentric rings of an archery target. In the center are the executives, and radiating outward in rings grouped by function are the managers, then the specialists, then the workers. This is the **circular structure**.[70] Does it seem like organizational anarchy? There is still a hierarchy, but top management is at the very heart of the organization, with its vision spreading outward.

The circular structure has intuitive appeal for creative entrepreneurs, and some small innovative firms have claimed it. As in many of the current hybrid approaches, however, employees are apt to be unclear about whom they report to and who is running the show. We are still likely to see the popularity of the circular structure spread. The concept may have intuitive appeal for spreading a vision of corporate social responsibility (CSR), for instance.

The Leaner Organization: Downsizing

15-4 Describe the effects of downsizing on organizational structures and employees.

The goal of some organizational structures we've described is to improve agility by creating a lean, focused, and flexible organization. *Downsizing* is a systematic effort to make an organization leaner by closing locations, reducing staff, or selling off business units that don't add value.[71] Downsizing doesn't necessarily mean physically shrinking the size of your office, although that's been happening, too (see OB Poll).

The radical shrinking of Motorola Mobility in 2012 and 2013 is a case of downsizing to survive after its 2011 $12.5 billion acquisition by Google. In response to declining demand for its smartphones, Motorola cut its workforce by 20 percent in August 2012. When the company posted a $350 million fourth-quarter loss in 2012, with a 40 percent revenue decline, it cut the workforce again, by 10 percent. Google called this rightsizing.[72] Motorola Mobility was then sold to China's Lenovo in 2014 for $2.91 billion.

Other firms downsize to direct all their efforts toward their core competencies. American Express claims to have been doing this in a series of layoffs over more than a decade: 7,700 jobs in 2001, 6,500 jobs in 2002, 7,000 jobs (10 percent of its workforce) in 2008, and 4,000 jobs in 2009. The 2013 cut of 5,400 jobs (8.5 percent of the remaining workforce) represented "its biggest retrenchment in a decade," with an additional sizable layoff of around 4,000 jobs in 2015. Each layoff has been accompanied by a restructuring, to reflect changing customer preferences, away from personal customer service

OB POLL

The Incredible Shrinking Office

Office space per worker (sq ft):
- 2000: 260
- 2010: 225
- 2012: 165
- (2017): 150
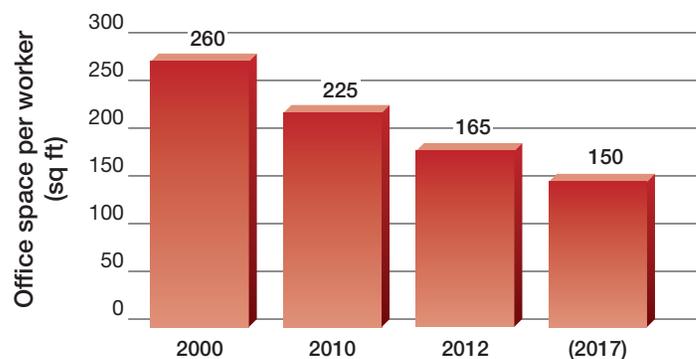
Source: Based on February 28, 2012, press release "Office Space per Worker Will Drop to 100 Square Feet or Below," http://www.corenetglobal.org/files/home/info_center/global_press_releases/pdf/pr120227_officespace.pdf.

and toward online customer service. According to CEO Ken Chennault, "Our business and industry continue to become transformed by technology. Because of these changes, we have the need and the opportunity to evolve our organization and cost structure."[73]

Some companies focus on lean management techniques to reduce bureaucracy and speed decision making.[74] Starbucks adopted lean initiatives in 2009, which encompassed all levels of management and focused on faster barista techniques and manufacturing processes.[75] Customers generally applauded the shortened wait times and improved product consistency.

Despite the advantages of being a lean organization, the impact of downsizing on organizational performance is not without controversy. Reducing the size of the workforce perhaps has positive outcomes in the long run, although the majority of the evidence suggests that downsizing has a negative impact on stock returns the year of downsizing (although this may be contingent on the organization's goals for downsizing along with other contextual factors).[76] An example of these contingencies can be found in the case of Russia's Gorky Automobile Factory (GAZ), which realized a profit for the first time in many years after President Bo Andersson fired 50,000 workers, half the workforce.[77] Eventually, however, the rampant downsizing policy caught up with Andersson when he was CEO of Russia's largest car maker, AvtoVAZ. From 2014 to 2016, downsizing at its plant in Togliatti led to tens of thousands of workers losing their jobs. At the time, Sergei Chemezov, an ally of President Vladmir Putin, told Andersson that he was "playing with fire."[78] Eventually, Andersson was removed as CEO for his tactics in 2016—what tended to be standard practice in the West (downsizing) was frowned upon in Russia, where the auto industry is revered with nationalistic pride and jobs tend to be preserved rather than cut.[79]

Part of the problem is the effect of downsizing on employee attitudes.[80] Employees who remain often feel worried about future layoffs, may be less committed to the organization, and may experience a greater amount of stress and strain.[81] Downsizing can also lead to psychological withdrawal and more voluntary turnover, so vital human capital is lost.[82] The result is a company that is more anemic than lean. Paradoxically, some research suggests that the victims may even fare better than the survivors, experiencing higher control perceptions and less stress.[83]

Companies can reduce the negative impact of downsizing by preparing in advance, thus alleviating some employee stress and strengthening support for the new direction. Here are some effective strategies for downsizing:

- *Invest.* Companies that downsize to focus on core competencies are more effective when they invest in high-involvement work practices afterward.
- *Communicate.* When employers make efforts to discuss downsizing with employees early, employees are less worried about the outcomes and feel the company is taking their perspective into account.
- *Participate.* Employees worry less if they can participate in the process in some way. Voluntary early-retirement programs or severance packages can help achieve leanness without layoffs.
- *Assist.* Severance, extended health care benefits, and job search assistance demonstrate that a company cares about its employees and honors their contributions.

In short, companies that make themselves lean can be more agile, efficient, and productive—but only if they make cuts carefully and help employees through the process.

Why Do Structures Differ?

We've described many organization design options. Exhibit 15-7 recaps our discussions by presenting two extreme models of organizational design.[84] One model is the **mechanistic model**. It's generally synonymous with the bureaucracy in that it has highly standardized processes for work, high formalization, and more managerial hierarchy. The other extreme is the **organic model**. It's flat, has fewer formal procedures for making decisions, has multiple decision makers, and favors flexible practices.[85]

With these two models in mind, let's ask a few questions. Why are some organizations structured along more mechanistic lines whereas others follow organic characteristics? What forces influence the choice of design? In this section, we present major causes or determinants of an organization's structure.[86]

Organizational Strategies

Because structure is a means to achieve objectives, and objectives derive from the organization's overall strategy, it's only logical that structure should follow strategy. If management significantly changes the organization's strategy or its values, the structure must change to accommodate. For example, recent research indicates that aspects of organizational culture may influence the success of corporate social responsibility (CSR) initiatives.[87] If the culture is supported by the structure, the initiatives are more likely to have clear paths toward application. Most current strategy frameworks focus on three strategy dimensions—innovation, cost minimization, and imitation—and the structural design that works best with each.[88]

To what degree does an organization introduce major new products or services? An **innovation strategy** strives to achieve meaningful and unique innovations.[89] Obviously, not all firms pursue innovation. Apple and 3M do, but conservative retailer Marks & Spencer doesn't. Innovative firms use competitive pay and benefits to attract top candidates and motivate employees to take risks. Some degree of the mechanistic structure can actually benefit innovation. Well-developed communication channels, policies for enhancing long-term
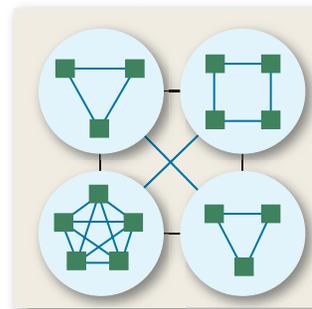
Exhibit 15-7 Mechanistic versus Organic Models
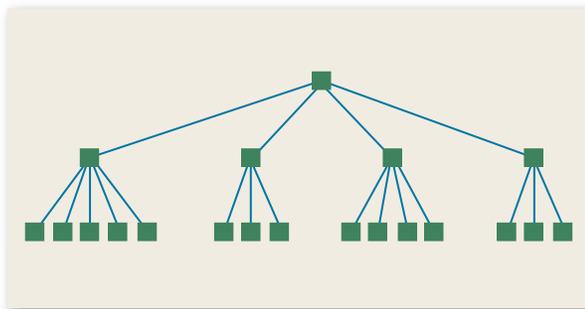
The Mechanistic Model
- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

The Organic Model
- Cross-functional teams
- Cross-hierarchical teams
- Free flow of information
- Wide spans of control
- Decentralization
- Low formalization

Imitating the successful growth strategy of several large fashion firms, Italian retailer Moleskine plans to increase sales of its popular line of notebooks and travel accessories by opening about 20 new stores each year throughout the world. The expansion plan focuses on store openings in metropolitan and business hubs such as New York City, London, and Beijing.
Source: Alessandro Garofalo/Reuters/Alamy Stock Photo

cost-minimization strategy   A strategy that emphasizes tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting.

imitation strategy   A strategy that seeks to move into new products or new markets only after their viability has already been proven.

commitment, and clear channels of authority all may make it easier for rapid changes to occur smoothly.

An organization pursuing a **cost-minimization strategy** controls costs tightly, refrains from incurring unnecessary expenses, and cuts prices in selling a basic product.[90] This describes the strategy pursued by Walmart and the makers of generic or store-label grocery products. Cost-minimizing organizations usually pursue fewer policies meant to develop commitment among their workforce.

Organizations following an **imitation strategy** try to minimize risk and maximize opportunity for profit, moving new products or entering new markets only after innovators have proven their viability.[91] Mass-market fashion manufacturers that copy designer styles follow this strategy, as do firms such as Hewlett-Packard and Caterpillar. They follow smaller and more innovative competitors with superior products but only after competitors have demonstrated that a market exists. Italy's Moleskine SpA, a small maker of fashionable notebooks, is another example of imitation strategy but in a distinct way: Looking to open more retail shops around the world, it imitates the expansion strategies of larger, successful fashion companies Salvatore Ferragamo SpA and Brunello Cucinelli.[92]

Exhibit 15-8 describes the structural option that best matches each strategy. Innovators need the flexibility of the organic structure (although, as we noted, they may use some elements of the mechanistic structure as well), whereas cost minimizers seek the efficiency and stability of the mechanistic structure.

Exhibit 15-8	The Strategy–Structure Relationship

Strategy	Structural Option
Innovation	**Organic:** A loose structure; low specialization, low formalization, decentralized
Cost minimization	**Mechanistic:** Tight control; extensive work specialization, high formalization, high centralization
Imitation	**Mechanistic and organic:** Mix of loose with tight properties; tight controls over current activities and looser controls for new undertakings

Imitators combine the two structures. They use a mechanistic structure to maintain tight controls and low costs in their current activities but create organic subunits in which to pursue new undertakings.

Organization Size

An organization's size significantly affects its structure.[93] Organizations that employ 2,000 or more people tend to have more specialization, more departmentalization, more vertical levels, and more rules and regulations than do small organizations. However, size becomes less important as an organization expands. Why? At around 2,000 employees, an organization is already mechanistic; 500 more employees won't have much impact. But adding 500 employees to an organization of only 300 is likely to significantly shift it toward a more mechanistic structure.

Technology

technology The way in which an organization transfers its inputs into outputs.

Technology describes the way an organization transfers inputs into outputs. Every organization has at least one technology for converting financial, human, and physical resources into products or services. For example, the Chinese consumer electronics company Haier (the owners of GE Appliances) uses an assembly-line process for mass-produced products, which is complemented by more flexible and innovative structures to respond to customers and design new products.[94] Regardless, organizational structures adapt to their technology—and vice versa. Organizational structure and culture can become inscribed in the data structure, software, and hardware that an organization uses.[95]

Environment

environment Forces outside an organization that potentially affect the organization's structure.

An organization's **environment** includes outside institutions or forces that can affect its structure, such as suppliers, customers, competitors, and public pressure groups.[96] Dynamic environments create significantly more uncertainty for managers than do static ones. To minimize uncertainty in key market arenas, managers may broaden their structure to sense and respond to threats. Most companies, for example Pepsi and Southwest Airlines, have added social media departments to counter negative information posted on blogs.

Any organization's environment has three dimensions: capacity, volatility, and complexity.[97] *Capacity* refers to the degree to which the environment can support growth. Rich and growing environments generate excess resources, which can buffer the organization in times of relative scarcity.

Volatility describes the degree of instability in the environment. A dynamic environment with a high degree of unpredictable change makes it difficult for management to make accurate predictions. Because information technology changes at such a rapid pace, more organizations' environments are becoming volatile.

Complexity is the degree of heterogeneity and concentration among environmental elements. Simple environments—like the tobacco industry where the methods of production, competitive and regulatory pressures, and the like, haven't changed in quite some time—are homogeneous and concentrated. Environments characterized by heterogeneity and dispersion—like the broadband industry—are complex and diverse, with numerous competitors.

Exhibit 15-9 summarizes our definition of the environment along its three dimensions. The arrows indicate movement toward higher uncertainty. Thus, organizations that operate in environments characterized as scarce, dynamic, and complex face the greatest degree of uncertainty because they have high

---

Exhibit 15-9 | **Three-Dimensional Model of the Environment**
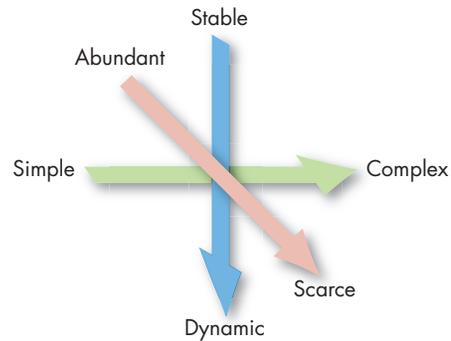
unpredictability, little room for error, and a diverse set of elements in the environment to monitor constantly.

Given this three-dimensional definition of *environment*, we can offer some general conclusions about environmental uncertainty and structural arrangements. The more scarce, dynamic, and complex the environment, the more organic a structure should be. The more abundant, stable, and simple the environment, the more the mechanistic structure will be preferred.

Institutions

institutions Cultural factors, especially those factors that might not lead to adaptive consequences, that lead many organizations to have similar structures.

Another factor that shapes organizational structure is **institutions**. These are cultural factors that act as guidelines for appropriate behavior.[98] Institutional theory describes some of the forces that lead many organizations to have similar structures and, unlike the theories we've described so far, focuses on pressures that aren't necessarily adaptive. In fact, many institutional theorists try to highlight the ways in which corporate behaviors sometimes *seem* to be performance-oriented but are guided by unquestioned social norms and conformity.

The most obvious institutional factors come from regulatory pressures; certain industries under government contracts, for instance, must have clear reporting relationships and strict information controls. Sometimes simple inertia determines an organizational form—companies can be structured in a particular way just because that's the way things have always been done. Organizations in countries with high power distance might have a structural form with strict authority relationships because it's seen as more legitimate in that culture. Some have attributed problems in adaptability in Japanese organizations to the institutional pressure to maintain authority relationships.

Sometimes organizations start to have a particular structure because of fads or trends. Organizations can try to copy other successful companies just to look good to investors and not because they need that structure to perform better. Many companies have recently tried to copy the organic form of a company like Google only to find that such structures are a very poor fit with their operating environment. Institutional pressures are often difficult to see specifically because we take them for granted, but that doesn't mean they aren't powerful.

MyLab Management Try It

If your professor has assigned this activity, go to www.pearson.com/mylab/management to complete the Mini Sim.

Organizational Designs and Employee Behavior

15-6 Analyze the behavioral implications of different organizational designs.

We opened this chapter by implying that an organization's structure can have significant effects on its members. What might those effects be?

A review of the evidence leads to a pretty clear conclusion: You can't generalize! Not everyone prefers the freedom and flexibility of organic structures. Several factors stand out in different structures as well. In highly formalized, heavily structured mechanistic organizations, the level of fairness in formal policies and procedures (organizational justice) is a very important predictor of satisfaction. In more personal, individually adaptive organic organizations, employees value interpersonal justice more.[99] Some people are most productive and satisfied when work tasks are standardized and ambiguity is minimized—that is, in mechanistic structures. So any discussion of the effect of organizational design on employee behavior should address individual differences. To do so, let's consider employee preferences for work specialization, span of control, and centralization.[100]

The evidence generally indicates that *work specialization* contributes to higher employee productivity—but at the price of job satisfaction. However, work specialization is not an unending source of higher productivity. Problems start to surface, and productivity begins to suffer, when the human diseconomies of

---

Myth or Science?

Employees Can Work Just as Well from Home

This statement is true—but not unequivocally. Employees who work from home even part of the time report they are happier, and as we saw in Chapter 3, happier employees are likely to be more productive than dissatisfied counterparts. From an organization's perspective, companies are realizing gains of 5 to 7 extra work hours a week for each employee working from home. There are also cost savings, from reduced overhead for office space and utilities to elimination of unproductive social time. Employers of a home-based workforce can establish work teams and organizational reporting relationships with little attention to office politics, making it possible to assign roles and responsibilities more objectively. These may be some of the reasons organizations have increasingly endorsed the concept of telecommuting, to the point where 3.1 million U.S. payrolled employees work from home.

Although we can all think of jobs that may never be conducive to working from home (such as many in the service industry), not all positions that *could* be based from home *should* be. Research indicates that the success of a work-from-home position depends on the job's structure even more than on its tasks. The amount of interdependence needed between employees within a team or in a reporting relationship sometimes requires *epistemic interdependence*, which is each employee's ability to predict what other employees will do. Organization consultants pay attention to how employee roles relate in the *architecture* of the organization chart, realizing that intentional relationship building is key. Thus, while an employee may complete the tasks of a job well by working alone from home, the benefits of teamwork can be lost. We don't yet fully understand

the impact of working at a physical distance without sharing time or space with others, but it is perhaps the reason that Yahoo!, Best Buy, and other corporations have brought their employees back into the office.

The success of a work-from-home program depends on the individual, job, and culture of the organization. Work from home can be satisfying for employees and efficient for organizations, but we are learning it has limits.

Sources: Based on M. Mercer, "Shirk Work? Working at Home Can Mean Longer Hours," *TriCities.com*, March 4, 2013, www.tricities.com/news/opinion_columns/article_d04355b8-83cb-11e2-bc31-0019bb30f31a.html; P. Puranam, M. Raveendran, and T. Knudsen, "Organization Design: The Epistemic Interdependence Perspective," *Academy of Management Review* 37, no. 3 (2012): 419–40; N. Shah, "More Americans Working Remotely," *The Wall Street Journal*, March 6, 2013, A3; and R. E. Silverman and Q. Fottrell, "The Home Office in the Spotlight," *The Wall Street Journal*, February 27, 2013, B6.

doing repetitive and narrow tasks overtake the economies of specialization. As the workforce has become more highly educated and desirous of jobs that are intrinsically rewarding, we seem to reach the point at which productivity begins to decline as a function of specialization more quickly than in the past. While decreased productivity often prompts companies to add oversight and inspection roles, the better answer may be to reorganize work functions and accountability.[101]

A segment of the workforce still prefers the routine and repetitiveness of highly specialized jobs. Some individuals want work that makes minimal intellectual demands and provides the security of routine; for them, high work specialization is a source of job satisfaction. The question is whether they represent 2 percent of the workforce or 52 percent. Given that some self-selection operates in the choice of careers, we might conclude that negative behavioral outcomes from high specialization are most likely to surface in professional jobs occupied by individuals with high needs for personal growth and diversity.

It is probably safe to say that no evidence supports a relationship between *span of control* and employee satisfaction or performance. Although it is intuitively attractive that large spans might lead to higher employee performance because they provide more distant supervision and more opportunity for personal initiative, there is a lack of research to support this notion. Some people like to be left alone; others prefer the security of a boss who is available at all times. Consistent with several of the contingency theories of leadership discussed in Chapter 12, we would expect factors such as employees' experiences and abilities, and the degree of structure in their tasks, to explain when wide or narrow spans of control are likely to contribute to performance and job satisfaction. However, some evidence indicates that large spans of control are related to more unsafe behaviors and accidents in the workplace.[102]

We also find evidence linking *centralization* and job satisfaction.[103] This is partly because, in general, less centralized organizations have a greater amount of autonomy. But, again, while one employee may value freedom, another may find autonomous environments frustratingly ambiguous.

We can draw one obvious insight: People don't select employers randomly. They are attracted to, are selected by, and stay with organizations that suit their personal characteristics.[104] Job candidates who prefer predictability are likely to seek out and take employment in mechanistic structures, and those who want autonomy are more likely to end up in organic structures. Thus, the effect of structure on employee behavior is undoubtedly reduced when the selection process facilitates proper matching of individual characteristics with organizational characteristics. Companies should strive to establish, promote, and maintain the unique identity of their structures, because skilled employees may quit because of dramatic changes.[105]

Research suggests that national culture influences the preference for structure.[106] Organizations that operate with people from high power-distance cultures, such as Greece, France, and most of Latin America, often find their employees are much more accepting of mechanistic structures than are employees from low power-distance countries. So consider cultural differences along with individual differences when predicting how structure will affect employee performance and satisfaction.

The changing landscape of organizational structure designs has implications for the individual progressing on a career path. Research with managers in Japan, the United Kingdom, and the United States indicated that employees who weathered downsizing and resulting hybrid organizational structures considered their future career prospects diminished. While this may or may

not have been correct, their thinking shows that organizational structure does affect the employee and thus must be designed carefully.[107]

MyLab Management Watch It

If your professor has assigned this activity, go to www.pearson.com/mylab/management to complete the video exercise.
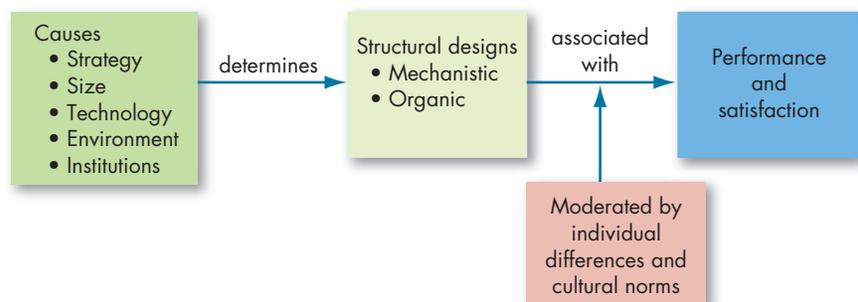

Summary

The theme of this chapter is that an organization's internal structure contributes to explaining and predicting behavior. That is, in addition to individual and group factors, the structural relationships in which people work have a bearing on employee attitudes and behavior. What's the basis for this argument? To the degree that an organization's structure reduces ambiguity for employees and answers questions such as "What am I supposed to do?," "How am I supposed to do it?," "To whom do I report?," and "To whom do I go if I have a problem?," it shapes their attitudes and facilitates and motivates them to higher levels of performance. Exhibit 15-10 summarizes what we've discussed.

Implications for Managers

- Specialization can make operations more efficient, but remember that excessive specialization can create dissatisfaction and reduced motivation.
- Avoid designing rigid hierarchies that overly limit employees' empowerment and autonomy.
- Balance the advantages of remote work against the potential pitfalls before adding flexible workplace options into the organization's structure.
- Downsize your organization to realize major cost savings, and focus the company around core competencies—but only if necessary, because downsizing can have a significant negative impact on employee affect.
- Consider the scarcity, dynamism, and complexity of the environment, and balance organic and mechanistic elements when designing an organizational structure.

Exhibit 15-10 **Organizational Structure: Its Determinants and Outcomes**

Causes
- Strategy
- Size
- Technology
- Environment
- Institutions

→ determines →

Structural designs
- Mechanistic
- Organic

→ associated with →

Performance and satisfaction

Moderated by individual differences and cultural norms

Open-Air Offices Inspire Creativity and Enhance Productivity

POINT

Eric Prum, cofounder of W&P Design in Brooklyn, New York, and the rest of his 12 coworkers share a single room on the fourth floor of an open-air, converted warehouse. Although it can occasionally be noisy, the layout has led to some very productive brainstorming sessions. In fact, their latest project, ¡Buenos Nachos!, was a direct result of the open-air office plan. The cofounders were discussing the idea for a hipster nacho cookbook in the office while the coworkers eavesdropped. What turned into a spontaneous idea quickly became a productive brainstorming session. From this open-air plan emerged a cookbook with over 75 recipes from famous chefs and celebrities, including Bill Hader, Andrew Zimmern, and Rachael Ray.

Aside from cost minimization, the logic of the open-air office is that it is meant to tear down the physical barriers between people in the workplace. The functional communication among employees is maximized when these barriers are removed. Starting with the organization's functional goals in mind, an open-air workplace can be tailored so that it accomplishes these goals by setting aside certain areas or spaces so that they are well suited to accomplish specific functions (e.g., a meeting area, a reading area, etc.). For example, the New York branding firm Collins altered aspects of the environment to work around any limitations of an open-air office, including arranging the tables so that no person faces another employee. Overall, Collins found, in their own internal research, that the open-air office improves a sense of shared vision and mission, community, and creativity perceptions. Additional research also suggests that these open-air plans can reduce the amount of time spent in meetings.

COUNTERPOINT

"Our new, modern Tribeca office was beautifully airy, and yet remarkably oppressive. Nothing was private. On the first day, I took my seat at the table assigned to our creative department, next to a nice woman who I suspect was an air horn in a former life. All day, there was constant shuffling, yelling, and laughing, along with loud music piped through a PA system." The picture Lindsey Kaufman, a Brooklyn advertising professional, described highlights the strain and dissatisfaction employees in open-air office environments can experience, even when there are cubicles granting at least some privacy. The creator of the cubicle, Robert Probst, envisioned something very different in 1964: a freespace where employees could customize their workplace to accommodate their level of privacy, space needs, and flexibility, and to give them a sense of autonomy in an open office. This "action office" became mass-produced and limited in size, quality, and customizability, leading to what we would now call the modern-day cubicle.

Studies on the open-air office and the confinement cubicles of modern offices paint a dismal picture of their effectiveness. One study reviewing hundreds of office environments found that, despite their cohesion benefits, open-air offices reduced workers' attention spans, productivity, creative thinking, and satisfaction. One of the biggest factors responsible is the level of noise, which leads to decreased motivation and potential posture issues. The satisfaction levels related to noise, sound privacy, ease of interaction, among others, across 42,764 observations from over 300 office buildings were analyzed by researchers using the Post-Occupancy Evaluation (POE) database from the University of California at Berkeley. They found a clear disparity between satisfaction in open offices versus private offices, and drastically more satisfaction with the latter. And they found that ease of interaction (a goal of open-office plans) was no greater in open offices than in private offices.

Sources: Based on D. Burkus, "Why Your Open Office Workspace Doesn't Work," *Forbes*, June 21, 2016, https://www.forbes.com/sites/davidburkus/2016/06/21/why-your-open-office-workspace-doesnt-work/#336a42f6435f; G. W. Evans and D. Johnson, "Stress and Open-Office Noise," *Journal of Applied Psychology* 85, no. 5 (2000): 779–83; L. Kaufman, "Google Got It Wrong. The Open-Office Trend Is Destroying the Workplace," *The Washington Post*, December 30, 2014, https://www.washingtonpost.com/posteverything/wp/2014/12/30/google-got-it-wrong-the-open-office-trend-is-destroying-the-workplace/?utm_term=.d716ef9fe41a; S. Khetarpal, "The Popular 'Open Office' Design Has Many Disadvantages, but Some Employers Are Going Beyond It to Create an Empowering Environment at the Workplace," *Business Today*, March 12, 2017, 100–6; M. Konnikova, "The Open-Office Trap," *The New Yorker*, January 7, 2014, http://www.newyorker.com/business/currency/the-open-office-trap; P. Rosenberg and K. Campbell, "An Open Office Experiment That Actually Worked," *Harvard Business Review* (October 3, 2014); R. Saunderson, "Learning in an Open Office Environment," *Training*, January 1, 2016, 134–5; D. Ward, "Beyond the Open Office," *HR Magazine*, April 1, 2015, 30–5; and M. D. Zalesny and R. V. Farace, "Traditional versus Open Offices: A Comparison of Sociotechnical, Social Relations, and Symbolic Meaning Perspectives," *Academy of Management Journal* 30, no. 2 (1987): 240–59.

CHAPTER REVIEW

QUESTIONS FOR REVIEW

15-1   What seven key elements define an organization's structure?

15-2   What are the characteristics of the functional, bureaucracy, and matrix structures?

15-3   What are the characteristics of the virtual structure, the team structure, and the circular structure?

15-4   How might downsizing affect organizational structures and employees?

15-5   How are mechanistic and organic structural models similar and different?

15-6   What are the behavioral implications of different organizational designs?

APPLICATION AND EMPLOYABILITY

Knowing the ins and outs of the structure of your organization can help you improve your employability in the future by improving how you make strategic and ethical decisions along with how you collaborate and communicate with others in the workplace. Different forms of organizational structure have different consequences for employee, manager, and customer behaviors; recognizing these effects can help you behave more adaptively. Perhaps some day you will be starting your own organization from the ground up, or you may collaborate to restructure or redesign the work in an organization. Understanding these different forms of structure will help you improve your skills for use in those situations. In this chapter, you improved your critical thinking as well as your knowledge

application and analysis skills by determining whether employees can work just as well from home, considering what type of structure to choose for a small and growing business, considering the ethics of flexibility and structural changes in the workplace, and debating the effectiveness of open-air offices.

In the next section, you will develop these skills, along with your social responsibility knowledge, by participating in the Experiential Exercise: The Sandwich Shop, examining the ethicality behind employment fluidity in the current job market, considering creative deviance and its anti-hierarchical benefits to organizations, and questioning the effectiveness of the bureaucratic structure for a major airline carrier.

EXPERIENTIAL EXERCISE   The Sandwich Shop

Form groups of at least four individuals. Use the following information as background for the exercise.

The managers of a new chain of sandwich shops need to determine what types of sandwiches consumers want and find recipes and ingredients. Ingredient sources, prices, and other logistical requirements (like refrigeration) need to be determined, purchasing decisions are ongoing, and supplier relationships need to be managed. Financing must also be arranged at this early phase. With this groundwork, the company will move to the next stage of marketing, including pricing and the

development of advertising materials. Finally, selecting and training workers will occur. Each group creates the following.

A Simple Structure

Determine what a simple structure would look like for this organization. Recall that a simple structure is one in which there is little hierarchy, wide spans of control, and centralized decision making. To whom would the various tasks described in the background above be assigned? What sort of delegation might take place? Who

would coordinate the multiple operations? About how many people would be acting in an administrative role, and what sort of spans of control would they have? What challenges will the organization face as it grows?

A Bureaucracy

Determine what a bureaucratic structure would look like for this organization. Bureaucracies are marked by more hierarchy, small spans of control, and specialized decision making. Establish task assignments, delegation, coordination, and the number of individuals required. Also consider possibilities for future growth with a bureaucratic system.

A Virtual Structure

Determine what a virtual structure would look like for this organization if many of the aspects of the business are outsourced. Consider which tasks can be performed adequately by individuals who do not work within the restaurant chain and which tasks should be kept in house.

Debriefing

After all groups have developed different structural options, convene for class discussion for groups to describe how they created responsibilities for different individuals. Then the class should talk about which system of organization seems most beneficial for this business.

ETHICAL DILEMMA   Postmillennium Tensions in the Flexible Organization

The message from the business press has been consistent: Don't count on long-term employment. For years, job seekers have been told they should expect to be responsible for their own careers and prepare for the possibility that they will be changing jobs frequently. A simple look at employment trends also confirms that highly routine and well-defined jobs have been decreasing in number.

The shift has often been described in positive terms. Managers work to create organizations that have laudable characteristics like adaptability, flexibility, and creativity. Author Micha Kaufman notes that doing well in contemporary business environments means "having the flexibility to let go of the ideas of the past, the courage to constantly reevaluate plans for the future, and the presence of mind to adapt to life, as it is, in the moment." There is a lot of appeal in creating your own future at work.

At the same time, many workers land in precarious positions. Researchers find that individuals who feel insecure or uncertain about future employment experience higher levels of psychological strain and worry. Insecure workers also get sick more frequently. Contrary to the positive image of the freelance worker with boundless energy and creativity, evidence shows that for many individuals, a lack of job security can result in exhaustion and an apprehensive approach to work problems.

Corporate leaders ask themselves what their role in creating job security should be. Some note that companies built around stability and security are less likely to compete successfully and may go out of business. Many organizations try to maintain flexibility *and* a certain level of security. For example, Scripps Health has maintained a pool of internal transfer opportunities and training assignments for individuals whose job functions are no longer needed. As a result, even within the highly volatile health care industry, it has been able to avoid layoffs. However, systems that provide job security do not come cheaply nor are they feasible for all companies.

Questions

15-7. Do you think that stability is good or bad for employees? Explain your answer.

15-8. Do employers have an ethical responsibility to provide security for employees or just a warning about a lack of security?

15-9. If long-term employment security isn't feasible, what alternatives might employers provide to help employees make smoother transitions?

Sources: Based on M. Kaufman, "The Wisdom of Job Insecurity," *Forbes*, October 3, 2014, http://www.forbes.com/sites/michakaufman/2014/10/03/the-wisdom-of-job-insecurity-dont-be-lulled-by-falling-unemployment/; C. Van Gorder, "A No-Layoffs Policy Can Work, Even in an Unpredictable Economy," *Harvard Business Review*, January 26, 2015, https://hbr.org/2015/01/a-no-layoffs-policy-can-work-even-in-an-unpredictable-economy; J. Zumbrun, "Is Your Job 'Routine'? If So, It's Probably Disappearing," *Wall Street Journal*, April 8, 2015, http://blogs.wsj.com/economics/2015/04/08/is-your-job-routine-if-so-its-probably-disappearing/; and U. Kinnunen, A. Mäkikangas, S. Mauno, N. De Cuyper, and H. De Witte, "Development of Perceived Job Insecurity across Two Years: Associations with Antecedents and Employee Outcomes," *Journal of Occupational Health Psychology* 19 (2014): 243–58.

CASE INCIDENT 1   Creative Deviance: Bucking the Hierarchy?

One of the major functions of an organizational hierarchy is to increase standardization and control for top managers. Using the chain of command, managers can direct the activities of subordinates toward a common purpose. If the right person with a creative vision oversees a hierarchy, the results can be phenomenal. For example, until Steve Jobs's passing in October 2011, Apple had used a strong top-down creative process in which most major decisions and innovations flowed directly through Jobs and were subsequently delegated to teams as specific assignments to complete.

Then there is creative deviance, in which individuals create extremely successful products despite being told by senior management to stop working on them. The electrostatic displays used in more than half of Hewlett-Packard's instruments, the tape slitter that was one of the most important process innovations in 3M's history, and Nichia's development of multibillion-dollar LED bright lighting technology were all officially rejected by the management hierarchy. In these cases, an approach like Apple's would have shut down some of the most successful products the companies ever produced. Doing business as usual can become such an imperative in a hierarchical organization that novel ideas are seen as threats rather than opportunities for development.

It's not immediately apparent why top-down decision making works so well for one highly creative company like Apple, while hierarchy nearly ruined innovations at several other organizations. It may be that Apple's structure is quite simple, with relatively few layers and a great deal of responsibility placed on everyone for his or her own outcomes. Or it may be that Apple simply had a unique leader who was able to rise above the conventional strictures of a CEO to create a culture of constant innovation.

Questions ⭐

15-10. Do you think it's possible for an organization to create an anti-hierarchy to encourage employees to engage in more acts of creative deviance? What steps might a company take to encourage creative deviance?

15-11. Why do you think a company like Apple is able to be creative with a strong hierarchical structure, whereas other companies find hierarchy limiting?

15-12. Do you think Apple's success was entirely dependent on Steve Jobs's role as head of the hierarchy? What are the potential liabilities of a company's being so strongly connected to the decision making of a single individual?

Sources: Based on C. Mainemelis, "Stealing Fire: Creative Deviance in the Evolution of New Ideas," *Academy of Management Review* 35, no. 4 (2010): 558–78; and A. Lashinsky, "Inside Apple," *Fortune*, May 23, 2011, 125–34.

CASE INCIDENT 2   Turbulence on United Airlines

The beginning of 2017 was not good for United Airlines. Several incidents involving United Airlines personnel enforcing a variety of rules, regulations, and protocols in employees' interactions with customers caused international outcry. The first incident involved two teenagers who were wearing leggings for their flight from Minneapolis to Denver. They were stopped by the gate agent and not allowed to board for violating the United Airlines travel perk program. These travel perk passes hinge on a requirement for users of the passes to dress themselves so that the airline is presented in a favorable light. United defended its decision via Twitter: "Leggings are not inappropriate attire except in the case of someone traveling as a pass rider." Comedian Seth Rogan tweeted, "We here at @United are just trying to police the attire of the daughters of our employees! That's all! Cool, right?"

A second, more severe incident occurred when David Dao, a doctor who needed to see his patients the following morning, was aboard a Louisville-bound flight from Chicago in April. Four United employees needed to get

to Louisville at the last minute, and it was announced that four people needed to give up their seats or else the flight would be cancelled. Attendants called the police after no one complied. The police approached Dao and forcibly removed him from the plane. Dao suffered a broken nose and concussion after his head smashed into an armrest. United policy allowed for the involuntary removal of passengers from flights, although this time United was not as defensive. Dao later filed a lawsuit against United for its actions.

A third incident, in Houston, involved a soon-to-be-married couple, Michael and Amber, headed to Costa Rica for their wedding. When they entered the plane, they noticed a man sleeping in the row where their seats were assigned. Instead of disturbing him, they found some seats three rows up and sat there instead. They were soon asked by an attendant to return to their seats and they complied. A U.S. marshal approached them soon after and ejected them from the plane. According to United statements, the couple "repeatedly" tried to sit in upgraded seats and

would not follow the instructions of the attendants and crew members, and, as such, they were within their power to eject the passengers.

These incidents suggest that, starting with the structure as created by the CEO, United employees do not have much latitude or flexibility when dealing with day-to-day policy breaches. Taking cost-minimization and efficiency-boosting strategies to the extreme may also have had an effect given that the focus drifted from the customer and toward rule following. Many attribute this inflexibility to the strict, rule-following bureaucracy created by United managers. In this bureaucracy, their 85,000 employees may be reluctant to deviate from the rules—intracompany historical precedent suggests that many employees face termination if they break the rules.

———

Sources: Based on S. Carey, "Behind United Airlines' Fateful Decision to Call Police; Airline's Rules-Based Culture in Spotlight after Man Was Dragged off Flight by Law Enforcement," *The Wall Street Journal,* April 17, 2017; J. Disis and J. Ostrower, "United Airlines in Twitter Trouble over Leggings Rule," *CNN Money,* March 27, 2017, money.cnn.com/2017/03/26/news/united-airlines-twitter-dress-code/; A. Hartung, "Why United Airlines Abuses Customers: The Risks of Operational Excellence," *Forbes,* April 10, 2017, https://www.forbes.com/sites/adamhartung/2017/04/10/why-united-airlines-abuses-customers-the-risks-of-operational-excellence/#78a1af3fbb10; M. Hiltzik, "At United Airlines and Wells Fargo, Toxic Corporate Culture Starts with the CEO," *Los Angeles Times,* April 17, 2017, http://www.latimes.com/business/hiltzik/la-fi-hiltzik-toxic-united-wells-20170411-story.html; and E. C. McLaughlin, "Man Dragged off United Flight Has Concussion, Will File Suit, Lawyer Says." *CNN,* April 14, 2017, http://www.cnn.com/2017/04/13/travel/united-passenger-pulled-off-flight-lawsuit-family-attorney-speak/.

Questions ⭐

15-13. How do you think United Airlines should have handled the recent string of incidents? Do you think that United Airlines was within its power to have removed these people from the flights? Why or why not?

15-14. What are the pros and cons of having a bureaucratic organizational structure for an airline? Do you think the pros and cons are justified for United Airlines and that they should keep the structure they have? Why or why not?

15-15. What do you think United Airlines should do in the future? Do you have any suggestions for enhancements or improvements to the United Airlines organizational structure? Would you consider restructuring? Why or why not?

MyLab Management Writing Assignments

If your instructor has assigned this activity, go to www.pearson.com/mylab/management for auto-graded writing assignments as well as the following assisted-graded writing assignments:

15-16. After reading Case Incident 2, do you think it is possible for organizations to merge more than one type of organizational structure and retain elements of each type? Is it possible for United Airlines to have both a bureaucratic and a more flexible structure at the same time? How so?

15-17. Based on what you've discovered about your personality traits on the Big Five Model through your organizational behavior studies in Chapter 5, in which organizational structures might you work best?

15-18. MyLab Management only—additional assisted-graded writing assignment.

ENDNOTES

[1] F. A. Csaszar, "An Efficient Frontier in Organization Design: Organizational Structure as a Determinant of Exploration and Exploitation," *Organization Science* 24, no. 4 (2013): 1083–101; G. P. Huber, "Organizations: Theory, Design, Future," in S. Zedeck (ed.), *APA Handbook of Industrial and Organizational Psychology: Vol. 1, Pt. II: Perspectives on Designing Organizations and Human Resource Systems* (Washington, DC: APA, 2011): 117–60; and B. McEvily, G. Soda, and M. Tortoriello, "More Formally: Rediscovering the Missing Link between Formal Organization and Informal Social Structure," *The Academy of Management Annals* 8, no. 1 (2014): 299–345.

[2] Huber, "Organizations."

[3] See, for instance, R. L. Daft, *Organization Theory and Design,* 12th ed. (Boston, MA: Cengage, 2015).

[4] T. Hindle, *Guide to Management Ideas and Gurus* (London, UK: Profile Books/The Economist Newspaper, 2008).

[5] See, for instance, E. Penrose, *The Theory of the Growth of the Firm,* 4th ed. (Oxford, UK: Oxford, 2009); and D. G. Ross, "An Agency Theory of the Division of Managerial Labor," *Organization Science* 25, no. 2 (2013): 494–508.

[6] For a review, see J. A. Häusser, S. Schulz-Hardt, T. Schultze, A. Tomaschek, and A. Mojzisch, "Experimental Evidence for the Effects of Task Repetitiveness on Mental Strain and Objective Work Performance," *Journal of Organizational Behavior* 35, no. 5 (2014): 705–21.

[7] J. R. Hackman and G. R. Oldham, "Motivation through the Design of Work: Test of a Theory," *Organizational Behavior and Human Performance* 16 (1976): 250–79.

[8] J. G. Miller, "The Real Women's Issue: Time," *The Wall Street Journal*, March 9–10, 2013, C3.

[9] P. Hitlin, "Research in the Crowdsourcing Age, a Case Study," *Pew Research Center: Internet, Science & Technology*, July 11, 2016, http://www.pewinternet.org/2016/07/11/research-in-the-crowdsourcing-age-a-case-study/; and T. W. Malone, R. J. Laubacher, and T. Johns, "The Age of Hyperspecialization," *Harvard Business Review* (July–August 2011): 56–65.

[10] J. Schramm, "A Cloud of Workers," *HR Magazine* (March 2013): 80.

[11] F. Levy and R. J. Murnane, *The New Division of Labor: How Computers Are Creating the Next Job Market* (New York, NY: Sage, 2004).

[12] See, for instance, J. L. Price, "The Impact of Departmentalization on Interoccupational Cooperation," *Human Organization* 27, no. 4 (1968): 362–8.

[13] N. Kumar, "Kill a Brand, Keep a Customer," *Harvard Business Review*, December 2003, https://hbr.org/2003/12/kill-a-brand-keep-a-customer.

[14] C. Woodyard, "Toyota Brass Shakeup Aims to Give Regions More Control," *USA Today*, March 6, 2013, www.usatoday.com/story/money/cars/2013/03/06/toyota-shakeup/1966489/.

[15] S. Ballmer, "One Microsoft: Company Realigns to Enable Innovation at Greater Speed, Efficiency," Microsoft, July 11, 2013, http://blogs.microsoft.com/firehose/2013/07/11/one-microsoft-company-realigns-to-enable-innovation-at-greater-speed-efficiency/.

[16] Ibid.

[17] M. Weinberger, "Why This Microsoft Exec Totally Shook up the Team That Makes One of Its Most Important Products," *Business Insider*, June 14, 2016, http://www.businessinsider.com/microsoft-office-team-reorganization-2016-6; and A. Wilhelm, "Microsoft Shakes Up Its Leadership and Internal Structure as Its Fiscal Year Comes to a Close," *TechCrunch*, June 17, 2015, http://techcrunch.com/2015/06/17/microsoft-shakes-up-its-leadership-and-internal-structure-as-its-fiscal-year-comes-to-a-close/#.mcn4eo:OnA3.

[18] See, for instance, S. Finkelstein and R. A. D'Aveni, "CEO Duality as a Double-Edged Sword: How Boards of Directors Balance Entrenchment Avoidance and Unity of Command," *Academy of Management Journal* 37, no. 5 (1994): 1079–1108; and J. Pfeffer, "Management as Symbolic Action: The Creation and Maintenance of Organizational Paradigms," in L. L. Cummings and B. M. Staw (eds.), *Research in Organizational Behavior*, Vol. 3 (Greenwich, CT: JAI, 1981): 1–52.

[19] P. Hinds and S. Kiesler, "Communication across Boundaries: Work, Structure, and Use of Communication Technologies in a Large Organization," *Organization Science* 6, no. 4 (1995): 373–93.

[20] See, for instance, "How Hierarchy Can Hurt Strategy Execution," *Harvard Business Review* (July–August 2010): 74–75.

[21] For a review, see D. D. Van Fleet and A. G. Bedeian, "A History of the Span of Management," *Academy of Management Review* 2, no. 3 (1977): 356–72.

[22] E. Appelbaum and R. Batt, *The New American Workplace* (Ithaca, NY: ILR, 1994); and C. Heckscher and A. Dornellor (eds.), *The Post-Bureaucratic Organization* (Thousand Oaks, CA: Sage, 1994).

[23] B. Brady, "It's Time to Stop Trying to Do It All," *Fortune*, May 26, 2016, http://fortune.com/2016/05/26/fortune-500-principal-financial-time-management/.

[24] See, for instance, J. H. Gittell, "Supervisory Span, Relational Coordination, and Flight Departure Performance: A Reassessment of Postbureaucracy Theory," *Organization Science* 12, no. 4: (2001): 468–83.

[25] Society for Human Resource Management (SHRM), "Span of Control: What Factors Should Determine How Many Direct Reports a Manager Has?," *SHRM: HR Q&S*, April 25, 2013, https://www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/whatfactorsshoulddeterminehowmanydirectreportsamanagerhas.aspx.

[26] J. Morgan, *The Future of Work: Attract New Talent, Build Better Leaders, and Create a Competitive Organization* (Hoboken, NJ: Wiley, 2014); and J. Morgan, "The 5 Types of Organizational Structures: Part 3, Flat Organizations," *Forbes*, July 13, 2015, https://www.forbes.com/sites/jacobmorgan/2015/07/13/the-5-types-of-organizational-structures-part-3-flat-organizations/#5b9001926caa.

[27] Huber, "Organizations."

[28] Ibid.

[29] Huber, "Organizations"; and Society for Human Resource Management (SHRM), "Understanding Organizational Structures," *SHRM: Toolkits*, November 30, 2015, https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/understandingorganizationalstructures.aspx.

[30] F. A. Csaszar, "Organizational Structure as a Determinant of Performance: Evidence from Mutual Funds," *Strategic Management Journal* 33, no. 6 (2012): 611–32.

[31] B. Brown and S. D. Anthony, "How P&G Tripled Its Innovation Success Rate," *Harvard Business Review* (June 2011): 64–72.

[32] A. Leiponen and C. E. Helfat, "Location, Decentralization, and Knowledge Sources for Innovation," *Organization Science* 22, no. 3 (2011): 641–58.

[33] K. Lanaj, J. R. Hollenbeck, D. R. Ilgen, C. M. Barnes, and S. J. Harmon, "The Double-Edged Sword of Decentralized Planning in Multiteam Systems," *Academy of Management Journal* 56, no. 3 (2013): 735–57.

[34] K. Parks, "HSBC Unit Charged in Argentine Tax Case," *The Wall Street Journal*, March 19, 2013, C2.

[35] Huber, "Organizations"; and McEvily, Soda, and Tortoriello, "More Formally."

[36] P. Hempel, Z.-X. Zhang, and Y. Han, "Team Empowerment and the Organizational Context: Decentralization and the Contrasting Effects of Formalization," *Journal of Management* 38, no. 2 (2012): 475–501.

[37] M. L. Tushman and T. J. Scanlan, "Characteristics and External Orientations of Boundary Spanning Individuals," *Academy of Management Journal* 24 (1981): 83–98.

[38] J. E. Perry-Smith and C. E. Shalley, "A Social Composition View of Team Creativity: The Role of Member Nationality-Heterogeneous Ties outside of the Team," *Organization Science* 25 (2014): 1434–52; J. Han, J. Han, and D. J. Brass, "Human

Capital Diversity in the Creation of Social Capital for Team Creativity," *Journal of Organizational Behavior* 35 (2014): 54–71; M. Tortoriello, R. Reagans, and B. McEvily, "Bridging the Knowledge Gap: The Influence of Strong Ties, Network Cohesion, and Network Range on the Transfer of Knowledge between Organizational Units," *Organization Science* 23, no. 4 (2012): 1024–39; and X. Zou and P. Ingram, "Bonds and Boundaries: Network Structure, Organizational Boundaries, and Job Performance," *Organizational Behavior and Human Decision Processes* 120, no. 1 (2013): 98–109.

[39] N. J. Foss, K. Laursen, and T. Pedersen, "Linking Customer Interaction and Innovation: The Mediating Role of New Organizational Practices," *Organization Science* 22 (2011): 980–99; N. J. Foss, J. Lyngsie, and S. A. Zahra, "The Role of External Knowledge Sources and Organizational Design in the Process of Opportunity Exploitation," *Strategic Management Journal* 34 (2013): 1453–71; and A. Salter, P. Crisuolo, and A. L. J. Ter Wal, "Coping with Open Innovation: Responding to the Challenges of External Engagement in R&D," *California Management Review* 56 (Winter 2014): 77–94.

[40] Y. Huang, Y. Luo, Y. Liu, and Q. Yang, "An Investigation of Interpersonal Ties in Interorganizational Exchanges in Emerging Markets," *Journal of Management* 42, no. 6 (2016): 1557–87.

[41] H. Aldrich and D. Herker, "Boundary Spanning Roles and Organization Structure," *Academy of Management Review* 2, no. 2 (1977): 217–30.

[42] T. A de Vries, F. Walter, G. S. Van der Vegt, and P. J. M. D. Essens, "Antecedents of Individuals' Interteam Coordination: Broad Functional Experiences as a Mixed Blessing," *Academy of Management Journal* 57 (2014): 1334–59.

[43] R. Cross, C. Ernst, D. Assimakopoulos, and D. Ranta, "Investing in Boundary-Spanning Collaboration to Drive Efficiency and Innovation," *Organizational Dynamics* 44, no. 3 (2015): 204–16.

[44] Huber, "Organizations"; and H. Mintzberg, *Structure in Fives: Designing Effective Organizations* (Englewood Cliffs, NJ: Prentice Hall, 1983).

[45] A. Murray, "Built Not to Last," *The Wall Street Journal*, March 18, 2013, A11.

[46] B. Sugarman, "Stages in the Lives of Organizations," *Administration and Policy in Mental Health* 1, no. 2 (1989): 59–66.

[47] See, for instance, M. Myatt, "Businesses Don't Fail—Leaders Do," *Forbes*, January 12, 2012, https://www.forbes.com/sites/mikemyatt/2012/01/12/businesses-dont-fail-leaders-do/#7ad1d7596c97.

[48] Huber, "Organizations"; and Mintzberg, *Structure in Fives.*

[49] J.-F. Harvey, P. Cohendet, L. Simon, and L.-E. Dubois, "Another Cog in the Machine: Designing Communities of Practice in Professional Bureaucracies," *European Management Journal* 31, no. 1 (2013): 27–40.

[50] D. Graeber, *The Utopia of Rules: On Technology, Stupidity, and the Secret Joys of Bureaucracy* (New York, NY: Melville House, 2015).

[51] J. H. Gittell and A. Douglass, "Relational Bureaucracy: Structuring Reciprocal Relationships into Roles," *Academy of Management Review* 37, no. 4 (2012): 709–33.

[52] For a quick overview, see J. Davoren, "Functional Structure Organization Strength and Weakness," *Small Business Chronicle*, http://smallbusiness.chron.com/functional-structure-organization-strength-weakness-60111.html, accessed June 25, 2015; and Huber, "Organization."

[53] H. Moon, J. R. Hollenbeck, S. E. Humphrey, D. R. Ilgen, B. West, A. P. J. Ellis, and C. O. L. H. Porter, "Asymmetric Adaptability: Dynamic Team Structures as One-Way Streets," *Academy of Management Journal* 47, no. 5 (2004): 681–95.

[54] J. R. Galbraith, *Designing Matrix Organizations That Actually Work: How IBM, Procter & Gamble, and Others Design for Success* (San Francisco: Jossey Bass, 2009); Huber, "Organization"; and E. Krell, "Managing the Matrix," *HRMagazine* (April 2011): 69–71.

[55] R. C. Ford, "Cross-Functional Structures: A Review and Integration of Matrix Organization and Project Management," *Journal of Management* 18, no. 2 (1992): 267–94.

[56] See, for instance, M. Bidwell, "Politics and Firm Boundaries: How Organizational Structure, Group Interests, and Resources Affect Outsourcing," *Organization Science* (November–December 2012): 1622–42.

[57] Ford, "Cross-Functional Structures."

[58] See, for instance, T. Sy and L. S. D'Annunzio, "Challenges and Strategies of Matrix Organizations: Top-Level and Mid-Level Managers' Perspectives," *Human Resource Planning* 28, no. 1 (2005): 39–48; and T. Sy and S. Côté, "Emotional Intelligence: A Key Ability to Succeed in the Matrix Organization," *Journal of Management Development* 23, no. 5 (2004): 437–55.

[59] N. Anand and R. L. Daft, "What Is the Right Organization Design?," *Organizational Dynamics* 36, no. 4 (2007): 329–44.

[60] Huber, "Organizations."

[61] Ibid.

[62] Huber, "Organizations"; and J. B. Quinn and P. Anderson, "Leveraging Intellect," *Academy of Management Executive* 10 (1996): 7–27.

[63] E. Steel, "Netflix Refines Its DVD Business, Even as Streaming Unit Booms," *The New York Times*, July 26, 2015, https://www.nytimes.com/2015/07/27/business/while-its-streaming-service-booms-netflix-streamlines-old-business.html?_r=0.

[64] J. Schramm, "At Work in a Virtual World," *HR Magazine* (June 2010): 152.

[65] See, for instance, C. B. Gibson and J. L. Gibbs, "Unpacking the Concept of Virtuality: The Effects of Geographic Dispersion, Electronic Dependence, Dynamic Structure, and National Diversity on Team Innovation," *Administrative Science Quarterly* 51, no. 3 (2006): 451–95; H. M. Latapie and V. N. Tran, "Subculture Formation, Evolution, and Conflict between Regional Teams in Virtual Organizations," *The Business Review* (Summer 2007): 189–93; and S. Davenport and U. Daellenbach, "'Belonging' to a Virtual Research Center: Exploring the Influence of Social Capital Formation Processes on Member Identification in a Virtual Organization," *British Journal of Management* 22, no. 1 (2011): 54–76.

[66] See, for instance, M. A. West and L. Markiewicz, *Building Team-Based Working: A Practical Guide to Organizational Transformation* (Malden, MA: Blackwell, 2004).

[67] D. Herath, "Mess Is Good for Business: Some Companies Would Do Better if They Embraced Disorganization," *Newsweek*, February 28, 2017, http://www.newsweek.com/organization-skills-business-efficiency-561985; S. Stevenson, "Who's the Boss? No one." *Slate*, June 2, 2014, http://www.slate.com/articles/business/psychology_of_management/2014/06/the_bossless_office_how_well_do_workplaces_without_managers_function.html; and Schumpeter, "The Holes in Holacracy," *The Economist*, July 5, 2014, http://www.economist.com/news/business/21606267-latest-big-idea-management-deserves-some-scepticism-holes-holacracy.

[68] A. Grasso, Y. Hoppenot, and C. Privault, "Experience Design: The Path from Research to Business," *Xerox Research Centre Europe* (Press Release), 2013, http://www.xrce.xerox.com/About-XRCE/History/20-Years-of-Innovation-in-Europe/Articles/Experience-Design-the-path-from-research-to-business.

[69] J. Scheck, L. Moloney, and A. Flynn, "Eni, CNPC Link Up in Mozambique," *The Wall Street Journal*, March 15, 2013, B3.

[70] A. G. L. Romme, "Domination, Self-Determination and Circular Organizing," *Organization Studies* 20, no. 5 (1999): 801–31.

[71] D. K. Datta, J. P. Guthrie, D. Basuil, and A. Pandey, "Causes and Effects of Employee Downsizing: A Review and Synthesis," *Journal of Management* 36, no. 1 (2010): 281–348.

[72] S. Ghosh, "Google's Motorola Mobility Layoffs: Sweeping Changes Axe 4,000 Jobs," *Reuters*, August 13, 2012, http://www.huffingtonpost.com/2012/08/13/google-motorola-mobility-layoffs-cuts-employees_n_1771692.html.

[73] L. Gensler, "American Express to Slash 4,000 Jobs on Heels of Strong Quarter," *Forbes*, January 21, 2015, http://www.forbes.com/sites/laurengensler/2015/01/21/

american-express-earnings-rise-11-on-increased-cardholder-spending/.

[74] B. Fotsch and J. Case, "Transforming Your Service Business with Lean Management," *Forbes*, March 7, 2017, https://www.forbes.com/sites/fotschcase/2017/03/07/transforming-your-service-business-with-lean-management/#66b5134254e8; and L. McCann, J. S. Hassard, E. Granter, and P. J. Hyde, "Casting the Lean Spell: The Promotion, Dilution and Erosion of Lean Management in the NHS," *Human Relations* 68, no. 10 (2015): 1557–77.

[75] J. Jargon, "Latest Starbucks Buzzword: 'Lean' Japanese Techniques," *The Wall Street Journal*, August 4, 2009, https://www.wsj.com/articles/SB124933474023402611.

[76] Datta, Guthrie, Basuil, and Pandey, "Causes and Effects of Employee Downsizing."

[77] L. I. Alpert, "Can Imported CEO Fix Russian Cars?," *The Wall Street Journal*, March 20, 2013, http://www.wsj.com/articles/SB10001424127887323639604578370121394214736.

[78] R. Handfield, "Bo Andersson's Supply Strategy Collides with Vladmir Putin's Russia: The Performance Triangle Collapses," *Supply Chain View From the Field,* NC State Poole College of Management, Supply Chain Resource Cooperative, April 11, 2016, https://scm.ncsu.edu/blog/2016/04/11/bo-anderssons-supply-strategy-collides-with-vladimir-putins-russia-the-performance-triangle-collapses/.

[79] G. Stolyarov and C. Lowe, "In Russia's Detroit, Layoffs Are Blamed on Foreign Interlopers," *Reuters: Business News*, April 27, 2016, http://www.reuters.com/article/us-russia-avtovaz-idUSKCN0XO0EE.

[80] D. Van Dierendonck and G. Jacobs, "Survivors and Victims: A Meta-Analytical Review of Fairness and Organizational Commitment after Downsizing," *British Journal of Management* 23 (2012): 96–109.

[81] J. R. B. Halbesleben, A. R. Wheeler, and S. C. Paustian-Underdahl, "The Impact of Furloughs on Emotional Exhaustion, Self-Rated Performance, and Recovery Experiences," *Journal of Applied Psychology* 98, no. 3 (2013): 492–503; R. Kalimo, T. W. Taris, and W. B. Schaufeli, "The Effects of Past and Anticipated Future Downsizing on Survivor Well-Being: An Equity Perspective," *Journal of Occupational Health Psychology* 8, no. 2 (2003): 91–109; and Van Dierendonck and Jacobs, "Survivors and Victims."

[82] G. M. Spreitzer and A. K. Mishra, "To Stay or Go: Voluntary Survivor Turnover Following an Organizational Downsizing," *Journal of Organizational Behavior* 23, no. 6 (2002): 707–29; C. O. Trevor and A. J. Nyberg, "Keeping Your Headcount When All About You Are Losing Theirs: Downsizing, Voluntary Turnover Rates, and the Moderating Role of HR Practices," *Academy of Management Journal* 51, no. 2 (2008): 259–76.

[83] K. Devine, T. Reay, L. Stainton, and R. Collins-Nakai, "Downsizing Outcomes: Better a Victim Than a Survivor?," *Human Resources Management* 42, no. 2 (2003): 109–24.

[84] T. Burns and G. M. Stalker, *The Management of Innovation* (London, UK: Tavistock, 1961).

[85] K. Walker, N. Ni, and B. Dyck, "Recipes for Successful Sustainability: Empirical Organizational Configurations for Strong Corporate Environmental Performance," *Business Strategy and the Environment* 24, no. 1 (2015): 40–57.

[86] See, for instance, A. Drach-Zahavy and A. Freund, "Team Effectiveness under Stress: A Structural Contingency Approach," *Journal of Organizational Behavior* 28, no. 4 (2007): 423–50.

[87] K. Walker, N. Ni, and B. Dyck, "Recipes for Successful Sustainability: Empirical Organizational Configurations for Strong Corporate Environmental Performance," *Business Strategy and the Environment* 24, no. 1 (2015): 40–57.

[88] See, for instance, S. M. Toh, F. P. Morgeson, and M. A. Campion, "Human Resource Configurations: Investigating Fit with the Organizational Context," *Journal of Applied Psychology* 93, no. 4 (2008): 864–82.

[89] G. P. Pisano, "You Need an Innovation Strategy," *Harvard Business Review*, June 2015, https://hbr.org/2015/06/you-need-an-innovation-strategy.

[90] See, for instance, R. Robinson, "Costs and Cost-Minimisation Analysis," *British Medical Journal* 307 (1993): 726–8.

[91] See, for instance, J. C. Naranjo-Valencia, D. Jiménez-Jiménez, and R. Sanz-Valle, "Innovation or Imitation? The Role of Organizational Culture," *Management Decision* 49, no. 1 (2011): 55–72.

[92] M. Mesco, "Moleskine Tests Appetite for IPOs," *The Wall Street Journal*, March 19, 2013, B8.

[93] M. Josefy, S. Kuban, R. D. Ireland, and M. A. Hitt, "All Things Great and Small: Organizational Size, Boundaries of the Firm, and a Changing Environment," *The Academy of Management Annals* 9, no. 1 (2015): 715–802.

[94] J. Backaler, "Haier: A Chinese Company That Innovates," *Forbes*, June 17, 2010, http://www.forbes.com/sites/china/2010/06/17/haier-a-chinese-company-that-innovates/.

[95] A. Mutch, "Technology, Organization, and Structure—a Morphogenetic Approach," *Organization Science* 21, no. 2 (2010): 507–20.

[96] Huber, "Organizations."

[97] See, for instance, J. A. Cogin and I. O. Williamson, "Standardize or Customize: The Interactive Effects of HRM and Environment Uncertainty on MNC Subsidiary Performance," *Human Resource Management* 53, no. 5 (2014): 701–21; and G. Kim and M.-G. Huh, "Exploration and Organizational Longevity: The Moderating Role of

Strategy and Environment," *Asia Pacific Journal of Management* 32, no. 2 (2015): 389–414.

[98] R. Greenwood, C. R. Hinings, and D. Whetten, "Rethinking Institutions and Organizations," *Journal of Management Studies,* 51 (2014): 1206–20; D. Chandler and H. Hwang, "Learning from Learning Theory: A Model of Organizational Adoption Strategies at the Microfoundations of Institutional Theory," *Journal of Management* 41 (2015): 1446–76.

[99] C. S. Spell and T. J. Arnold, "A Multi-Level Analysis of Organizational Justice and Climate, Structure, and Employee Mental Health," *Journal of Management* 33, no. 5 (2007): 724–51; and M. L. Ambrose and M. Schminke, "Organization Structure as a Moderator of the Relationship between Procedural Justice, Interactional Justice, Perceived Organizational Support, and Supervisory Trust," *Journal of Applied Psychology* 88, no. 2 (2003): 295–305.

[100] See, for instance, Spell and Arnold, "A Multi-Level Analysis of Organizational Justice Climate, Structure, and Employee Mental Health"; J. D. Shaw and N. Gupta, "Job Complexity, Performance, and Well-Being: When Does Supplies-Values Fit Matter?," *Personnel Psychology* 57, no. 4 (2004): 847–79; and C. Anderson and C. E. Brown, "The Functions and Dysfunctions of Hierarchy," *Research in Organizational Behavior* 30 (2010): 55–89.

[101] See, for instance, T. Martin, "Pharmacies Feel More Heat," *The Wall Street Journal,* March 16–17, 2013, A3.

[102] R. Hechanova-Alampay and T. A. Beehr, "Empowerment, Span of Control, and Safety Performance in Work Teams after Workforce Reduction," *Journal of Occupational Health Psychology* 6, no. 4 (2001): 275–82.

[103] S. Bhargava and A. Kelkar, "Prediction of Job Involvement, Job Satisfaction, and Empowerment from Organizational Structure and Corporate Culture," *Psychological Studies* 45, nos. 1–2 (2000): 43–50; A. P. Kakabadse and R. Worrall, "Job Satisfaction and Organizational Structure: A Comparative Study of Nine Social Service Departments," *The British Journal of Social Work* 8, no. 1 (1978): 51–70; E. G. Lambert, E. A. Paoline III, and N. L. Hogan, "The Impact of Centralization and Formalization on Correctional Staff Job Satisfaction and Organizational Commitment: An Exploratory Study," *Criminal Justice Studies* 19, no. 1 (23–44); and G. S. Rai, "Job Satisfaction among Long-Term Care Staff: Bureaucracy Isn't Always Bad," *Administration in Social Work* 37, no. 1 (2013): 90–9.

[104] See, for instance, R. E. Ployhart, J. A. Weekley, and K. Baughman, "The Structure and Function of Human Capital Emergence: A Multilevel Examination of the Attraction-Selection-Attrition Model," *Academy of*

Management Journal 49, no. 4 (2006): 661–77; and B. Schneider, "The People Make the Place," *Personnel Psychology* 40, no. 3 (1987): 437–53.

[105] J. B. Stewart, "A Place to Play for Google Staff," *The New York Times*, March 16, 2013, B1.

[106] See, for instance, B. K. Park, J. A. Choi, M. Koo, S. Sul, and I. Choi, "Culture, Self, and Preference Structure: Transitivity and Context Independence Are Violated More by Interdependent People," *Social Cognition* 31, no. 1 (2013): 106–18.

[107] J. Hassard, J. Morris, and L. McCann, "'My Brilliant Career?' New Organizational Forms and Changing Managerial Careers in Japan, the UK, and USA," *Journal of Management Studies* 49, no. 3 (2012): 571–99.