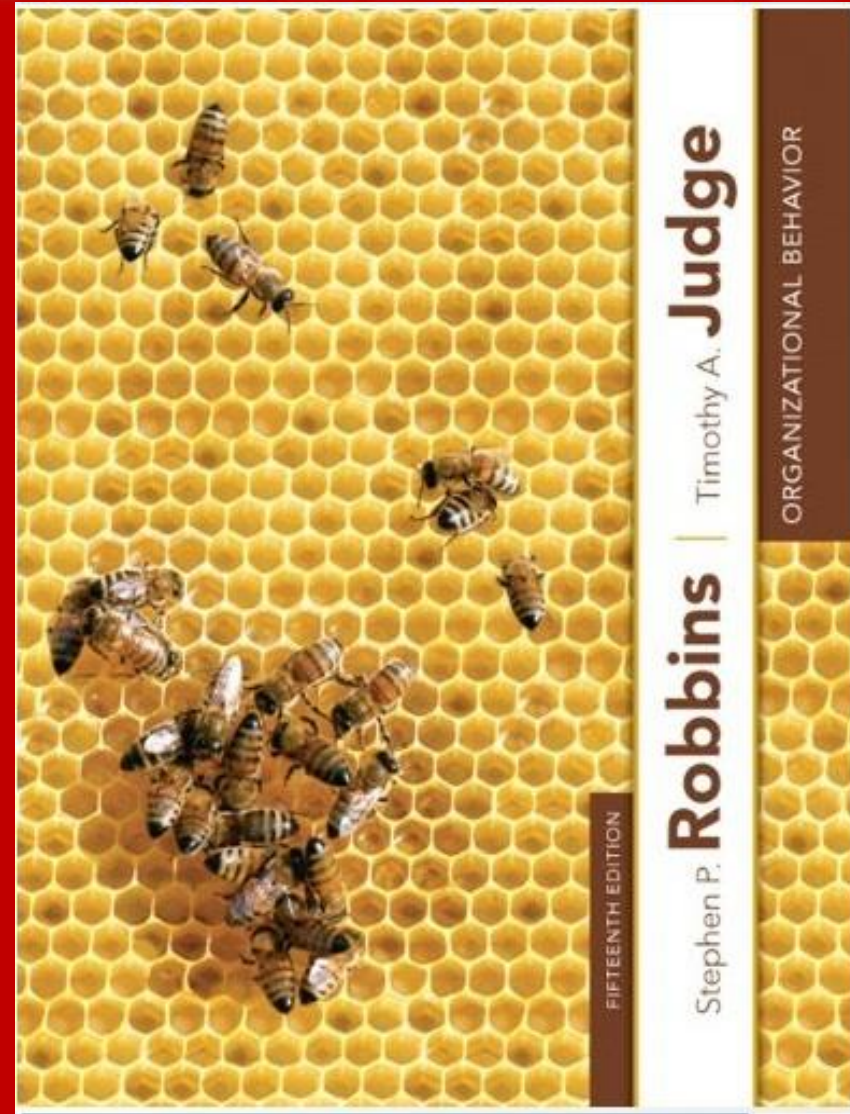




Chapter 15 – Organization Structure

Robbins and Judge Organization Behavior 15 Edition

The material used in producing this presentation derived from the book. Several examples has been added to enrich the student's understanding





Introduction

- “We have not achieved the success that we must because of severe limitations on our organization’s ability to execute in a timely manner.”
- ‘Design alterations to a car required review by as many as 70 managers, with decisions taking months & years’
- ‘Ask approval from many sources as possible’

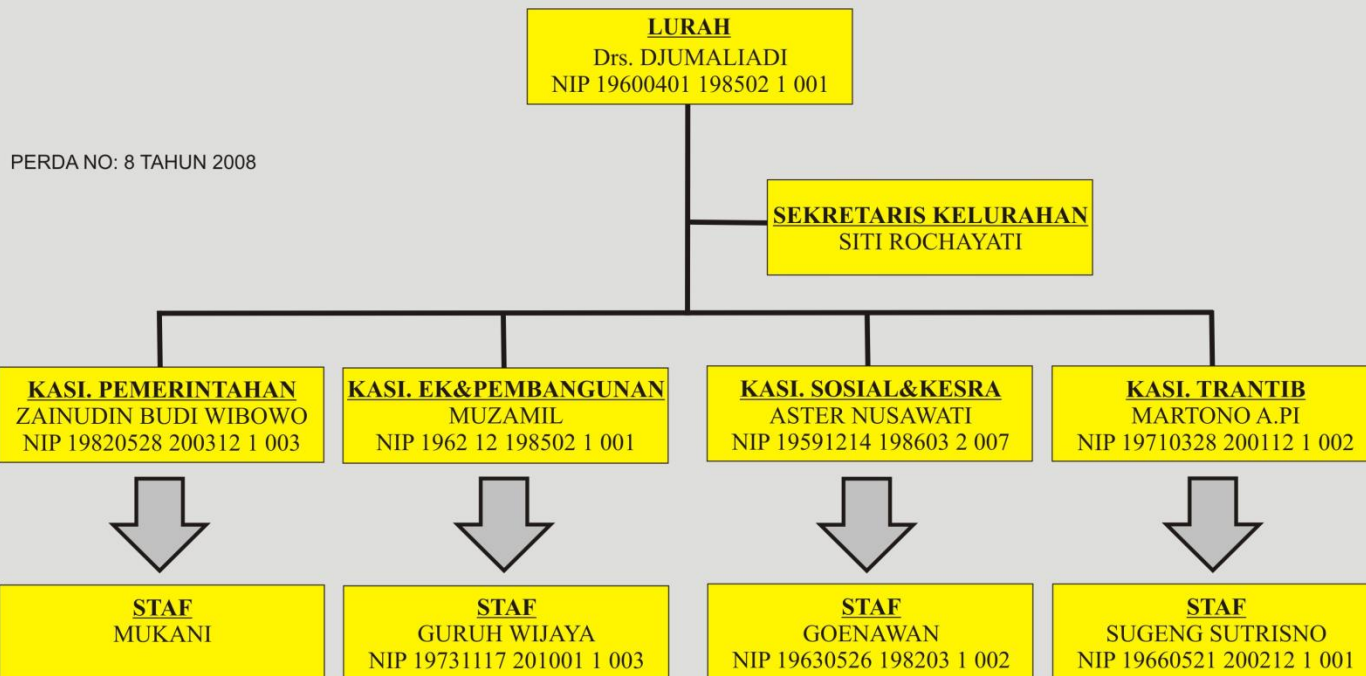


Introduction

- Conversation in an organization:
 - Nothing happens in this place until we produce something!
 - Nothing happens until we design something!
 - Nothing happens here until we sell something!
 - It doesn't matter what you produce, design, or sell. No one knows what happens until we tally up the results!

Introduction

BAGAN SUSUNAN ORGANISASI KELURAHAN BURENGAN KECAMATAN PESANTREN KOTA KEDIRI





What is Organization Structure

- Definition : the formal division, group, & coordination of job tasks
- Six key elements in designing the structure:
 - Work specialization,
 - Departmentalization,
 - Chain of command,
 - Span of control,
 - Centralization and decentralization,
 - Formalization
- **Is it possible to form one structure which accommodate all need?**

What is Organization Structure

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



Work Specialization

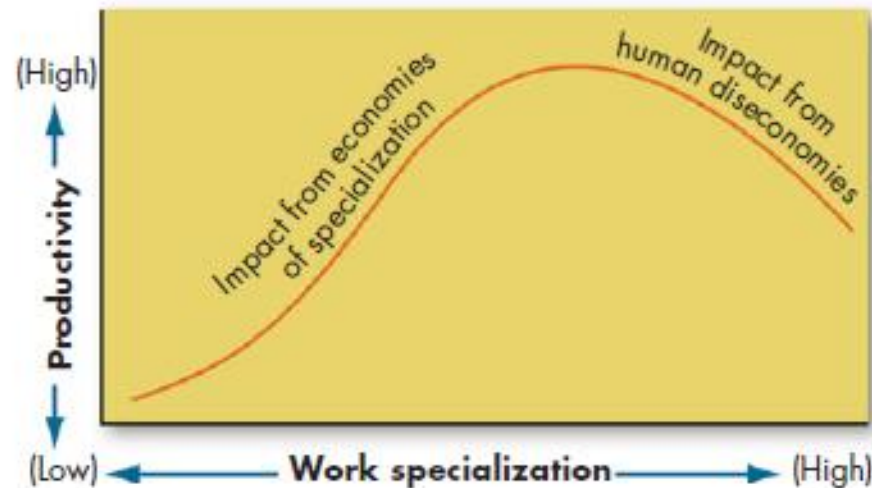
- The degree to which a tasks are divided or subdivided into separate jobs
 - Makes efficient use of employee skills
 - Create productivity
 - Increases employee skills through repetition
 - Less time between-job downtime increases productivity
 - Easy to find & train people
 - Encouraging invention or specialized equipment
- Sometime create greater economies and efficiencies – but not always... what do you think?

Work Specialization

- Specialization can reach a point of diminishing returns
- What are the alternatives?

Exhibit 15-2

Economies and Diseconomies of Work Specialization





Departementalization

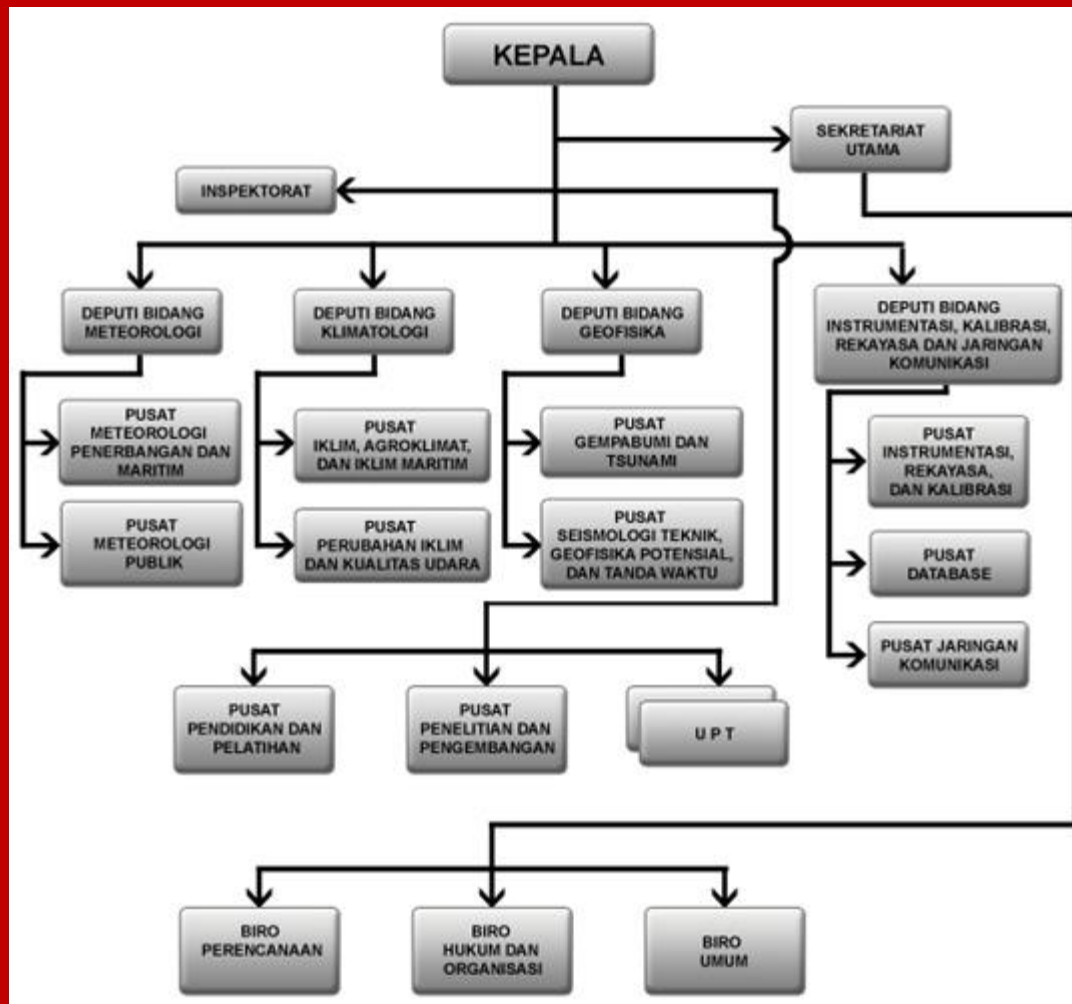
- The basis by which jobs are grouped together
- Grouping Activities by:
 - Function (engineering, accounting, manufacturing, personnel, and supply specialists)
 - Product/Service (Sunsilk, Clear, Close-up, TAKA, Simponi)
 - Geography (West Java, Papua, Bandung, Surabaya)
 - Process (penerimaan berkas, pemeriksaan, pembayaran)
 - Customer (Consumer, retail, corporate, distributor)



Chain of Command

- The unbroken line of authority that extends from the top of the organization to the lowest which clarifies who reports to whom
 - The Authority
 - › The rights inherent in a managerial position to give orders and to expect the orders to be obeyed
 - Unity of Command
 - › A subordinate should have only one superior to whom he or she is directly responsible

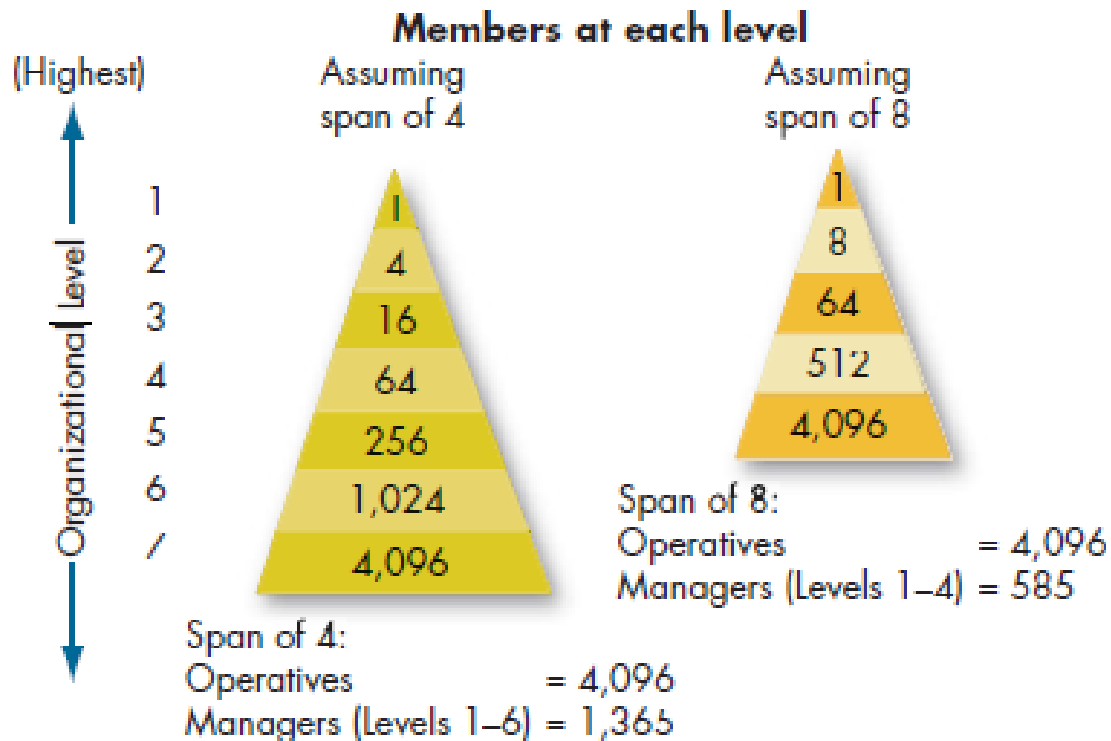
Introduction



Span of Control

Exhibit 15-3

Contrasting Spans of Control





Span of Control

- The number of subordinates a manager can efficiently and effectively direct
 - Wider spans of management increase organizational efficiency
 - Narrow span drawbacks:
 - › Expense of additional layers of management
 - › Increased complexity of vertical communication
 - › Encouragement of overly tight supervision and discouragement of employee autonomy
- **What are the advantages/disadvantages regarding the wide/narrow span of control?**



Centralization/Decentralization

- Centralization
 - The degree to which decision making is concentrated at a single point in the organization.
- Decentralization
 - The degree to which decision making is spread throughout the organization, closest to the 'action'
- **What are the requiremen of the employee, if you want to apply the decentralization model?**



Formalization

- The degree to which jobs within the organization are standardized.
 - High formalization
 - › Minimum worker discretion in how to get the job done
 - › Many rules and procedures to follow
 - Low formalization
 - › Job behaviors are nonprogrammed
 - › Employees have maximum discretion, allow improvisation



*Shwedagon Temple, Yangon
Myanmar, May 2011*



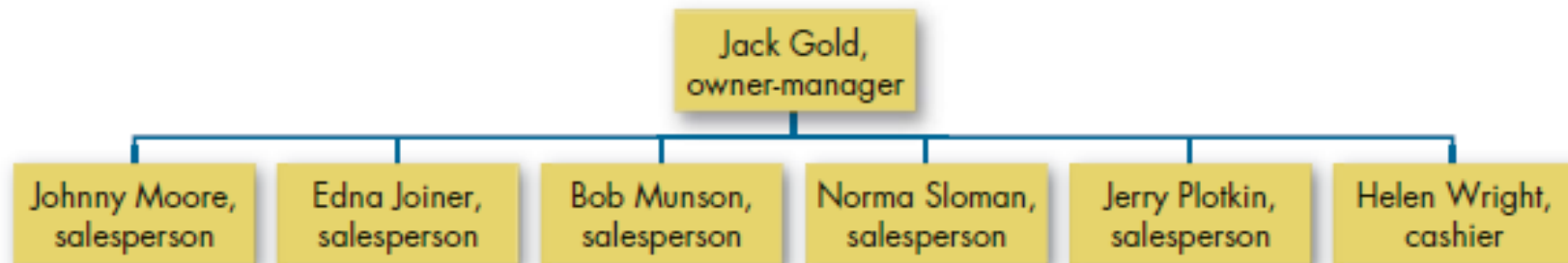
ORGANIZATIONAL DESIGN

Simple Structure

- A structure characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization

Exhibit 15-4

A Simple Structure (Jack Gold's Men's Store)





Bureaucracy

- A structure of highly operating routine tasks / standarized achieved through:
 - Specialization,
 - Very formalized rules and regulations,
 - Tasks that are grouped into functional departments,
 - Centralized authority,
 - Narrow spans of control,
 - Decision making that follows the chain of command



Assessment of Bureaucracy

■ Strengths

- Functional economies of scale
- Minimum duplication of personnel and equipment
- Enhanced communication
- Centralized decision making

■ Weaknesses

- Subunit conflicts with organizational goals
- Obsessive concern with rules and regulations
- Lack of employee discretion to deal with problems



Matrix

■ Matrix Structure

- A structure that creates dual lines of authority and combines functional and product departmentalization

■ Key Elements

- Gains the advantages of functional & product departmentalization
- Coordination of complex & interdependent activities
- Information quickly reach the people who need it
- Breaks down unity-of-command concept

■ What are the disadvantages of the matrix structure?

Matrix

Exhibit 15-5

Matrix Structure for a College of Business Administration

Programs Academic Departments	Undergraduate	Master's	Ph.D.	Research	Executive Development	Community Service
Accounting						
Finance						
Decision and Information Systems						
Management						
Marketing						



Virtual Organization

- A small, core organization that outsources its major business functions
- Highly centralized with little or no departmentalization
 - › Provides maximum flexibility while concentrating on what the organization does best
 - › Reduced control over key parts of the business
- Based on principle that if you can rent it why you buy it
- Example : MGM, Universal Studios
- It outsources almost everything: manufacturing, procurement, shipping, and quality control
- Manager spend their time coordinating & controlling

Virtual Organization

Exhibit 15-6

A Virtual Organization





Boundaryless Organization

- An organization that seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams
- T-form Concepts
 - Eliminate vertical (hierarchical) and horizontal (departmental) internal boundaries
 - Breakdown external barriers to customers and suppliers
- Strategic Alliance, collaboration



Downsizing

- Organizational goal's is to forms & improve agility by creating a lean, focused, and flexible organization.
- *Downsizing* is a systematic effort to make an organization leaner
 - Closing locations
 - Reducing staff
 - Selling off business units that don't add value



Downsizing

- The effect :
 - Employee attitude
 - Stress
 - Insecurity
 - High turn over
- How to minimize”
 - Communication
 - Participation
 - Assistance
- **What is the meaning of downsizing and when it happened?**



Extreme Model of Organization Design

■ Mechanistic model

- *Characterized by extensive departmentalization, high formalization, a limited information network, and centralization.*
- *Synonymous with the bureaucracy, highly standardized processes for work, high formalization, and more managerial hierarchy.*

■ Organic model

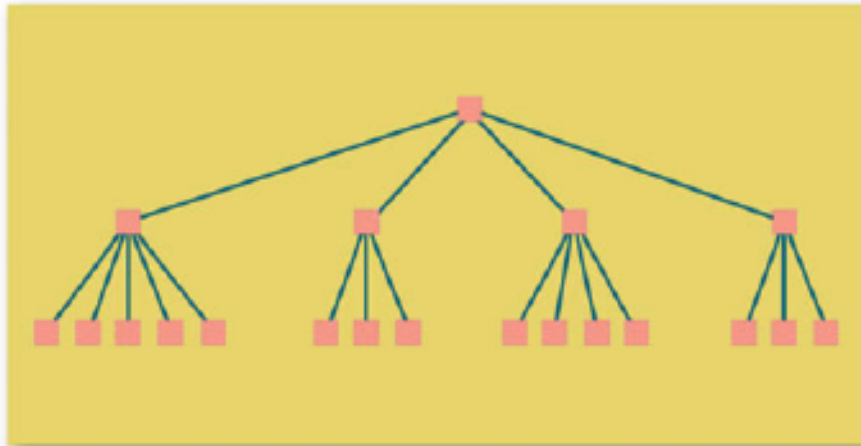
- *Flat, uses cross-hierarchical and cross-functional teams, has low formalization, flexible practise, possesses a comprehensive information network, relies on participative decision making.*

Extreme Model of Organization Design

Exhibit 15-7

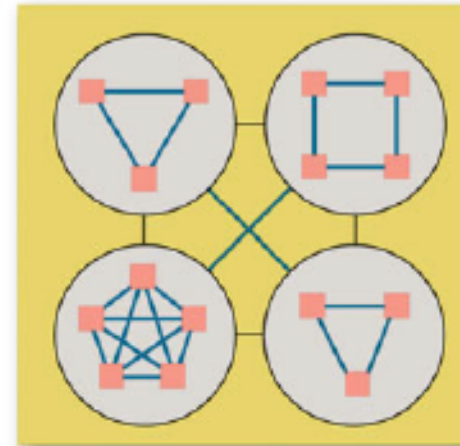
Mechanistic versus Organic Models

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



*Shwedagon Temple, Yangon
Myanmar, May 2011*



STRUCTURE DIFFERENCES



Strategy

- **Innovation Strategy**

- A strategy that emphasizes the introduction of major new products and services

- **Cost-minimization Strategy**

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

- **Imitation Strategy**

- Seeks to move into new products or new markets only after their viability has already been proven



Strategy

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



Organization Size

- As organizations grow, they become more mechanistic, more specialized, with more rules and regulations



Technology

- How an organization transfers its inputs into outputs
 - The more routine the activities, the more mechanistic the structure with greater formalization
 - Custom activities need an organic structure



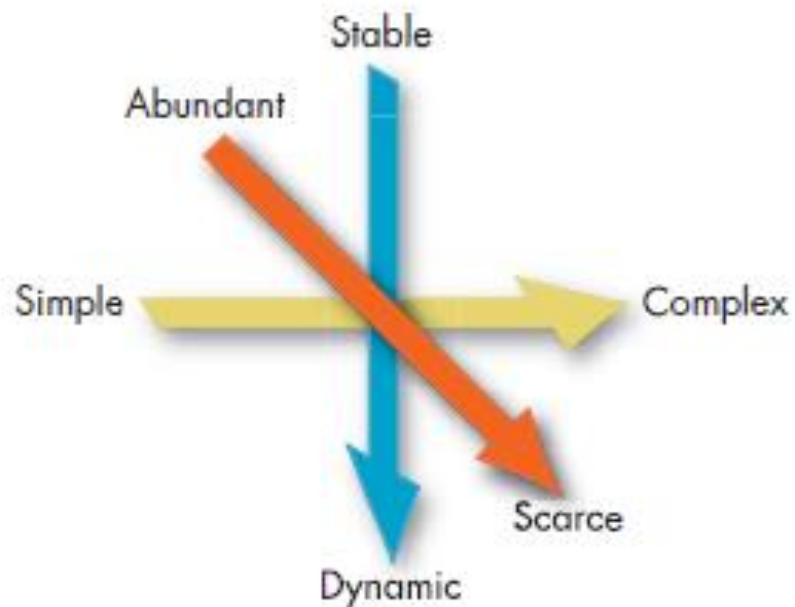
Environment

- Institutions or forces outside the organization that potentially affect the organization's performance
- Three key dimensions:
 - Capacity
 - › The degree to which an environment can support growth
 - Volatility
 - › The degree of instability in the environment
 - Complexity
 - › The degree of heterogeneity and concentration among environmental elements

Environment

Exhibit 15-9

Three-Dimensional Model of the Environment





Organization Design & Employee Behavior

- Impossible to generalize the perfect organization structure due to individual differences in the employees
- People seek and stay at organizations that match their needs.



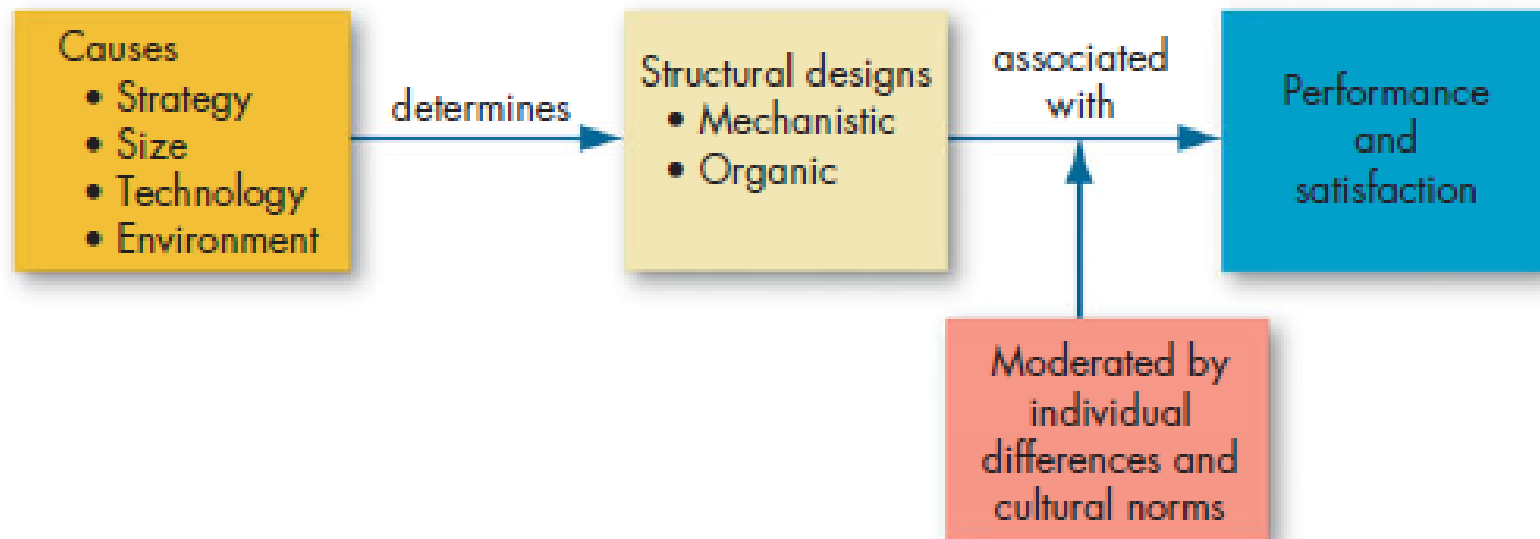
Organization Design & Employee Behavior

- Findings on organization researchs:
 - Work specialization contributes to higher employee productivity, but it reduces job satisfaction.
 - The benefits of specialization have decreased rapidly as employees seek more intrinsically rewarding jobs.
 - The effect of span of control on employee performance is contingent upon individual differences and abilities, task structures, and other organizational factors.
 - Participative decision making in decentralized organizations is positively related to job satisfaction.

Organization Design & Employee Behavior

Exhibit 15-10

Organization Structure: Its Determinants and Outcomes



Structure impacts both the attitudes and behaviors of the people within it



TUGAS 1 - UAS

- Identifikasi seluruh variabel yang terdapat di dalam Perilaku Organisasi (contoh : kepemimpinan, motivasi, komunikasi)
- Cari skripsi dengan tema PO (perpustakaan, searching di web, dll).
- Temukan skripsi yang menggunakan kuesioner (3 skripsi / mhs)
- Identifikasi;
 - Variabel yg digunakan
 - Sub variabel
 - Dimensi atau indikator yg digunakan



TUGAS 1 - UAS

- Buat kuesioner baru dari berdasarkan pertanyaan dalam kuesioner yang ada (hilangkan pertanyaan yang tidak relevan)
 - Jumlah pertanyaan untuk setiap variabel minimal 10 buah
- Diketik rapi disertai identitas yang jelas, diserahkan saat UAS
- Sebutkan sumber/skripsi yang digunakan