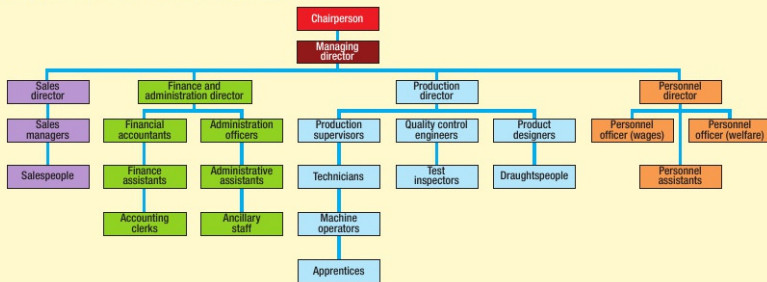

Organisational design

2017-18

ORGANISATIONAL STRUCTURES

ORGANISATIONAL CHART

A formal organisational chart for Able Engineering



ORGANISATIONAL STRUCTURES

- ▶ *Internal structure or formal organisation*: way in which positions within the business are arranged
- ▶ *Organisational structure* defines:
 - ▶ *role of the employee*
 - ▶ *decision making route*
 - ▶ *responsibility / accountability*
 - ▶ *relationship between positions*
 - ▶ *communication / information route*

ORGANISATIONAL STRUCTURES

- ▶ Organisational structure depends on:
 - ▶ *objectives* of the business
 - ▶ decision making process
 - ▶ size of the business
- ▶ 2 ways of *setting up* an organisational structure
 1. manager puts people together (structure *develops* over time)
 2. structure is *created first* and people are hired after

HIERARCHY

authority ≠ **responsibility**
right to carry accountability
out a task for the work
 of others

EMPLOYEE ROLES IN THE ORGANISATIONAL HIERARCHY

JOB DESCRIPTIONS

- ▶ *Directors:*
 - small company (owner=director)
 - large company (owner≠director)
 - board of directors
- ▶ *Managers:* responsible for the *day-to-day* decisions
 - departmental managers
 - regional managers
 - branch managers

EMPLOYEE ROLES IN THE ORGANISATIONAL HIERARCHY

JOB DESCRIPTIONS

- ▶ *Team leaders:*
 - ▶ coordinates team members
 - ▶ represents views of the team
- ▶ *Supervisors: monitors and regulates the work*
- ▶ *Professionals: qualified and experienced staff*
- ▶ *Operatives: skilled workers involved in production*
- ▶ *General staff: staff with non-specific skills*
 - follow instructions of supervisors

CHAIN OF COMMAND AND SPAN OF CONTROL

- ▶ *Chain of command*: way authority is organised
- ▶ *Span of control*: number of people (subordinates) a person directly controls

Advantages of centralisation

- Senior management has more control of the business, e.g. budgets.
- Procedures, such as ordering and purchasing, can be standardised throughout the organisation, leading to economies of scale and lower costs.
- Senior managers can make decisions from the point of view of the business as a whole. Subordinates would tend to make decisions from the point of view of their department or section. This allows senior managers to maintain a balance between departments or sections. For example, if a company has only a limited amount of funds available to spend over the next few years, centralised management would be able to share the funds out between production, marketing, research and development, and fixed asset purchases in different departments, etc.
- Senior managers should be more experienced and skilful in making decisions. In theory, centralised decisions by senior people should be of better quality than decentralised decisions made by others less experienced.
- In times of crisis, a business may need strong leadership by a central group of senior managers.
- Communication may improve if there are fewer decision makers.

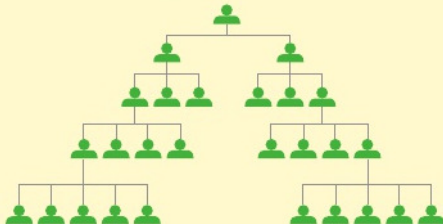
Advantages of decentralisation

- It empowers and motivates workers.
- It reduces the stress and burdens of senior management. It also frees time for managers to concentrate on more important tasks.
- It provides subordinates with greater job satisfaction by giving them more say in decision making, which affects their work, as explained by McGregor's Theory Y.
- Subordinates may have a better knowledge of 'local' conditions affecting their area of work. This should allow them to make more informed, well-judged choices. For example, salespeople may have more detailed knowledge of their customers and be able to advise them on purchases.
- Delegation should allow greater flexibility and a quicker response to changes. If problems do not have to be referred to senior managers, decision making will be quicker. Since decisions are quicker, they are easier to change in the light of unforeseen circumstances which may arise.
- By allowing delegated authority, management at middle and junior levels are groomed to take over higher positions. They are given the experience of decision making when carrying out delegated tasks. Delegation is therefore important for management development.

TYPES OF ORGANISATIONAL STRUCTURE

- ▶ Tall structures
- ▶ Flat structures
- ▶ Matrix structures

(a) Tall structure



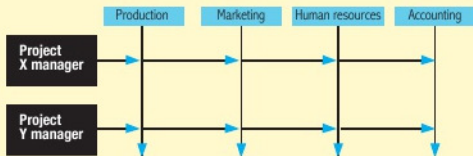
A long chain of command and a narrow span of control. A production department may look like this. One manager is helped by a few assistant managers, each responsible for supervisors. These supervisors are responsible for skilled workers, who are in charge of a group of semi-skilled workers. Close supervision is needed to make sure quality is maintained. This is sometimes referred to as a tall organisational structure.

(b) Flat structure



A short chain of command and a wide span of control. A higher or further education department may look like this, with a 'head' of department, a few senior staff and many lecturing staff. Staff will want a degree of independence. This is sometimes referred to as a flat organisational structure.

(c) Matrix structure



The matrix structure here shows two specific business projects, X and Y, drawing people from four different departments – production, marketing, human resources and accounting.

IMPLICATIONS OF DIFFERENT ORGANISATIONAL STRUCTURES

- ▶ Tall structures
- ▶ Flat structures
- ▶ Matrix structures

KEY TERMS

- ▶ **Authority:** The right to command and make decisions
- ▶ **Centralisation:** A type of business organisation where major decisions are made at the center or core of the organisation and then passed down the chain of command
- ▶ **Chain of command:** The way authority and power is organised in an organisation
- ▶ **Decentralisation:** A type of business organisation where decision making is pushed down the chain of command and away from the center of the organisation
- ▶ **Delayering:** Removing layers of management from the hierarchy of an organisation

KEY TERMS

- ▶ **Delegation:** Authority to pass down from superior to subordinate
- ▶ **Formal organisation:** The internal structure of a business as shown by an organisational chart
- ▶ **Hierarchy:** The order or levels of responsibility in an organisation, from the lowest to the highest
- ▶ **Organisational chart:** A diagram that shows the different job roles in a business and how they relate to each other
- ▶ **Responsibility:** The duty to complete a task
- ▶ **Span of control:** The number of people a person is directly responsible for in a business
- ▶ **Subordinates:** People in the hierarchy who work under the control of a senior worker