

Organizational Structure and Design (C6)

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Designing Organizational Structure

- Organizational **chart** – the **visual** representation of an organization's **structure**
- Organizational **Design** - A process involving decisions about **six** key elements:
 1. Work specialization (generalist to specialist)
 2. Departmentalization (function, product/customer, area, process)
 3. Chain of command (who reports to who)
Authority (position power, line vs staff); Responsibility; Unity of Command
 4. Span of control (no. of staff under 1 supervisor; organization slimming?)
 5. Centralization and decentralization
 6. Formalization (less/more rules)



Traditional Organizational Designs

- **Simple structure** - an organizational design with low departmentalization, wide spans of control, centralized authority, and little formalization
- **Functional structure** - an organizational design that groups together similar or related occupational specialties
- **Divisional structure** - an organizational structure made up of separate, semiautonomous units or divisions



Mechanistic vs Organic Organizations

Mechanistic

- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

Organic

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

- **Mechanistic organization** - an organizational design that's rigid and tightly controlled
- **Organic organization** - an organizational design that's highly adaptive and flexible



Contingency factors affecting structural choice

- Structural decisions are influenced by:
 - Overall **strategy** of the organization (innovation vs cost saving)
 - **Size** of the organization (grow from organic to mechanistic)
 - **Technology** use employed by the organization (routine or not)
 - Degree of **environmental uncertainty** (stable/simple vs dynamic/complex)

