

Organizational Structure and Design

- mendeskrripsikan apa yang dimaksud dengan struktur organisasi dan bagaimana struktur organisasi digambarkan dalam bagan organisasi (*organizational chart*)
- menjelaskan karakteristik dasar struktur organisasi yang digambarkan dalam bagan organisasi (hirarki wewenang, pembagian kerja, rentang kendali, lini vs staff, dan desentralisasi)
- menjelaskan perbedaan pendekatan dalam departementalisasi – organisasi fungsional, organisasi produk, organisasi matrix, organisasi tanpa batas
- membedakan antara pendekatan klasik dan neo klasik untuk desain organisasi dan antara organisasi mekanistik dan organisasi organik, seperti yang dijelaskan oleh pendekatan kontingensi untuk desain organisasi
- mendeskrripsikan lima bentuk organisasi yang diidentifikasi oleh Mintzberg: *simple structure, machine bureaucracy, professional bureaucracy, divisional structure, dan adhocracy*
- menggolongkan/mengkarakteristikkan dua bentuk desain intraorganisasional – konglomerat dan strategi aliansi

Organizing

arranging the activities of the enterprise in such a way that they systematically contribute to the enterprise's goals

Organizing concerned with

- assembling and allocating the resources necessary to achieve the organization's objectives,
- establishing the authority relationships of the organizations,
- creating the organizational structure

The Importance of Structure
"Good organization structure does not by itself produce good performance. But poor organization structure makes good performance impossible, no matter how good the individual managers may be" Drucker (1989)

ORGANIZATIONAL STRUCTURE: THE BASIC DIMENSIONS OF ORGANIZATIONS

Organizational structure

- the way individuals and groups are arranged with respect to the tasks they perform
- the formal configuration between individuals and groups with respect to the allocation of tasks, responsibilities, and authorities within organizations

Organizational chart

- a useful pictorial way of depicting key features of organizational structure
- a diagram representing the connections between the various departments within an organization; a graphic representation of organizational design

Organizational design

- the process of coordinating these structural elements in the most effective manner
- management decisions and actions that result in a specific organization structure

The Organizational Chart

Organization Chart
 diagram depicting a company's structure and showing employees where they fit into its operations

Chain of Command
 reporting relationships within a company

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    graph TD
      PO[President/Owner] --> MM[Marketing Manager]
      PO --> FM[Finance Manager]
      PO --> HRM[Human Resource Manager]
      MM --> S1[Supervisor]
      MM --> S2[Supervisor]
      FM --> S3[Supervisor]
      FM --> S4[Supervisor]
      HRM --> S5[Supervisor]
      HRM --> S6[Supervisor]
    
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Organization Charts

Example of Hospital's Organization Chart

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    graph TD
      BD[Board of Directors] --> CEO[Chief Executive Officer]
      CEO --> PRES[President]
      PRES -.-> SPO[Strategic Planning Officer]
      PRES -.-> LC[Legal Counsel]
      PRES -.-> CCS[Cost-Containment Staff]
      PRES --> EAD[Executive Administrative Director]
      PRES --> EMD[Executive Medical Director]
      EAD --> DHR[Director of Human Resources]
      EAD --> DADM[Director of Admissions]
      EAD --> DACC[Director of Accounting]
      EAD --> DNF[Director of Nutrition and Food Services]
      EAD --> DXR[Director of X-Ray and Laboratory Services]
      EAD --> DSUR[Director of Surgery]
      EMD --> DPH[Director of Pharmacy]
      EMD --> CP[Chief Physician]
      DPH --> DOPR[Director of Outpatient Services]
      DPH --> DOPR2[Director of Outpatient Services]
      DHR -.-> DPPR[Director of Patient and Public Relations]
    
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The effects of structure on individual and group behavior

Individuals and groups respond in significant ways to the jobs they perform, to the groups they work with, to the leaders who influence them.

■ **Individual**
 The job itself provides powerful stimuli for individual behavior.

- The demands on, and the expectations of, individuals *can result in high levels of personal satisfaction or stress, anxiety, and psychological difficulties*. People's job require the to perform activities in combination with other people. Activities can be routine/non routine; they can require high/low levels of skills; they *can be perceived as challenging or as trivial*

■ **Group**
 Structure also affects the behavior and functioning of groups in organization.

- Depending upon the specific configuration of jobs and departments, *groups can be either more or less cohesive and more or less communicative*. Studies of org. structure indicates that the group containing people doing the same job will be less cohesive, less open to new ideas, and less communicative than the group of people doing different jobs

The concept of organization structure

(Gibson, Ivancevich, Donnelly, 2000)

- **Structure as an influence on behavior**
The key word in this definition is *control*.
Structure → to control or distinguish its parts
- **Structure as recurring activities**
This definition emphasizes persistence and regularity of activities ~ the importance of organizational processes
- **Structure as purposeful and goal-oriented behavior**
Organizations are purposeful and goal oriented. The org'l. structure is likewise purposeful and goal oriented
Structure → a relatively stable framework of jobs and departments that influence the behavior of individuals and group toward organizational goals
→ organization structures facilitate the achievement of org'l goals
→ management should think of structure in term of its contribution to organizational effectiveness

DESIGNING AN ORGANIZATIONAL STRUCTURE

Organizational Design

- management decisions and actions that result in a specific organization structure

The content of the decision is always the same:

- **Division of labor: carving up the jobs**
→ the process of dividing the many tasks performed within an organization into specialized jobs → *work specialization*
- **Hierarchy of authority: up and down the organizational ladder**
→ a configuration of the reporting relationships within organizations, that is, who reports to whom
→ delegation of authority throughout the structure (*centralization and decentralization*)
- **Span of control: breadth of responsibility**
→ the number of subordinates in an organization who are supervised by an individual manager
- **Departmentalization: ways of structuring organizations**
→ group of jobs

THE FOUR KEY DESIGN DECISIONS

Classical, formalistic, structured, bureaucratic, System 1, mechanistic ↔ Neoclassical, informalistic, unstructured, neobureaucratic, System 4, organic

Spesialisasi

Pembagian kerja — Tinggi — Rendah

Dasar

Departementalisasi — Homogen — Heterogen

Jumlah

Rentang Kendali — Sempit — Lebar/luas

Delegasi

Wewenang — Sentralisasi — Desentralisasi

Organizational Structure

(Robbins et al, 1998)

- To what degree are tasks subdivided into separate jobs?
- On what basis will jobs be grouped together?
- To whom do individuals and groups report?
- How many individuals can a manager efficiently and effectively direct?
- Where does decision making authority lie?
- To what degree will there be rules and regulations to direct employees and managers?

- Work specialization
- Departmentalization
- Chain of command
- Span of control
- Centralization and decentralization
- Formalization

- Struktur organisasi merupakan hasil dari keputusan manajerial mengenai 4 hal penting (Gibson, Ivancevich, Donnelly, 2000), yaitu:
 - ➔ Division of labor/specialization (pembagian kerja/siapa mengerjakan apa)
 - ➔ Bases for departmentalization
 - ➔ Size of department/span of control (rentang kendali)
 - ➔ Delegation of authority (sentralisasi vs desentralisasi)

Keputusan manajerial tersebut dipengaruhi oleh faktor-faktor:

- ➔ *job design* (→ task requirements, technology, ability and skill)
- ➔ *organization design* (→ technology, environmental uncertainty, strategy, managerial choice)

Keputusan manajerial akan menentukan dimensi dari struktur organisasi → *formalism, complexity, dan centralization*

Struktur organisasi → menyumbang pada efektivitas organisasional

ORGANIZATIONAL STRUCTURE

(Gibson, Ivancevich, Donnelly, 2000)

tuntutan tugas

Faktor-faktor desain pekerjaan ← kemampuan & ketrampilan
← teknologi

KEPUTUSAN MANAJER
1. PEMBAGIAN KERJA
2. DEPARTEMENTALISASI
3. UKURAN DEPARTEMEN
4. DELEGASI WEWENANG

DIMENSI STRUKTUR ORG
1. FORMALISASI
2. KOMPLEKSITAS
3. SENTRALISASI

Faktor-faktor desain organisasi ← strategi
← pilihan manajer

teknologi Environmental uncertainty

KEEFEKTIFAN ORG
PRODUKSI
KUALITAS
EFISIENSI
FLEKSIBILITAS
KEPUASAN
DAYA SAING
PERKEMBANGAN
KELANGSUNGAN
USAHA

Division of Labor/Specialization: carving up the jobs done

- the process of dividing the many tasks in an organization into specialized jobs

Job specialization can occur in 3 different ways :

- Personal specialties** ~ occupational and professional specialties → e.g. accountants, engineers, scientists, physicians, etc.
- Horizontal specialties** ~ work is divided by the natural sequence of the work the organization does → e.g. manufacturing plants – divide work into fabricating and assembly
- Vertical specialties** ~ work is divided along the vertical plane of an organization → from the lowest level manager to the highest level manager

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Delegation/Hierarchy of Authority: up and down the organizational ladder

- a configuration of the reporting relationships within organizations (i.e. who reports to whom)
- process of distributing authority downward in an organization
 - Decentralize
 - Centralize

Decision guideline:

- How routine and straightforward are the job's or unit's required decisions?
- Are individuals competent to make the decision?
- Are individuals motivated to make the decision?
- Do the benefits of decentralization outweigh its costs?

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Decentralization: delegating power downward

- the extent to which authority and decision making are spread throughout all levels of an organization rather than being reserved for top management (i.e. centralized)

Decentralization: Benefits when low and when high

LOW DECENTRALIZATION (HIGH CENTRALIZATION)	HIGH DECENTRALIZATION (LOW CENTRALIZATION)
<ul style="list-style-type: none"> Eliminates the additional responsibilities not desired by people performing routine jobs Permits crucial decisions to be made by individuals who have the "big picture" 	<ul style="list-style-type: none"> Can eliminate levels of management, making a leaner organization Promotes greater opportunities for decisions to be made by people closest to problems

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Span of Control: Breadth of Responsibility

- number of individuals who report to specific manager
- The number of subordinates in an organization who are supervised by managers

3 factors important for determining optimum span of control:

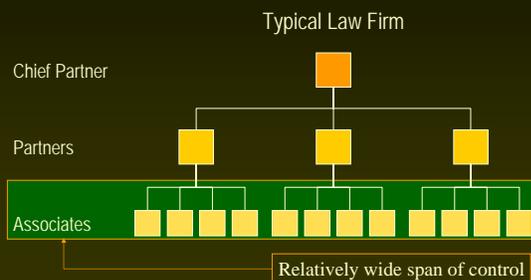
- required contact
- degree of specialization
- ability to communicate



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Flat Organizational Structure

Characteristic of decentralized companies with relatively few layers of management and relatively wide spans of control



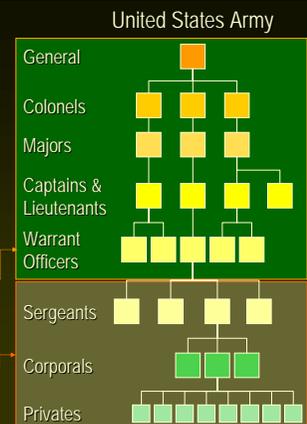
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Tall Organizational Structure

Characteristic of centralized companies with multiple layers of management and relatively narrow spans of control

Relatively narrow span of control.

At lower levels, where tasks are similar and simpler, span of control widens.



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Line and Staff Positions: Decision Makers and Advisers

Line Position

- Position in organizations in which people can make decisions related to basic work
e.g. vice president, managers → have a decision making power

Staff positions

- Positions in organizations in which people make recommendations to others but are not involved in decisions concerning day to day operations
e.g. legal counsel → provides advice & recommendations to the line managers
HR managers → line + staff positions ?

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Departmentalization: ways of structuring organizations

- process of grouping jobs into logical units
- The process of breaking organizations into coherent units
- process in which an org. is structurally divided by combining jobs in departments according to some shared characteristics or basis
 - Functional
 - Product
 - Territorial
 - Customer

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Departmentalization

Functional Departmentalization

Departmentalization according to groups' functions or activities

Territorial/Geographic Departmentalization

Departmentalization according to areas served by a business

Product Departmentalization

Departmentalization according to specific products being created

Customer Departmentalization

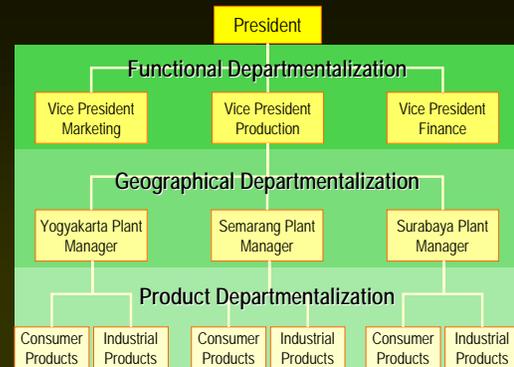
Departmentalization according to types of customers likely to buy a given product

Process Departmentalization

Departmentalization according to production processes used to create a good or service

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Multiple Forms of Departmentalization



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Departmentalization

- Functional Organizations:** Departmentalization by Task
- Product Organizations:** Departmentalization by Type of Output
- Matrix Organization:** Departmentalization by Function and Product
- Horizontal Organizations:** Structuring by Process
→ the practice of structuring organizations by the processes performed, using autonomous work teams in flattened hierarchies

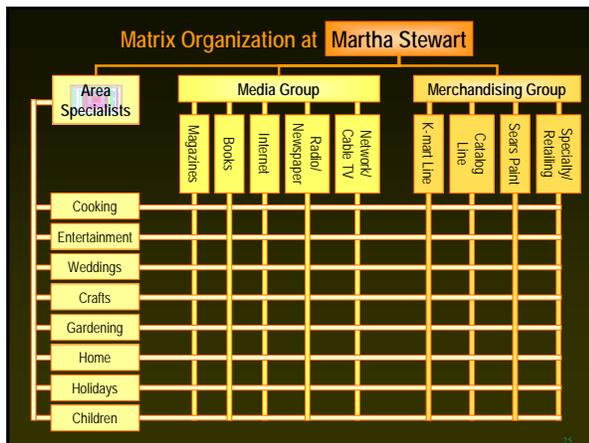
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The Matrix Organization

- combines functional and product departmental bases ~ dual authority system
- organizational structure in which teams are formed and team members report to two or more managers

- A matrix is a highly flexible form that is readily adaptable to changing circumstances.
- Matrix structures rely heavily on committee and team authority.
- Some companies use the matrix organization as a temporary measure to complete a specific project. The end of the project usually means the end of the matrix.

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Advantages of Matrix Organization

- Efficient use of resources
- Flexibility in conditions of change and uncertainty
- Technical expertise
- Freeing top management for long-range planning
- Improving motivation and commitment
- Providing opportunities for personal development

DIMENSIONS OF STRUCTURE

- **Formalization:** extent to which an organization relies on written rules and procedures to predetermine actions of employees
- **Centralization:** degree to which top management delegates authority to make decisions
- **Complexity:** number of different job titles, or occupational groupings, units or departments and authority levels in an organization

Relationship between dimensions of organizational structure and the four design decisions are summarized in the next table.

Organization Dimensions in Relation to Organizational Decisions

DIMENSIONS	DECISIONS
High formalization	<ul style="list-style-type: none"> ■ High specialization ■ Functional departments ■ Wide span of control ■ Delegated authority
High centralization	<ul style="list-style-type: none"> ■ High specialization ■ Functional departments ■ Wide span of control ■ Centralized authority
High complexity	<ul style="list-style-type: none"> ■ High specialization ■ Territorial, customer, and product departments ■ Narrow span of control ■ Delegated authority

ORGANIZATIONAL DESIGN: COORDINATING THE STRUCTURAL ELEMENTS OF ORGANIZATIONS

Organizational design

- the process of co-ordinating the structural elements of an organization in the most appropriate manner
- management decisions and actions that result in a specific organization structure

ORGANIZATION DESIGN MODEL

- The Mechanistic Model = System 1
 - ➔ the principle of specialization, unity of direction, authority and responsibility, the scalar chain principle, bureaucracy
- The Organic Model = System 4
 - ➔ simple, decentralize, informal
- The Matrix Model
 - ➔ combines functional and product departmental bases

ORGANIZATIONAL DESIGN

➤ **Classical and neoclassical approaches:** the quest for the best design

- **CLASSICAL ORGANIZATIONAL THEORY:** approaches assuming there is a single best way to design organizations
 - ➔ Max Weber, F. Taylor, and Henry Fayol ~ effective organization had a formal hierarchy, clear rules, specialization of labor, highly routine task and a highly impersonal working environment → bureaucracy (Weber)
- **NEOCLASSICAL ORGANIZATIONAL THEORY:** an attempt to improve a classical organizational theory that argues employee satisfaction as well as economic effectiveness are the goals of organizational structure
 - ➔ D. McGregor (Theory Y), Chris Argyris, Rensis Likert (System 4 organization)
 - ➔ Designing organization with flat hierarchical structure (minimizing managerial control over subordinates) and a high degree of decentralization (encouraging employees to make their own decisions)

ORGANIZATIONAL DESIGN

➤ **The Contingency Approach:** design according to environmental conditions → recognizing that no one approach to organizational design is best, but that the best design is the one that best fits with the existing environmental conditions

- ➔ **The external environment:** its connection to organizational design
 - ➔ The sum of all the forces with which an organization must deal effectively if it is to survive → include general work conditions (e.g. economy, geography, national resources) and specific task environment within which the company operates (e.g. competitors, customers, work force, suppliers)
- ➔ **Mechanistic and organic organizations:** designs for stable and turbulent conditions
 - Mechanistic → in which people perform specialized jobs, rigid rules are imposed, and authority is vested in a few, top ranking officials
 - Organic → in which jobs tend to be very general, there are few rules, and decisions can be made by lower level employees

The Mechanistic vs. The Organic Organization

Mechanistic	Organic
➤ High specialization	➤ Cross functional teams
➤ Rigid departmentalization	➤ Cross hierarchical teams
➤ Clear chain of command	➤ Free flow of information
➤ Narrow span of controls	➤ Wide spans of control
➤ Centralization	➤ Decentralization
➤ High formalization	➤ Low formalization

➤ **Mechanistic versus organic designs**

- ❖ mechanistic organization adapted to stable environment
- ❖ organic organization adapted into innovative environment

Mechanistic and organic designs differs along several key dimensions identified here. These represent extremes; organizations can be relatively organic, relatively mechanistic, or somewhere in between

Dimension	Mechanistic	Organic
Stability	Change unlikely	Change likely
Specialization	Many specialists	Many generalists
Formal rules	Rigid rules	Considerable flexibility
Authority	Centralized in few top people	Decentralized, diffused throughout the organization

➤ Mintzberg's Framework

Mintzberg → organization are composed of five basic elements - or groups of individuals- any one of which may predominate

- **The operating core** → employees who perform the basic work related to an organization's product or service
- **The strategic apex** → top level executives responsible for running an entire organization
- **The middle line** → managers who transfer information between higher and lower levels of the organizational hierarchy
- **The technostructure** → organizational specialists responsible for standardizing various aspects of an organization's activities
- **The support staff** → individuals who provide indirect support services to an organization

What organizational designs fit best under conditions in which these five groups dominate?

➤ Mintzberg's Framework: Five Organizational Forms

DESIGN	DESCRIPTION	EXAMPLE
Simple structure	Simple, informal, authority centralized in a single person	Small, entrepreneurial business
Machine bureaucracy	Highly complex, formal environment with clear lines of authority	Government office
Professional bureaucracy	Complex, decision making authority in professionals	University
Divisionalized structure	Large, formal organizations with several separate divisions	Multidivision business, such as General Motors
Adhocracy	Simple, informal, with decentralized authority	Software development firm

ORGANIZATIONAL DESIGN

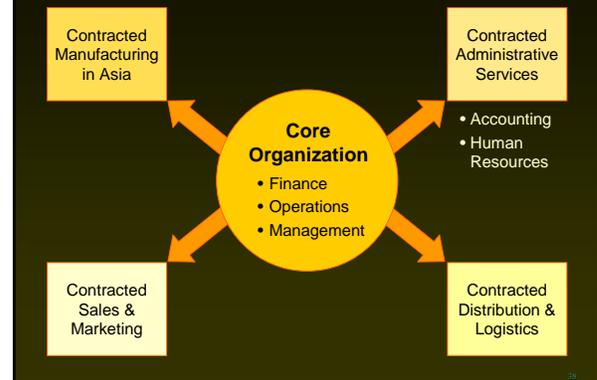
- **The Boundaryless Organization:** A New Corporate Architecture → minimize or eliminate traditional boundaries and structures → chains of command are eliminated, spans of control are unlimited, and rigid departments give way to empowered teams

The Boundaryless Organizations: various Forms

- ❖ **Boundaryless Organizations** (Barrier-Free Organization → all barriers, both inside and outside the organization, are eliminated)
- ❖ **Modular organization** → eliminate only external barriers → organization expands by outsourcing functions to other organizations that provide specialized services
- ❖ **Virtual organization** → eliminate only external barriers → organization temporarily forms a new organization by joining with several others until project is completed

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Virtual Organization



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INTERORGANIZATIONAL DESIGNS: GOING BEYOND THE SINGLE ORGANIZATION

- **Conglomerates:** diversified "Megacorporations"
a form of organizational diversification in which an organization (usually a very large, multinational one) adds an entirely unrelated business or product to its organizational design
- **Strategic Alliances**
a type of organizational design in which two or more separate companies combine forces to develop and operate a specific business (see mutual consortia, joint ventures, and value chain partnerships)

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Strategic Alliances: A Continuum of Interorganizational Relationship



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Strategic Alliances: Joining for Mutual Benefit

- Strategic alliances
- The continuum of alliances
 - Mutual service consortia
 - Value chain partnerships
 - Joint ventures
 - Networked incubator
 - Incubator
- An alternative to the joint venture
 - spinoff
- Strategic alliances in the global economy
- Strategic alliances can help minority-owned businesses
- Are strategic alliances successful?

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