



Organizational structures, internal and external network cooperation

Ondřej Částek
castek@econ.muni.cz

Content

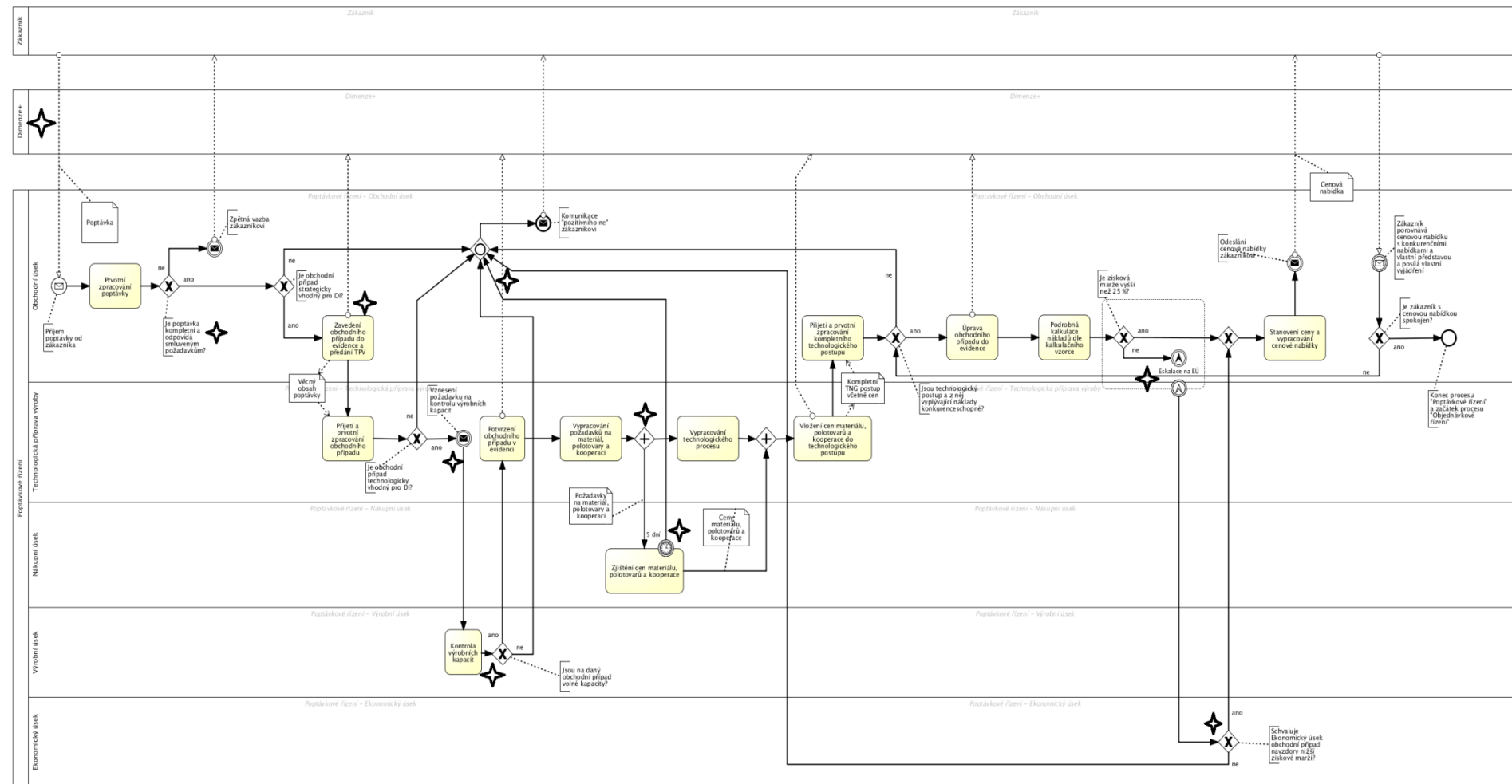
1. Basics of organizational structure design
2. Trends from hierarchy to holocracy
3. Trends from outsourcing to clusters

GE – development of organizational structure

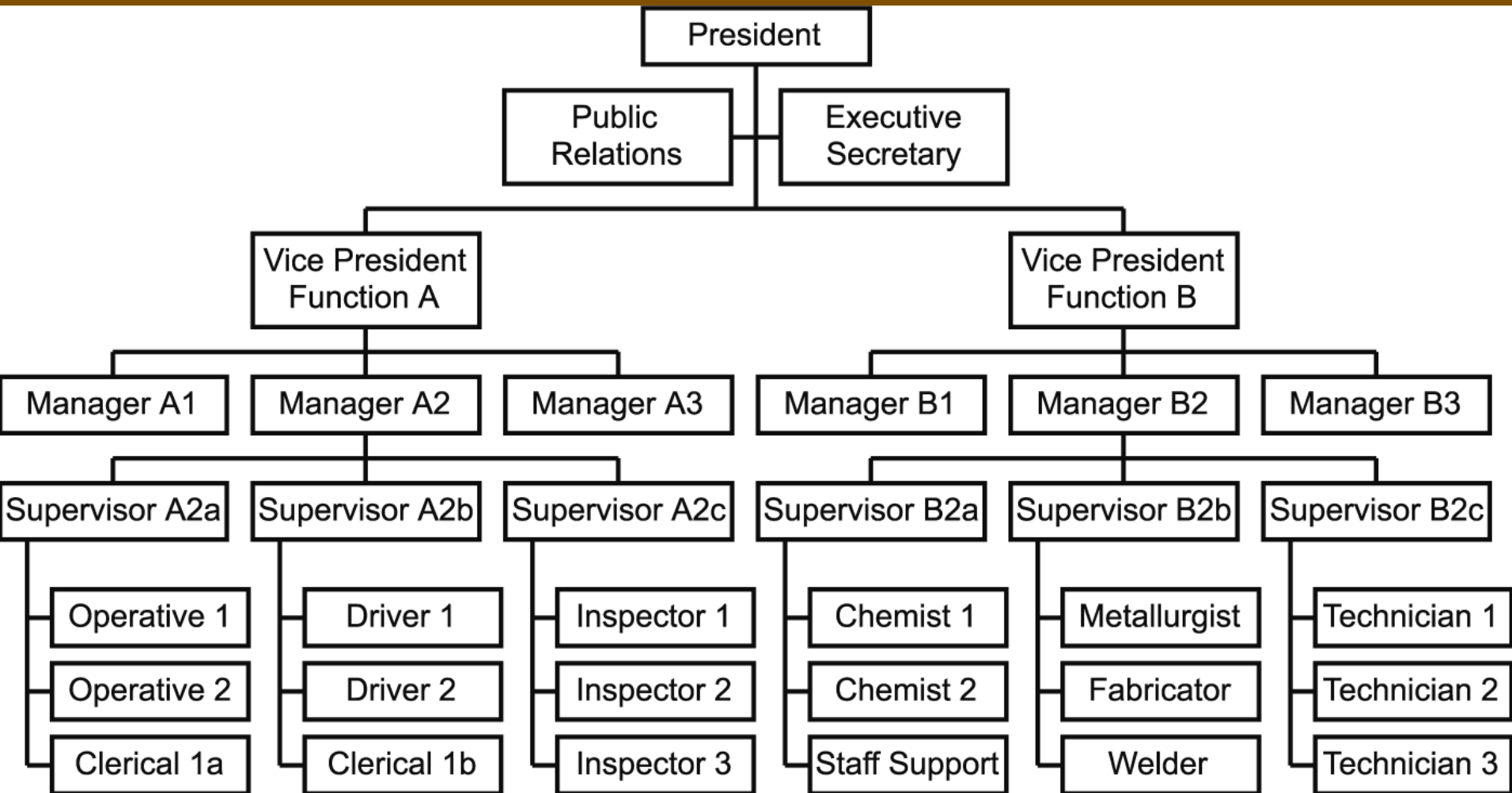
- 1930s – 40s: functional approach, high and rigid structure
- 1950s: decentralization, smaller departments/divisions
- 1970s: from 190 divisions into 43 SBU
- 1980s: J. Welch
 - 3 top managers, 3 operative managers
 - from 240 industries into 14
 - 10-15 subordinates



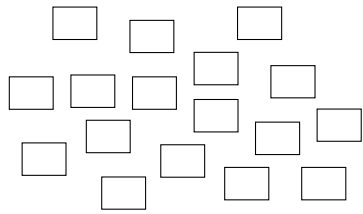
Process structure



Department structure



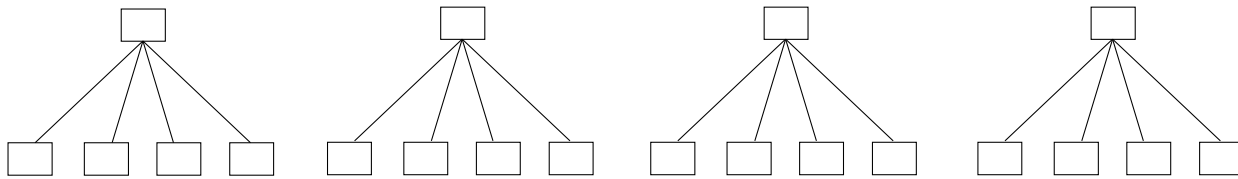
Departmentalization



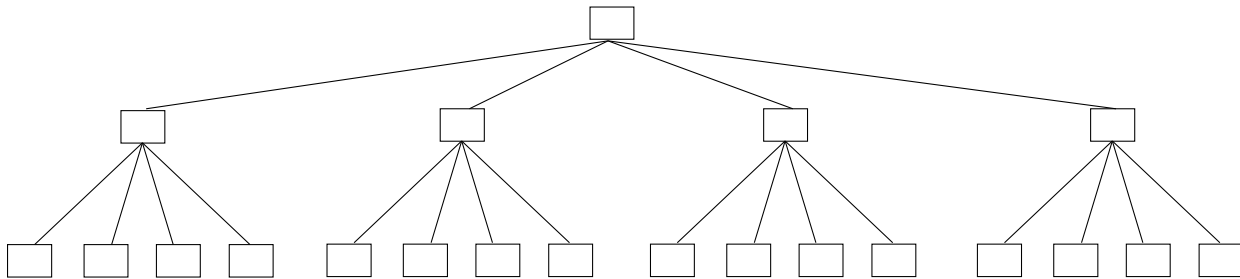
a



b

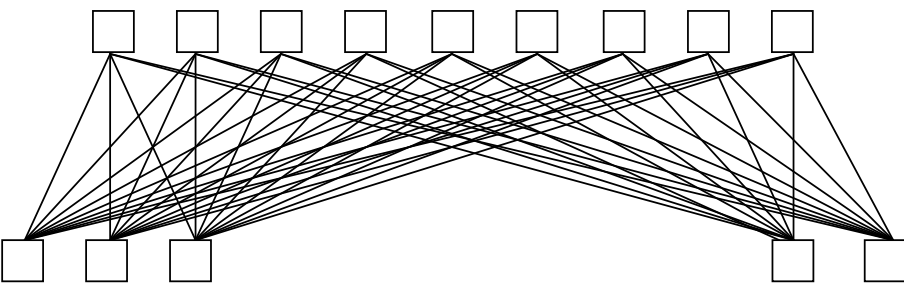
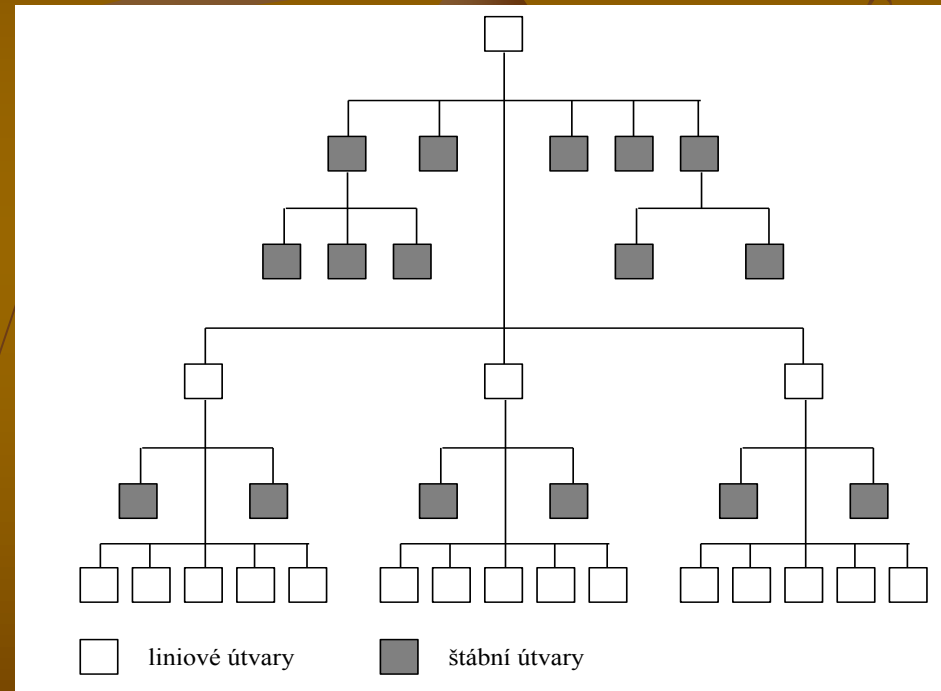
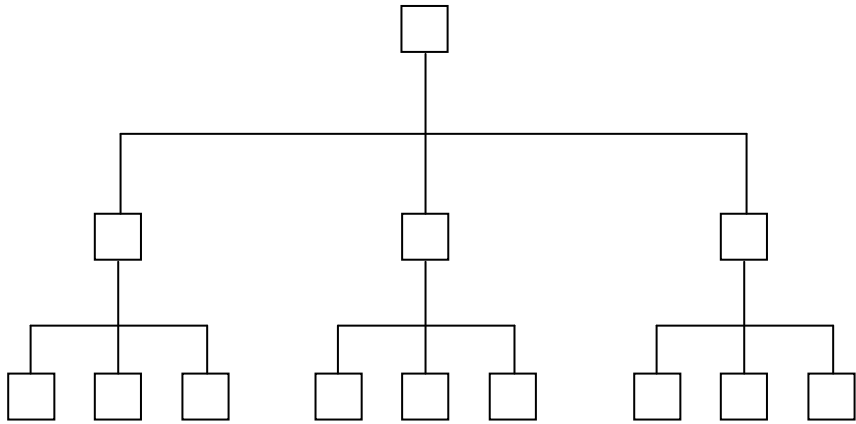


c

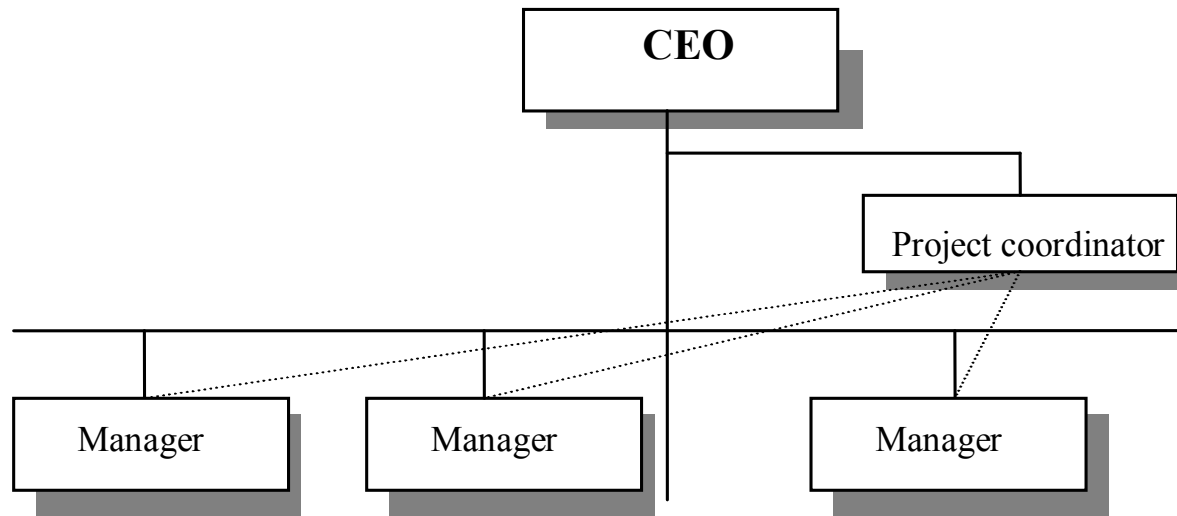


d

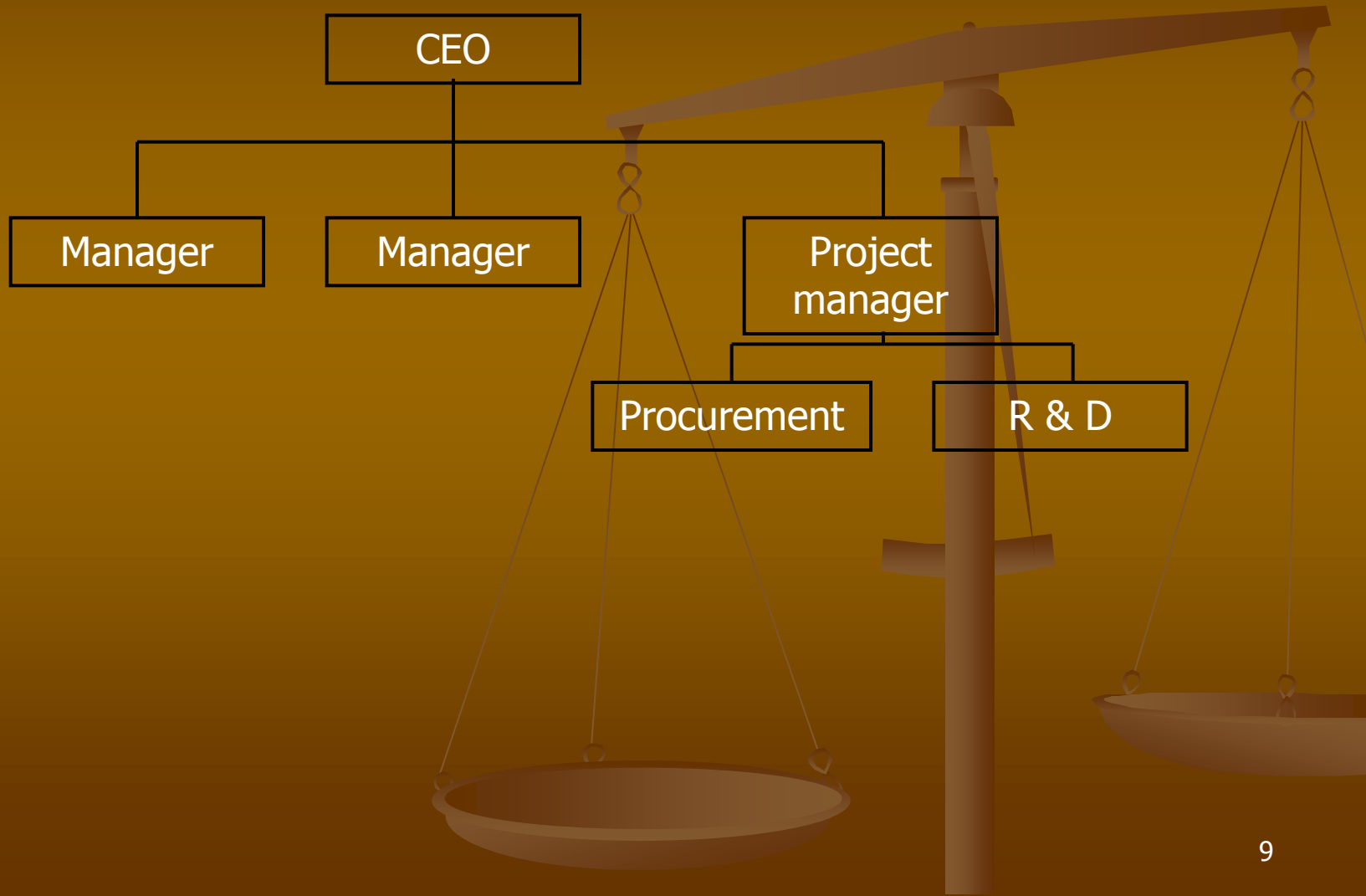
Traditional structures



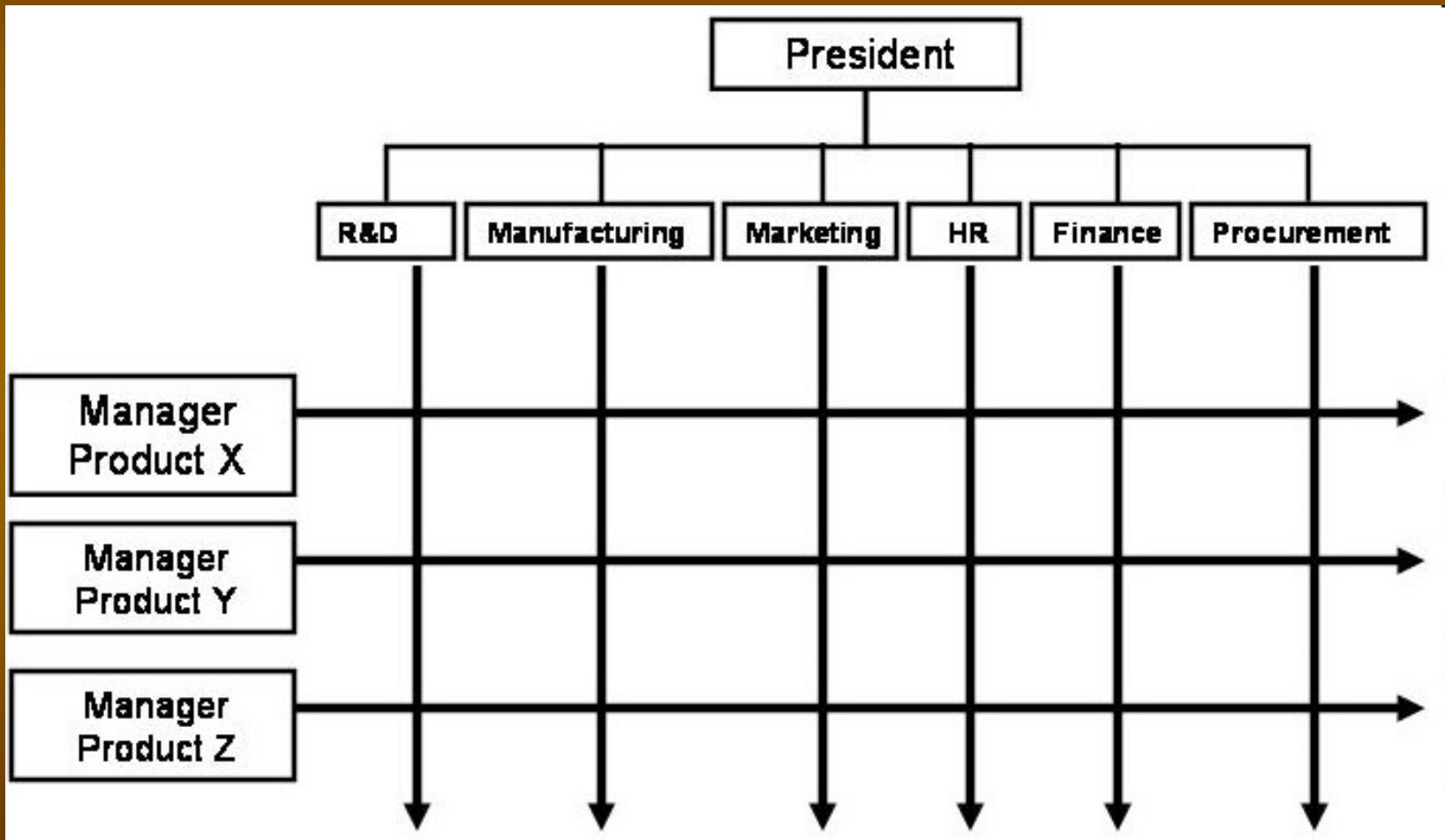
Contemporary structures – project coordination



Contemporary structures – project structure

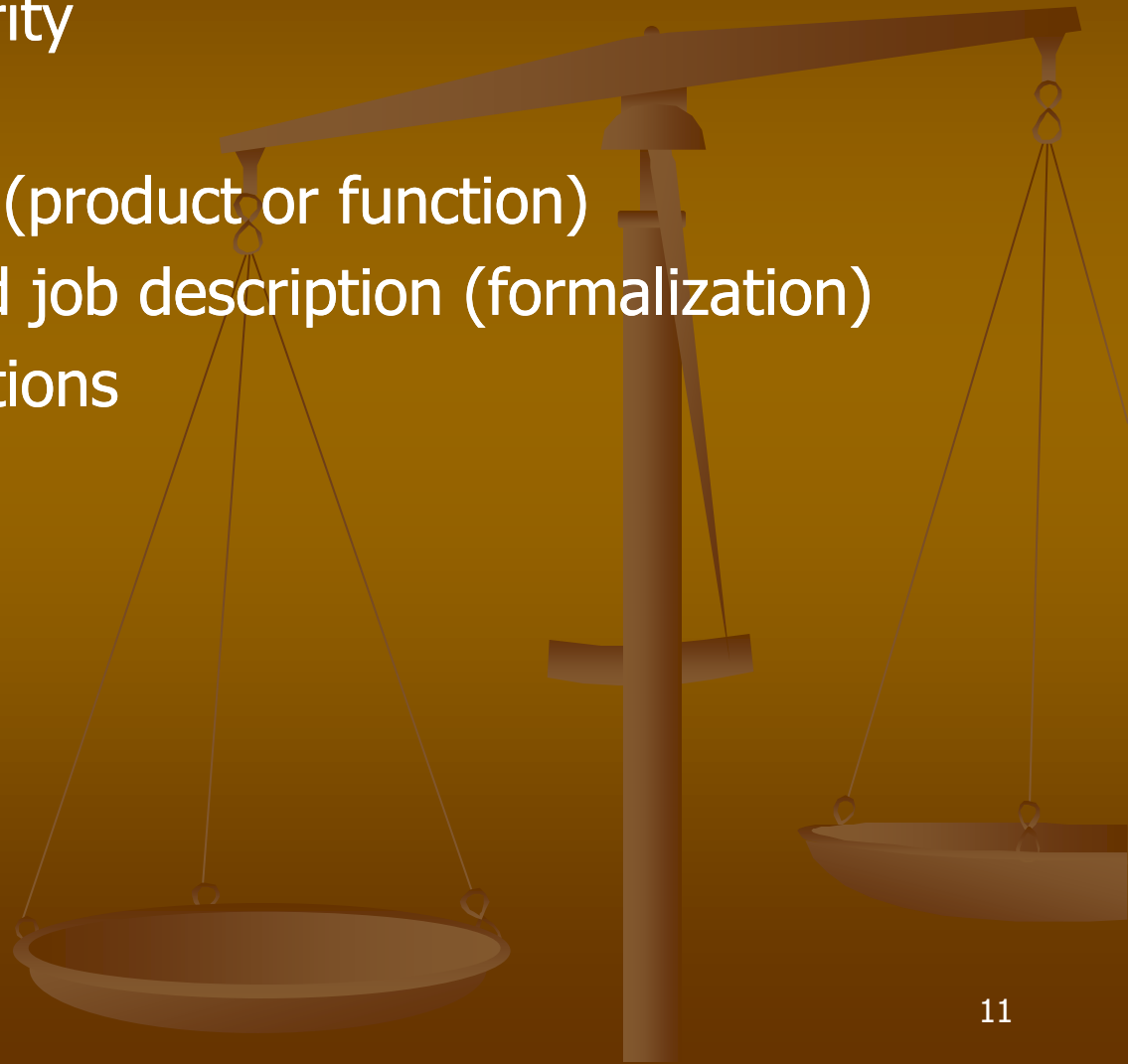


Contemporary structures – matrix structure



Principles of structure design

1. Hierarchy of authority
2. Unity of command
3. Task specialization (product or function)
4. Responsibilities and job description (formalization)
5. Line and staff functions
6. Span of control



Contingency Theory

- no ONE best structure (unlike classical scholars)

- the best structure depends on many things:

1. strategy

- differentiation x cost leadership

2. size

- small x large

3. technology/task

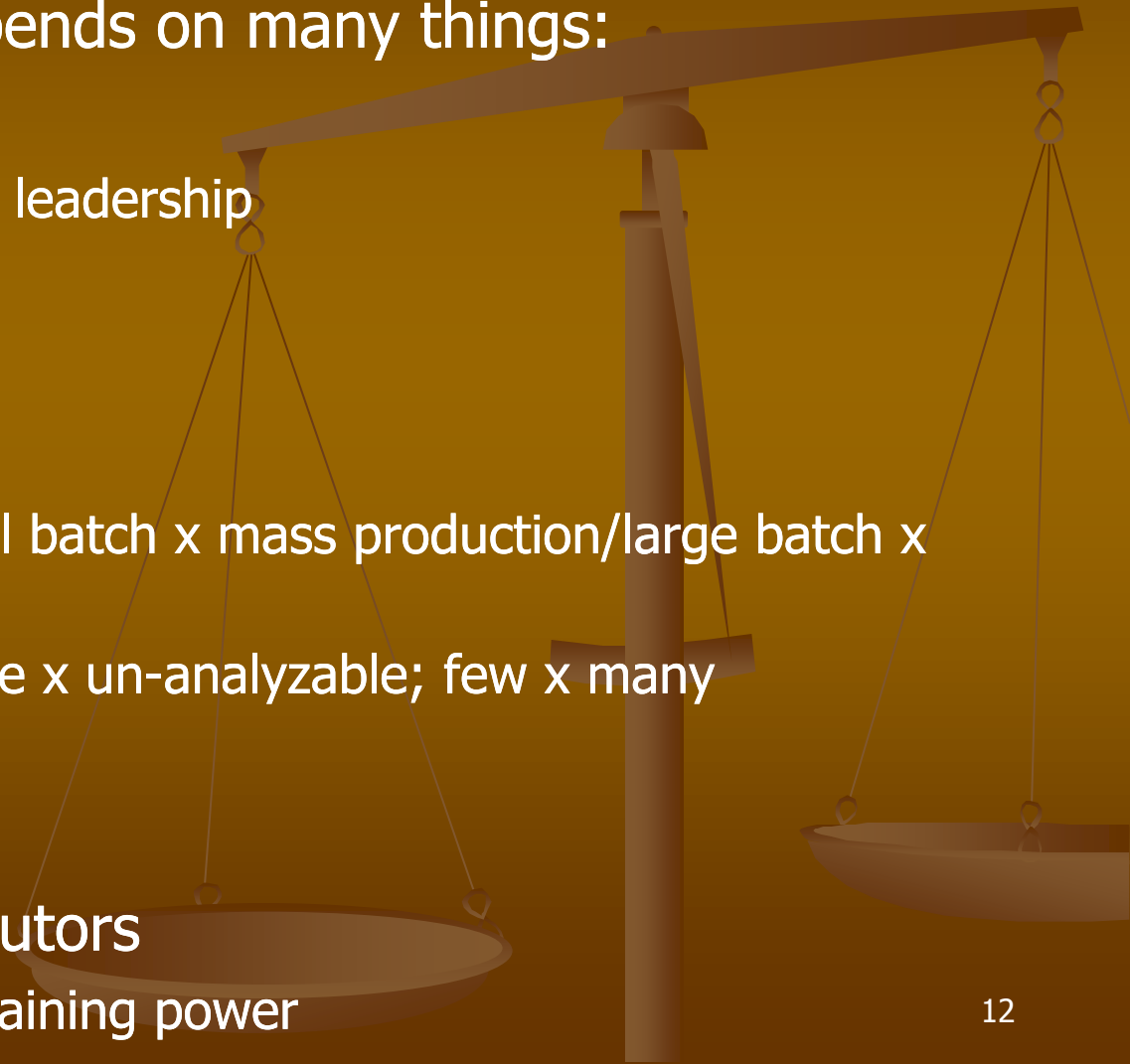
- unit production/small batch x mass production/large batch x continuous
- exceptions analyzable x un-analyzable; few x many

4. environment

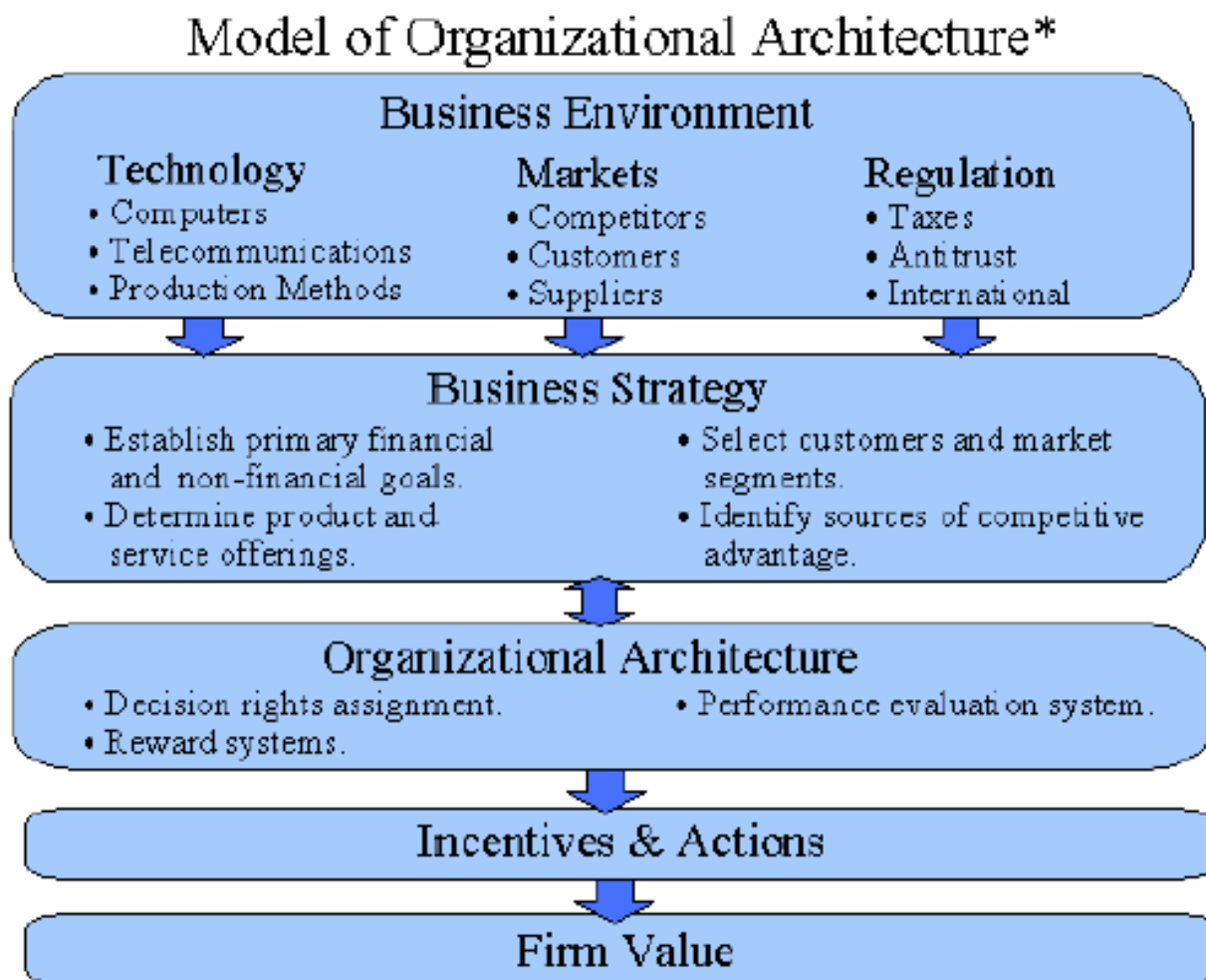
- stable x turbulent

5. suppliers and distributors

- market factors; bargaining power



Factors influencing organization structure



* Adaption of Ittner & Larcker's Figure 2, p. 354 which is an adaptation of Brickley, et.al 1995.

From hierarchies to networks



From hierarchies to networks

Divisions

SBU 's

Teams

Amebas

Holacracy

ROWE, CLOU

Virtual organizations

Outsourcing

Holding structures

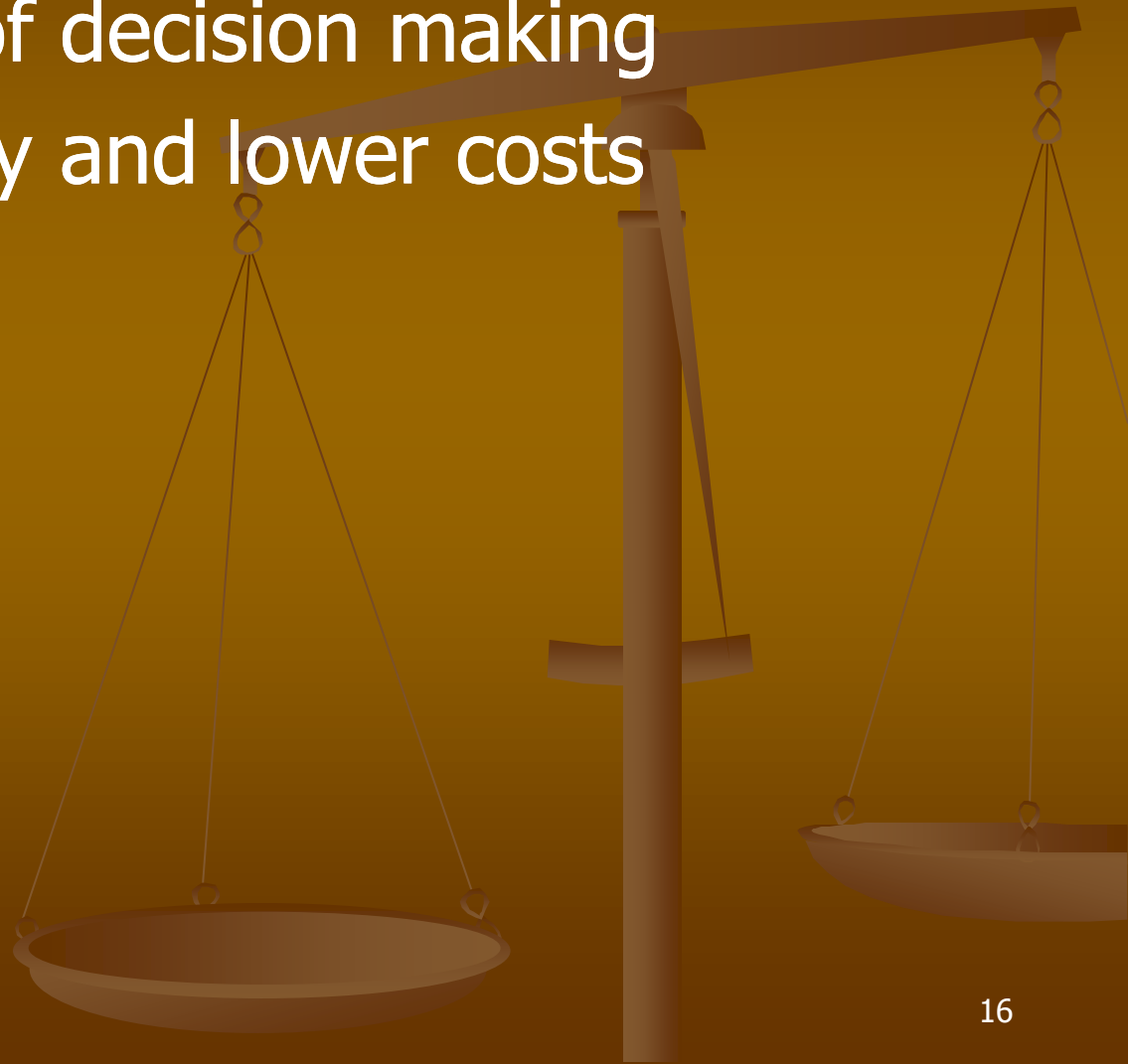
Strategic alliances

Other networks



Divisions, SBU's

Decentralization of decision making
Strive for flexibility and lower costs



Teams

Fortune 1,000 companies longitudinal study:

1980: 20% had team-based structures

1990: 50%

2000: 80%

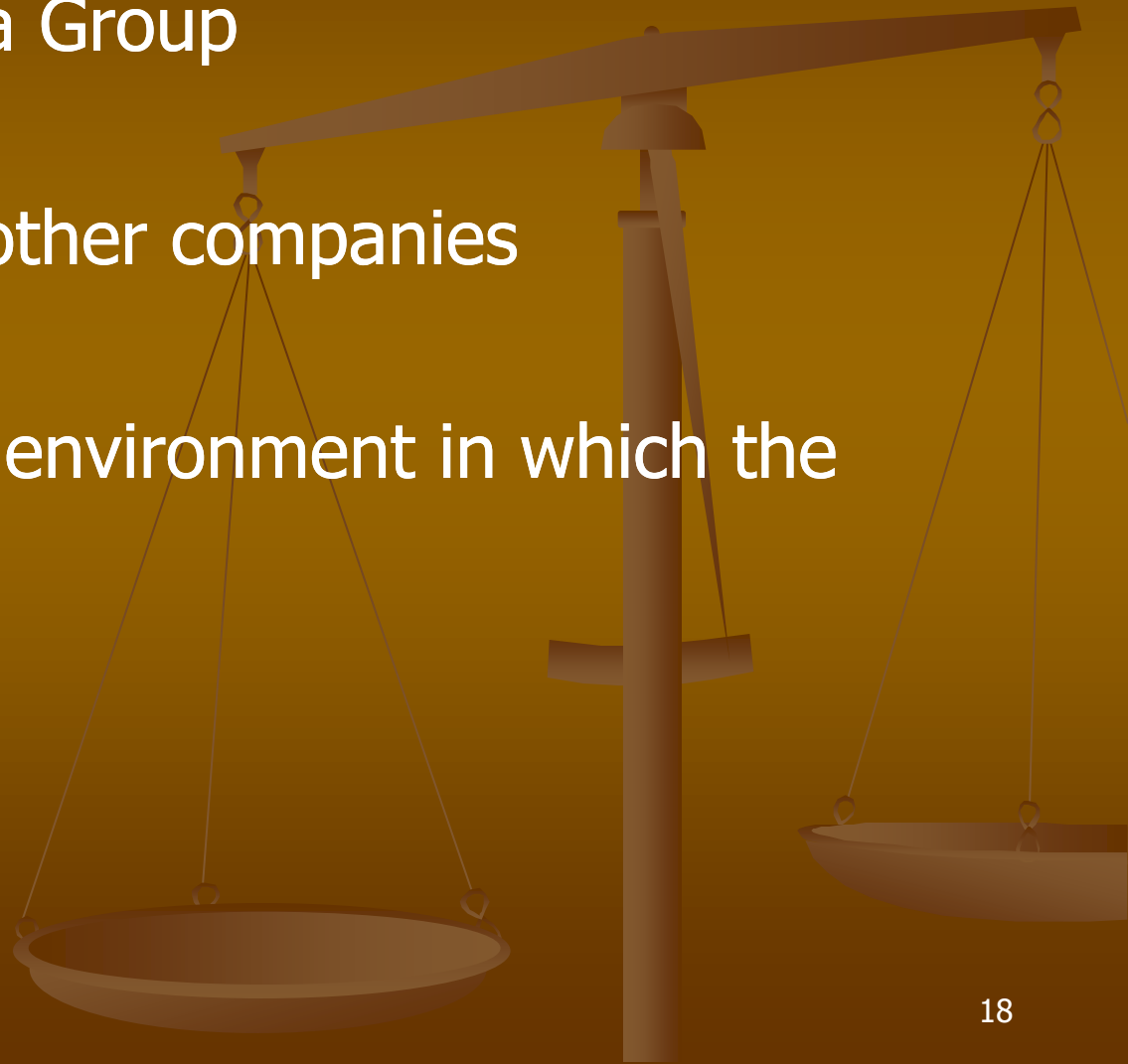
„Especially in chaotic industries, it pays for the CEO to delegate as much authority as possible in order to encourage experimentation.“

Ameba

Known from Kyocera Group

Similar structure in other companies

Specific competitive environment in which the teams operate



Holacracy



Structure of „circles“, „subcircles“ and „supercircles“

Empowerment, delegation, self-evaluation, self-government, democracy

Still, leaders have to be designated

„I think flexibility and adaptability is what's actually going to be the competitive advantage. And holacracy allows for faster flexibility and adaptability.“ Hsieh, Zappos

Zappos: 14 % out of 1500 employees left

ROWE, CLOU

Results-Only Work Environment

- only results matter. Not when, where and how they are achieved.

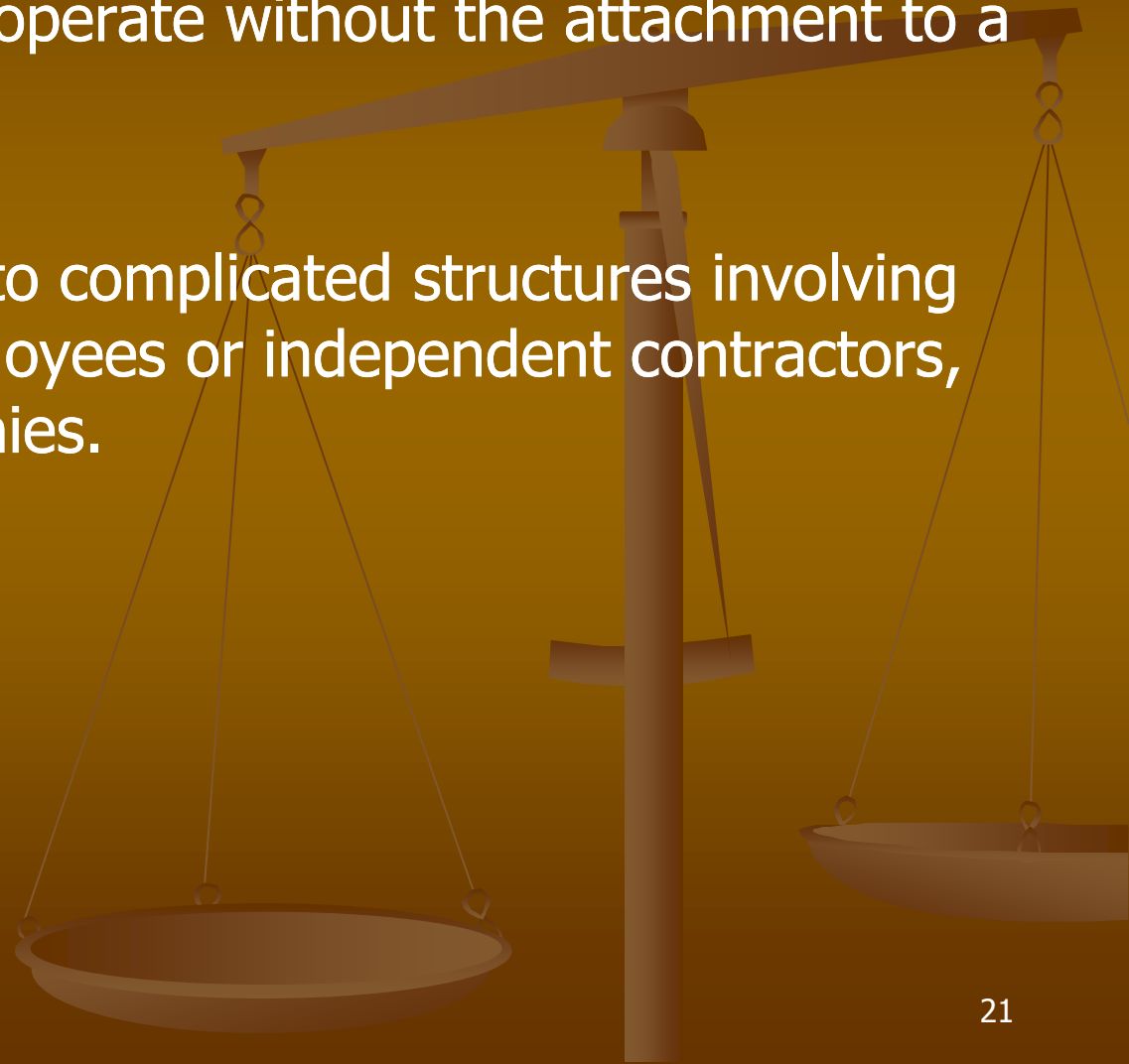
Colleague Letter of Understanding

- instead of a labour contract
- enumerates goals, rights, responsibilities of an individual
- formulated in discussion with colleagues

Virtual organizations

Use of IT to be able to operate without the attachment to a physical place.

From work from home to complicated structures involving not only individual employees or independent contractors, but even whole companies.

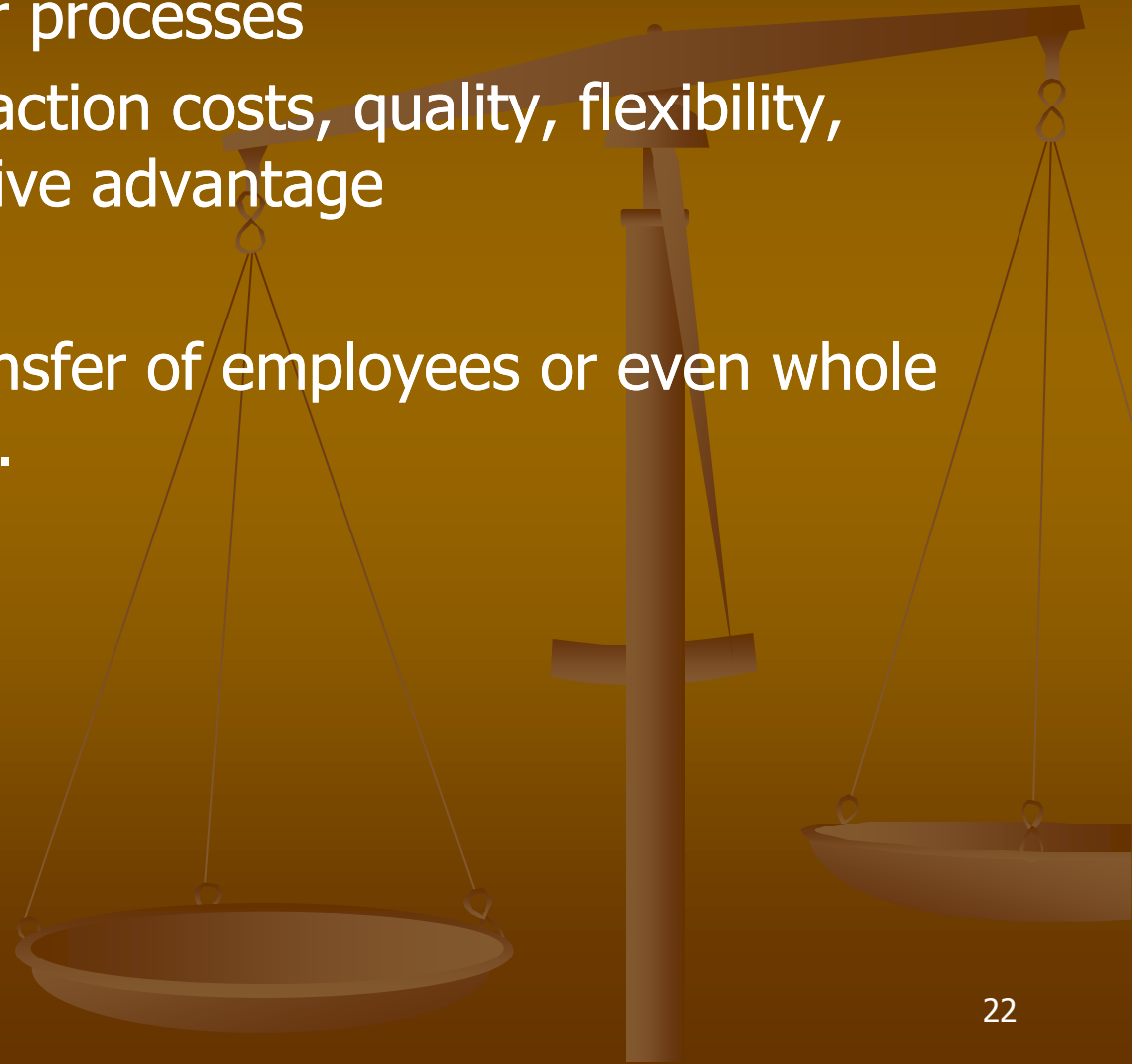


Outsourcing

Contracting out tasks or processes

Key terms: costs, transaction costs, quality, flexibility, dependability, competitive advantage

Sometimes involves transfer of employees or even whole departments or division.



Holding structures

Legal independence

Economic dependence

of parent and subsidiary companies

Keiretsu, concern



Strategic alliances



Legal independence

Economic cooperation: close – loose

Usually formed for one or more of these reasons:

1. Sharing resources
2. Reduction of competition
3. Transfer and use of knowledge

Multilateral agreements, franchising, joint ventures...

Clusters

Regional networks

Formed to boost competitiveness in national or international scale

Typically both horizontal, vertical and other cooperations

Examples: shoe industry in Italy, wine-makers in Southern Moravia

Key benefit: development of infrastructure

Key problem: trust



Thanks for attention