FACTFILE:
GCE PROFESSIONAL BUSINESS SERVICES

UNIT AS 2: ORGANISATIONAL STRUCTURE AND CULTURE

Learning Outcomes

Students should be able to:

- demonstrate knowledge and understanding of types of organisational structure, including centralised, decentralised, tall and flat structures;
- demonstrate understanding of roles in an organisation including director, manager, supervisor, team leader and employee;
- demonstrate knowledge and understanding of chain of command, span of control and delayering;
- evaluate different organisational structures, comparing levels of hierarchy, span of control, flow of communication, workloads and delegation;

- analyse ways to change organisational structure to improve business performance, including:
  - centralisation or decentralisation;
  - delayering; and
  - flexible and adaptable working.
- analyse the culture in a business organisation, using the Schein organisational culture model;
- demonstrate knowledge and understanding of factors that influence the culture of an organisation, for example management style, organisational structure and organisational strategy; and
- apply the McKinsey 7S framework.

Introduction

Organisation structures come in many forms and their design is driven by the business strategy. The purpose of an organisation structure is to help the organisation to achieve its aims and objectives and employees to complete their work effectively and efficiently. An organisation structure allocates employees designated work roles and responsibilities and helps management to coordinate and control activities. The organisational structure shows how information flows throughout the organisation.

Daft (2008, p.308) defines organisation structure as '(1) the set of formal tasks assigned to individuals

and departments; (2) formal reporting relationships, including lines of authority, decision responsibility, number of hierarchical levels, and span of managers' control; and (3) the design of systems to ensure the effective coordination of employees across departments.

Figure 1. displays the organisation chart for Carlton's Engineering and Assembly Ltd. and contains the job titles and positions of authority for the people in the specified posts (known as organisation design by function). The Chief Executive Officer (CEO) is responsible for the entire organisation and has power over all of the
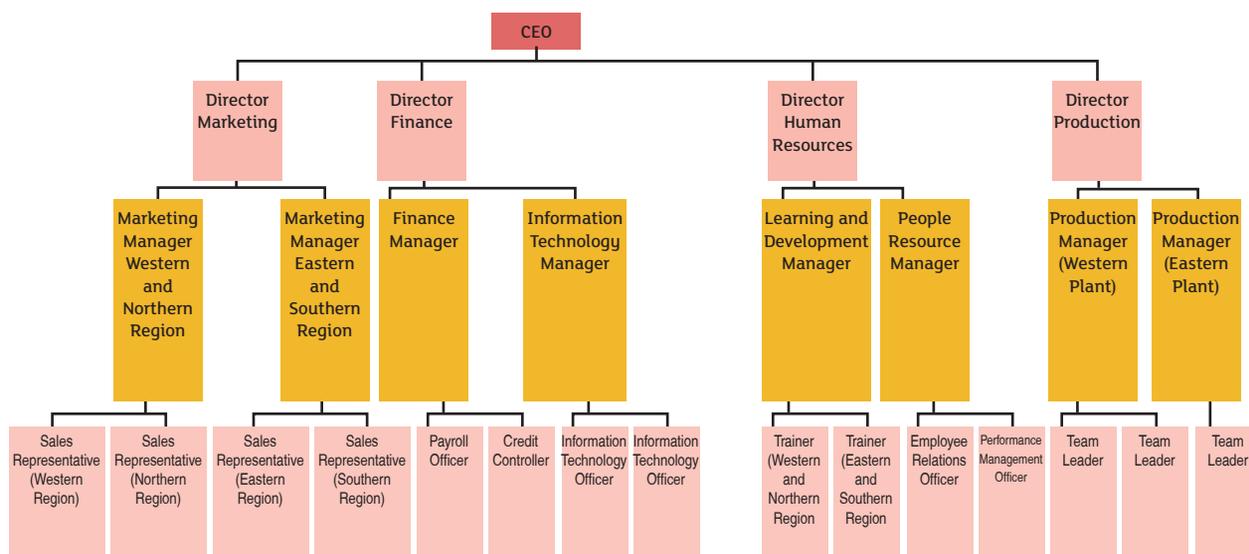
Figure 1. Organisation Chart for Carlton's Engineering and Assembly Ltd.

employees within the organisation. The work that has to be completed has been divided up and distributed among departments / functions and has been further sub-divided to job roles within each department / function. Four Directors (Marketing, Finance, Human Resources, and Production) report to the CEO. Each of these Directors are responsible for a department / function.

Assignment of formal tasks

The CEO is tasked with achieving the strategic aims and objectives of the organisation and each of the Directors supports the CEO by achieving the aims and objectives of their department / function. The employees within each department / function has their designated job role and objectives to achieve. In terms of formal tasks, for example, the Director of Human Resources will have to ensure that the organisation has the appropriate quantity and quality of labour employed and deployed inside the organisation in order for each department / function to be able to complete their work.

Reporting Relationships

The organisation chart also displays the reporting relationships throughout the organisation and within each department / function. For example, each of the Directors (Marketing, Finance, Human Resources, and Production) reports to the CEO and each Director is responsible for the performance of their department / function. This reporting relationship occurs at various levels within each department / function. For example, in the Human Resource department / function

the Learning and Development Manager and the People Resourcing Manager report to the Director for Human Resources (this reporting relationship is known as reporting to your 'line manager'). In turn, the Trainer (Eastern and Southern Region) and the Trainer (Western and Northern Region) report to the Learning and Development Manager ('line manager'). Likewise, the Employee Relations Officer and the Performance Management Officer report to the People Resourcing Officer.

Employees are responsible for making decisions within their job role but must operate within the policies, rules, regulations and practices of the organisation as well as the laws of the organisations operating environment. If an employee is unclear or unsure about making a job related decision then the employee may consult a work colleague, such as their 'line manager', for clarification or advice. Hierarchical levels refer to the number of reporting levels within an organisation chart. In Figure 1 there are 3 hierarchical levels. For example, in the Marketing Department, the Sales Representatives report to their respective Marketing Managers. Likewise, the Marketing Managers report to the Director for Marketing. In turn, the Marketing Director reports to the CEO.

The blue lines in the organisational chart which run downwards from a job holder to other employees reveals the span of control that this employee has within an organisation. For example, in the Finance Department, the Finance Manager has a span of control over 2 employees (the Payroll Officer and the Credit Controller).

Coordination Systems

In order to ensure that employees know what work they have to do and when they have to have the work done, planning would take place which would map out the work that needed to be completed so that organisation, departmental and individual objectives could be completed. Plans would be created that would map out tasks / projects to be completed, deadline dates would be agreed, and resources (people, money, equipment) would be allocated to each task / project. A person(s) would then be responsible for the completion of the task. Departmental / team and individual meetings would be employed to convey and agree completion dates for work. Review meetings would monitor progress of tasks and completion of objectives and action would be taken if a task / project was not-in-line with the planning schedule. The hierarchical levels show how information would be communicated throughout the organisation from whom and to whom. Information Technology can also be employed as part of the coordination system whereby employees can be kept informed via emails, video conferencing and shared databases.

Line and staff functions

A further distinction can be drawn between certain departments within organisation structures in terms of line and staff functions (Linstead et al., 2009). Line functions (Production and Marketing) execute the primary purpose of the business, such as manufacture of products, whereas staff functions (Human Resources and Finance) provide support services such as recruitment and selection and budget information. Line and staff functions will be dependent on the nature of the business and may differ in relation to its industry setting. For example, in a hospital setting doctors, surgeons, and nurses could be designated as being line function whereas managers, administrators and clerical staff would be categorised as staff function.

Employee Roles

Figure 2 displays the type of generic job titles that are prevalent in many organisations. The management teams in organisations normally decide on the mix of job titles (division of labour and job specialization) in relation to the work that needs to be completed and where these job titles will appear on the organisation chart. The specific role of each job will be dependent on factors such as: the operating environment (retail, manufacturing, public sector, charity sector); the business purpose (retail: clothing / technology / food);the size of the business; the level of the job (position in the organisational hierarchy);the roles fulfilled by other colleagues in the organisation; the job profile (person specification and job description); the contract of employment; the agreed aims and objectives in relation to work and performance; and the organisation's policies, procedures and practices. As business
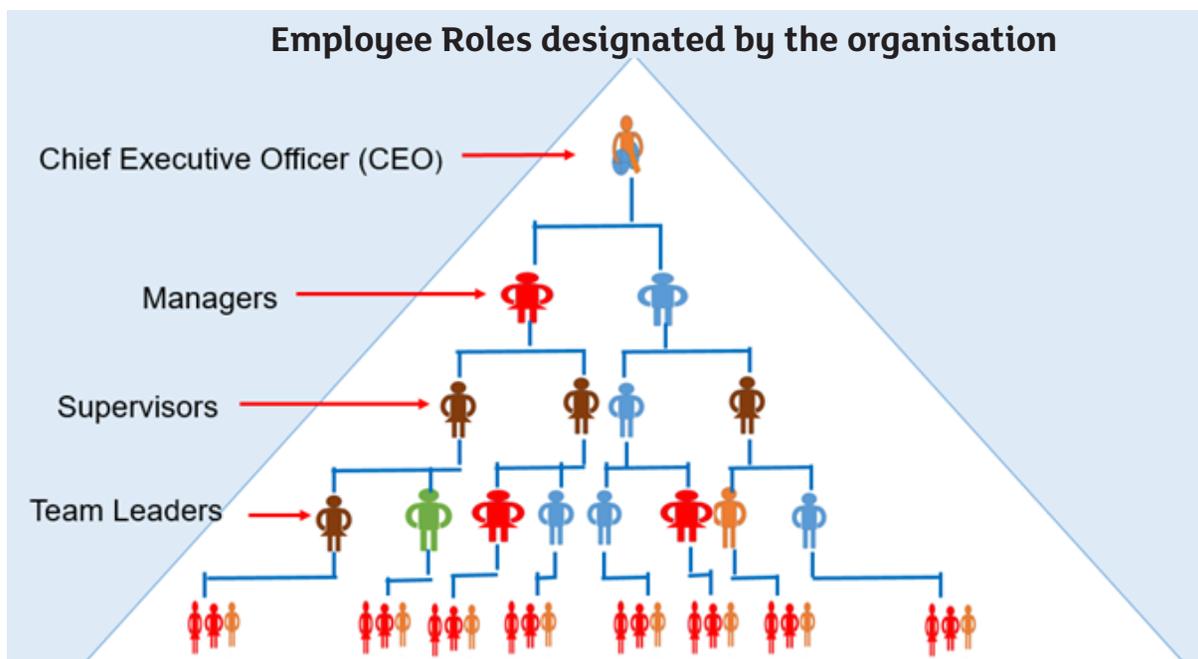

Figure 2. Employee Roles designated by the organisation

circumstances change the designated job roles for employees may be modified or, in some instances, cease to exist. The introduction of technology has changed work practices and customers now go on-line and book airline tickets and hotels that were previously booked by an organisation's employee after talking to the customer.

For example, in a manufacturing organisation aside from the CEO, there may be, a Director of Marketing, a Director of Human Resources, a Director of Production, and a Finance Director. Part of the job

role for a Director for Finance may be to monitor production costs and to produce manufacturing accounts. In a food retail environment (supermarket) a Director for Finance may monitor sales (revenue) and food wastage (unsold and 'use by date' has expired) and produce retail accounts. As you move through various organisations operating in different sectors, the job title may be the same but the job role may differ depending on factors noted previously.
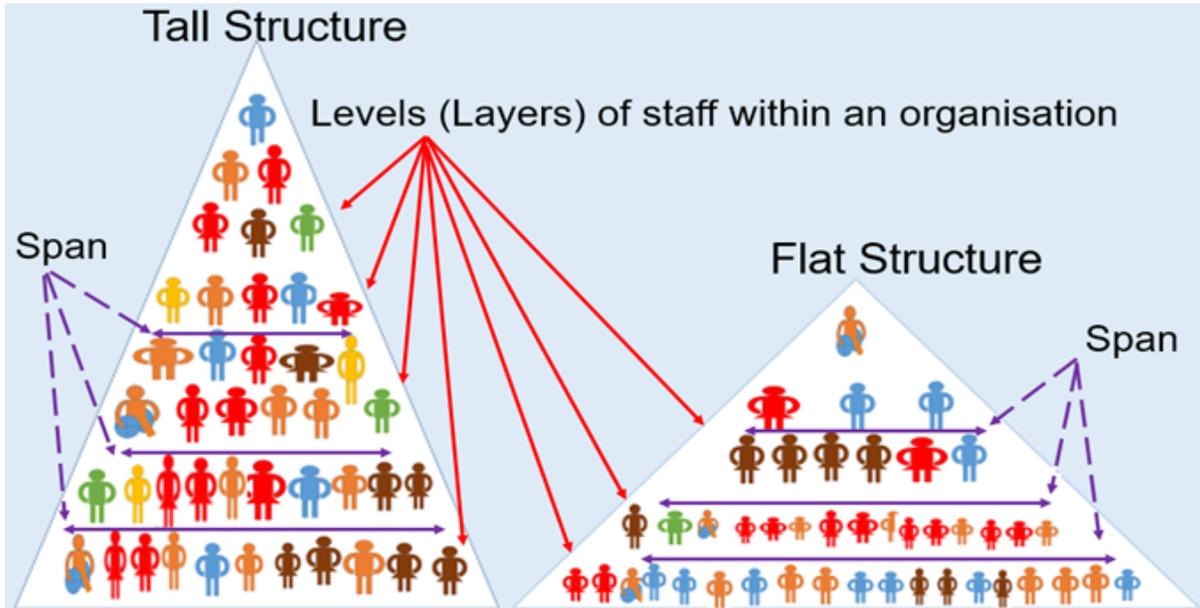

Figure 3. Tall and Flat Structures

Tall and Flat structure

Figure 3 illustrates how a tall structure tends to have a narrow span and more hierarchical levels. A

flat structure has a wide span than a tall structure and has less hierarchical levels than a tall structure. Too many hierarchical levels (layers) and narrow spans of control can be problematic for
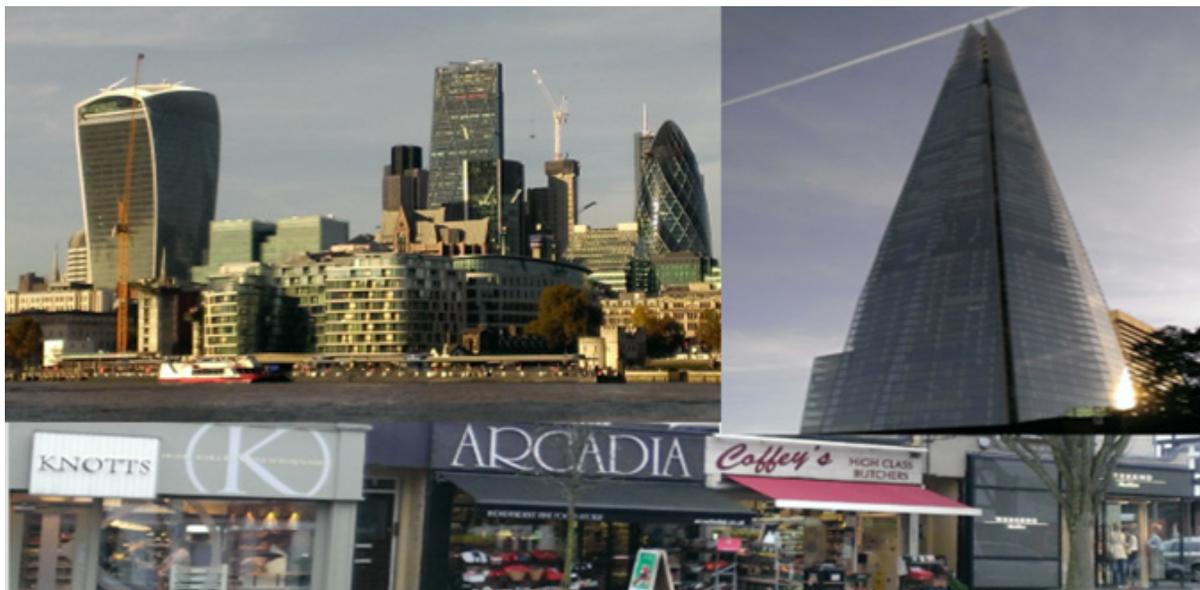

Figure 4. An organisation's building can reflect its organisation structure

organisations. For example, higher level directors or managers may end up making routine decisions and this limits their time spent on longer-term strategic matters, and restricts the opportunities for lower-level managers to develop their creativity and inventiveness to solve problems.

Span of Control

The Span of Control (span of management) is the number of employees (including external stakeholders such as volunteers) that the designated person (CEO, Director, Manager, Supervisor, Team Leader) is responsible for. The span of control will affect how effectively activities are coordinated (Hanegan, 2008). If a

designated person, such as a manager, has too many people to coordinate and control, then the required work (quantity) may not be completed or may be finished poorly (quality). Conversely too few employees may result in the same negative work outcomes for the manager. The closeness of a manager to the people they manage and the effectiveness of their communication can also affect the span of control. If employees within the manager's span of control are in different locations then communication methods, and the timing and frequency of communications become important factors in coordinating work and achieving work objectives. Table 1 provides a summary of the factors affecting the span of control.

Table 1. Span of Control

Factors affecting the span of control	Relationship to span of control
The complexity of the work to be completed.	The greater the complexity of the task, the narrower the span.
Different types of work to be completed.	The greater the variety work within the task, the narrower the span.
Capability of the manager.	The greater the capability of the manager, the greater the span.
Competence and motivation of the employee within the span of control.	The more competent and motivated the employee, the greater the span.

Centralisation and Decentralisation

The management within an organisation decide whether to adopt a centralised or decentralised management approach.

Centralisation refers to the fact that decision authority resides around the top of the organisation.

Decentralisation is where decision authority is delegated to lower levels (layers) within the organisation. Decentralisation may free-up higher level managers from lower level decision-making and allow them to spend more time on higher level matters (strategic issues and strategic decisions). Decentralisation also allows lower level employees, who are familiar with the issue, to utilize their skills, knowledge and decision-making capabilities to be more responsive to addressing the local issue.

Delegation normally entails management giving authority to lower level employees whereby lower level employees can make decisions that affect their work rather than referring back up the organisation's hierarchy for a decision. Through

delegation the speed of response to addressing problems is improved. Delegation is, to some extent, dependent on: the capability of the lower level employee; management style and an organisation's culture.

Types of Organisation Structure

There are numerous types of organisation structures in existence throughout the world and their specific format has been influenced by factors such as: their strategy; their environment; the availability of resources (employees, money and equipment); technology; and their customers. In design terms, organisations have a menu of generic formats that can be used and each format can be adapted to suit their business needs. While organisation structures may be determined by business owners and management, they can also be influenced by stakeholders such as financial institutions, government, regulators and community groups. The type of organisation structure is also dependent on the life cycle of the organisation. For example, an organisation that has just commenced working may well have a different structure five years later due to changes in revenue
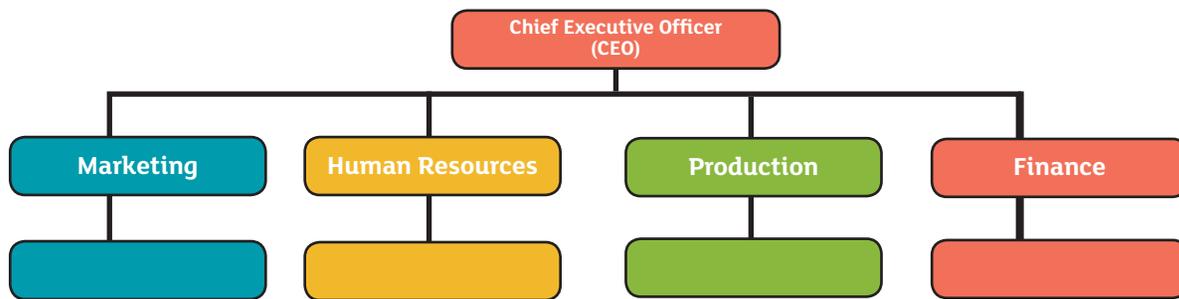
Vertical Functional

Figure 5. Vertical Functional

streams, production costs, product offerings, and people employed.

The generic choice of organisation structure options may include: a vertical functional structure; a divisional structure; and a matrix structure. Figure 5. depicts a vertical functional structure (also refer to Figure 1.) where positions (job titles and related work) are grouped into departments. A functional structure can also be regarded as departmentalisation of resources (people, facilities, equipment and funding).

Communication and information moves up and down the vertical hierarchy and the chain of command comes together at the top of this structure. In a functional structure, employees within a particular department communicate among themselves in order to implement the decisions and tasks that have been transmitted from the hierarchy. The organisation's policies, procedures and practices help to guide and control the work of employees. The span of control usually increases as you move down to the lower levels where employees are involved in direct contact with customers.

The workloads of employees throughout the organisation will be dependent on their job position and their agreed work objectives (output, quality and timescales). The amount of support (other employees, equipment and technology) available to the employee may also affect how they cope with their workload. The scale and scope of work delegated to an employee can be influenced by the organisation's policies, procedures, practices and culture along with management's style (willingness to delegate decision-making power) of managing employees.

Table 2 lists the advantages and disadvantages of a vertical functional structure.

Table 2. Vertical Functional Organisation

| Advantages	Disadvantages
Clear lines of responsibility, authority and control.	The response time to meet a customer's request may be slow.
The skills and capabilities of employees are used efficiently in the production process.	Employees may engage in empire building and the amount of bureaucracy may increase.
The organisation employs managers with specialized skills (marketing, finance etc).	Employees may take a narrow perspective due to their specialisation and this can limit innovation.
Employees can identify with their respective functional area (marketing, finance, etc.) and this may create loyalty to a smaller unit within the function.	Loyalty to a small unit may result in employees not seeing the importance of contributing to the achievement of the overall task (goals).
The promotion path for an employee is clearly laid out within each function.	The opportunities for developing general managers is limited as the movement to work in other functional areas is restricted.
Clear lines of communication in a vertical structure.	Constraints are in place to inhibit the development of networks and horizontal communication.

Vertical Functional
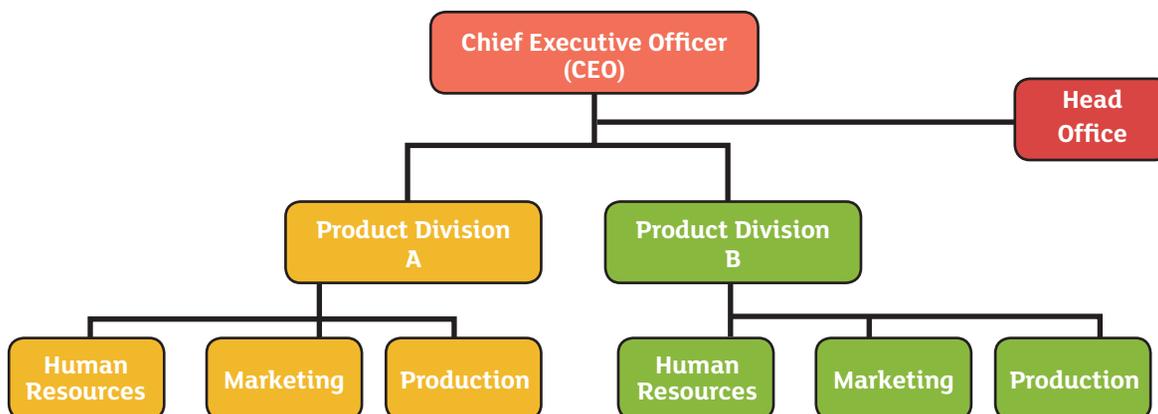
Figure 6. Divisional Structure

Divisional Structure

The divisional structure groups departments together based on organisation outputs. The divisional structure may also be called a product structure. Large organisations that perform a multitude of tasks, produce a variety of products and employ a range of technologies to cater for different customers tend to have separate divisions. Figure 6. shows a divisional structure.

In the divisional structure, divisions are formed as independent units with distinct functional departments (Human Resources, Marketing etc.,) for each product division. Departments are reproduced across product divisions (Product Division A., Product Division B., etc.,). The divisional structure is well placed to exploit distinct geographical markets. Proximity to market speeds up the decision-making and the ensuing actions. Table 3 lists the advantages and disadvantages of a divisional structure.

Table 3. Divisional Structure

Advantages	Disadvantages
The organisation focuses on producing a product / service for a market.	A conflict of interests may occur between or among the product divisions.
The structure explicitly defines job roles, responsibilities, and accountability.	Product divisions may focus on developing their own division strategies and goals and diverge from the corporate objectives.
Managers are given autonomy in decision-making.	Product division innovation may be undermined due to centralised control exerted from Head Office.
Head Office provides support to the Product Divisions	

Matrix Structure

The matrix structure is a combination of functional and divisional structures. A key purpose of the matrix structure is to enhance horizontal coordination and the sharing of information. A distinctive aspect of the matrix structure are the dual lines of authority. Figure 7 illustrates how staff from marketing, production, human resources and finance are part of three separate teams that support the product managers for clothing, food, and home furnishings who report to the CEO. H & M operates through a matrix structure.

For example, an employee from production may be in a product team manufacturing food and reporting to the Product Manager for Food. The Product Manager for Food is responsible for ensuring that the team produces the specified food (quantity and quality) and delivers it to market. The production employee will also report to the Production Manager. The Production Manager is both the line manager and functional manager of the production employee whereas the Product Manager for Food is their task (activity) manager. It is very difficult to fully apply a matrix structure to a large organisation.
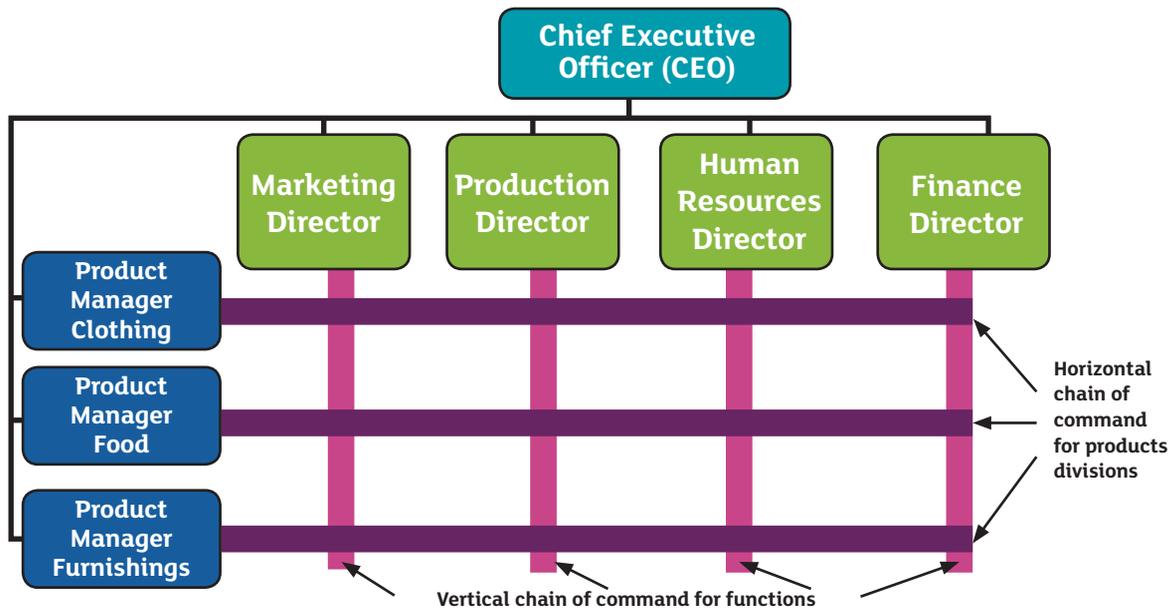
Figure 7. Matrix Structure

Changing an Organisation's Structure

There are numerous organisational change models that consultants use to help organisations change their structure and improve performance. Two such models are The McKinsey 7s Framework (Waterman et al., 1980) and the Star Model (Galbraith, 2002).

Waterman et al. (1980) created The McKinsey 7s Framework model that contains seven factors (strategy, structure, systems, staff, style, skills and superordinate goals) that are interrelated and interdependent. Superordinate goals refers to the values of the business and these values also relate to the culture of the organisation.

Galbraith's Star Model contains five factors (strategy, structure, rewards, people, and processes) that are interrelated and interdependent. Interrelated means that all of the factors in each model are connected to each other. Interdependent means that if one factor changes it has an effect on the other factors. Figure 8 has incorporated the various factors from both models which also contain two same factors (strategy and structure).

Figure 8 also shows the organisation operating in its environment where it can be affected by
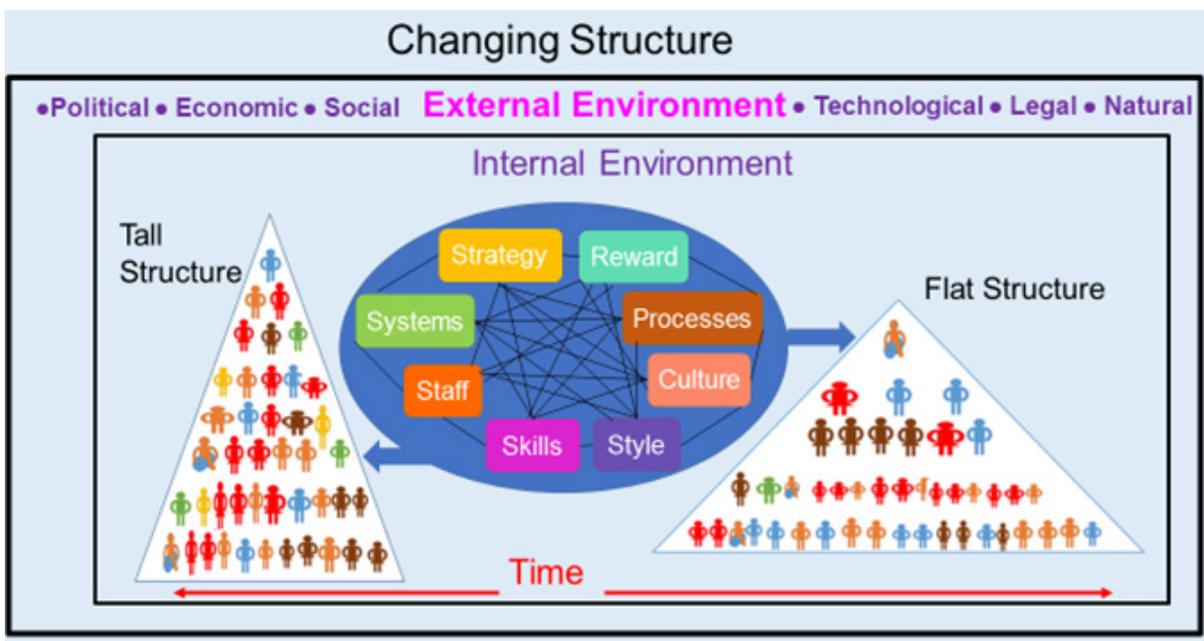

Figure 8. Changing an Organisation's Structure

political, economic and technological factors. For example, if economic circumstances declined and this could result in a fall in the demand for goods and services produced by businesses. As sales reduced over time this means that revenues may also decline. The subsequent fall in sales and revenues may require the organisation to cut back on production of goods / services (reduce costs). As less output is needed this may mean that fewer employees are needed in the production process. The business may decide to reduce the number of employees and consequently change from a tall structure to a flatter structure. This staff reduction process may take some time as the changes may require adjustments in the strategy, systems, staff, skills, style, processes, rewards and culture. The partial application of the **Figure 8** model is illustrated as follows:

Strategy: If the business strategy is to reduce costs then this could be achieved by decreasing staff costs. Thus, the strategy may be to reduce the number of employees working in the business and this could be achieved through a delayering process where the organisation moves from a tall structure to a flatter structure.

Systems: Management Information Systems (computers, software) could be introduced which deals with routine tasks and remove the need to employ staff who previously undertook these routine tasks. This results in less staff being employed.

Skills: The skills of staff could be enhanced through learning and development programmes. These new skills may enable employees to use new technology, work more efficiently, and undertake more tasks (flexible and adaptable).
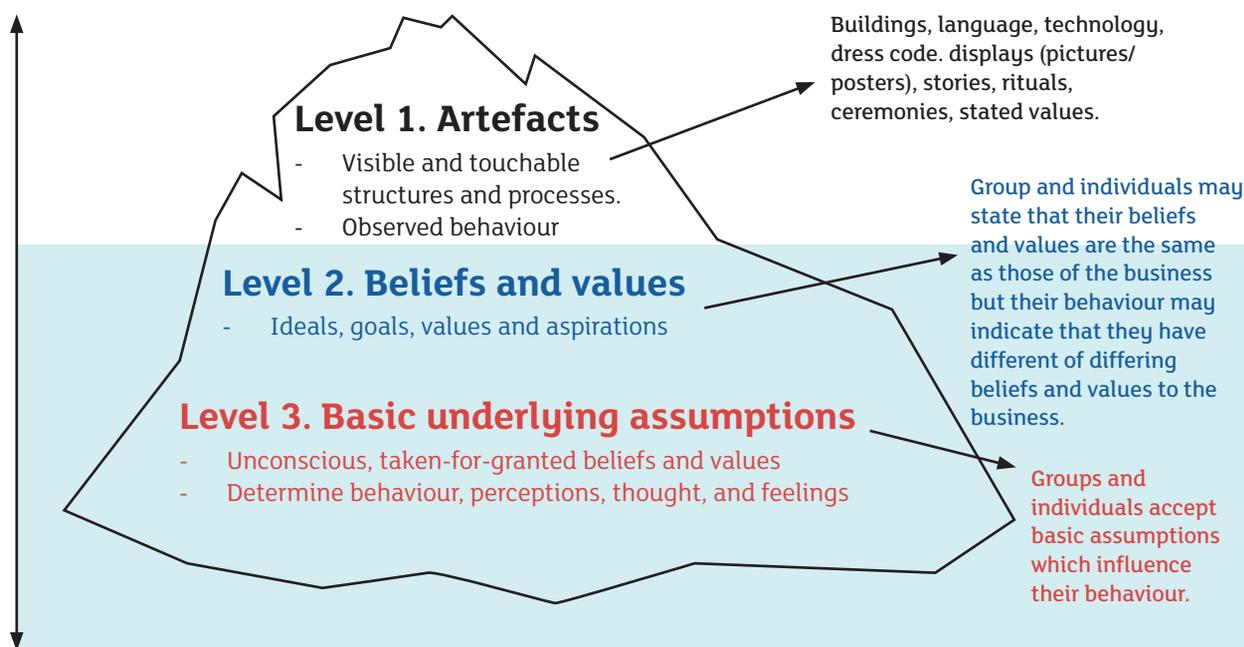
Style: The management style may move from a control approach to an enabling approach whereby staff are given more control (autonomy) over their work. The manager may give the employee more authority to make decisions about how they respond to customer needs. This style change may also mean a movement from a centralised approach to a more decentralised approach.

Organisational Culture

A significant amount of research has been undertaken over the years on organisation culture. This research covers areas such as workplace practices, employee behaviour, symbols and organisational performance.

Edgar Schein has written extensively on culture and how culture affects organisations. He has developed a working definition of culture and has developed a Three Level Model along with guidelines that can be used to analyse culture.

Schein (2010, p.18) defines culture as 'a pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough

Buildings, language, technology, dress code. displays (pictures/posters), stories, rituals, ceremonies, stated values.

Level 1. Artefacts
- Visible and touchable structures and processes.
- Observed behaviour

Level 2. Beliefs and values
- Ideals, goals, values and aspirations

Group and individuals may state that their beliefs and values are the same as those of the business but their behaviour may indicate that they have different of differing beliefs and values to the business.

Level 3. Basic underlying assumptions
- Unconscious, taken-for-granted beliefs and values
- Determine behaviour, perceptions, thought, and feelings

Groups and individuals accept basic assumptions which influence their behaviour.

© Martin Mulholland 2017   Source: Adapted from Schein (2010. p.24)

Figure 9. Levels of Culture

to be considered valid and, therefore, to be taught to new members as to the correct way to perceive, think, and feel in relation to those problems.'

Schein notes that culture can be analysed at different levels where the term 'level' relates to how visible the cultural factor is. The levels go from very tangible which can be seen and touched to what Schein (2010, p.23) refers to as 'deeply embedded, unconscious, basic assumptions'. Situated between these levels are various articulated beliefs, values, norms, and rules of behaviour that represents a particular groups culture

Figure 9. The Three Levels of Culture, illustrates how culture consists of visible and invisible elements. At Level 1 in Schein's model, the physical elements (buildings, offices, statues, pictures, trophies, awards, uniforms) and social events (story-telling, awards ceremonies, parties, and competitions) can be observed and experienced by the organisation's stakeholders. Level 2 relates to the promoted values the organisation aspires to. However, there may be differences between the organisation's values and the execution of these values by stakeholders. For example, the organisation's values may state that we will respond to customers' needs but staff may respond to stakeholders in a different way. Level 3 relates to how employees perceive their world and how their own values relate to that world. Every employee brings their own unique culture into the organisation - this is often referred to as

a sub culture. Figure 2. illustrates that employees come from their living spaces in the external environment to work in the organisation. Individual sub cultures may be influenced by the following factors: the area they live in; their education; places visited; people met; books read; and events they have seen. When employees are brought together (department / project team) they may create a new collective culture. This means that throughout the organisation there is potential for different or differing cultures to exist.

How to analyse an organisation's culture

The type of organisational culture that a person identifies is dependent on what they include in their analysis and then followed by their interpretation (Schein, 2010) of what they see, smell, taste, touch and hear. Schein (2010) provides guidance below on how the analysis can be undertaken.

1. Visit the organisation and observe the pictures, posters, statutes, awards, etc and the way employees do their work, how they interact and how they communicate with each other (Schein's Level 1).
2. Record the artefacts and work processes that may seem strange to you.
3. Ask people in the organisation why the work activities are the way they are.
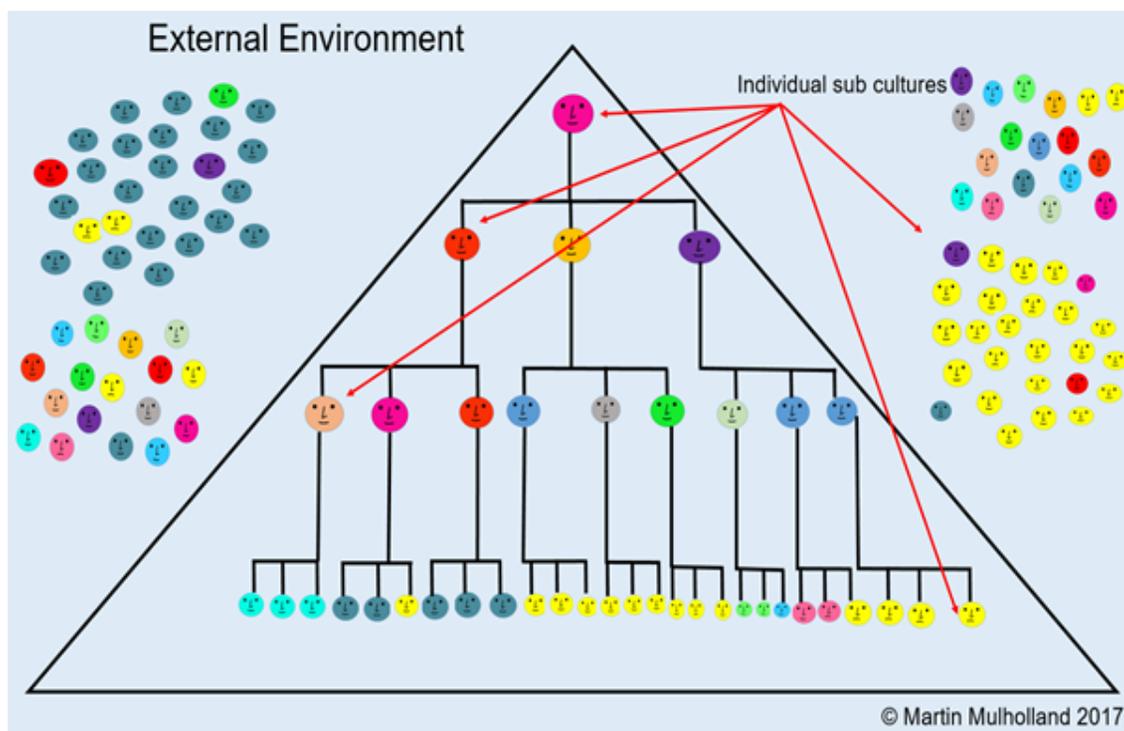4. Note the organisation's values that appeal to

Figure 10. Organisation culture and sub cultures

you and find out how they are implemented in the organisation (Schein's Level 1).
5. See if you can identify inconsistencies and ask about them (Schein's Level 2).
6. Based upon what you have observed and heard, what do you think are the underlying assumptions (Schein's Level 3) that actually affected the behaviour you witnessed.

Questions

1. What is the purpose of an organisation's structure?

2. Explain the difference between a matrix structure and a vertical structure.

3. Explain how the span of management may affect the role of a manager.

Activity

1. a Draw the organisational structure of your school and list the internal and external factors that could affect the structure of your school.

1. b Assume that your school is in a location that has experienced a significant growth in families with children who are eligible to attend your school. Note the factors that the principal may need to consider in order to ensure that they have the most appropriate structure in place.

Resources for further study

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