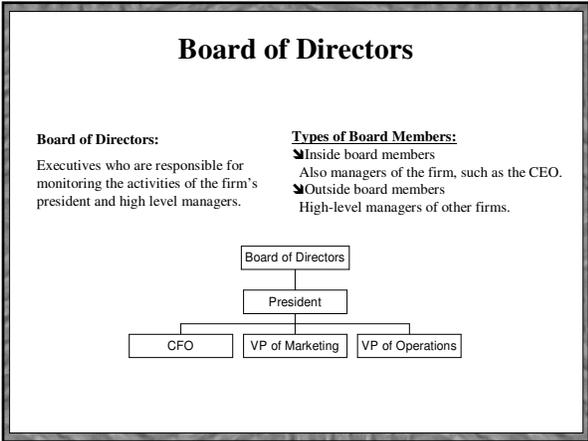
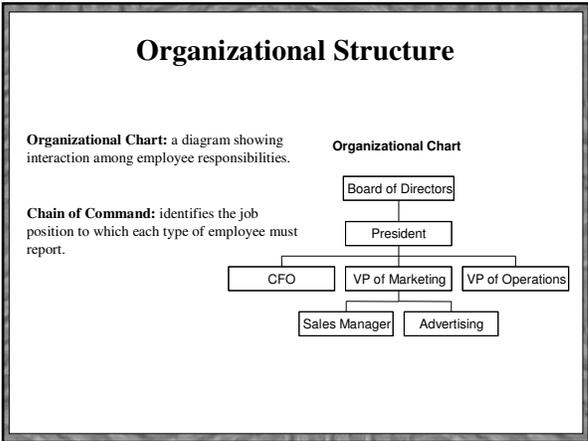
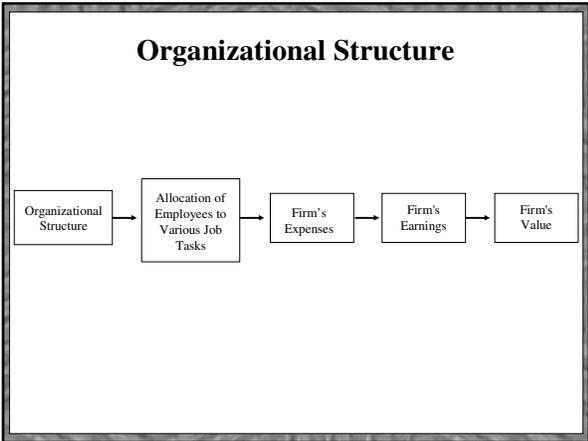


Chapter 8

Organizational Structure

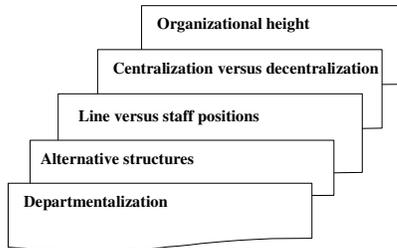
- ### Learning Objectives
- ❶ Explain how an organizational structure may be used by a firm to achieve its strategic plan.
 - ❷ Identify methods that can be used to departmentalize tasks.



Board of Directors

Background	Percentage of Firms Whose Board Members Have That Background
Executives of other firms	69%
Major investors in the firm	36%
Retired business executives	30%
Attorneys	29%
Accountants	22%
Bankers	18%
Business consultants	13%
Customers	2%
Others	3%

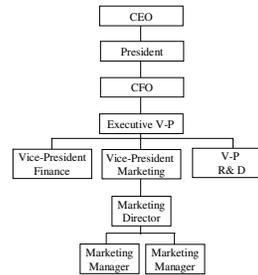
Elements of Organizational Structure



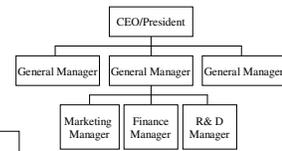
Organizational Height

The number of layers from the top to the bottom of the organization.

Tall Organization



Short Organization



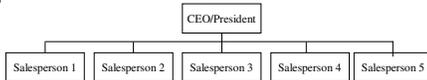
Span of Control

Narrow Span of Control



- ☒ Management determines the span of control.
- ☒ If performing similar tasks a wide span of control may be employed.

Wide Span of Control



Centralization vs. Decentralization

Centralization:

- More control.
- Only experienced managers make decisions.
- Good for a firm with financial problems.

Decentralization:

- Reduces operating expenses.
- Faster decision-making.
- Motivates employees.

Comparison of Line and Line and Staff

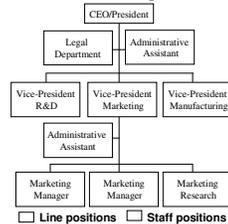
Line Organization



Simplest form:

May be appropriate for businesses that cannot afford to hire support staff positions.

Line and Staff Organization



Line positions:

- Make decisions that achieve specific business goals.

Staff positions:

- Support the efforts of line positions

Structures that Allow More Employee Input

- 1 Matrix organization
- 2 Intrapreneurship

Matrix Organization

Interaction among various parts of the firm to focus on specific projects.

Advantages:

- Variety of skills and talent.
- Participation in decision-making.
- Greater employee satisfaction.

Disadvantages:

- Potential lack of accountability.
- Time used to participate in projects reduces time for normal tasks.
- Employees have two bosses.

Intrapreneurship

Employees are assigned to create ideas as if they were entrepreneurs.

Advantage:

- Innovative thinking occurs.

Disadvantage:

- Pulls employees away from normal duties.

Informal Organizational Structure

Informal communications network among a firm's employees.

Advantages:

- Employees learn from peers.
- Reduces managerial involvement.

Disadvantages:

- Employees obtain incorrect or unfavorable information.
- Incorrect information can adversely impact employee morale.

Departmentalization

Departmentalization: the creation of departments which will handle assigned tasks.

Organizations can departmentalize:

- By function
- By product
- By location
- By customer