

C7 Structure – Organizational forms – Solutions

1

- a An organizing structure defines how an enterprise will be structured while an operating structure defines processes and processes:

Organizing structure	Operating structure
Establishment of the organizational structure	Establishment of procedures
- Definition of duties and training for positions	- Determination of the timing of an activity (when)
- Combination of positions into larger units (e.g., divisions)	- Determination of the sequence of various activities
- Representation of the organizational structure in an organizational chart	- Calibration and coordination of subtasks
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- b We proceed from an instrumental understanding of organizations: The enterprise has an organization that is configured a certain way (organizing structure).

2

- a A job description notes duties, skills and responsibilities of a position. It serves to clarify to employees in an enterprise the rights and obligations associated with their positions and delineate the individual positions from each other. The job description is, therefore, an internal document that is not meant for the public.

A job posting or announcement, however, is an external document for communication in the labor market. It is therefore written with the aim of finding the right person for a position. Although a job posting is based on the job description, it is usually shorter and also outlines requirements of the jobholder.

- b Some information is missing in the job posting:
- Although the position is described as “director of the sales department”, there is no description of the scope of activities: Potential applicants should be able to understand from the job ad which tasks they would face in the position.
 - No workload is mentioned.
 - Also critical is information about when the position is available: Many applicants would need to terminate their current employment contract in order to take on a new position.

c Individual solutions. Suggestion:

**MNG Rämibühl seeks:
History teacher at the high school level**

The Math and Science High School Rämibühl in Zurich conducts seven parallel “Kurzgymnasium” courses with a focus on math and science and two parallel courses of arts and sports.

A teaching position in history at the high school level (60%) is available in our cantonal school, starting with the beginning of the school year 2010/11 (August 2010). Requirements for this position are a university degree in history, certificate to teach in Zurich high schools (DHL/MAS SHE or equivalent) and teaching experience in history at the high school level.

More information is available from the principal's office (Tel. 058 384 79 52, rektorat@mng.ch). Detailed information and full details of the documents to be submitted can be found on our website, www.mng.ch. Your application should be sent by mail no later than 30 March 30 2010 to Kantonsschule MNG Rämibühl, Rektorat, Rämistrasse 58, 8001 Zurich.

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- a** Organizational charts depict relationships, hierarchies and chains of command and help employees to orient themselves in the enterprise. Especially in larger enterprises, organizational charts map very complex relationship structures in a highly simplified manner.
- b** The organizational charts differ in the level of abstraction (detail): While each individual position may be depicted in the organization chart of smaller enterprises, this level of detail would make no sense for medium to large enterprises. In the latter case, for the sake of clarity divisions or departments are usually depicted, instead of individual positions.

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- a** Span of control measures the number of positions that are operated under a leadership position or authority. If many positions are subordinate to an authority, this is called a large span of control or a flat hierarchy. If an authority is superior to only a few positions, this is called a small span of control or a steep hierarchy.
Depth of control is a measure of the number of hierarchical levels that exist in an enterprise.

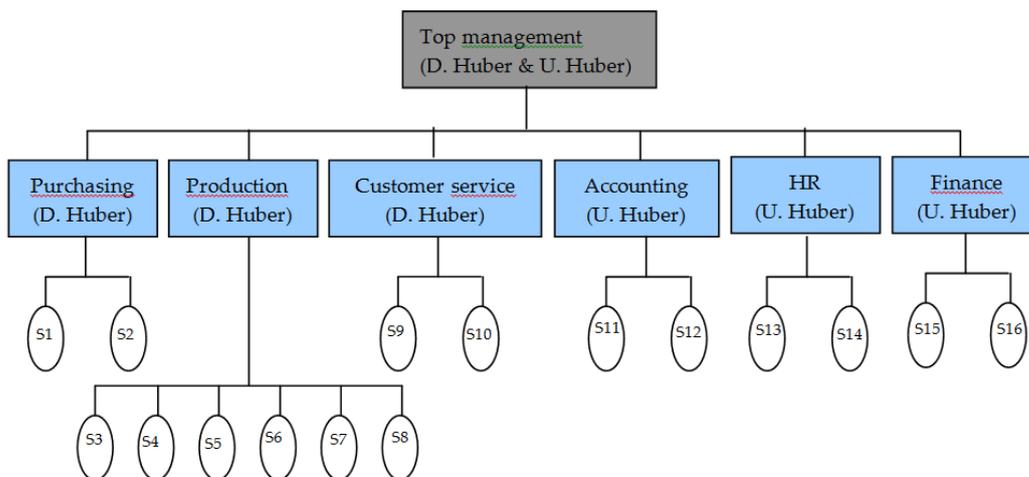
b

	Large span of control / small depth of control	Small span of control / large depth of control
Pros	<ul style="list-style-type: none"> - Upper hierarchical levels are closer to events in the market - Efficient decision-making processes - Good flow of information 	<ul style="list-style-type: none"> - Optimal perception of control functions by superiors
Cons	<ul style="list-style-type: none"> - Superiors can get overwhelmed - Control functions may not be fully perceived: risk of fraud - Fewer career opportunities for young professionals (negative for their motivation) 	<ul style="list-style-type: none"> - Carrier of information flow - Information may be corrupted on the way through the hierarchy levels - Slow decision-making processes

c The span or depth of control depends not only on the size of an enterprise but also on the industry in which it operates. Flat structures are advantageous in fast-moving markets that face a lot of changes because information can flow better and decisions made more quickly. Even so-called "expert organizations" such as law firms or consulting firms have a flatter structure as employees work relatively independently and require very little guidance.

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Organizational chart for Huber Marina Boatyard



6

Individual solutions. Suggestion:

	Advantages	Disadvantages
Functional organization	<ul style="list-style-type: none"> - High efficiency through division of labor and specialization (routinization of activities) 	<ul style="list-style-type: none"> - Customer satisfaction plays a minor role, lack of “product perspective” - Information loss of across functional boundaries
Divisional organization	<ul style="list-style-type: none"> - Flexibility through high autonomy of the individual units - Greater market and customer orientation 	<ul style="list-style-type: none"> - Costly and resource-intensive, therefore less suitable for SMEs (functions must be duplicated across the enterprise)
Management holding	<ul style="list-style-type: none"> - High (also legal) autonomy of the units; they can easily be split off if necessary 	<ul style="list-style-type: none"> - Coordination of the individual holding companies is difficult - Establishment of joint holding strategy is difficult
Alliance organization	<ul style="list-style-type: none"> - Low level of investment - Flexibility of entry and exit - Faster know-how gain 	<ul style="list-style-type: none"> - Risk of incompatible cultures - Risk of unreliable partners - Disclosure of core competencies
Virtual organization	<ul style="list-style-type: none"> - Low level of investment - Small staffing needs 	<ul style="list-style-type: none"> - No chance to diversify if core competencies are lost (no leg to stand on when dissolved)
Product organization	<ul style="list-style-type: none"> - Promotes entrepreneurship - Overcomes functional fractures 	<ul style="list-style-type: none"> - Resistance by functional managers who may hinder product managers
Matrix organization	<ul style="list-style-type: none"> - Specialization advantages of the functional organization - Coordination from perspective of customers, products or countries 	<ul style="list-style-type: none"> - Conflicts of interest at the interfaces: dispute over areas of authority, power struggles
Process organization	<ul style="list-style-type: none"> - Process optimization - Minimization of idle periods 	<ul style="list-style-type: none"> - Identifying core processes difficult - Fundamental rethinking necessary: switch from vertical to horizontal (process) view
Project organization	<ul style="list-style-type: none"> - High flexibility - Can include employees from different functions, divisions, hierarchical levels to compose a team based on the project need 	<ul style="list-style-type: none"> - Delineation of responsibilities versus primary structure is difficult - Risk of project staff becoming estranged from their familiar surroundings

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- a** Flexibility: The profit centers have a high degree of autonomy, given them the flexibility necessary to respond to changing market needs – something that would be almost impossible for a centralized management of a company that operates in many different countries. High degree of responsibility: According to the idea of the “autonomy of the smallest unit”, profit centers enjoy considerable freedom; however, at the same time, they must take full responsibility for their costs and revenues. This creates an incentive to reduce costs and generate the greatest revenues possible.
- b** To align these 5,000 separate units with an overall corporate strategy can be difficult. In addition, ABB has encountered a problem when individual profit centers all of a sudden will start to compete with each other – if nothing else, this can lead to massive price concessions in quotes. In addition, it has become increasingly difficult for top management to monitor and control the individual business units of the Group when they are scattered across so many countries: the decentralization makes coordination difficult and promotes the development of personal interests.

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- a** Primary structures refer to the organizing structure of an enterprise that is hardwired, fixed from the outset and/or evolves over the longer term. The project organization quite different: The secondary structure is not a long-lasting structure, but is brought to life to tackle a specific goal. The primary organizing structure, the hardwired structure of the enterprise, continues undisturbed and can often be taken for granted.
- b** A project is a novel, unique, complex, and temporary task in an enterprise; several divisions are usually involved in its planning and implementation, and other tasks in the company compete for the resources to fund it. Projects have a beginning, a fixed end and are unique, while processes represent tasks that are repeated continuously over an amount of time that is not limited in advance.
- c** When controlling a project, the project goals and milestones defined in the planning phase are of great importance, as they are the target values. Actual values should therefore be regularly recorded and compared against the substantive, quantitative and scheduled objectives set out in the definition of goals. Through such a target-actual comparison, it can be determined whether or not the intermediate objectives have been achieved.
- d** Possible measures:
- Increase efficiency (e.g., through education and training strategies, use of technical resources, etc.)
 - Increase capacity (e.g., by an enlargement of the project team or instituting overtime, etc.)
 - Adjust project objectives and milestones (in consultation with the client and steering committee)