

MARKETING EXAM #3 STUDY GUIDE

CHAPTER #8: ORGANIZATION STRUCTURE & DESIGN:

1. Organizational Structure

- **Organizing**= arranges people and resources to work toward a common goal. It is one of the management functions.
 - Divide Work
 - Arrange Resources
 - Coordinate Activities
- Organization requires **Structure** and comes in 2 forms:
 1. Formal: the official structure of the organization
 - **Organizational Structure** is a system of tasks, reporting relationships, and communication linkages
 - **Organization Chart** describes the arrangement of work positions within an organization
 - 3 points:
 1. Divide up work
 2. Arrange resources
 3. Coordinate activities
 - In class example: Xerox organization chart of positions
 - Also showed division of **Line Professionals** and **Staff Professionals**
 - **Line Professionals** responsible for core business functions i.e.: Developing products, making and selling products
 - **Staff Professionals** play important supporting roles but do not directly bring in revenue. i.e.: accounting, HR, EHS, legal, etc
 - What do organizational charts provide?
 - Division of work: positions and job titles show individual work responsibilities
 - Chain of command
 - *Video Clip: Chain of Command and Star Trek*
 - Span of control
 - Tall vs. Flat
 - Communication flow
 - Major units
 - Staff vs. Line (as explained above)
 - Levels of management: # of management layers are shown from top to bottom
 - **Division of Labor** means that different people and groups perform different Jobs
 - *Video Clip: CEO Michael Dell & Dell computer restructuring*
 - *Clicker Question: You work at job and share an issue with boss in turn shares it with their boss. This represents what structure?*
 - *Answer: Chain of command*
 2. Informal: (or shadow organization) is the network of unofficial relationships organization's members.
 - Both pros and cons to this structure:
 - Pros: very helpful in getting work accomplished, leads to trust & helping one another & friendships, helpful during times of change
 - Cons: may work against best interest of org as a whole, breed resistance to change, can be distracting, leads to outsiders, gossip & rumors

2. Structural Types

- Big 5 Structural types: how a business organizes: Ron John's in-class example was starting a bean bag company

1) **Functional Structure** groups together people with similar skills who perform similar tasks

- *Video Clip: Will Smith's opinion on Talent vs. Skill, in which you have to develop your talent with hard work and practice to improve & have a skill.*
- What do they look like? May have vice presidents or senior managing heading traditional functions of accounting, human resources, finances, manufacturing, finances, and sales.
- Pros:
 - Economies of scale make efficient use of human resources
 - Functional experts are good at solving technical problems
 - Training within functions promotes skill development
 - Career paths available within each function
 - Ability to rise up in an organization & keep getting better at skill
- Cons:
 - **Functional Chimneys/Silos:** lack of communication and coordination across functions & too many problems referred upward for solution
- Example: Gulfstream functional structure shows divide into Administration, product support, finance, and marketing & sales all of which have different functions

2) **Divisional Structure:** groups together people working on the same product, in the same area, or with similar customers.

- *Video Clip: Shia LaBeouf in Wall Street*
- Pros:
 - Expertise in focused on special products, customers, or regions
 - Better coordination exists across functions within divisions
 - There is better accountability for product or service deliver
 - It is easier to grow or shrink in size as conditions change
- Cons:
 - Duplication of services
- Forms of Divisional Structure:
 - **Geographical Structure** brings together people and jobs performed in the same location
 - Frequent with international companies
 - National Example: Lowes divides U.S. into North, South, and West regions for stores
 - **Product Structure** groups together people and jobs working on a single product or service
 - Example: General Electric would have different groups working on different products produce. It is unlikely you would have the same people working on light bulbs that also work on refridgerators.
 - **Customer Structure** groups together jobs and people that serve the same customers or clients
 - Example: Proctor and Gamble would separate Sheetz (small, convenience sized goods) Walmart (medium containers and products), and Sam's Club (large, value-based products) based on what consumers are shopping for in terms of sizing

3) **Matrix Structure** combines functional and divisional approaches to emphasize project or production teams

- *Video Example: Mark Zuckerberg and Facebook company*

- Reason you would go into Matrix Structure: you want to put experts of a field into a project of high priority
 - Pros
 - Performance accountability rests with product, program, or project managers
 - Better communication exists across functions
 - Teams solve problems at all levels
 - Top managers spend more time on strategy
 - Lockheed Martin Matrix Structure example: shows division between different segments (defense, info technology, and space) and additional division in what each group is working on functionally
- 4) **Team Structure** uses *permanent* and *temporary* cross-functional teams to improve lateral relations
- *Video Example: Donald Trump saying "you're fired" a bunch of times*
 - Pros:
 - Team assignments improve communication, cooperation, and decision making
 - Team members get to know each other as persons, not just job titles
 - Team memberships boost morale and increase enthusiasm and task involvement
 - Cons:
 - May lead to struggle to find where you fit in
- 5) **Network Structure** uses IT to link with networks of outside suppliers and service contractors
- *Video Example: Oprah's Dreamworks. She gives out 5-6 million dollars worth of cars but is actually worth 50 million dollars worth of promotion to company that supplies Oprah's audience with the cars.*
 - Pros:
 - Lower costs due to fewer full-time employees
 - Better access to expertise through specialized alliance partners and contractors
 - Easy to grow or shrink with market conditions
 - **Virtual Organization** uses information technologies to operate as a shifting network of alliances
 - Example: Online companies that help other businesses create Facebook pages and websites for their company which they hope will result in additional customers (they do not just work with one company)

3. Trends in Organizational Design

- **Organizational Design** is the process of configuring organizations to meet environmental challenges
 - Organizations are becoming flatter, with fewer levels of management
 - **Span of Control** is the number of persons directly reporting to a manager
 - **Tall Structure** = more levels, narrower spans of control in which fewer people report to a single boss
 - **Flat Structure** = fewer levels, wider span of control. More people reporting to one boss
 - Organizations are increasing decentralization
 - **Centralization** Is the top management keeping the power to make most decisions