Creating a Flexible Organization

7

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Learning Objectives

What you will be able to do once you complete this chapter:

1. Understand what an organization is and identify its characteristics.
2. Explain why job specialization is important.
3. Identify the various bases for departmentalization.
4. Explain how decentralization follows from delegation.
5. Understand how the span of management describes an organization.
6. Describe the four basic forms of organizational structure.
7. Describe the effects of corporate culture.
8. Understand how committees and task forces are used.
9. Explain the functions of the informal organization and the grapevine in a business.

FYI

inside business

Did You Know?

A British soap maker and a Dutch margarine company merged to form Unilever, which is now the world's third-largest manufacturer of consumer goods.

Unilever Restructures Using Mobile Technology

Unilever, formed from the merger of a British soap maker and a Dutch margarine company in 1930, has grown into a global powerhouse selling 400 brands in 150 nations. Today, the company is the world's third-largest manufacturer of consumer goods, with more than $57 billion in annual sales and a workforce of 174,000. Among Unilever's best-known brands are Axe (personal care), Ben & Jerry's (ice cream), Dove (soap), Lipton (tea), Sunsilk (hair care), and Surf (laundry).

To manage operations on six continents, Unilever organizes its employees by location, product, and function. The CEO directly supervises the top executives responsible for managing three key regions: the Americas; Western Europe; and Asia, Africa, and Central and Eastern Europe. Also reporting to the CEO is the global president of foods, personal care, and home care (the company's three main product categories). In addition, the heads of three vital functions—finance, human resources, and research and development—report directly to the CEO.

Unilever's organizing principle is that "work can be done anywhere, anytime as long as business needs are being fully met," according to the senior vice president of human resources and communications for the Americas. As a result, the company classifies workers according to three categories of where they work. A *resident employee* works mainly in a single Unilever office or facility. A *mobile employee* works at different locations, spending some time at a company facility and some time at a customer's facility. An *off-site employee* telecommutes from home or works on-site at a partner business rather than in a Unilever facility.

To direct, coordinate, and control the activities of Unilever's highly mobile workforce, managers rely on teleconferencing, Internet phone services, and other communication technologies. To encourage teamwork and accommodate the visits of mobile and off-site employees, the company is reconfiguring major facilities to enlarge areas for collaboration and reduce areas set aside for individual work. This movement toward "agile space" has saved Unilever 40 percent on office costs. Just as important, it has enhanced the company's overall flexibility as the workforce becomes increasingly mobile to meet the challenges of today's global marketplace.[1]

To survive and to grow, companies such as Unilever must constantly look for ways to improve their methods of doing business. Managers at Unilever, like those at many other organizations, deliberately reorganized the company to achieve its goals and to create satisfying products that foster long-term customer relationships.

When firms are organized, or reorganized, the focus is sometimes on achieving low operating costs. Other firms, such as Nike, emphasize providing high-quality products to ensure customer satisfaction. A firm's organization influences its performance. Thus, the issue of organization is important.

We begin this chapter by examining the business organization—what it is and how it functions in today's business environment. Next, we focus one by one on five characteristics that shape an organization's structure. We discuss job specialization within a company, the grouping of jobs into manageable units or departments, the delegation of power from management to workers, the span of management, and establishment of a chain of command. Then we step back for an overall view of organizational structure, describe the effects of corporate culture, and focus in on how committees and task forces are used. Finally, we look at the network of social interactions—the informal organization—that operates within the formal business structure.

What Is an Organization?

We used the term *organization* throughout Chapter 6 without really defining it mainly because its everyday meaning is close to its business meaning. Here, however, let us agree that an **organization** is a group of two or more people working together to achieve a common set of goals. A neighborhood dry cleaner owned and operated by a husband-and-wife team is an organization. IBM and Home Depot, which employ thousands of workers worldwide, are also organizations in the same sense. Although each corporation's organizational structure is more complex than the dry-cleaning establishment, all must be organized to achieve their goals.

An inventor who goes into business to produce and market a new invention hires people, decides what each will do, determines who will report to whom, and so on. These activities are the essence of organizing, or creating, the organization. One way to create this "picture" is to create an organization chart.

1

Understand what an organization is and identify its characteristics.

Developing Organization Charts

An **organization chart** is a diagram that represents the positions and relationships within an organization. An example of an organization chart is shown in Figure 7.1. Each rectangle represents a particular position or person in the organization. At the top is the president, at the next level are the vice presidents. The solid vertical lines connecting the vice presidents to the president indicate that the vice presidents are in the chain of command. The **chain of command** is the line of authority that extends from the highest to the lowest levels of the organization. Moreover, each vice president reports directly to the president. Similarly, the plant managers, regional sales managers, and accounting department manager report to the vice presidents. The chain of command can be short or long. For example, at Royer's Roundtop Café, an independent restaurant in Roundtop, Texas, the chain of command is very short. Bud Royer, the owner, is responsible only to himself and can alter his hours or change his menu quickly. On the other hand, the chain of command at McDonald's is long. Before making certain types of changes, a McDonald's franchisee seeks permission from regional management, which, in turn, seeks approval from corporate headquarters.

In the chart, the connections to the directors of legal services, public affairs, and human resources are shown as broken lines; these people are not part of the direct chain of command. Instead, they hold *advisory*, or *staff*, positions. This difference will be examined later in this chapter when we discuss line-and-staff positions.

Most smaller organizations find organization charts useful. They clarify positions and report relationships for everyone in the organization, and they help managers to track growth and change in the organizational structure. However, many large organizations, such as ExxonMobil, Kellogg's, and Procter & Gamble, do not maintain complete, detailed charts for two reasons. First, it is difficult to chart even a few dozen positions accurately, much less the thousands that characterize larger firms. Second, larger organizations are almost always changing parts of their structure. An organization chart would be outdated before it was completed. However, organization must exist even without a chart in order for a business to be successful. Technology is helping large companies implement up-to-date organization charts.

Major Considerations for Organizing a Business

When a firm is started, management must decide how to organize the firm. These decisions focus on job design, departmentalization, delegation, span of management, and chain of command. In the next several sections, we discuss major issues associated with these dimensions.

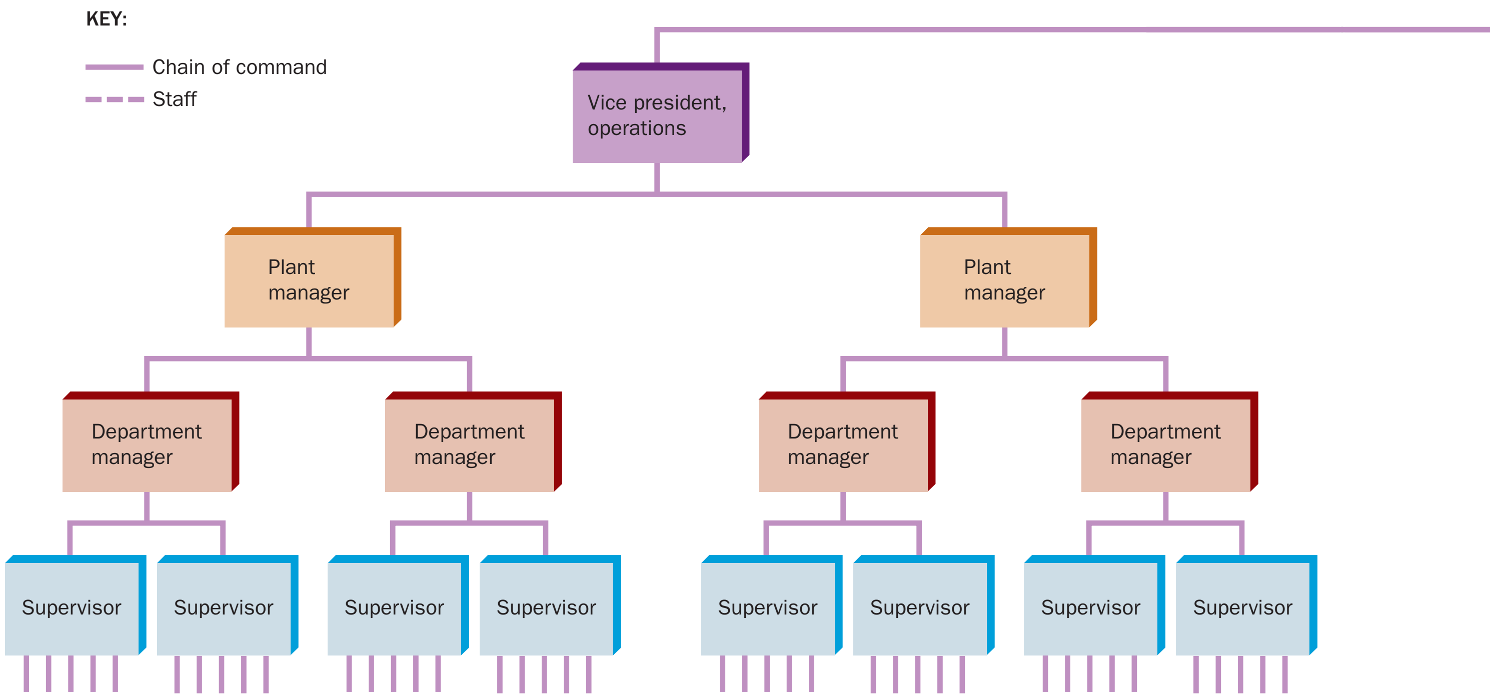
organization a group of two or more people working together to achieve a common set of goals

organization chart a diagram that represents the positions and relationships within an organization

chain of command the line of authority that extends from the highest to the lowest levels of an organization

Figure 7.1 A Typical Corporate Organization Chart

A company's organization chart represents the positions and relationships within the organization and shows the managerial chains of command.



2

Explain why job specialization is important.

Job Design

In Chapter 1, we defined *specialization* as the separation of a manufacturing process into distinct tasks and the assignment of different tasks to different people. Here we are extending that concept to *all* the activities performed within an organization.

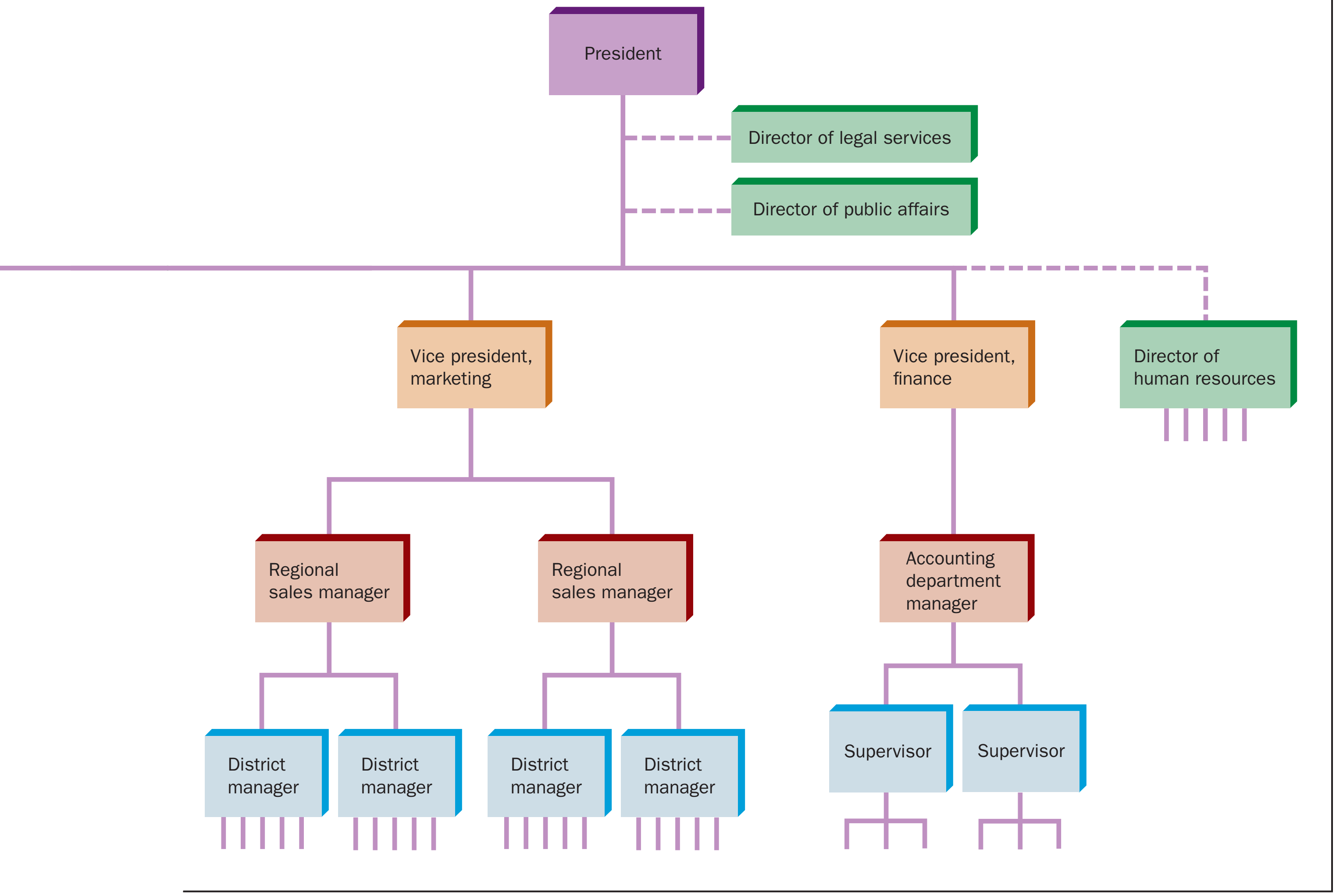
Job Specialization

Job specialization is the separation of all organizational activities into distinct tasks and the assignment of different tasks to different people. Adam Smith, the 18th-century economist whose theories gave rise to capitalism, was the first to emphasize the power of specialization in his book, *The Wealth of Nations*. According to Smith, the various tasks in a particular pin factory were arranged so that one worker drew the wire for the pins, another straightened the wire, a third cut it, a fourth ground the point, and a fifth attached the head. Smith claimed that ten men were able to produce 48,000 pins per day. Before specialization, they could produce only 200 pins per day because each worker had to perform all five tasks!

job specialization the separation of all organizational activities into distinct tasks and the assignment of different tasks to different people

The Rationale for Specialization

For a number of reasons, some job specialization is necessary in every organization because the "job" of most organizations is too large for one person to handle. In a firm such as DaimlerChrysler, thousands of people are needed to manufacture



automobiles. Others are needed to sell the cars, control the firm's finances, and so on.

Second, when a worker has to learn one specific, highly specialized task, that individual should be able to learn it very efficiently. Third, a worker repeating the same job does not lose time changing from operations, as the pin workers did when producing complete pins. Fourth, the more specialized the job, the easier it is to design specialized equipment. And finally, the more specialized the job, the easier is the job training.

Job specialization. This designer at Puma has a highly specialized job that includes the evaluation of proposed designs of specific types of athletic shoes.

Alternatives to Job Specialization

Unfortunately, specialization can have negative consequences as well. The most significant drawback is the boredom and dissatisfaction employees may feel when repeating the same job. Bored employees may be absent from work frequently, may not put much effort into their work, and may even sabotage the company's efforts to produce quality products.

To combat these problems, managers often turn to job rotation. **Job rotation** is the systematic shifting of employees from one job to another. For example, a worker may be assigned a different job every week for a four-week period and then return to the first job in the fifth week. Job rotation provides a variety of tasks so that workers are less likely to become bored and dissatisfied. Pharmaceutical company Eli Lilly, for example, uses a form of job rotation for its managers in which it gives them short-term assignments outside their field of expertise to further develop their skills.[2]

Two other approaches—job enlargement and job enrichment—also can provide solutions to the problems caused by job specialization. These topics, along with other methods used to motivate employees, are discussed in Chapter 11.

3

Identify the various bases for departmentalization.

Departmentalization

After jobs are designed, they must be grouped together into "working units," or departments. This process is called *departmentalization*. More specifically, **departmentalization** is the process of grouping jobs into manageable units. Several departmentalization bases are used commonly. In fact, most firms use more than one. Today, the most common bases for organizing a business into effective departments are by function, by product, by location, and by customer.

By Function

Departmentalization by function groups jobs that relate to the same organizational activity. Under this scheme, all marketing personnel are grouped together in the marketing department, all production personnel in the production department, and so on.

Most smaller and newer organizations departmentalize by function. Supervision is simplified because everyone is involved in the same activities, and coordination is easy. The disadvantages of this method of grouping jobs are that it can lead to slow decision making and that it tends to emphasize the department over the whole organization.

By Product

Departmentalization by product groups activities related to a particular good or service. This approach is used often by older and larger firms that produce and sell a variety of products. Each department handles its own marketing, production, financial management, and human resources activities.

Departmentalization by product makes decision making easier and provides for the integration of all activities associated with each product. However, it causes some duplication of specialized activities—such as finance—from department to department. Moreover, the emphasis is placed on the product rather than on the whole organization.

By Location

Departmentalization by location groups activities according to the defined geographic area in which they are performed. Departmental areas may range from whole countries (for international firms) to regions within countries (for national firms) to areas of several city blocks (for police departments organized into precincts). Departmentalization by location allows the organization to respond readily to the unique demands or requirements of different locations. Nevertheless, a large administrative staff and an elaborate control system may be needed to coordinate operations in many locations.

job rotation the systematic shifting of employees from one job to another

departmentalization the process of grouping jobs into manageable units

departmentalization by function grouping jobs that relate to the same organizational activity

departmentalization by product grouping activities related to a particular product or service

departmentalization by location grouping activities according to the defined geographic area in which they are performed

Departmentalization. These employees are co-workers in an information technology department.

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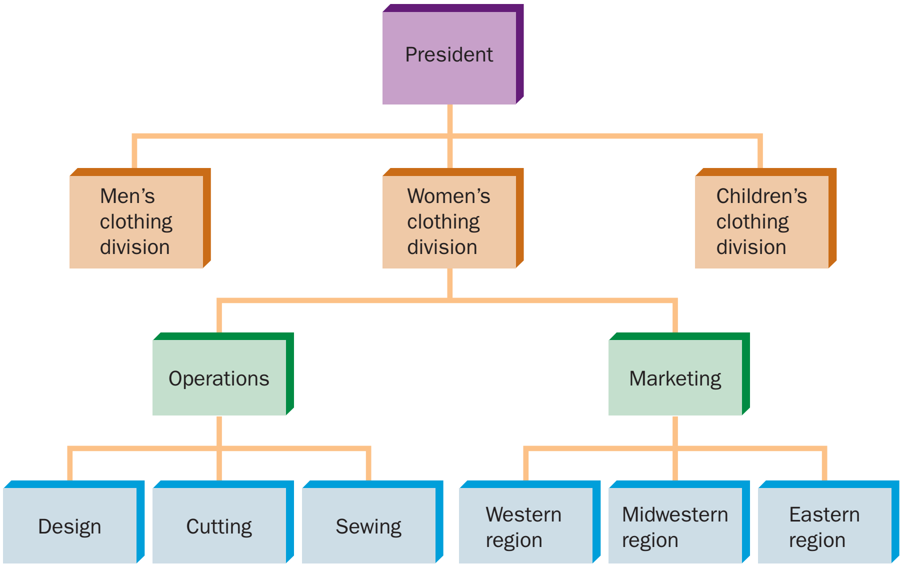
Figure 7.2 Multibase Departmentalization for New-Wave Fashions, Inc.

Most firms use more than one basis for departmentalization to improve efficiency and to avoid overlapping positions.



By Customer

Departmentalization by customer groups activities according to the needs of various customer populations. A local Chevrolet dealership, for example, may have one sales staff to deal with individual consumers and a different sales staff to work with corporate fleet buyers. The obvious advantage of this approach is that it allows the firm to deal efficiently with unique customers or customer groups. The biggest drawback is that a larger-than-usual administrative staff is needed.

Combinations of Bases

Many organizations use more than one of these departmentalization bases.

Take a moment to examine Figure 7.2. Notice that departmentalization by customer is used to organize New-Wave Fashions, Inc., into three major divisions: men's, women's, and children's clothing. Then functional departmentalization is used to distinguish the firm's production and marketing activities. Finally, location is used to organize the firm's marketing efforts.

Delegation, Decentralization, and Centralization

4

Explain how decentralization follows from delegation.

The third major step in the organizing process is to distribute power in the organization. **Delegation** assigns part of a manager's work and power to other workers. The degree of centralization or decentralization of authority is determined by the overall pattern of delegation within the organization.

Delegation of Authority

Because no manager can do everything, delegation is vital to completion of a manager's work. Delegation is also important in developing the skills and abilities of subordinates. It allows those who are being groomed for higher-level positions to play increasingly important roles in decision making.

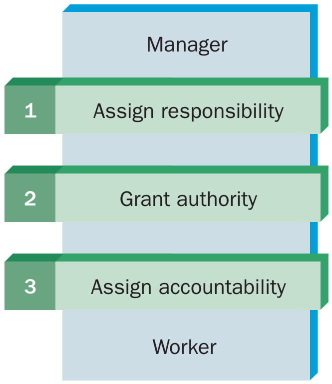
departmentalization by customer grouping activities according to the needs of various customer populations

delegation assigning part of a manager's work and power to other workers

Figure 7.3 Steps in the Delegation Process

To be successful, a manager must learn how to delegate. No one can do everything alone.

THE DELEGATION PROCESS



responsibility the duty to do a job or perform a task

authority the power, within an organization, to accomplish an assigned job or task

accountability the obligation of a worker to accomplish an assigned job or task

decentralized organization an organization in which management consciously attempts to spread authority widely in the lower levels of the organization

centralized organization an organization that systematically works to concentrate authority at the upper levels of the organization

Steps in Delegation The delegation process generally involves three steps (see Figure 7.3). First, the manager must *assign responsibility*. **Responsibility** is the duty to do a job or perform a task. In most job settings, a manager simply gives the worker a job to do. Typical job assignments might range from having a worker prepare a report on the status of a new quality control program to placing the person in charge of a task force. Second, the manager must *grant authority*. **Authority** is the power, within the organization, to accomplish an assigned job or task. This might include the power to obtain specific information, order supplies, authorize relevant expenditures, or make certain decisions. Finally, the manager must *create accountability*. **Accountability** is the obligation of a worker to accomplish an assigned job or task.

Note that accountability is created, but it cannot be delegated. Suppose that you are an operations manager for Target and are responsible for performing a specific task. You, in turn, delegate this task to someone else. You nonetheless remain accountable to your immediate supervisor for getting the task done properly. If the other person fails to complete the assignment, you—not the person to whom you delegated the task—will be held accountable.

Delegation. Delegation allows subordinates to develop the skills and abilities required for higher-level positions.

© Jupiterimages/Photolibrary

Barriers to Delegation For several reasons, managers may be unwilling to delegate work. Many managers are reluctant to delegate because they want to be sure that the work gets done. Another reason for reluctance stems from the opposite situation. The manager fears that the worker will do the work well and attract the approving notice of higher-level managers. Finally, some managers do not delegate because they are so disorganized that they simply are not able to plan and assign work effectively.

Decentralization of Authority

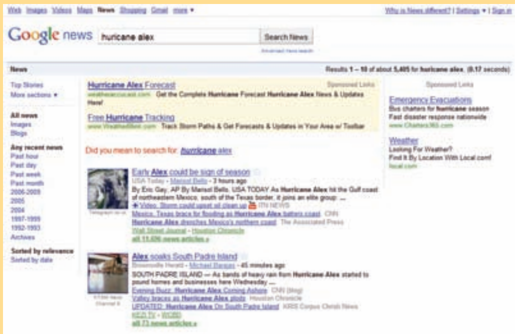
The pattern of delegation throughout an organization determines the extent to which that organization is decentralized or centralized. In a **decentralized organization**, management consciously attempts to spread authority widely across various organization levels. A **centralized organization**, on the other hand, systematically works to

Going for SUCCESS

Google Changes Corporate Culture at Web Speed

Why would a highly successful business like Google deliberately change its corporate culture? One reason is to keep up with the ever-changing business environment—or, better yet, to stay one or two steps ahead.

As a long-time leader in the fast-moving world of information technology, Google knows that speed and innovation are critical to maintaining its competitive edge. Throughout the company's history, employees have been encouraged to come up with unconventional new ideas for catapulting Google into the future. These days, employees are invited to present their best ideas in regular meetings with the company's co-founders and top management, a change that allows for direct feedback and speedier decision making.



© Courtesy of Google, Inc.

Another reason to change the corporate culture is to maintain the nimbleness and entrepreneurial drive of a scrappy start-up even as the company grows and matures. Because Google is now a global corporation with 20,000 employees, it is "actively trying to prevent middle-agedom," the CEO says.

In a change to its culture, Google has increased the number of small teams working on new ideas and now allows each team considerable freedom and resources for its projects. In another cultural change, some teams are located hundreds or thousands of miles from Google's California headquarters. This means teams have the opportunity to develop ideas in some detail before asking managers and colleagues for constructive criticism and assistance.

Sources: Jonathan Tombes, "Editor's Letter: Google and Other Crazies," *Communications Technology*, January 15, 2010, http://www.cable360.net/ct/sections/columns/editorsletter/39258.html; "Creative Tension: Google's Corporate Culture," *The Economist*, September 19, 2009, 67EU; Jonathan V. Last, "Googling Google," *Weekly Standard*, October 12, 2009, http://www.weeklystandard.com/Content/Public/Articles/000/000/017/033pmaeg.asp; Google Corporate Culture, http://www.google.com/corporate/culture.html.

concentrate authority at the upper levels. For example, many publishers of college-level textbooks are centralized organizations, with authority concentrated at the top. Large organizations may have characteristics of both decentralized and centralized organizations.

A number of factors can influence the extent to which a firm is decentralized. One is the external environment in which the firm operates. The more complex and unpredictable this environment, the more likely it is that top management will let lower-level managers make important decisions. After all, lower-level managers are closer to the problems. Another factor is the nature of the decision itself. The riskier or more important the decision, the greater is the tendency to centralize decision making. A third factor is the abilities of lower-level managers. If these managers do not have strong decision-making skills, top managers will be reluctant to decentralize. And, in contrast, strong lower-level decision-making skills encourage decentralization. Finally, a firm that traditionally has practiced centralization or decentralization is likely to maintain that posture in the future.

In principle, neither decentralization nor centralization is right or wrong. What works for one organization may or may not work for another. Kmart Corporation and McDonald's are very successful—and both practice centralization. But decentralization has worked very well for General Electric and Sears. Every organization must assess its own situation and then choose the level of centralization or decentralization that will work best.

span of management (or span of control) the number of workers who report directly to one manager

The Span of Management

5 Understand how the span of management describes an organization.

The fourth major step in organizing a business is establishing the **span of management** (or **span of control**), which is the number of workers who report directly to one manager. For hundreds of years, theorists have searched for an ideal span of management. When it became apparent that there is no perfect number of subordinates for a manager to supervise, they turned their attention to the general issue of whether the span should be wide or narrow. This issue is complicated because the span of management may change by department within the same organization.

Wide and Narrow Spans of Management

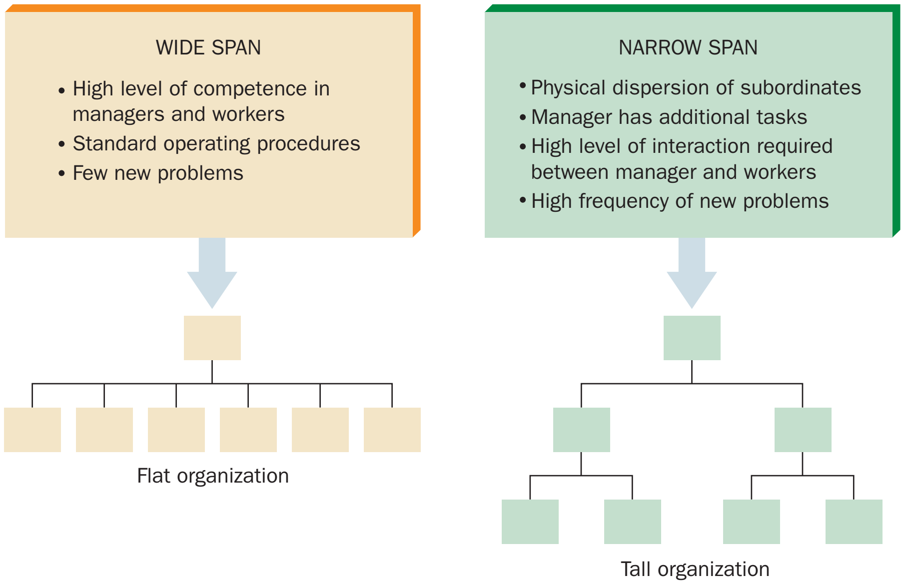
A *wide* span of management exists when a manager has a larger number of subordinates. A *narrow* span exists when the manager has only a few subordinates. Several factors determine the span that is better for a particular manager (see Figure 7.4). Generally, the span of control may be wide when (1) the manager and the subordinates are very competent, (2) the organization has a well-established set of standard operating procedures, and (3) few new problems are expected to arise. The span should be narrow when (1) workers are physically located far from one another, (2) the manager has much work to do in addition to supervising workers, (3) a great deal of interaction is required between supervisor and workers, and (4) new problems arise frequently.

Organizational Height

The span of management has an obvious impact on relations between managers and workers. It has a more subtle but equally important impact on the height of the organization. **Organizational height** is the number of layers, or levels, of management in a firm. The span of management plays a direct role in determining the height of the organization (see Figure 7.4). If spans of management are wider, fewer levels are needed, and the organization is *flat*. If spans of management generally are narrow, more levels are needed, and the resulting organization is *tall*.

Figure 7.4 The Span of Management

Several criteria determine whether a firm uses a wide span of management, in which a number of workers report to one manager, or a narrow span, in which a manager supervises only a few workers.



organizational height the number of layers, or levels, of management in a firm

Career SUCCESS

Your Green Career Path?

If you want to pursue a green career path, you have more choices and opportunities than ever before, extending up to the very top of the management ranks. The post of chief sustainability officer (CSO) is the newest C-level position in the organizational hierarchy—a green management job that reports directly to the president or chief executive officer.

AT&T, Google, Dow Chemical, DuPont, and many other businesses have appointed a CSO to plan and coordinate company-wide environmental initiatives, ensure proper compliance with government regulations, and manage internal and external communications about sustainability issues. Just as important, the CSO is responsible for inserting sustainability into corporate strategy and making it part of the business case for new goods and services. Some colleges, universities, and municipalities are hiring sustainability officers to handle such diverse issues as switching to clean power sources, improving recycling programs, reducing waste, and minimizing the environmental impact of buildings, supplies, and operations.

Rather than isolate responsibility for sustainability in a single top-management role, companies are increasingly adding sustainability to job descriptions throughout the organization. As Levi Strauss's vice president for social and environmental sustainability explains: "We're successful when sustainability gets embedded in all the roles in the company."

Sources: Henry Fountain, "Sustainability Comes of Age," *New York Times Education Life Supplement,* January 3, 2010, 20; Tiffany Hsu, "Eco-officers Are Moving into Executive Suites," *Los Angeles Times,* December 30, 2009, http://www.latimes.com/business/la-fi-green-officers30-2009dec30,0,3283781.story; Geoff Colvin, "Linda Fisher, C-Suite Strategies," *Fortune,* November 23, 2009, 45ff.

In a taller organization, administrative costs are higher because more managers are needed. Communication among levels may become distorted because information has to pass up and down through more people. When companies are cutting costs, one option is to decrease organizational height in order to reduce related administrative expenses. For example, when cosmetics provider Avon experienced declining sales, the company began a series of long and extensive restructuring programs, with the first beginning in 2005 and the second beginning in 2009. The programs focused on increasing efficiency and organizational effectiveness. While the original restructuring plan saved the company approximately $200 million per year, the newer plan has saved the company an estimated $350 million per year.[3] Although flat organizations avoid these problems, their managers may perform more administrative duties simply because there are fewer managers. Wide spans of management also may require managers to spend considerably more time supervising and working with subordinates.

Forms of Organizational Structure

6

Describe the four basic forms of organizational structure.

Up to this point, we have focused our attention on the major characteristics of organizational structure. In many ways, this is like discussing the parts of a jigsaw puzzle one by one. It is now time to put the puzzle together. In particular, we discuss four basic forms of organizational structure: line, line-and-staff, matrix, and network.

The Line Structure

The simplest and oldest form of organizational structure is the **line structure**, in which the chain of command goes directly from person to person throughout the organization. Thus, a straight line could be drawn down through the levels of management, from the chief executive down to the lowest level in the organization. In a small retail store, for example, an hourly employee might report to an assistant manager, who reports to a store manager, who reports to the owner.

Managers within a line structure, called **line managers**, make decisions and give orders to subordinates to achieve the organization's goals. A line structure's simplicity and clear chain of command allow line managers to make decisions

line structure an organizational structure in which the chain of command goes directly from person to person throughout the organization

line manager a position in which a person makes decisions and gives orders to subordinates to achieve the organization's goals

Line-and-staff organization structure. Ronald McDonald occupies a staff position and does not have direct authority over other employees at McDonald's. The other individuals shown here occupy line positions and do have direct authority over some of the other McDonald's employees.

quickly with direct accountability because the decision-maker only has one supervisor to report to.

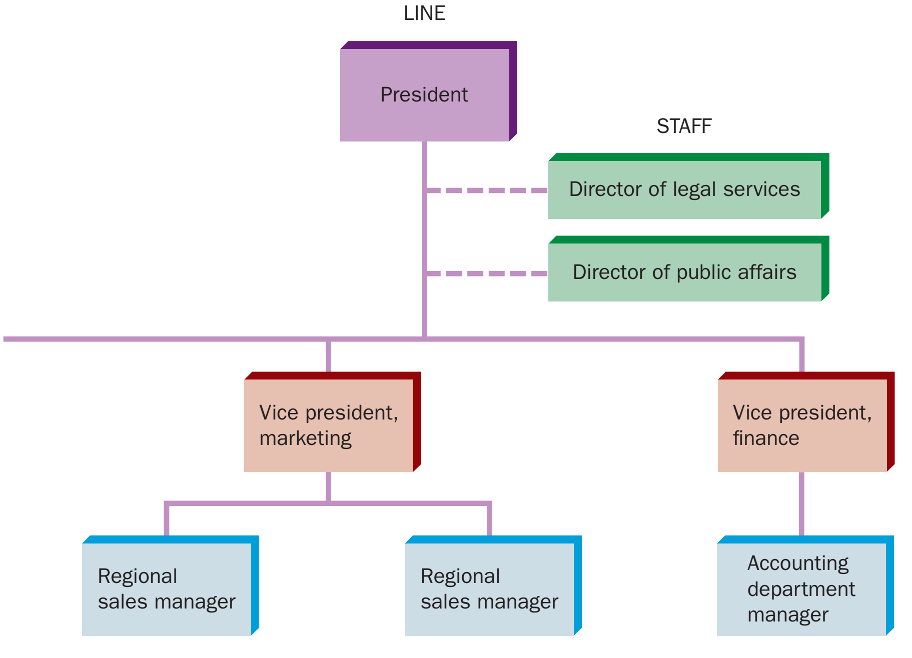
The downside of a line structure, however, is that line managers are responsible for many activities, and therefore must have a wide range of knowledge about all of them. While this may not be a problem for small organizations with a lower volume of activities, in a larger organization, activities become more numerous and complex, thus making it more difficult for line managers to fully understand what they are in charge of. Therefore, line managers in a larger organization would have a hard time making an educated decision without expert advice from outside sources. As a result, line structures are not very effective in medium- or large-size organizations, but are very popular in small organizations.

The Line-and-Staff Structure

A **line-and-staff structure** not only utilizes the chain of command from a line structure but also provides line managers with specialists, called staff managers. Therefore, this structure works much better for medium- and large-size organizations than line management alone. **Staff managers** provide support, advice, and expertise to line managers, thus eliminating the previous drawback of line structures. Staff managers are not part of the chain of command like line managers are, but they do have authority over their assistants (see Figure 7.5).

Figure 7.5 Line and Staff Managers

A line manager has direct responsibility for achieving the company's goals and is in the direct chain of command. A staff manager supports and advises the line managers.



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line-and-staff structure an organizational structure that utilizes the chain of command from a line structure in combination with the assistance of staff managers

staff manager a position created to provide support, advice, and expertise within an organization

Both line and staff managers are needed for effective management, but the two positions differ in important ways. The basic difference is in terms of authority. Line managers have *line authority*, which means that they can make decisions and issue directives relating to the organization's goals. Staff managers seldom have this kind of authority. Instead, they usually have either advisory authority or functional authority. *Advisory authority* is the expectation that line managers will consult the appropriate staff manager when making decisions. Functional authority is stronger. *Functional authority* is the authority of staff managers to make decisions and issue directives about their areas of expertise. For example, a legal adviser for Nike can decide whether to retain a particular clause in a contract but not product pricing.

For a variety of reasons, conflict between line managers and staff managers is fairly common in business. Staff managers often have more formal education and sometimes are younger (and perhaps more ambitious) than line managers. Line managers may perceive staff managers as a threat to their own authority and thus may resent them. For their part, staff managers may become annoyed or angry if their expert recommendations—for example, in public relations or human resources management—are not adopted by line management.

Fortunately, there are several ways to minimize the likelihood of such conflict. One way is to integrate line and staff managers into one team. Another is to ensure that the areas of responsibility of line and staff managers are clearly defined. Finally, line and staff managers both can be held accountable for the results of their activities.

The Matrix Structure

When the matrix structure is used, individuals report to more than one superior at the same time. The **matrix structure** combines vertical and horizontal lines of authority, which is why it is called a matrix structure. The matrix structure occurs when product departmentalization is superimposed on a functionally departmentalized organization. In a matrix organization, authority flows both down and across. Martha Stewart Living Omnimedia, for example, utilizes the matrix structure to combine the management of its functional departments (publishing, Internet, broadcasting, and merchandising) with its product departments (food, crafts, entertaining, gardening, etc.).[4] Another example of a matrix organization could be an automobile manufacturer, whose company may be divided into functional departments, such as production, sales, marketing, distribution, and accounting, which co-manage with product departments (the vehicle models).

To understand the structure of a matrix organization, consider the usual functional arrangement, with people working in departments such as engineering, finance, and marketing. Now suppose that we assign people from these departments to a special group that is working on a new project as a team—a cross-functional team. A **cross-functional team** consists of individuals with varying specialties, expertise, and skills that are brought together to achieve a common task. Frequently, cross-functional teams are charged with the responsibility of developing new products. For example, Ford Motor Company assembled a special project team to design and manufacture its global cars. The manager in charge of a team is usually called a *project manager*. Any individual who is working with the team reports to *both* the project manager and the individual's superior in the functional department (see Figure 7.6).

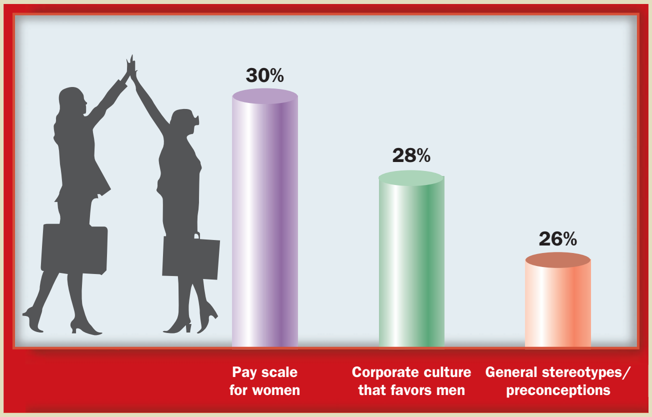
Cross-functional team projects may be temporary, in which case the team is disbanded once the mission is accomplished, or they may be permanent. These teams often are empowered to make major decisions. When a cross-functional team is employed, prospective team members may receive special training because effective teamwork can require different skills. For cross-functional teams to be

matrix structure an organizational structure that combines vertical and horizontal lines of authority, usually by superimposing product departmentalization on a functionally departmentalized organization

cross-functional team a team of individuals with varying specialties, expertise, and skills that are brought together to achieve a common task

SPOTLIGHT

Top-Ranked Barriers to Women in the Workplace



Source: Accenture survey of 1,000 full-time female workers 22 to 35 years old.

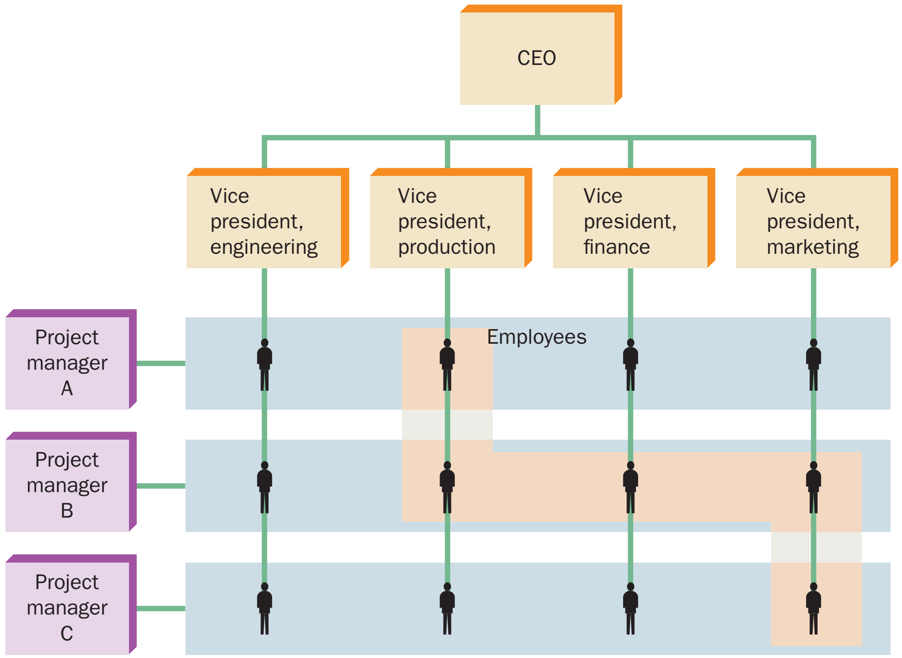
successful, team members must be given specific information on the job each performs. The team also must develop a sense of cohesiveness and maintain good communications among its members.

Matrix structures offer advantages over other organizational forms. Added flexibility is probably the most obvious advantage. The matrix structure also can increase productivity, raise morale, and nurture creativity and innovation. In addition, employees experience personal development through doing a variety of jobs.

The matrix structure also has disadvantages. Having employees report to more than one supervisor can cause confusion about who is in charge. Like committees, teams may take longer to resolve problems and issues than individuals working alone. Other difficulties include personality clashes, poor communication, undefined individual roles, unclear responsibilities, and finding ways to reward individual and team performance simultaneously. Because more managers and support staff may be needed, a matrix structure may be more expensive to maintain.

Figure 7.6 A Matrix Structure

A matrix is usually the result of combining product departmentalization with function departmentalization. It is a complex structure in which employees have more than one supervisor.



Source: Ricky W. Griffin, *Management,* 10th ed. Copyright © 2011 by South-Western/Cengage Learning, Mason, OH. Adapted with permission.

The Network Structure

In a **network structure** (sometimes called a *virtual organization*), administration is the primary function performed, and other functions such as engineering, production, marketing, and finance are contracted out to other organizations. Frequently, a network organization does not manufacture the products it sells. This type of organization has a few permanent employees consisting of top management and hourly clerical workers. Leased facilities and equipment, as well as temporary workers, are increased or decreased as the organization's needs change. Thus, there is rather limited formal structure associated with a network organization.

An obvious strength of a network structure is flexibility that allows the organization to adjust quickly to changes. Some of the challenges faced by managers in network-structured organizations include controlling the quality of work performed by other organizations, low morale and high turnover among hourly workers, and the vulnerability associated with relying on outside contractors.

Corporate Culture

7

Describe the effects of corporate culture.

Most managers function within a corporate culture. A **corporate culture** is generally defined as the inner rites, rituals, heroes, and values of a firm. An organization's culture has a powerful influence on how employees think and act. It also can determine public perception of the organization.

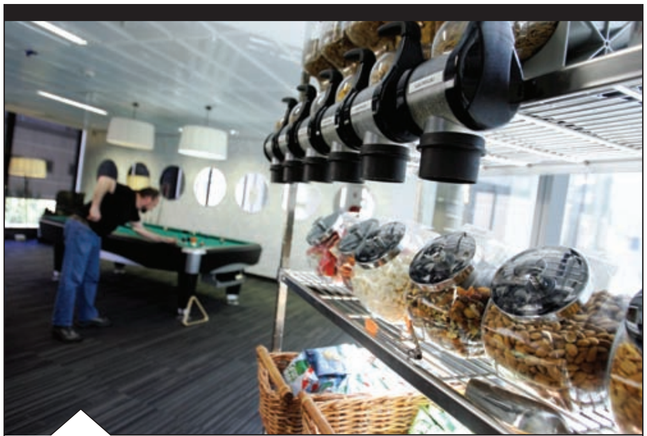
Corporate culture generally is thought to have a very strong influence on a firm's performance over time. Hence, it is useful to be able to assess a firm's corporate culture. Common indicators include the physical setting (building, office layouts), what the company says about its corporate culture (in advertising and news releases), how the company greets guests (does it have formal or informal reception areas?), and how employees spend their time (working alone in an office or working with others).

Goffee and Jones have identified four distinct types of corporate cultures (see Figure 7.7). One is called the *networked culture,* characterized by a base of trust and friendship among employees, a strong commitment to the organization, and an informal environment. The *mercenary culture* embodies the feelings of passion, energy, sense of purpose, and excitement for one's work. The term *mercenary* does not imply that employees are motivated to work only for the money, but this is part of it. In this culture, employees are very intense, focused, and determined to win. In the *fragmented culture,* employees do not become friends, and they work "at" the organization, not "for" it. Employees have a high degree of autonomy, flexibility, and equality. The *communal culture* combines the positive traits of the networked culture and the mercenary culture—those of friendship, commitment, high focus on performance, and high energy. People's lives revolve around the product in this culture, and success by anyone in the organization is celebrated by all.[5]

Some experts believe that cultural change is needed when a company's environment changes, when the industry becomes more competitive, the company's performance is mediocre, and when the company is growing or is about to become a truly large organization. For example, top executives at Dell Computer allocated considerable time and

network structure an organizational structure in which administration is the primary function, and most other functions are contracted out to other firms

corporate culture the inner rites, rituals, heroes, and values of a firm



Corporate culture. Food and fun are part of the corporate culture at Google.

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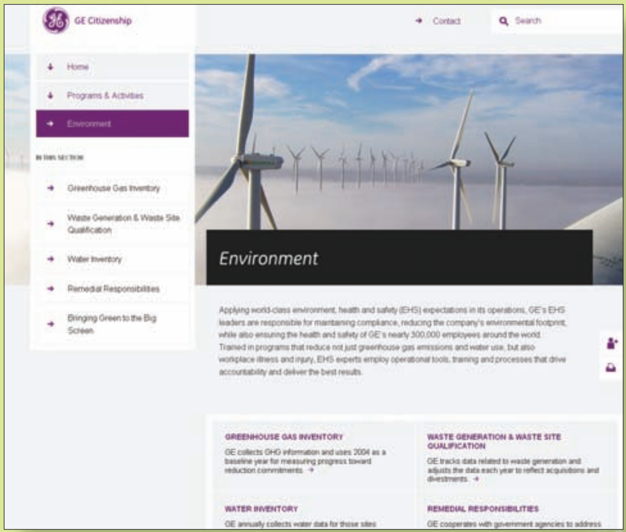
Sustaining the Planet

GE's Environmental Stewardship

General Electric views sustainability as essential to being a good corporate citizen. The company has woven environmental stewardship into the fabric of its organizational structure and made sustainability an integral part of its corporate culture. Take a look: http://www.ge.com/citizenship/index.html.



resources to develop a strong, positive corporate culture aimed at increasing employee loyalty and the success of the company. Organizations in the future will look quite different. Experts predict that tomorrow's businesses will comprise small, task-oriented work groups, each with control over its own activities. These small groups will be coordinated through an elaborate computer network and held together by a strong corporate culture. Businesses operating in fast-changing industries will require leadership that supports trust and risk taking. Creating a culture of trust in an organization can lead to increases in growth, profit, productivity, and job satisfaction. A culture of trust can retain the best people, inspire customer loyalty, develop new markets, and increase creativity.

Another area where corporate culture plays a vital role is the integration of two or more companies. Business leaders often cite the role of corporate cultures in the integration process as one of the primary factors affecting the success of a merger or acquisition. Experts note that corporate culture is a way of conducting business both within the company and externally. If two merging companies do not address differences in corporate culture, they are setting themselves up for missed expectations and possibly failure.

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Committees and Task Forces

8

Understand how committees and task forces are used.

Today, business firms use several types of committees that affect organizational structure. An **ad hoc committee** is created for a specific short-term purpose, such as reviewing the firm's employee benefits plan. Once its work is finished, the ad hoc committee disbands. A **standing committee** is a relatively permanent committee charged with performing a recurring task. A firm might establish a budget review committee, for example, to review departmental budget requests on an ongoing basis. Finally, a **task force** is a committee established to investigate a major problem or pending decision. A firm contemplating a merger with another company might form a task force to assess the pros and cons of the merger.

Committees offer some advantages over individual action. Their several members are able to bring information and knowledge to the task at hand. Furthermore, committees tend to make more accurate decisions and to transmit their results through the organization more effectively. However, committee deliberations take longer than individual actions. In addition, unnecessary compromise may take place within the committee, or the opposite may occur, as one person dominates (and thus negates) the committee process.

ad hoc committee a committee created for a specific short-term purpose

standing committee a relatively permanent committee charged with performing some recurring task

task force a committee established to investigate a major problem or pending decision

The Informal Organization and the Grapevine

9

Explain the functions of the informal organization and the grapevine in a business.

So far, we have discussed the organization as a formal structure consisting of interrelated positions. This is the organization that is shown on an organization chart. There is another kind of organization, however, that does not show up on any chart. We define this **informal organization** as the pattern of behavior and interaction that stems from personal rather than official relationships. Firmly embedded within every informal organization are informal groups and the notorious grapevine.

An **informal group** is created by the group members themselves to accomplish goals that may or may not be relevant to the organization. Workers may create an informal group to go bowling, form a union, get a particular manager fired or transferred, or meet for lunch. The group may last for several years or a few hours.

Informal groups can be powerful forces in organizations. They can restrict output, or they can help managers through tight spots. They can cause disagreement and conflict, or they can help to boost morale and job satisfaction. They can show new people how to contribute to the organization, or they can help people to get away with substandard performance. Clearly, managers should be aware of these informal groups. Those who make the mistake of fighting the informal organization have a major obstacle to overcome.

informal organization the pattern of behavior and interaction that stems from personal rather than official relationships

informal group a group created by the members themselves to accomplish goals that may or may not be relevant to an organization

grapevine the informal communications network within an organization

The **grapevine** is the informal communications network within an organization. It is completely separate from—and sometimes much faster than—the organization's formal channels of communication. Formal communications usually follow a path that parallels the organizational chain of command. Information can be transmitted through the grapevine in any direction—up, down, diagonally, or horizontally across the organizational structure. Subordinates may pass information to their bosses, an executive may relay something to a maintenance worker, or there may be an exchange of information between people who work in totally unrelated departments. Grapevine information may be concerned with topics ranging from the latest management decisions to gossip.

How should managers treat the grapevine? Certainly, it would be a mistake to try to eliminate it. People working together, day in and day out, are going to communicate.

Informal groups. Informal groups can be a source of information and camaraderie for participants. These groups can create both challenges and benefits for an organization.

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A more rational approach is to recognize its existence. For example, managers should respond promptly and aggressively to inaccurate grapevine information to minimize the damage that such misinformation might do. Moreover, the grapevine can come in handy when managers are on the receiving end of important communications from the informal organization.

In the next chapter, we apply these and other management concepts to an extremely important business function: the production of goods and services.

return to inside business

Unilever

The mission of Unilever is to "add vitality to life through meeting everyday needs for nutrition, hygiene, and personal care with brands that help people look good, feel good, and get more out of life." Meeting customer needs on the local level requires some degree of decentralization so everyday decisions can be made quickly. At the same time, Unilever has centralized functions such as global research and development. By streamlining the chain of command for its 6,000 research and development specialists, the company has improved efficiency while speeding up innovation.

Unilever uses structural flexibility to its advantage in other ways, as well. After acquiring Ben & Jerry's the company created a separate board of directors to preserve the ice cream company's unique social-responsibility values and corporate culture. Over the years, this structure has enabled Ben & Jerry's to expand internationally without losing the personality that loyal customers like as much as the quirky flavors.

Questions

1. In Unilever's structure, research and development report directly to the CEO. Do you think managers in this function are considered line or staff? Explain your answer.
2. When Unilever created a separate board of directors for Ben & Jerry's, was it acting to centralize or decentralize authority? What are the implications for decision-making at Ben & Jerry's?

CHAPTER REVIEW

SUMMARY

Summary

1 Understand what an organization is and identify its characteristics.

An organization is a group of two or more people working together to achieve a common set of goals. The relationships among positions within an organization can be illustrated by means of an organization chart. Five specific characteristics—job design, departmentalization, delegation, span of management, and chain of command—help to determine what an organization chart and the organization itself look like.

2 Explain why job specialization is important.

Job specialization is the separation of all the activities within an organization into smaller components and the assignment of those different components to different people. Several factors combine to make specialization a useful technique for designing jobs, but high levels of specialization may cause employee dissatisfaction and boredom. One technique for overcoming these problems is job rotation.

3 Identify the various bases for departmentalization.

Departmentalization is the grouping of jobs into manageable units. Typical bases for departmentalization are by function, product, location, or customer. Because each of these bases provides particular advantages, most firms—especially larger ones—use a combination of different bases in different organizational situations.

4 Explain how decentralization follows from delegation.

Delegation is the assigning of part of a manager's work to other workers. It involves the following three steps: (1) assigning responsibility, (2) granting authority, and

(3) creating accountability. A decentralized firm is one that delegates as much power as possible to people in the lower management levels. In a centralized firm, on the other hand, power is systematically retained at the upper levels.

5 Understand how the span of management describes an organization.

The span of management is the number of workers who report directly to a manager. Spans generally are characterized as wide (many workers per manager) or narrow (few workers per manager). Wide spans generally result in flat organizations (few layers of management); narrow spans generally result in tall organizations (many layers of management).

6 Describe the four basic forms of organizational structure.

There are four basic forms of organizational structure. The line structure is the oldest and most simple structure, in which the chain of command goes in a straight line from person to person down through the levels of management. The line-and-staff structure is similar to the line structure, but adds specialists called staff managers to assist the line managers in decision making. The line structure works most efficiently for smaller organizations, whereas the line-and-staff structure is used by medium- and large-size organizations. The matrix structure may be visualized as product departmentalization superimposed on functional departmentalization. With the matrix structure, an employee on a cross-functional team reports to both the project manager and the individual's supervisor in a functional department. In an organization with a network structure, the primary function performed internally is administration, and other functions are contracted out to other firms.

7 Describe the effects of corporate culture.

Corporate culture has both internal and external effects on an organization. An organization's culture can influence the way employees think and act, and it can also determine the public's perception of the organization. Corporate culture can affect a firm's performance over time, either negatively or positively. Creating a culture of trust, for example, can lead to increased growth, profits, productivity, and job satisfaction, while retaining the best employees, inspiring customer loyalty, developing new markets, and increasing creativity. In addition, when two or more companies undergo the integration process, their different or similar corporate cultures can affect the success of a merger or acquisition.

8 Understand how committees and task forces are used.

Committees and task forces are used to develop organizational structure within an organization. An ad hoc committee is created for a specific short-term purpose, whereas a standing committee is relatively permanent. A task force is created to investigate a major problem or pending decision.

9 Explain the functions of the informal organization and the grapevine in a business.

Informal groups are created by group members to accomplish goals that may or may not be relevant to the organization, and they can be very powerful forces. The grapevine—the informal communications network within an organization—can be used to transmit information (important or gossip) through an organization much faster than through the formal communication network. Information transmitted through the grapevine can go in any direction across the organizational structure, skipping up or down levels of management and even across departments.

Key Terms

You should now be able to define and give an example relevant to each of the following terms:

organization (193)
organization chart (193)
chain of command (193)
job specialization (194)
job rotation (196)
departmentalization (196)
departmentalization by function (196)
departmentalization by product (196)
departmentalization by location (196)
departmentalization by customer (197)
delegation (197)
responsibility (198)
authority (198)
accountability (198)
decentralized organization (198)
centralized organization (198)
span of management (or span of control) (199)
organizational height (200)
line structure (201)
line manager (201)
line-and-staff structure (202)
staff manager (202)
matrix structure (203)
cross-functional team (203)
network structure (205)
corporate culture (205)
ad hoc committee (207)
standing committee (207)
task force (207)
informal organization (207)
informal group (207)
grapevine (207)

Review Questions

1. In what way do organization charts create a picture of an organization?
2. What is the chain of command in an organization?
3. What determines the degree of specialization within an organization?
4. Describe how job rotation can be used to combat the problems caused by job specialization.
5. What are the major differences among the four departmentalization bases?
6. Why do most firms employ a combination of departmentalization bases?
7. What three steps are involved in delegation? Explain each.
8. How does a firm's top management influence its degree of centralization?
9. How is organizational height related to the span of management?
10. What are the key differences between line and staff positions?
11. Contrast line-and-staff and matrix forms of organizational structure.
12. What is corporate culture? Describe the major types.
13. Which form of organizational structure probably would lead to the strongest informal organization? Why?
14. What is the role of the informal organization?

Discussion Questions

1. How does the corporate culture of a local Best Buy store compare to that of a local McDonald's?
2. Which kinds of firms probably would operate most effectively as centralized firms? As decentralized firms?
3. How do decisions concerning span of management and the use of committees affect organizational structure?
4. How might a manager go about formalizing the informal organization?

Video Case 7.1

At Numi Organic Tea, Teams and Organizational Culture Are Critical

You might expect a company specializing in marketing organic teas to have a distinctive corporate culture. In the case of Numi Organic Tea, a progressive seller of premium organic and Fair Trade teas based in Oakland, California, you'd be right.

With a relatively small staff of about 50 people and a recent growth rate of 180 percent a year, Numi needs to remain nimble and responsive. Its founders, the brother-and-sister team of Ahmed and Reem Rahim, were inspired to create a tea company after Ahmed had spent some years operating tea houses in Europe while Reem studied art in the United States. Combining both their interests led to a unique firm dedicated to quality, sustainability, and community. Numi occupies offices that include a tea garden where employees often gather to relax, and it has won awards for many achievements including its unique teas, its innovative packaging, and its commitment to the environment. Numi's 25 different tea and flowering tea products and gift packs are sold in Whole Foods and Safeway markets, as well as in individual natural food and grocery stores throughout the United States, and in 20 other countries overseas.

The prevailing attitude in the company, which maintains a blog and a presence on Facebook and MySpace, is a can-do, team-oriented spirit. Because it's a small firm where everyone works hard, Numi can't afford rapid employee turnover and the time that would be lost in recruiting, interviewing, and training. Employees are thus carefully chosen for their willingness to do whatever it takes to get the job done and to remain upbeat and positive despite the occasional stress of working for a small company with customers around the world. Workers must also be able to devote long hours when necessary and share the company's goals.

Employees in Numi's distribution center, for instance, recently found themselves under pressure because it was taking nearly two weeks to fill international orders. With a new manager and a new focus on everyone's understanding how each job fit into the big picture, however, a sense of teamwork began to grow. Soon each employee had been trained to perform all the critical tasks in order fulfillment, so instead of working in isolation they were able to pitch in during crunch times. Their new flexibility reduced lead times for overseas orders to about five days and cut the time for domestic orders in half. Sometimes the team can ship them the same day.

At Numi, managers who communicate well and who are out working alongside their staff are the norm. They must also communicate well with customers and demonstrate a high level of emotional maturity. Some meet with their teams on a regular basis, to review project status against deadlines and due dates and to make changes in workload and procedures where necessary. The company offers flex-time to help employees retain a balance between their work and personal life, and when things get overwhelming at the office, there's always the tea garden and a freshly brewed cup of organic tea.[6]

Questions

1. Numi's customer service manager, Cindy Graffort, says the company is like a "living, breathing organism." What does she mean? How does the company's culture reflect this belief?
2. Numi's distribution manager, Dannielle Oviedo, says her philosophy of management means she gets involved in what her team is doing: "I do what I ask folks to do." Do you think she is a good delegator? Why or why not?
3. What can you infer about Numi's basis for departmentalization and its chain of command?

Case 7.2

HP's Corporate Challenge: To Remain Agile and Responsive in an Ever-Changing Environment

Hewlett-Packard (HP) is the original "started in a garage" technology company, founded by Bill Hewlett and Dave Packard in 1939. Over the years, HP has grown into a market leader, with $114 billion in annual revenue, 300,000 employees worldwide, and tens of millions of customers on six continents. Its rivals, multinationals such as Apple, Dell, Acer, and Lenovo, never stop looking for the next big tech breakthrough. No wonder HP, approaching its 75th birthday, uses its organizational structure for competitive advantage in the 21st-century race for higher sales and profits.

The company has seven divisions, organized according to product or function: Services, Enterprise Storage and Servers, HP Software, the Personal Systems Group, the Imaging and Printing Group, HP Financial Services, and Corporate Investments. Within each division are business units organized by product. For example, the services division contains four main units (infrastructure technology outsourcing, applications services, business process outsourcing, and technology services). Each unit hires managers and employees with the particular skills, experience, and training appropriate for the services it offers.

Some HP business units are organized by customer and by product within a division. The Personal Systems Group, for example, includes one unit that focuses on commercial PCs and one that focuses on consumer PCs. Establishing these as separate business units allows HP to address differences in products and customers' needs while sharing expertise within the division. For efficiency, some functions straddle divisions and serve multiple units. The company recently consolidated its data-center operations and now has six megacenters instead of 85 smaller centers for data management.

Through its organizational structure, HP seeks to achieve two key objectives. First, knowing that technological change can occur at any time and move in unexpected directions, the company is determined to remain agile and adaptable. Its structure leaves day-to-day planning, decisions, and implementation in the hands of each unit's managers, allowing them to satisfy customers, initiate projects, and respond to environmental shifts without delay. Major decisions that affect the overall organization, such as whether to acquire another company, are made at higher levels.

Second, the company uses its structure to support growth. Eyeing a larger share of the $1.7 trillion global market for information technology, HP has been steadily adding to its portfolio of goods and services. Some of this expansion has occurred through acquisition. During the past few years, HP has bought EDS, 3Com, and Palm, among other businesses, and merged their operations into the appropriate corporate divisions. Palm, a pioneer of handheld computing devices and maker of smart-phones, was integrated into HP's Personal Systems Group to enhance that division's technical capabilities in preparation for future growth.

Innovation has been woven into the fabric of HP's corporate culture since the early days. The company is famous for investing billions of dollars annually to research new technology and develop new products. Although senior managers don't want to stifle innovation by imposing too many limits, they have very clear expectations for research projects. "The key change we made was to take our brilliant scientists and sharpen their focus around a much smaller pool of big bets," explains the head of HP Labs. Researchers know that "every single [project] must have the potential to [generate] $1 billion-plus in revenue for HP." As a result, instead of pursuing as many as 150 projects at any given time, researchers now concentrate their efforts on the most promising two dozen projects.

Top managers are also involved in coordinating the overall efforts of employees that serve their very largest customers. For example, HP has a $3 billion contract to handle information technology operations for Procter & Gamble on an outsourcing basis. The head of the HP division visits with Procter & Gamble's senior managers six times a year to jointly evaluate performance. HP's CEO also joins the conversation at least twice a year. "When you have the CEO of a company sitting across the table saying, 'We're going to deliver this,' you know they're going to deliver," says a senior Procter & Gamble executive.[7]

Questions

1. How is corporate culture likely to affect HP's ability to integrate acquired companies into its organizational structure?
2. Analyze HP's use of departmentalization. Why are its choices appropriate for a technology company?
3. Analyze HP's approach to delegation and decentralization. Are its choices appropriate for a technology company? Why or why not?

Building Skills for Career Success

1 JOURNALING FOR SUCCESS

Discovery statement: This chapter described the powerful influence that a corporate culture has on an organization.

Assume that after leaving school, you are hired by your "dream company."

Assignment

1. What are the major corporate culture dimensions of your dream company?
2. Before accepting a job at your "dream company," how will you find out about the company's corporate culture?
3. From Figure 7.7, identify the type of corporate culture that you prefer and explain why.
4. Thinking back to previous jobs that you have had, describe the worst corporate culture you have ever experienced.

2 EXPLORING THE INTERNET

After studying the various organizational structures described in this chapter and the reasons for employing them, you may be interested in learning about the organizational structures in place at large firms. As noted in the chapter, departmentalization typically is based on function, product, location, and customer. Many large firms use a combination of these organizational structures successfully. You can gain a good sense of which organizational theme prevails in an industry by looking at several corporate sites.

Assignment

1. Explore the Web site of any large firm that you believe is representative of its industry, and find its organization chart or a description of its organization. Create a brief organization chart from the information you have found.
2. Describe the bases on which this firm is departmentalized.

3 DEVELOPING CRITICAL-THINKING SKILLS

A firm's culture is a reflection of its most basic beliefs, values, customs, and rituals. Because it can have a powerful influence on how employees think and act, this culture also can have a powerful influence on a firm's performance. The influence may be for the better, of course, as in the case of Southwest Airlines, or it may be for the worse, as in the case of a bureaucratic organization whose employees feel hopelessly mired in red tape. When a company is concerned about mediocre performance and declining sales figures, its managers would do well to examine the cultural environment to see what might be in need of change.

Assignment

1. Analyze the cultural environment in which you work. (If you have no job, consider your school as your workplace and your instructor as your supervisor.) Ask yourself and your co-workers (or classmates) the following questions and record the answers:
   a. Do you feel that your supervisors welcome your ideas and respect them even when they may disagree with them? Do you take pride in your work? Do you feel that your work is appreciated? Do you think that the amount of work assigned to you is reasonable? Are you compensated adequately for your work?
   b. Are you proud to be associated with the company? Do you believe what the company says about itself in its advertisements? Are there any company policies or rules, written or unwritten, that you feel are unfair? Do you think that there is an opportunity for you to advance in this environment?
   c. How much independence do you have in carrying out your assignments? Are you ever allowed to act on your own, or do you feel that you have to consult with your supervisor on every detail?
   d. Do you enjoy the atmosphere in which you work? Is the physical setting pleasant? How often do you laugh in an average workday? How well do you get along with your supervisor and co-workers?
   e. Do you feel that the company cares about you? Will your supervisor give you time off when you have some pressing personal need? If the company had to downsize, how do you think you would be treated?

2. Using the responses to these questions, write a two-page paper describing how the culture of your workplace affects your performance and the overall performance of the firm. Point out the cultural factors that have the most beneficial and negative effects. Include your thoughts on how negative effects could be reversed.

4 BUILDING TEAM SKILLS

An organization chart is a diagram showing how employees and tasks are grouped and how the lines of communication and authority flow within an organization. These charts can look very different depending on a number of factors, including the nature and size of the business, the way it is departmentalized, its patterns of delegating authority, and its span of management.

Assignment

1. Working in a team, use the following information to draw an organization chart: The KDS Design Center works closely with two home-construction companies, Amex and Highmass. KDS's role is to help customers select materials for their new homes and to ensure that their selections are communicated accurately to the builders. The company is also a retailer of wallpaper, blinds, and drapery. The retail department, the Amex accounts, and the Highmass accounts make up KDS's three departments. The company has the following positions: President, executive vice president, managers, 2 appointment coordinators, 2 Amex coordinators, 2 Highmass coordinators, 2 consultants/designers for the Amex and Highmass accounts, 15 retail positions, and 4 payroll and billing personnel.
2. After your team has drawn the organization chart, discuss the following:
   a. What type of organizational structure does your chart depict? Is it a bureaucratic, matrix, cluster, or network structure? Why?
   b. How does KDS use departmentalization?
   c. To what extent is authority in the company centralized or decentralized?
   d. What is the span of management within KDS?
   e. Which positions are line positions and which are staff? Why?
3. Prepare a three-page report summarizing what the chart revealed about relationships and tasks at the KDS Design Center and what your team learned about the value of organization charts. Include your chart in your report.

5 RESEARCHING DIFFERENT CAREERS

In the past, company loyalty and the ability to assume increasing job responsibility usually ensured advancement within an organization. While the reasons for seeking advancement (the desire for a better-paying position, more prestige, and job satisfaction) have not changed, the qualifications for career advancement have. In today's business environment, climbing the corporate ladder requires packaging and marketing yourself. To be promoted within your company or to be considered for employment with another company, it is wise to improve your skills continually. By taking workshops and seminars or enrolling in community college courses, you can keep up with the changing technology in your industry. Networking with people in your business or community can help you to find a new job. Most jobs are filled through personal contacts, who you know can be important.

A list of your accomplishments on the job can reveal your strengths and weaknesses. Setting goals for improvement helps to increase your self-confidence.

Be sure to recognize the signs of job dissatisfaction. It may be time to move to another position or company.

Assignment

Are you prepared to climb the corporate ladder? Do a self-assessment by analyzing the following areas and summarize the results in a two-page report.

1. Skills
   - What are your most valuable skills?
   - What skills do you lack?
   - Describe your plan for acquiring new skills and improving your skills.
2. Networking
   - How effective are you at using a mentor?
   - Are you a member of a professional organization?
   - In which community, civic, or church groups are you participating?
   - Whom have you added to your contact list in the last six weeks?
3. Accomplishments
   - What achievements have you reached in your job?
   - What would you like to accomplish? What will it take for you to reach your goal?
4. Promotion or new job
   - What is your likelihood for getting a promotion?
   - Are you ready for a change? What are you doing or willing to do to find another job?