

Lecture 9 Adaptive Organization Design

-Universalistic approach

- It means one design for all situations
- Its two types: Classical & neoclassical

-Classical Organizational Design

- High complexity /formalization/
centralization
- Believes it's a natural extension of labor
specialization

-Bureaucratic Organization

- Introduced by Max Webber
- His model focused on 4 factors:
 - A well-defined hierarchy
 - A well-defined division of labor
 - A system of specific rules
 - Impersonal relation ship between
managers and employees

Classical school org. design

- Believes certain principals should guide
managers in designing org
- By following these principals managers

should create certain type of org

- Based on these criteria
 - Divisions of labor
 - Work should be divided and subdivided into smallest tasks to achieve efficiency
 - Unity of direction
 - Jobs should be grouped into departments
 - Centralization of authority
 - Its about accountability retained at the top level
 - Unity of command
 - Each jobholder should report to one and only one supervisor

- Commonality between bureaucratic and classical school design
 - Centralization of authority
 - Specialization of labor

- Neoclassical Design
 - Reverse reaction of classical design
 - Low in complexity/ formalization/ centralization

- Wide span control
 - Almost decentralized
- * Controversy of classical design
- Argyris explanation
 - Major differences of classical and neo classical organization
 - Contingency approach
 - Believes situation will tell to select either classical or neo classical
 - Depends on three factors
 - 1. Tech and org design
 - Refers to the type & pattern of activities, machinery, equips, knowledge, experience used in the tasks
 - Org design depends on 3 types of production process
 - Unit production
 - Production to meet a customer's specific order

- Mass production
 - Producing same item in large quantities
- Process production
 - Producing materials or goods on the basis of volume or weight

- Generalization:
 - Unit (custom prod) and process (oil) tech used neo classical org
 - Mass production use classical style better
 - Unit and process tech have jobs with low specialization
 - Mass tech offer jobs with high specialization
 - Unit and process type org should be less formal
 - Mass tech can be formal

- 2. Environment and Org design
 - Business operates and stable vs. turbulent environment.
 - Stable envir is where change is minimal in terms of:
 - Product design, tech, and law

- Turbulent environ is where change is fast and ever changing
 - E.g. computer software
- 3. Org design by strategy
 - Generic strategies:
 - It can be cost leadership, differentiation, and focus
 - Cost leadership
 - Pursue cost control policies
 - Its about price competition
 - Differentiation
 - Its about offering unique product
 - By means of labels, warranty, package, promo etc.
 - Focus
 - Achieving cost leadership or differentiation or both in a particular segment

Growth strategies

- Firms go through stages of growth
- Classical design
 - Volume expansion:
 - Sell/distribute more units to existing customers

- Geographic
 - More layouts
 - Neo classical
- Vertical integration
 - Firms either buy or create more functions
 - Neo classical
- Product diversification
 - Enter into new businesses by mergers, acquisition, alliance etc.
 - Neo classical