

Session III

The Art and Science of Organization Design





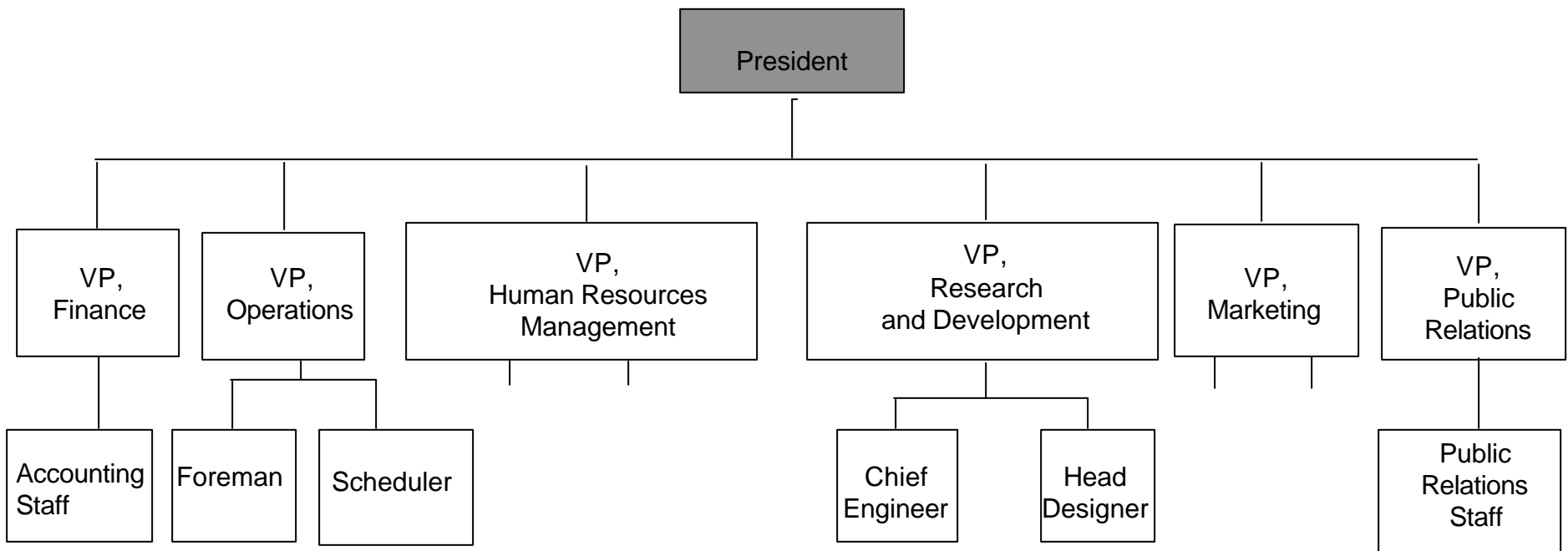
Outline for Today

1. What is organization structure?
2. Different types of structure
 - functional
 - multidivisional
 - matrix
 - network: combines formal and informal organization
 - hybrid forms
3. Pros and cons of each structure
4. The Jacobs Suchard case





Functional Structure



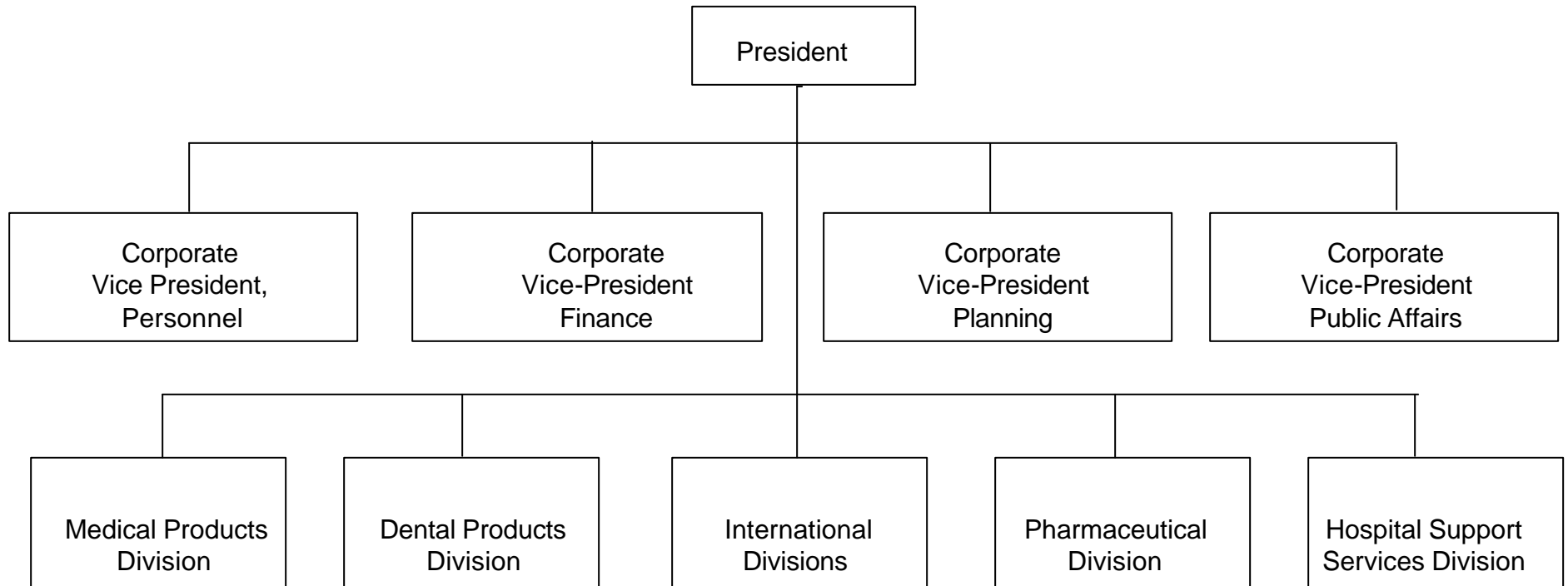


Functional Organizational Structure

- **Organized According to Bureaucratic Principles**
 - Differentiation of offices by *functions*
 - » Ex: Sales, Marketing, Finance, Production, Engineering, R&D
 - Integration at level of senior management
 - Attention of departments to functional requirements
- **Adapted to stable environments**



Multidivisional Organization



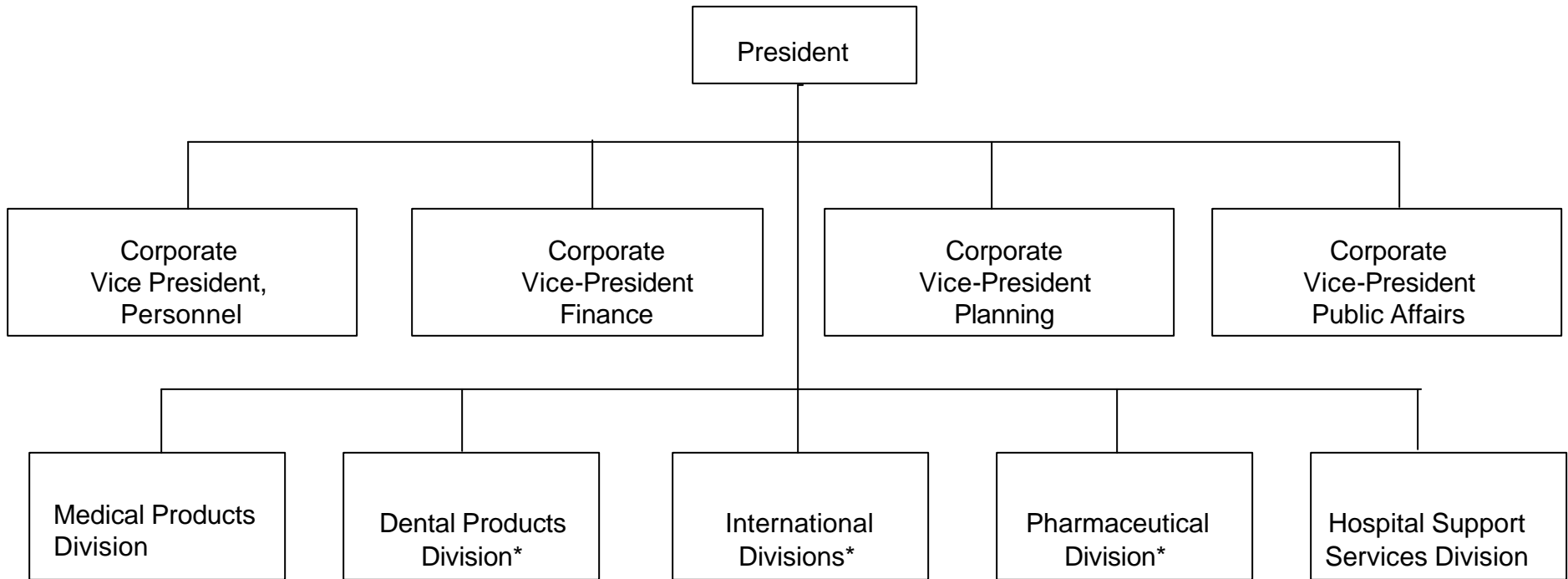
Multidivisional Structure

- **Combines bureaucracy within divisions with internal capital markets and financial controls**
 - Differentiation of offices by *divisions*
 - » Product and geographical divisions Ex:: J&J
 - Integration of business strategy at level of divisions
 - » Decentralization of business strategies and implementation
 - » Resource allocation of capital, technology, and human resources by senior management
 - Attention of divisions to markets, technology, and financial controls
 - » Limits emphasis on cost improvements, productivity
- **Adapted to innovations in technology and marketing**
 - Internal selection process of divisions





Multidivisional Organization with Lateral Relations

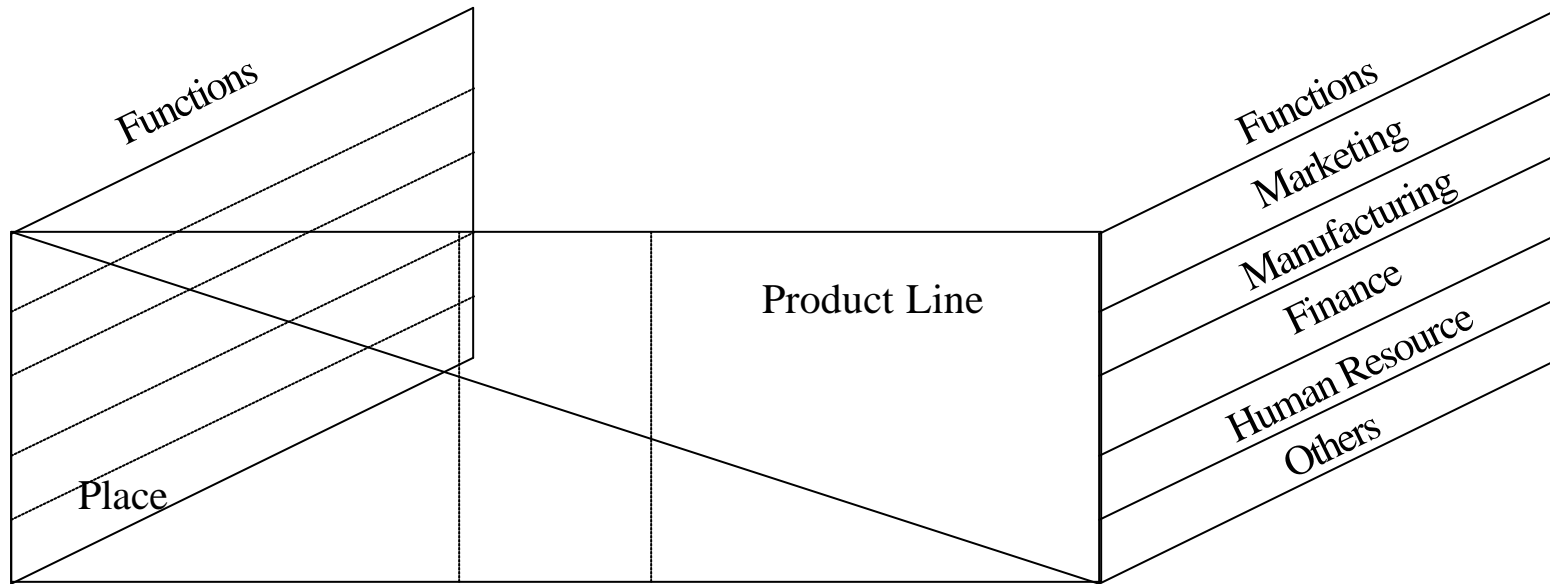


*Members of task force





Basic Design Options for Multinational Corporations

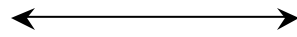


Country or Region
Organization

Matrix

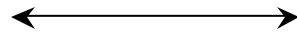
Global Product
Organization

Country Responsiveness



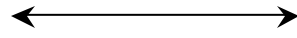
Global Integration

Country Adaptation



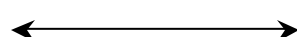
Global Products

Country Competitors



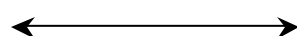
Global Competitors

Country Manufacture



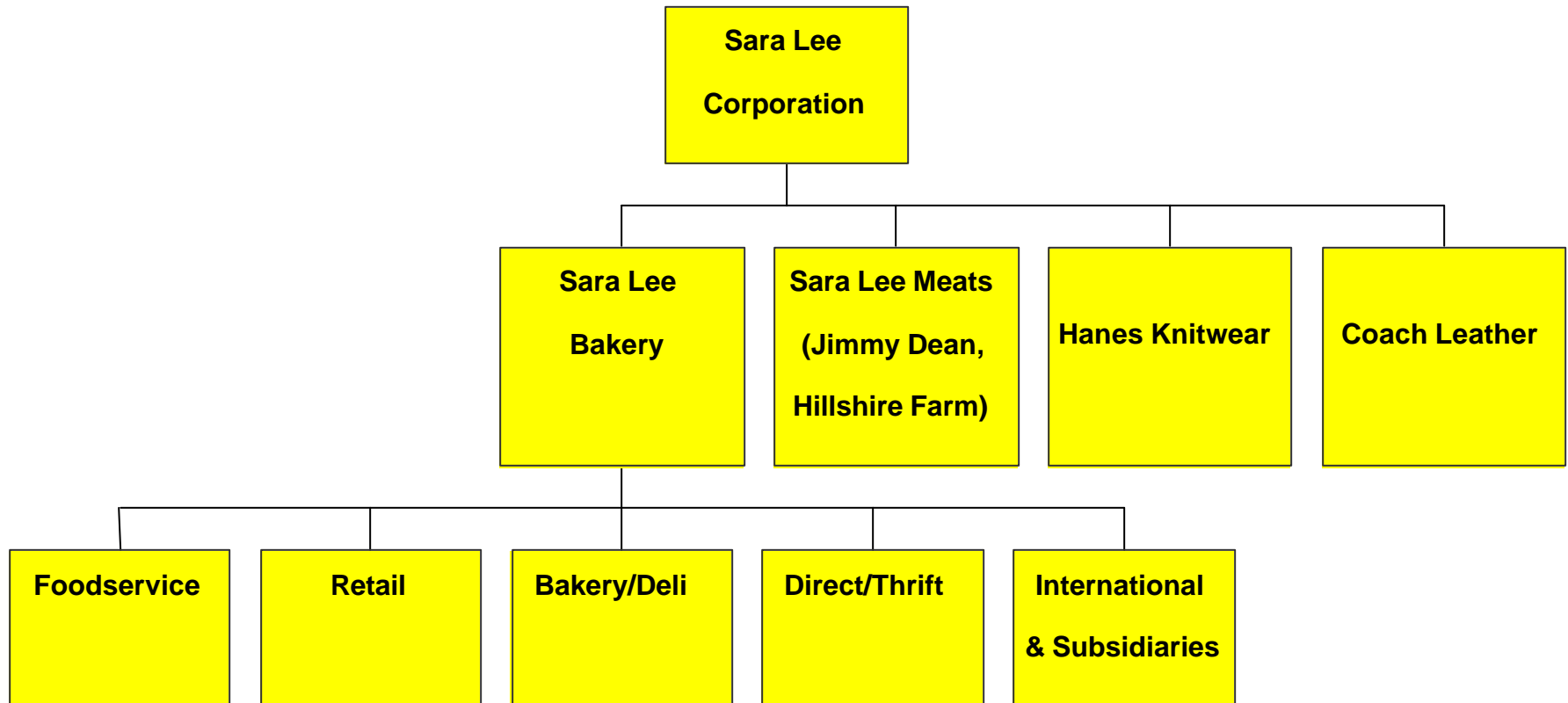
Global Factories

Country Customer



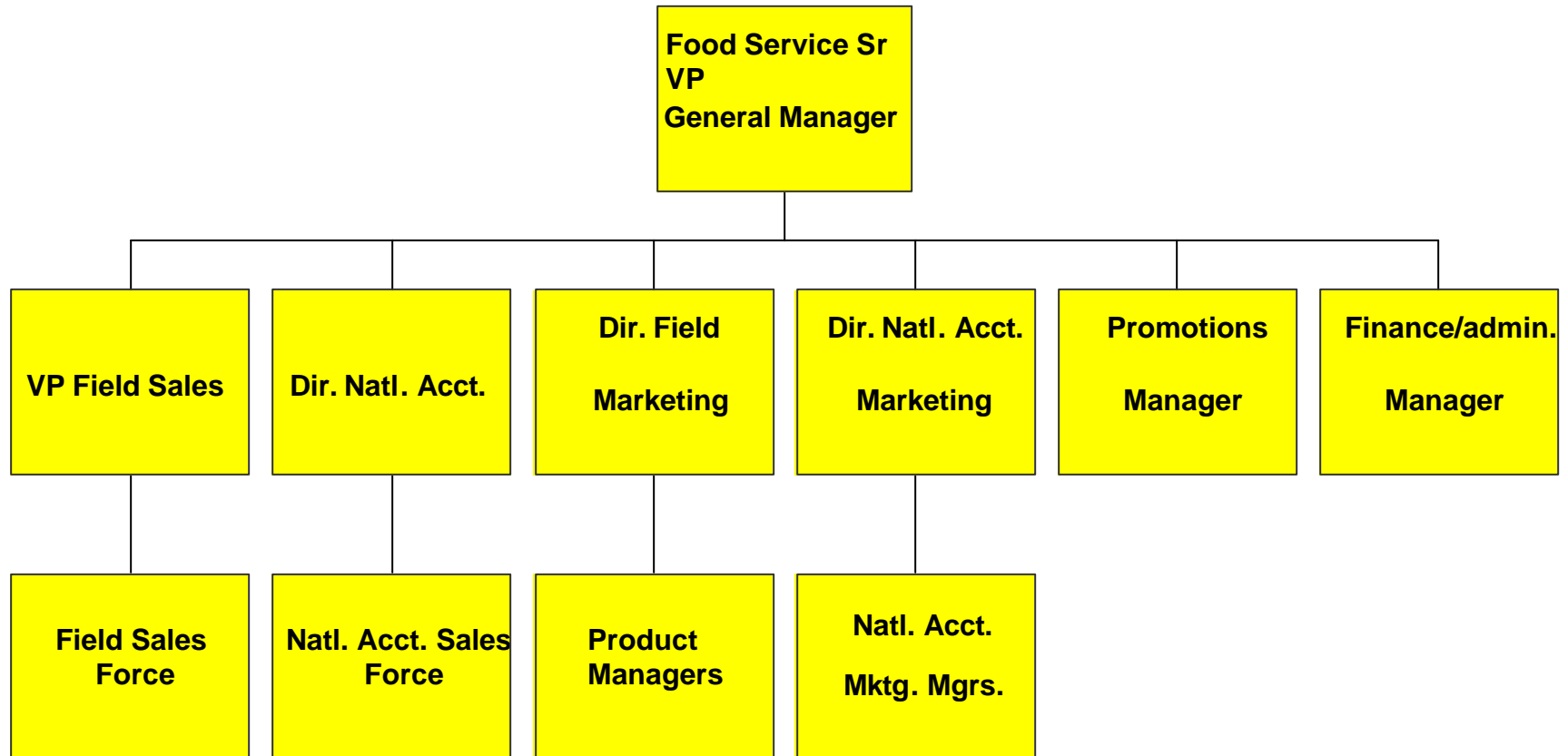
Global Customers

Sara Lee Bakery World-Wide





Sara Lee: Old Organizational Structure

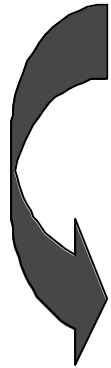




Sara Lee Food Services: New Marketing Matrix Structure

Segment Mgmt

Product Mgmt



Breakfast Desserts Pies Promotions

Health Care

Lodging

Business &
Industry

Colleges &
Universities

Quick Service

Restaurants



Matrix Structure

- In theory, combines advantages of functional and divisional form with dual focus
 - Differentiation by *division* and by *function*
 - Integration process unclear and highly political
 - Attention: Dual focus
- In practice, largely unsuccessful in U.S. and Western countries
 - High political conflict, administrative costs, advantages of functional and divisional structures not realized



Network Organization

- **Departs from traditional bureaucratic model**
 - No stable, clearly defined hierarchy
 - » Complex networks of vertical and horizontal relationships
 - » Intra and interorganizational networks
 - » Differentiation and integration both through temporary cross-functional project teams
 - » Reliance on strategic alliances and joint ventures
 - Combines formal and informal organization
 - Example: Hollywood Film Production, Benetton, Corning?



Hybrid Structures

- **Most organizations combine various forms**
 - In U.S. multidivisional form increasingly combined with network forms
 - » Cross-functional teams
 - » Informal relationships
 - » Temporary workgroups
- **No Optimal Structure**
 - Constant changes in structure
 - Emphasis on action and getting things done
- **Recent trends**
 - Increased importance of interorganizational networks and alliances
 - Increased externalization of work

