

## COMPARATIVE MODEL - ORGANIZATIONAL STRUCTURE

### Pre-evolved structure

#### Common features:

- Not a real organizational chart: no authoritative responsibilities attribution
- 2 levels: directive and operative level
- People in the operative level are used to do everything, they rotate across the roles
- Low degree of specialization
- Scarcely formalised: no organizational chart, no job description

#### CENTRALISED VERSION:

- Faster decision making since it is all handled by the general director (lower quality of decisions)
- Small borders: all the non core competences are outsourced
- Suitable for small-sized company: even if there is no formalised organizational task and there are no authoritative relationship, the CEO manage to control all the activities. Also for entrepreneurial
- Disadvantage → less autonomy and empowerment at the operative level

#### PEER-BASED VERSION (circular structure):

- The members of the organisation are all entitled to decision-making, control and property rights: they have the knowledge and the competences to be able to make strategic decision and they do not have to report every time to a supervisor (bottom-up decision making — abolition of hierarchical communication) → democratic
- More information and knowledge sharing
- The administrative relationship are allocated by election, the peers decide about who is going to be the next to cover the role of administrative staff, or by rotation, every six month one of the peers is going to cover the role
- It is team based, where the CEO is more like a leader
- Suitable for entrepreneurial company or for company that plan to grow
- Disadvantages → people do not know what to do if they are unfamiliar with the model and problem with the grow
- Advantages → faster communication and more autonomy and empowerment at the operating level

### Functional structure

#### Features:

- The first level units is specialised by functions
- Function is a set of activities grouped together by technical similarities
- First level unit is cost and revenues centre
- Each function unit focuses on partial and specific goal: no chance to focus on the overall success of the product/service of the company, they focus only on their technical competences. The consequence is that each function develops an exclusive language different from the other functions
- Interdependences among functions are managed by rules, procedures and hierarchy, which means that every time the functions have to communicate the intervention of the supervisor is necessary

#### Advantages:

- High specialization → economies of scale
- High formalisation
- Accomplishment of functional goal
- Competence and process innovation, task sophistication
- More technical skills
- System of accountability

#### Disadvantages:

- Top hierarchy information overload
- Poor horizontal coordination across function: lack of communication among functions because of the different languages and the top hierarchy information overload
- Slow response time to environmental change
- Slow decision-making
- Bureaucracy and formal control over task

- Conflict across unit
- Difficulty on CEO's succession as the head of the function unit lack of managerial skills
- Less managerial skills

**Suitable for:**

- company which focuses on competence (rather than product), on cost reduction
- source of CA the economies of scale
- Stable and not uncertain industry (not a company that want to grow)

## Modified-functional structure

**Features:**

- Functional structure plus integrators

**Advantages:**

- Better integration among functions: functional representatives work together within the product management unit
- Better product monitoring
- Increase interdependencies
- More information and knowledge sharing
- More innovation
- Both managerial and technical skill
- Exploit the advantage of relevant product differentiation

**Disadvantages:**

- Authority and allocation problems lead to competition among product managers and also in term of clear responsibility attribution among function
- Higher cost, due to the fact that the company needs to hire the product manager from the external market since the product managers need to be able to exchange info among all the functions, by being sensitive to the technical differences in profession background and by speaking different technical languages

**Suitable for:**

- Company which has the same feature of functional structure but that has more products so that need better product monitoring
- Company that wants to exploit the advantage of product differentiation
- Company which needs to increase integration among functions
- Company that wants to grow through shares assets: company that has different products that can be produced in the same plant—> not want to grow much

**Product manager:** Communicate/persuasive, Passionate, Entrepreneurial, Recognised status

## Divisional structure

**Features:**

- The first level is distinguished by business division
- Each division is a set of activities group together by customer, product and geographical area
- The first level is profits and losses center
- Each division is responsible for the overall success of a product/service of a company
- At the second level there are functions
- Source of CA —> product differentiation

**Advantages:**

- Clear accountability: each division focuses on the overall value chain of the production, more clear responsibilities
- Adaptability to differences in product/customer/geographical area
- More focus on serving the demand
- More innovation
- Support on CEO's succession: head of the division can be promoted as CEO as they have more managerial skill
- More managerial skill but also technical excellence

- High coordination across functions → the functions below the division work like a team, more collaboration, all functional representatives within each division
- More info sharing inside the divisions

#### **Disadvantages:**

- Cost of department duplication: the company in order to implement a divisional structure have to afford the cost of duplication
- Conflict and competition among the divisions: no collaboration among divisions, the divisional heads fight against each other for resource allocation and sharing of resources

#### **Suitable for:**

- Company that wants to grow through product differentiation (a company who is growing and becoming bigger can afford duplication costs)
- Company that is growing through acquisition
- Company that is meant to be sold
- Big-size company

### **Divisional structure with centralised function**

#### **Features:**

- Decentralised function: functional units that are specific for each division
- Centralised function: functional unit that required economies of scale (operation and purchasing: when the products can be produced in the same plant or they have the same supply chain) and that need an unitary control (brand and communication)
- Source of CA → product differentiation

#### **Advantages:**

- Exploitation of relevant economies of scale and to reduce cost of duplication, thanks to the centralised function
- Both managerial and technical skills

#### **Disadvantages:**

- Accountability problem: each division is no more responsible of the overall success of a product as there are centralised function that are costs and revenues centre
- Worse integration across division than in a pure divisional

#### **Suitable for company that:**

- Wants to pursue any opportunity for cost reduction
- Wants to practice technical excellence
- Have similarities among products

### **Matrix**

Suitable for company, when:

- There is a dual pressure: product differentiation and economies of scale (geographical area/ customer/products)
- There is managerial complexity
- The company is very big
- There is need of very complex HR

### **Resume:**

- When the environment become more complex and uncertain by technological innovation and internationalisation → move from a pre-evolved structure towards real organizational structure, more complex ones
- When there are interdependences and coordination problems among function → better move from functional to a modified-functional structure
- Source of CA:
  - Functional and modified-functional → economies of scale → cost savings priority
  - Divisional and divisional with centralised function → product differentiation → growth/size