

STRATEGY AND ORGANIATIONAL STRUCTURE

Lecture 9: Introduction to organizational structure

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Target audience: MASTER II students- Strategic Management

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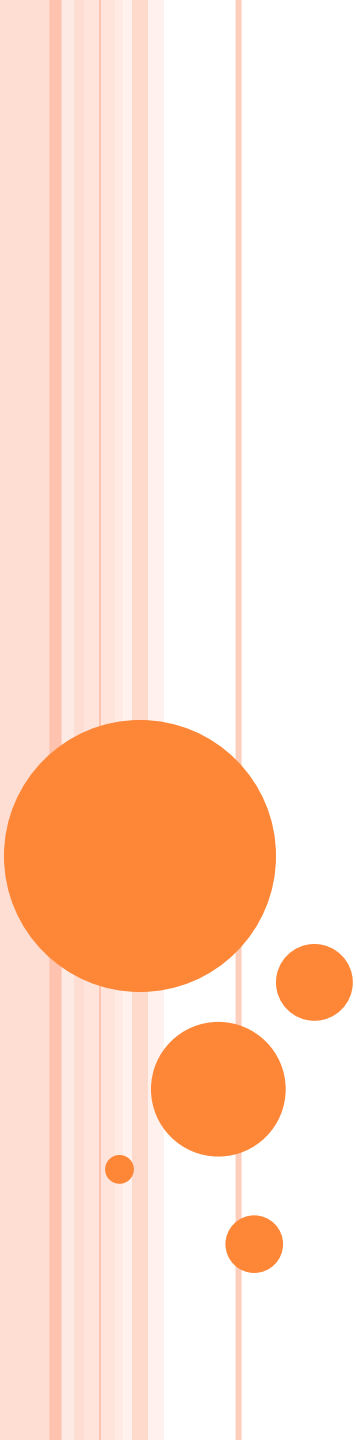
- **Definition of organizational structure:**

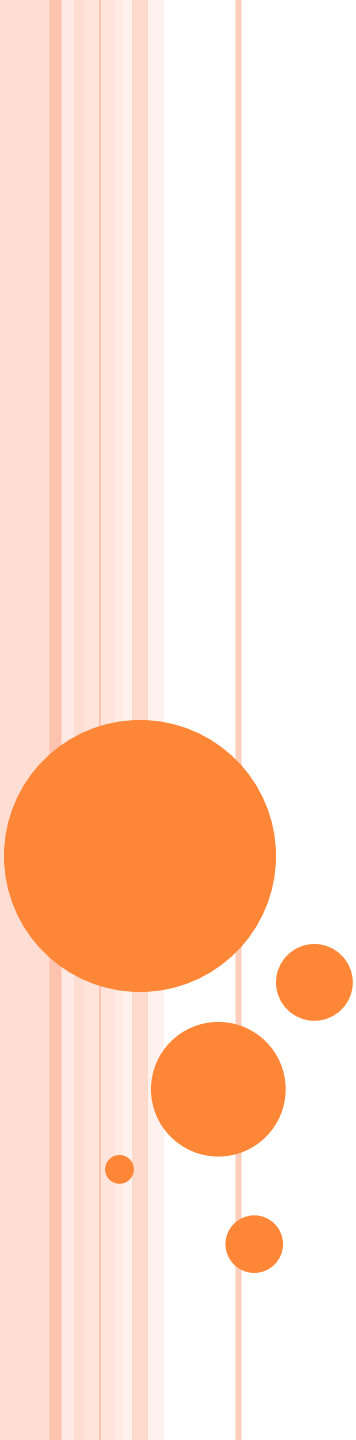
- ❖ **Organizational structure refers to the formal configuration between individuals and groups regarding the allocation of tasks, responsibilities and authority within the organization.**

- **Mintzberg's 5 types of organizational structures:**

- ❖ **The simple structure:**

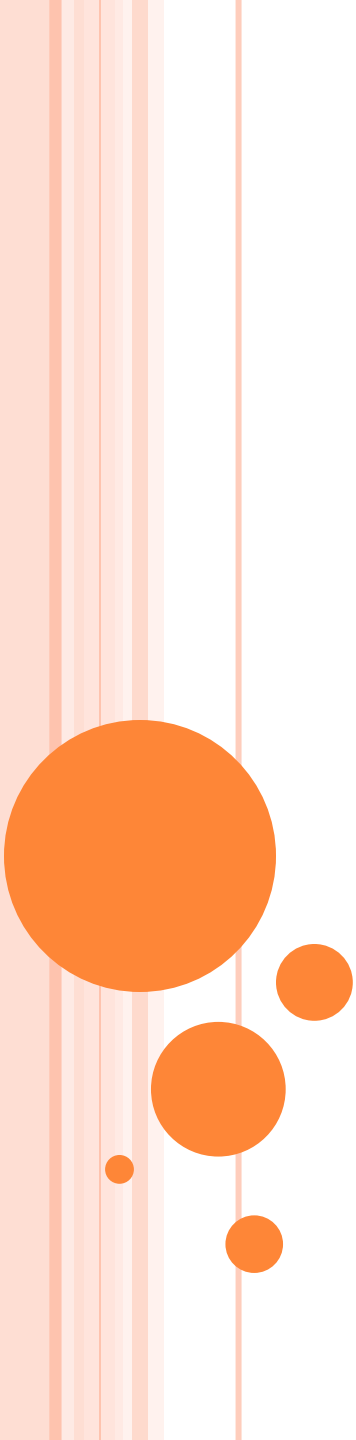
- **It is used by small firms run by owner-manager;**

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- It is highly informal (a low degree of formalization: few rules);
 - with coordination of tasks accomplished via direct supervision and power centralization at the top.
 - There is a little specialization of tasks and information systems are primitive, because there is a low level of differentiation.
 - ❖ **Machine bureaucracy structure:**
 - It is a very rigid structure in which coordination of tasks is done via standardization of work.

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- It is highly specialized and exceedingly formal with its many rules and procedures.
 - Information systems are quite well developed but mainly for reporting costs.
 - And power rests in the hands of top executives.

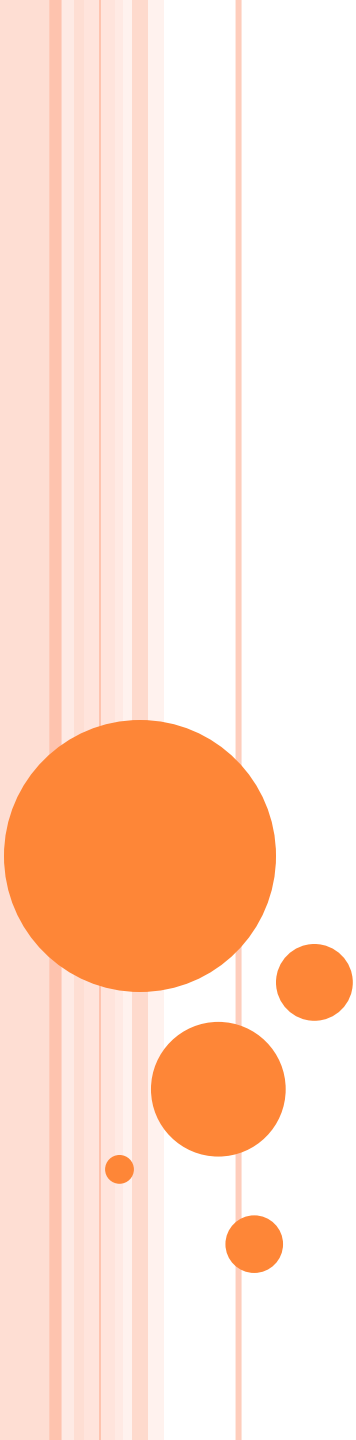
❖ **The professional bureaucratic structure:**

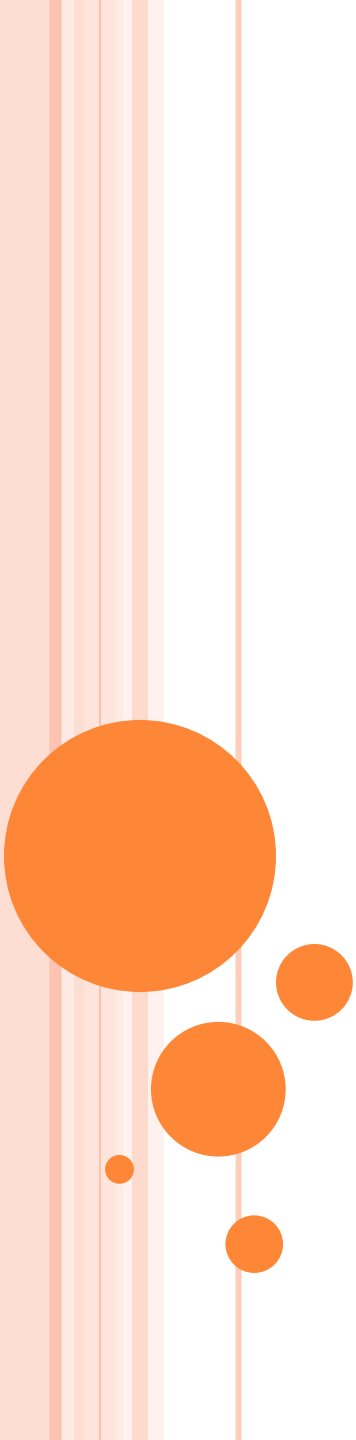
- The degree of formality is low and does not depend on the procedures and regulations issued by the administration, but rather depend on the authority of experience and knowledge.

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- **It is formalized but decentralized to provide autonomy to professionals.**
 - **Highly trained professionals provide non routine services to clients.**
 - **The goal of professionals is to innovate and provide high quality services.**

❖ **The adhocracy structure:**

- **It is a structure that is extremely different from the machine bureaucracy because here power is decentralized and there are few rules or standard procedures.**

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- **Groups of highly trained specialists, from a variety of areas, work together intensively to design and produce complex and rapidly changing products**
 - **Sensitive information gathering systems are developed for analyzing the environment and vertical and horizontal communications are open and frequent.**
 - ❖ **Divisional structure:**
 - **An organization may be split into divisions that are responsible for producing and marketing a discrete type of product.**

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- **Each division itself is centralized and tends to resemble a machine bureaucracy. So, the head office standardizes procedures to improve control over the divisions.**
 - **It emphasizes performance control through sophisticated information systems, cost centers and profit centers.**
 - **The divisions tend to operate independently of one another, with company-wide issues being handled by interdivisional committees and the techno-structure which provides services to all divisions, and through support staff which is located within each division.**