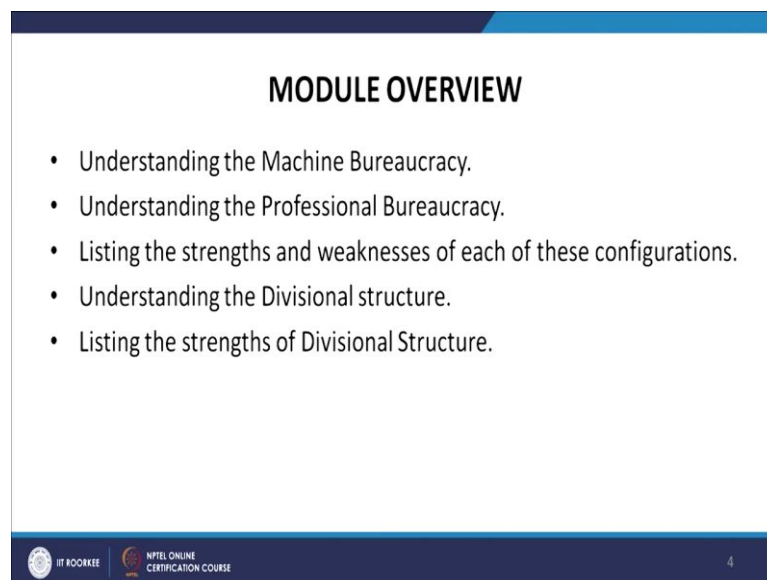


Organization Theory/Structure and Design
Prof. Zillur Rahman
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture - 25
Organizational Design Options - II

Welcome to module 25th of this course on Organization Theory Structure and Design. So, as you know that we are talking about Organizational Design options. And we started this topic in module 24, and now, we will continue with the same topic in this module.

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A presentation slide titled "MODULE OVERVIEW" with a blue header and footer. The slide lists five bullet points: "Understanding the Machine Bureaucracy.", "Understanding the Professional Bureaucracy.", "Listing the strengths and weaknesses of each of these configurations.", "Understanding the Divisional structure.", and "Listing the strengths of Divisional Structure." The footer contains the IIT Roorkee logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and the number "4".

MODULE OVERVIEW

- Understanding the Machine Bureaucracy.
- Understanding the Professional Bureaucracy.
- Listing the strengths and weaknesses of each of these configurations.
- Understanding the Divisional structure.
- Listing the strengths of Divisional Structure.

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And these are the things that will be covered in this module; understanding the machine bureaucracy, understanding the professional bureaucracy, listing the strengths and weaknesses of each of these configurations, understanding the divisional structure, listing the strengths of divisional structure.

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THE MACHINE BUREAUCRACY

- Standardization! That's the key concept that underlies all machine bureaucracies.
- Take a look at the bank where you keep your checking account; the department store where you buy your clothes; or the government offices that collect your taxes, enforce health regulations, or provide local fire protection.
- They all rely on standardized work processes for coordination and control.

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So, now, let us look at the machine bureaucracy. Standardization! That is the key concept that underlies all machine bureaucracies.

So, this is about standardization. Take a look at the bank where you keep your saving account or checking account; the department store where you buy your clothes; or the government offices that collect your taxes, enforce health regulations, or provide local fire protection. They all rely on standardized work processes for coordination and control.

The machine bureaucracy has: One; highly routine operating tasks, very formalized rules and regulations.

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THE MACHINE BUREAUCRACY

- The machine bureaucracy has:
 - highly routine operating tasks,
 - very formalized rules and regulations,
 - tasks that are grouped into functional departments,
 - Centralized authority,
 - decision making that follows the chain of command, and
 - an elaborate administrative structure with a sharp distinction between line and staff activities.
- Rules and regulations permeate the entire structure.
- Figure 25.1 depicts this configuration, using Mintzberg's framework.

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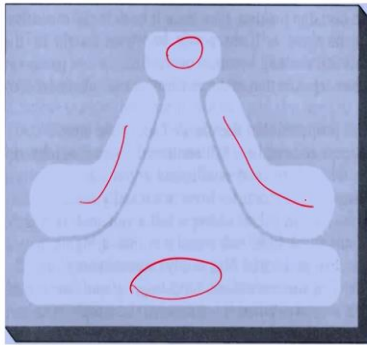
Then, they have task that are grouped into functional departments, centralized authority, decision making that follows the chain of command, and an elaborate administrative structure with a sharp distinction between line and staff activities.

Rules and regulations permeate the entire structure. So, Figure 25.1 depicts this configuration, using Mintzberg's framework.

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THE MACHINE BUREAUCRACY

- The Machine Bureaucracy



The diagram illustrates the Machine Bureaucracy structure. It features a central top-down hierarchy with a single authority at the top, branching into two functional departments. The entire structure is enclosed within a rectangular frame, with a red circle highlighting the top authority and another red circle highlighting the base of the structure.

Figure 25.1: The Machine Bureaucracy

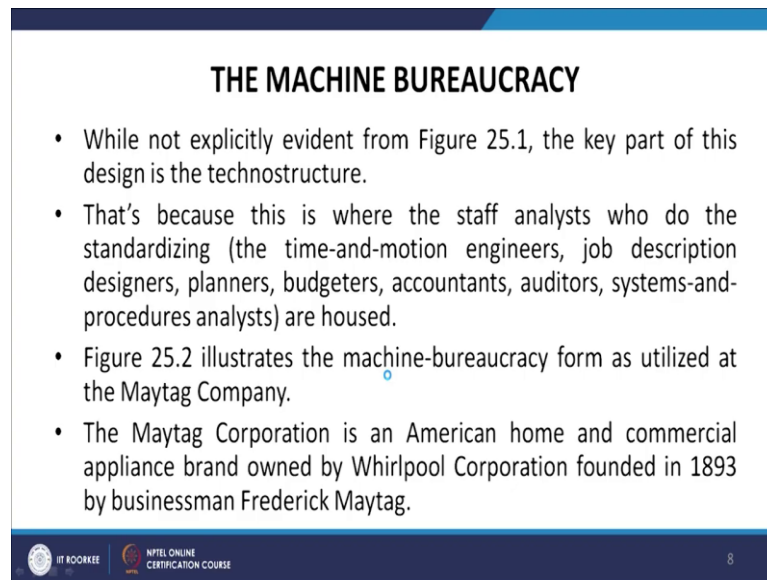
Source: Robbins, S. P. (1990). *Organization Theory: Structures, Designs, and Applications*. Pearson Education India.

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7

So, this is machine bureaucracy. So, as you know this is the operating core. This is the top and these are the two functions that support the top.

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THE MACHINE BUREAUCRACY

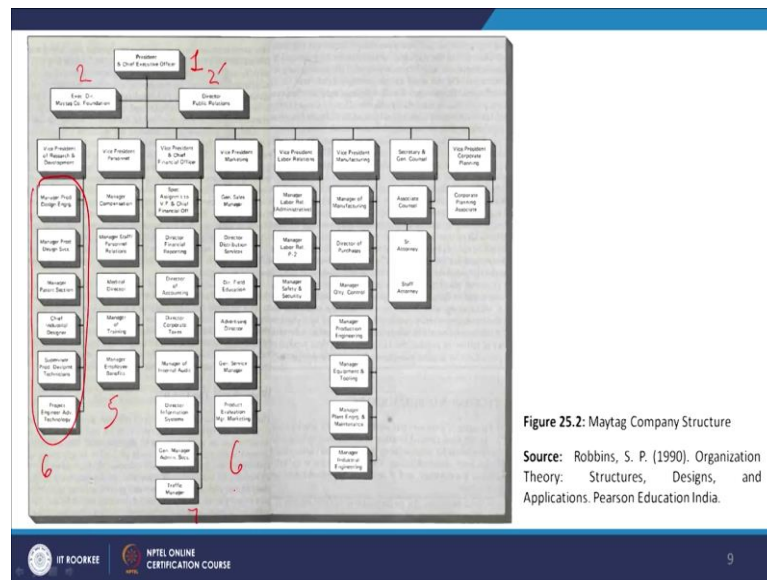
- While not explicitly evident from Figure 25.1, the key part of this design is the technostructure.
- That's because this is where the staff analysts who do the standardizing (the time-and-motion engineers, job description designers, planners, budgeters, accountants, auditors, systems-and-procedures analysts) are housed.
- Figure 25.2 illustrates the machine-bureaucracy form as utilized at the Maytag Company.
- The Maytag Corporation is an American home and commercial appliance brand owned by Whirlpool Corporation founded in 1893 by businessman Frederick Maytag.

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While not explicitly evident from Figure 25.1, the key part of this design is the technostructure. That is, because this is where the staff analysts who do the standardizing; that is the time-and-motion engineers, job description designers, planners, budgeters, accountants, auditors, systems-and-procedures analysts are housed.

The Figure 25.2 illustrates the machine-bureaucracy form as utilized at the Maytag Corporation. The Maytag Corporation is an American home and commercial appliance brand owned by Whirlpool Corporation founded in 1893 by businessman Frederick Maytag. So, this is the Maytag Company Structure.

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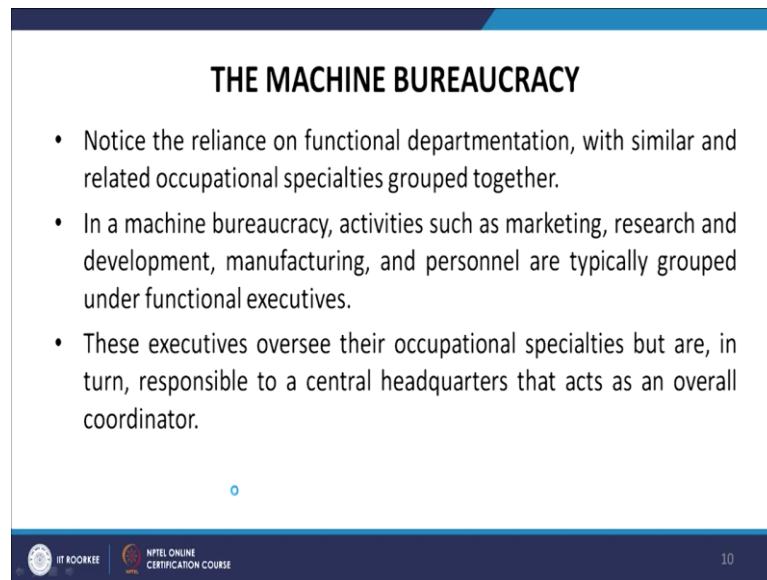


So, at the top is the President and the Chief Executive Officer. Now, he has 2 people under him; Executive Director, Maytag Corporation Foundation and then, another one is is Director Public Condition. So, these two are directly reporting to him.

Then, there are lots of Vice Presidents for example, Vice President of Research and Development, Vice President of Personnel, Vice President and Chief Financial Officer, Vice President Marketing, Vice President Labor Relations, Vice President Manufacturing, then Secretary and General Council and Vice President Corporate Planning. Now, as you can see that there are lots of people under each one of them.

For example, there are 6 people under this Vice President and there are 5 people under this, there are 7 people under him. And there are again, 6 people under him so there are lots of people. So, this is the company structure of Maytag Corporation.

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THE MACHINE BUREAUCRACY

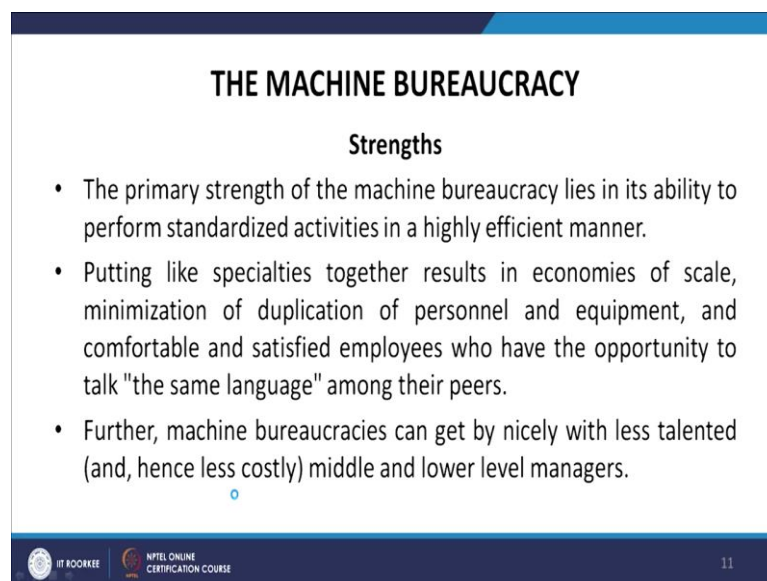
- Notice the reliance on functional departmentation, with similar and related occupational specialties grouped together.
- In a machine bureaucracy, activities such as marketing, research and development, manufacturing, and personnel are typically grouped under functional executives.
- These executives oversee their occupational specialties but are, in turn, responsible to a central headquarters that acts as an overall coordinator.

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So, in this machine bureaucracy, you notice the reliance of functional departmentation, with similar and related occupational specialties grouped together.

In machine bureaucracy, activities such as marketing, research and development, manufacturing, and personnel are typically grouped under functional executives. These executives oversee their occupational specialties, but are, in turn, responsible to central headquarters that acts as an overall coordinator.

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THE MACHINE BUREAUCRACY

Strengths

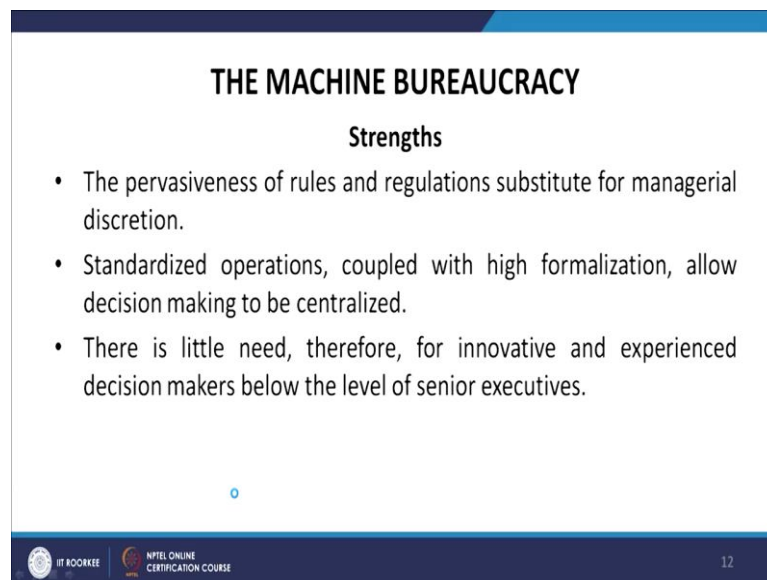
- The primary strength of the machine bureaucracy lies in its ability to perform standardized activities in a highly efficient manner.
- Putting like specialties together results in economies of scale, minimization of duplication of personnel and equipment, and comfortable and satisfied employees who have the opportunity to talk "the same language" among their peers.
- Further, machine bureaucracies can get by nicely with less talented (and, hence less costly) middle and lower level managers.

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Now, let us look at what are the strengths of this machine bureaucracy. The primary strength of the machine bureaucracy lies in its ability to perform standardized activities in a highly efficient manner.

Putting like specialties together results in economies of scale, minimization of duplication of personnel and equipment, and comfortable and satisfied employees who have the opportunity to talk “the same language” among their peers. Further, machine bureaucracies can get by nicely with less talented and, hence less costly a middle and lower-level managers.

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The slide is titled "THE MACHINE BUREAUCRACY" in bold black text. Below the title, the word "Strengths" is centered. A bulleted list follows, containing three points. The slide has a blue header and footer. The footer includes logos for "IIT ROORKEE" and "NPTEL ONLINE CERTIFICATION COURSE", and the number "12".

THE MACHINE BUREAUCRACY

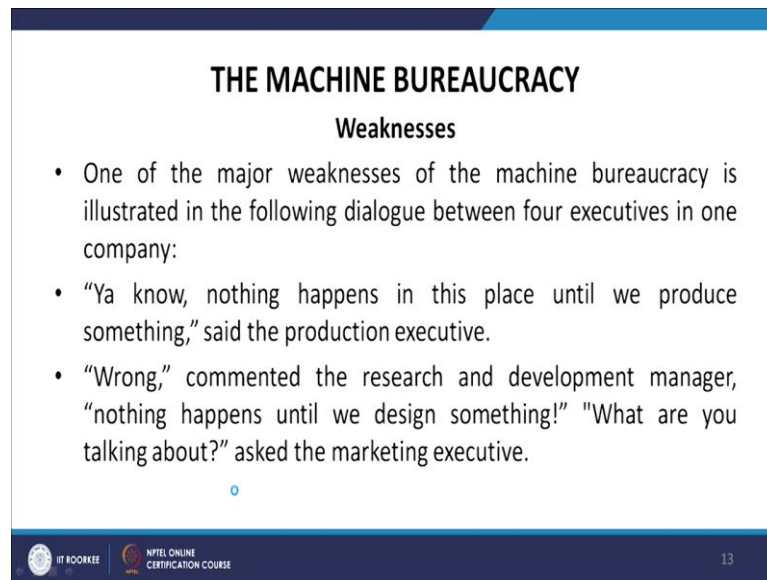
Strengths

- The pervasiveness of rules and regulations substitute for managerial discretion.
- Standardized operations, coupled with high formalization, allow decision making to be centralized.
- There is little need, therefore, for innovative and experienced decision makers below the level of senior executives.

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The pervasiveness of rules and regulations substitute for managerial discretion. Standardized operations, coupled with high formalization, allow decision making to be centralized. There is little need, therefore, for innovative and experienced decision makers below the level of senior executives.

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THE MACHINE BUREAUCRACY

Weaknesses

- One of the major weaknesses of the machine bureaucracy is illustrated in the following dialogue between four executives in one company:
- “Ya know, nothing happens in this place until we produce something,” said the production executive.
- “Wrong,” commented the research and development manager, “nothing happens until we design something!” “What are you talking about?” asked the marketing executive.

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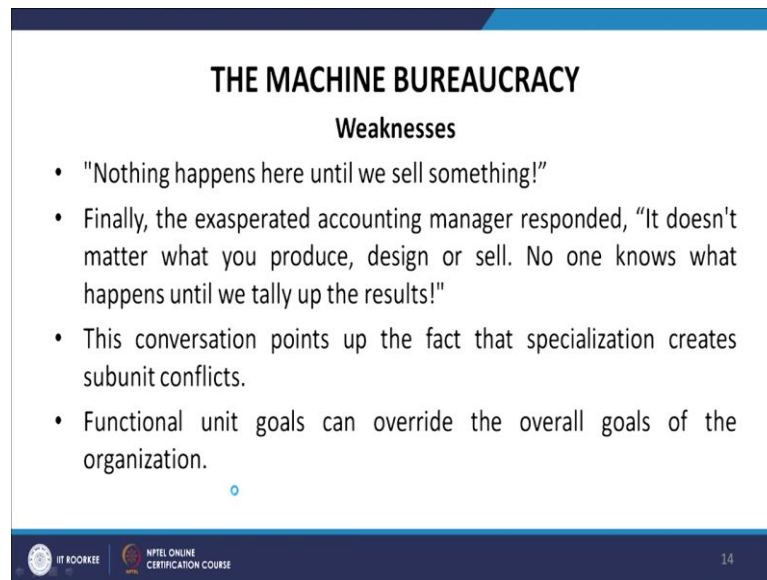
Now, what are the weaknesses of this structure? One of the major weaknesses of the machine bureaucracy is illustrated in the following dialogue between four executives in one company:

“Ya know, nothing happens in this place until we produce something,” said the production executive.

“Wrong,” commented the research and development manager, “nothing happens until we design something!”

“What are you talking about?” asked the marketing executive.

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THE MACHINE BUREAUCRACY

Weaknesses

- "Nothing happens here until we sell something!"
- Finally, the exasperated accounting manager responded, "It doesn't matter what you produce, design or sell. No one knows what happens until we tally up the results!"
- This conversation points up the fact that specialization creates subunit conflicts.
- Functional unit goals can override the overall goals of the organization.

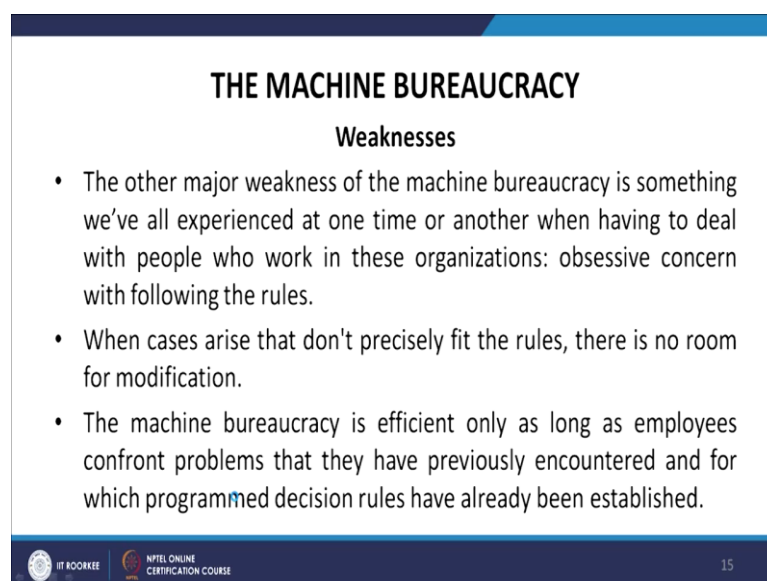
IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 14

“Nothing happens here until we sell something!”.

Finally, the exasperated accounting manager responded, “It does not matter what you produce, design or sell. No one knows what happens until we tally up the results!”.

This conversation points up the fact that specialization creates subunits’ conflicts. Functional unit goals can override the overall goals of the organization.

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THE MACHINE BUREAUCRACY

Weaknesses

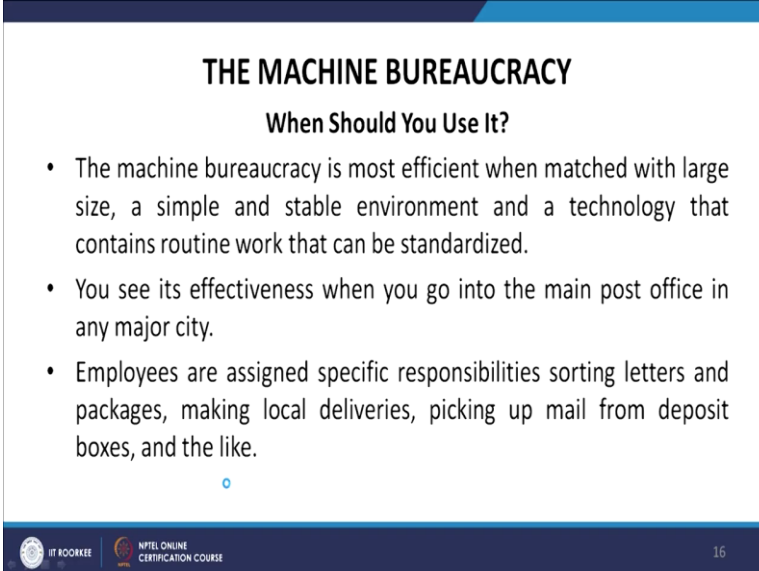
- The other major weakness of the machine bureaucracy is something we’ve all experienced at one time or another when having to deal with people who work in these organizations: obsessive concern with following the rules.
- When cases arise that don't precisely fit the rules, there is no room for modification.
- The machine bureaucracy is efficient only as long as employees confront problems that they have previously encountered and for which programmed decision rules have already been established.

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The other major weakness of the machine bureaucracy is something we have all experienced at one time or the other, when having to deal with people who work in these organizations; obsessive concern with following the rules.

When cases arise that do not precisely fit the rules, there is no room for modification. The machine bureaucracy is efficient only as long as employees confront problems that they have previously encountered and for which programmed decision rules have already been established.

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THE MACHINE BUREAUCRACY

When Should You Use It?

- The machine bureaucracy is most efficient when matched with large size, a simple and stable environment and a technology that contains routine work that can be standardized.
- You see its effectiveness when you go into the main post office in any major city.
- Employees are assigned specific responsibilities sorting letters and packages, making local deliveries, picking up mail from deposit boxes, and the like.

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So, when should you use it? The machine bureaucracy is most efficient when matched with the large size, a simple and stable environment and technology that contains routine work that can be standardized.

You see its effectiveness when you go into the main post office in any major city. Employees are assigned specific responsibilities of sorting letters and packages, making local deliveries, picking up mail from deposit boxes, and the like.

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THE MACHINE BUREAUCRACY

When Should You Use It?

- Procedures govern the way sorting is to be carried out and the path mail deliveries are to follow.
- If you bring in a package to be mailed, the clerk will follow a preset routine to determine:
 - Did you wrap the package with the proper paper?
 - Did you use the right kind of tape?
 - Is the addressee's identification clearly written?
 - When do you want the package to get to its destination?
 - Do you want a signed receipt of delivery?

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 17

Procedures govern the way sorting is to be carried out and the path mail deliveries are to follow. If you bring in a package to be mailed, the clerk will follow a preset routine to determine:

Did you wrap the package with the proper paper? Did you use the right kind of tape? Is the addressee's identification clearly written? When do you want the package to get to its destination? Do you want a signed receipt of delivery?

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THE MACHINE BUREAUCRACY

When Should You Use It?

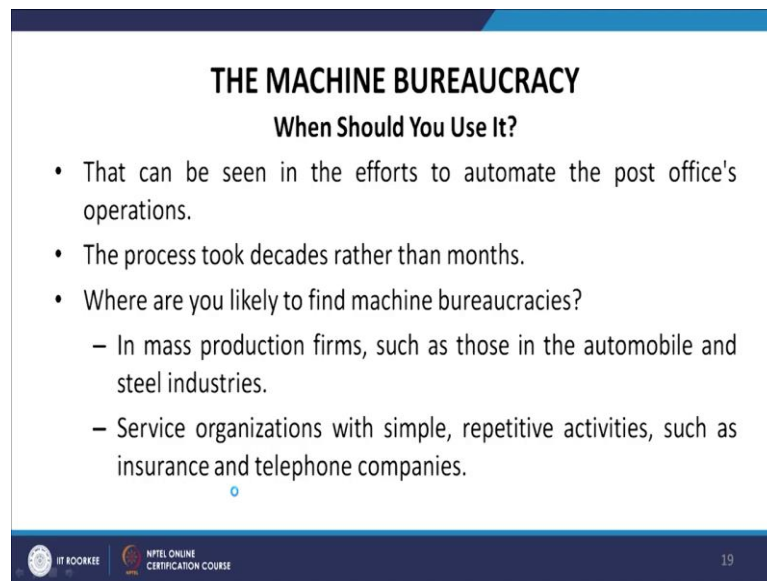
- Despite the billions of pieces of mail handled every day, the post office is reasonably efficient.
- It is, however, only as long as its environment remains stable and its technology routine.
- The post office, like all machine bureaucracies, is very poor at making changes.
- This design configuration is just not conducive to making changes either rapidly or efficiently.

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Despite the billions of pieces of mail handled every day, the post office is reasonably efficient. It is, however, only as long as its environment remain stable and its technology routine. The post office, like all machine bureaucracies, is very poor at making changes.

This design configuration is just not conducive to making changes either rapidly or efficiently. That can be seen in the efforts to automate the post offices operations.

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THE MACHINE BUREAUCRACY

When Should You Use It?

- That can be seen in the efforts to automate the post office's operations.
- The process took decades rather than months.
- Where are you likely to find machine bureaucracies?
 - In mass production firms, such as those in the automobile and steel industries.
 - Service organizations with simple, repetitive activities, such as insurance and telephone companies.

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The process took decades rather than months. Where you are likely to find machine bureaucracies? In mass production firms, such as those in the automobile and steel industries. Service organizations with simple, repetitive activities, such as insurance and telephone companies.

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THE MACHINE BUREAUCRACY

When Should You Use It?

- Government agencies with routine work, such as post offices and tax collection department.
- Organizations that have special safety needs, such as airlines and fire departments.
- All these organizations have routine and highly standardized activities.
- Most of their contingencies have occurred many times before and are therefore predictable and amenable to formalized procedures.

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Government agencies with routine work, such as post offices and tax collection departments and organizations that have special safety needs, such as airlines and fire departments. All these organizations have routine and highly standardized activities. Most of their contingencies have occurred many times before and are therefore, predictable and responsive to formalized procedures.

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THE MACHINE BUREAUCRACY

When Should You Use It?

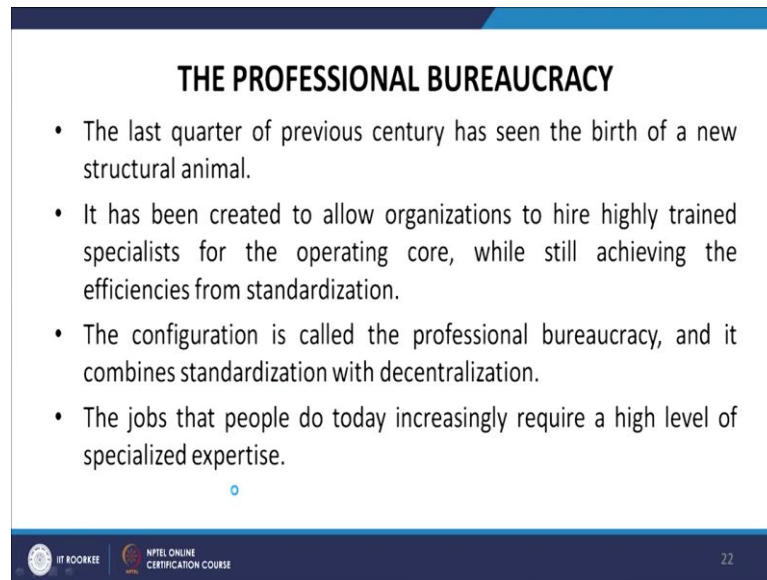
- You would not, for instance, want to fly with an airline that was not organized as a machine bureaucracy.
- How comfortable would you be if you knew the "maintenance men did whatever struck them as interesting instead of following precise checklists, and the pilots worked out their procedures for landing in foggy weather when the need arose?"

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You would not, for instance, want to fly with an airline that was not organized as the machine bureaucracy.

How comfortable would you be if you knew the “maintenance men did whatever struck them as interesting instead of following precise checklists, and the pilots who worked out their procedures for landing in foggy weather when the need arose?”

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THE PROFESSIONAL BUREAUCRACY

- The last quarter of previous century has seen the birth of a new structural animal.
- It has been created to allow organizations to hire highly trained specialists for the operating core, while still achieving the efficiencies from standardization.
- The configuration is called the professional bureaucracy, and it combines standardization with decentralization.
- The jobs that people do today increasingly require a high level of specialized expertise.

IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 22

The next comes this professional bureaucracy. The last quarter of previous century has seen the birth of a new structural animal. It has been created to allow organizations to hire highly trained specialists for the operating core, while still achieving the efficiencies from standardization.

The configuration is called the professional bureaucracy, and it combines standardization with decentralization. The jobs that people do today increasingly require a high level of specialized expertise.

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THE PROFESSIONAL BUREAUCRACY

- A college degree is required for more and more jobs.
- The knowledge explosion has created a whole class of organizations that require professionals to produce their goods and services.
- Obvious examples include hospitals, school districts, universities, museums, libraries, engineering design firms, social service agencies, and public accounting firms.
- This has created the need for an organizational design that relies on social specialization rather than functional specialization; that is specialization that is based on the possession of individual skills rather than division of labour.

IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 23

A college degree is required for more and more jobs. The knowledge explosion has created a whole class of organizations that require professionals to produce their goods and services. Obvious examples include hospitals, schools, universities, museums, libraries, engineering design firms, social service agencies, and public accounting firms.

This has created the need for an organizational design that relies on social specialization rather than functional specialization; that is specialization that is based on the possession of individual skills rather than division of labor.

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THE PROFESSIONAL BUREAUCRACY

- Figure 25.3 illustrates the configuration for professional bureaucracies.

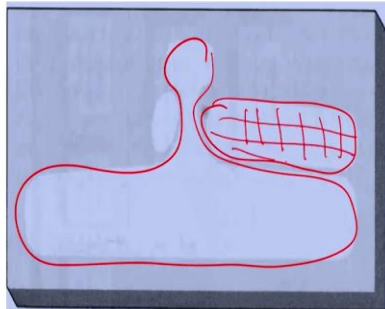


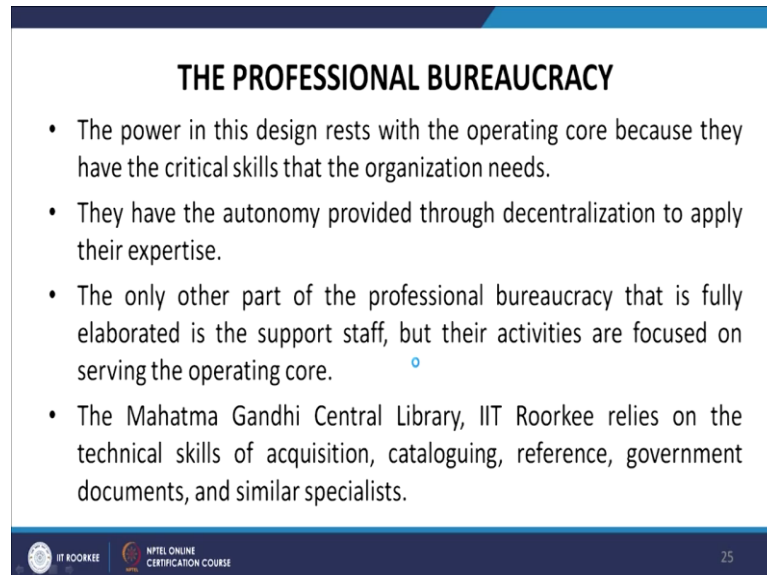
Figure 25.3: The Professional Bureaucracy

Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

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Figure 25.3 illustrates the configuration of professional bureaucracies. Now, you see that the structure is the same, but you will see how big this portion has become.

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THE PROFESSIONAL BUREAUCRACY

- The power in this design rests with the operating core because they have the critical skills that the organization needs.
- They have the autonomy provided through decentralization to apply their expertise.
- The only other part of the professional bureaucracy that is fully elaborated is the support staff, but their activities are focused on serving the operating core.
- The Mahatma Gandhi Central Library, IIT Roorkee relies on the technical skills of acquisition, cataloguing, reference, government documents, and similar specialists.

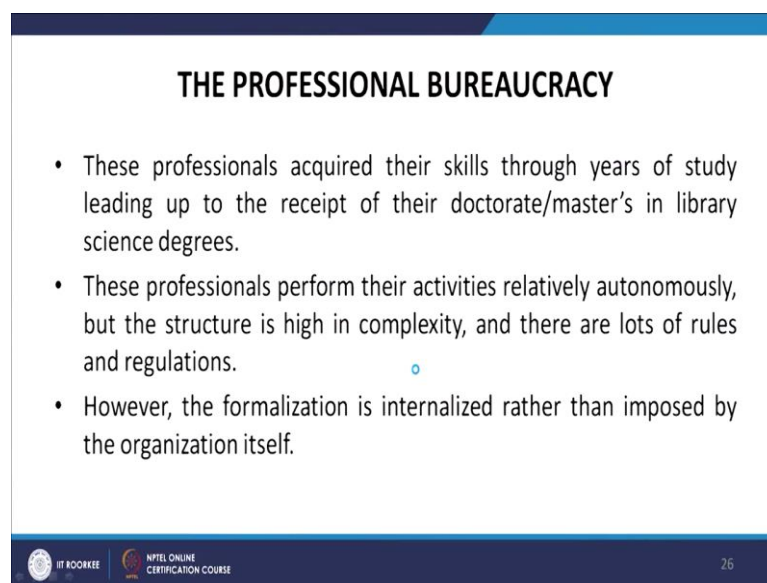
IIT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 25

The power in this design rest with the operating core, because they have the critical skills that the organization needs.

They have the autonomy provided through decentralization to apply their expertise. The only other part of the professional bureaucracy that is fully elaborated is the support staff, but their activities are focused on serving the operating core. For example, the Mahatma Gandhi central library, at IIT Roorkee relies on the technical skills of acquisition, cataloging, reference, government documents and similar specialists.

These professionals acquired their skills through years of study, leading up to the receipt of their doctorate or master's in library science degrees. These professionals perform their activities relatively autonomously, but the structure is high in complexity and there are lots of rules and regulations.

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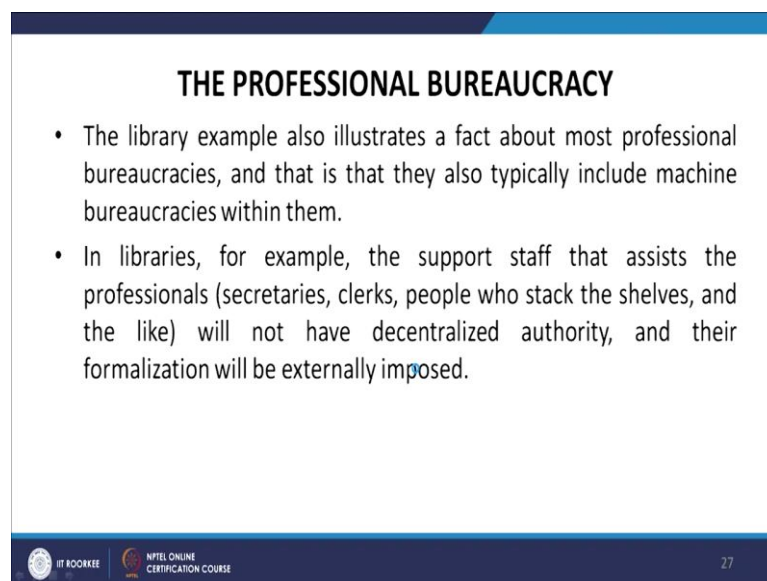
THE PROFESSIONAL BUREAUCRACY

- These professionals acquired their skills through years of study leading up to the receipt of their doctorate/master's in library science degrees.
- These professionals perform their activities relatively autonomously, but the structure is high in complexity, and there are lots of rules and regulations.
- However, the formalization is internalized rather than imposed by the organization itself.

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However, the formalization is internalized rather than imposed by the organization itself.

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THE PROFESSIONAL BUREAUCRACY

- The library example also illustrates a fact about most professional bureaucracies, and that is that they also typically include machine bureaucracies within them.
- In libraries, for example, the support staff that assists the professionals (secretaries, clerks, people who stack the shelves, and the like) will not have decentralized authority, and their formalization will be externally imposed.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 27

The library example also illustrates a fact about most professional bureaucracies, and that is, that they also typically include machine bureaucracies within them.



In libraries, for example, the support staff that assist the professionals like secretaries, clerks, people who stack the shelves, and the like will not have decentralized authority and their formalization will be externally imposed.

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THE PROFESSIONAL BUREAUCRACY

Strengths

- The strength of the professional bureaucracy is that it can perform specialized tasks - ones that require the skills of highly trained professionals - with the same relative efficiency as the machine bureaucracy can.
- Why then, you may ask, didn't management just choose the latter? It's not because management wouldn't prefer the machine form!
- In power-control terms, the professional bureaucracy requires top management to give up a considerable degree of control.
- But what's their alternative? The professionals need the autonomy to do their jobs effectively.

 IIT ROORKEE  NPTEL ONLINE CERTIFICATION COURSE 28

Now, what are the strengths of this kind of structure. The strength of the professional bureaucracy is that it can perform specialized tasks - ones that require the skills of highly trained professionals - with the same relative efficiency as the machine bureaucracy can. Why then, you may ask, did not management just choose the latter? It is not, because management would not prefer the machine form!.



In power-control terms, the professional bureaucracy requires top management to give up a considerable degree of control. But what is their alternative? The professionals need the autonomy to do their jobs effectively.

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THE PROFESSIONAL BUREAUCRACY

Weaknesses

- The weaknesses of the professional bureaucracy are the same as for the machine form.
- First, there is the tendency for subunit conflicts to develop.
- The various professional functions seek to pursue their own narrow objectives, often sublimating the interests of other functions and the organization as a whole.
- Second, the specialists in the professional bureaucracy, like their counterparts in the machine form, are compulsive in their determination to follow the rules.

 IIT ROORKEE  NPTEL ONLINE CERTIFICATION COURSE 29

So, these are the weaknesses of the professional bureaucracy. The weaknesses of this type of structure are the same as for the machine form.

First, there is a tendency of subunit conflicts to develop. The various professional functions seek to pursue their own narrow objectives, often sublimating the interests of other functions and the organization as a whole.



Second, the specialist in the professional bureaucracy like their counterparts in the machine form, are compulsive in their determination to follow the rules.

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THE PROFESSIONAL BUREAUCRACY

Weaknesses

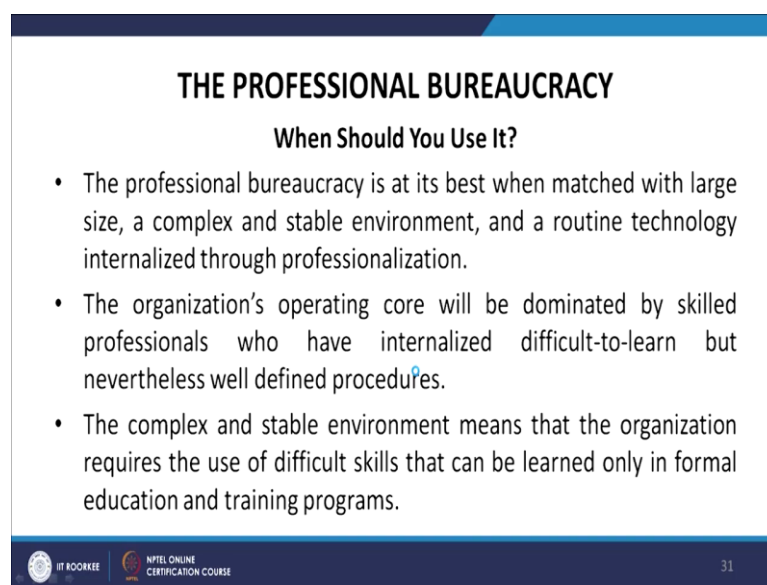
- Only the rules in professional bureaucracies are the making of the professionals themselves.
- Standards of professional conduct and codes for ethical practices have been socialized into the employees during their training.
- For example, while lawyers or nurses have autonomy on their jobs, their professional standards of how their work is to be done can be a hindrance to an organization's effectiveness when the standards are rigid and unable to adjust to unique or changing conditions.

 IIT ROORKEE  NPTEL ONLINE CERTIFICATION COURSE 30

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For example, while lawyers or nurses have autonomy on their jobs, their professional standards of how their work is to be done can be a hindrance to an organization's effectiveness when the standards are rigid and unable to adjust to unique or changing conditions.

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THE PROFESSIONAL BUREAUCRACY

When Should You Use It?

- The professional bureaucracy is at its best when matched with large size, a complex and stable environment, and a routine technology internalized through professionalization.
- The organization's operating core will be dominated by skilled professionals who have internalized difficult-to-learn but nevertheless well defined procedures.
- The complex and stable environment means that the organization requires the use of difficult skills that can be learned only in formal education and training programs.

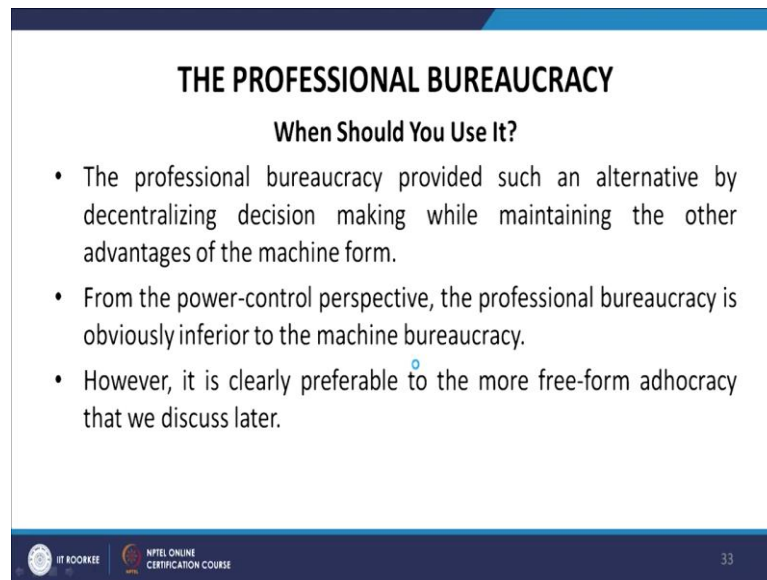
IT BOORKEE | NPTEL ONLINE CERTIFICATION COURSE 31

So, when should you use it? The professional bureaucracy is at its best when matched with large size, a complex and stable environment, and a routine technology internalized through professionalization.

The organization's operating core will be dominated by skilled professionals who have internalized difficult-to-learn, but nevertheless well-defined procedures. The complex and stable environment means that the organization requires the use of difficult skills that can be learned only in formal education and training programs.

But there is enough stability for these skills to be well defined and standardized. The knowledge explosion made the professional bureaucracy a fashionable choice in the 1980's. As the organization hired more and more technical specialists, they were forced to come up with an alternative to the machine bureaucracy.

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THE PROFESSIONAL BUREAUCRACY

When Should You Use It?

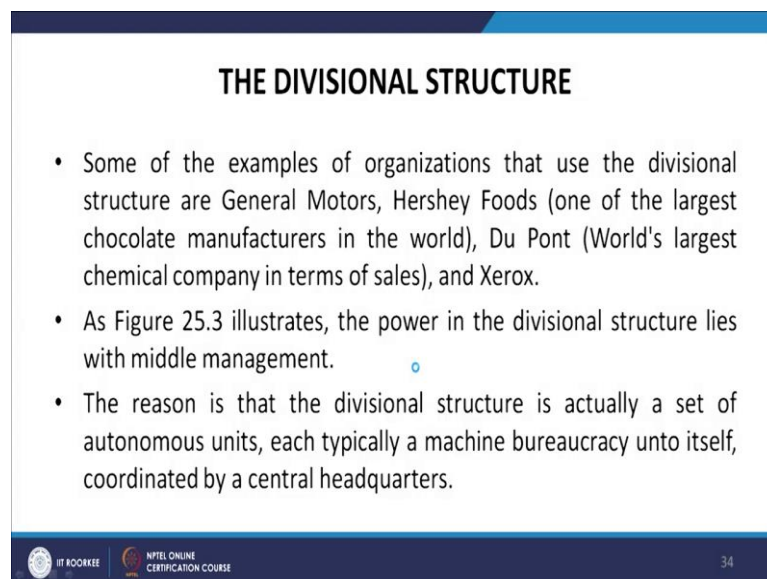
- The professional bureaucracy provided such an alternative by decentralizing decision making while maintaining the other advantages of the machine form.
- From the power-control perspective, the professional bureaucracy is obviously inferior to the machine bureaucracy.
- However, it is clearly preferable to the more free-form adhocracy that we discuss later.

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From the power-control perspective, the professional bureaucracy is obviously inferior to the machine bureaucracy; However, it is clearly preferable to the more free-form adhocracy that we will discuss later.

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THE DIVISIONAL STRUCTURE

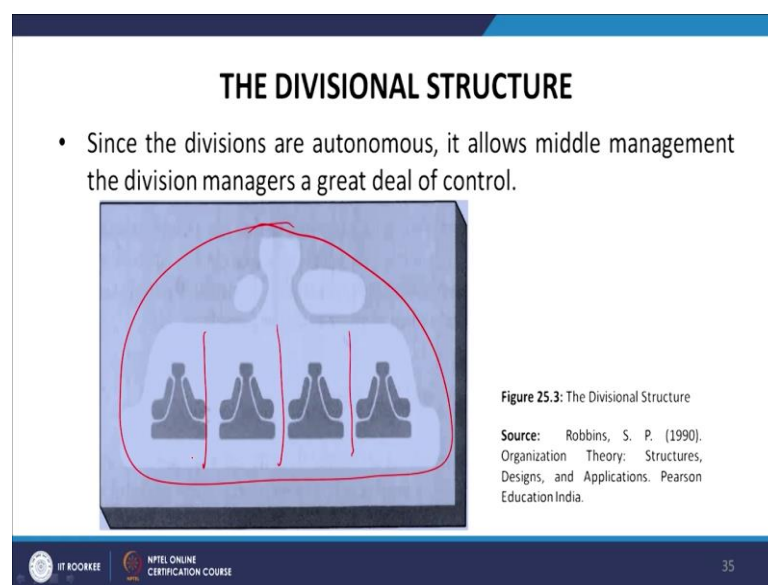
- Some of the examples of organizations that use the divisional structure are General Motors, Hershey Foods (one of the largest chocolate manufacturers in the world), Du Pont (World's largest chemical company in terms of sales), and Xerox.
- As Figure 25.3 illustrates, the power in the divisional structure lies with middle management.
- The reason is that the divisional structure is actually a set of autonomous units, each typically a machine bureaucracy unto itself, coordinated by a central headquarters.

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Some of the examples of organizations that use the divisional structure are General Motors, Hershey foods, one of the largest chocolate manufacturers in the world, Du Pont, world's largest chemical company in terms of sales, and xerox.

As figure 25.3 illustrates, the power in the divisional structure lies with middle management. The reason is that the divisional structure is actually a set of autonomous units, each typically a machine bureaucracy unto itself, coordinated by a central headquarter.

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Since the division are autonomous, it allows the middle management, the division manages a great degree of control.

Now, you see from this figure, this is what a division structure looks like. Within the large organization, we have further sub-organizations to be a part of it and they are all working within this larger framework.

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THE DIVISIONAL STRUCTURE

- Figure 25.4 shows how the divisional form is utilized at General Motors.
- General Motors (GM) is an American multinational corporation that designs, manufactures, markets, and distributes vehicles and vehicle parts, and sells financial services.
- It was founded by William C. Durant in 1908.

So, figure 25.4 shows how the divisional form is utilized at General Motors. General Motors is an American multinational corporation that designs, manufactures, markets, and distributes vehicles and vehicle parts, and sells financial services. It was founded by William C. Durant in 1908.

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THE DIVISIONAL STRUCTURE

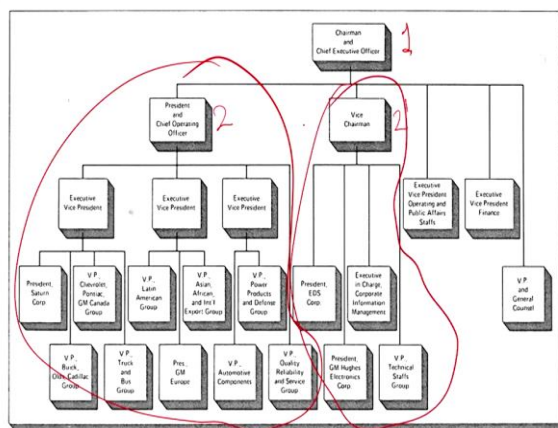


Figure 25.4: General Motors Corporation's divisional structure

Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

Now, this is this divisional structure. So, at the top we have a Chairman and the Chief Executive Officer. Then, we have President and Chief Operating Officer, the Vice

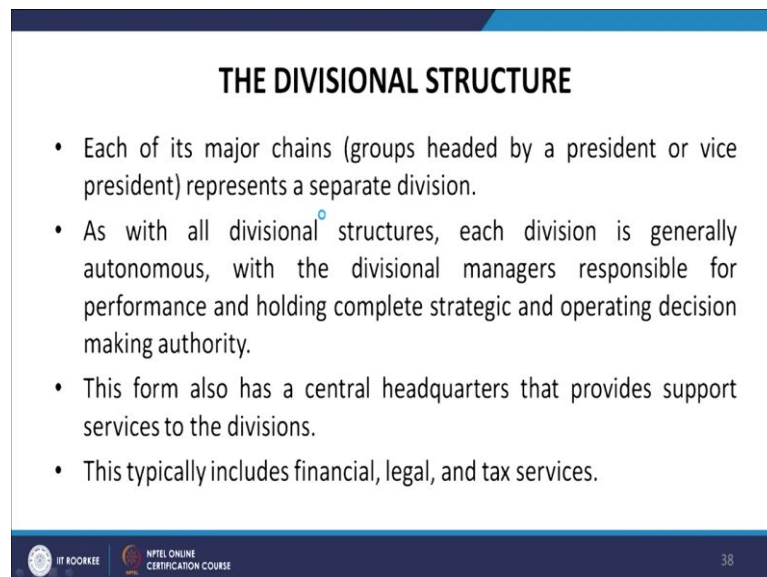
Chairman, Executive Vice President Operating and Public Affairs, Staff, Executive Vice President Finance, V P and General Council.

Now, under the President and Chief Operating Officer, you can see that there are three Executive Vice Presidents. Now, under these three executive Vice President, we have president of Saturn Corp., Vice President Chevrolet, Pontiac G M Canada group. Then, we have the V P Latin American Group, V P Asian, African and International Exports Group and then, V P Power Products and Defense Groups.

Then, there are also V Ps of Buick and V P of Trucks and Busses. Then, President General Motors Europe V P etc etc. So, you see that under the President and Chief Operating Officer, there are three executive Vice Presidents. Under each Executive Vice President, there are various Presidents and V P's. And similarly, when we talk of Vice Chairman, so, we have President E D S Corporation Executive in Charge Corporate Information System.

While you see that there are no subordinates to Executive Vice President Operating and Public Affairs.

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THE DIVISIONAL STRUCTURE

- Each of its major chains (groups headed by a president or vice president) represents a separate division.
- As with all divisional structures, each division is generally autonomous, with the divisional managers responsible for performance and holding complete strategic and operating decision making authority.
- This form also has a central headquarters that provides support services to the divisions.
- This typically includes financial, legal, and tax services.

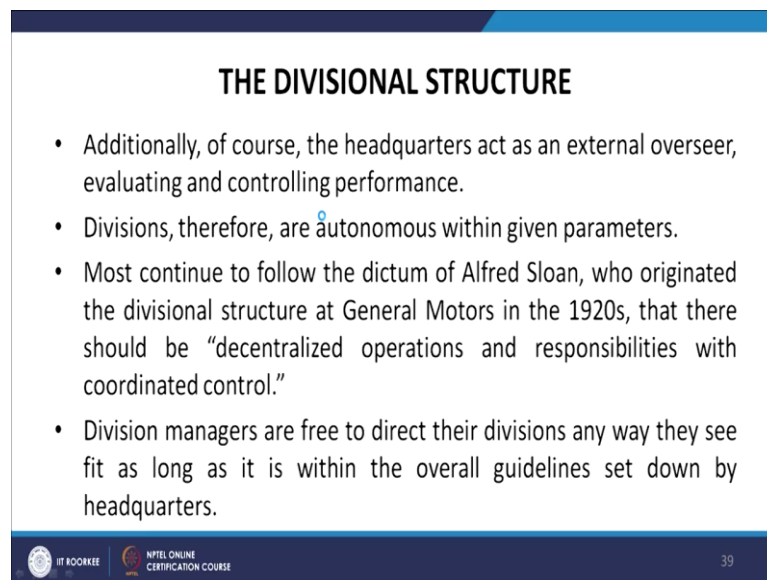
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Each of its major chains (groups headed by a president or vice president) represents a separate division. As with all divisional structures, each division is generally

autonomous, with the divisional managers responsible for performance and holding complete strategic and operating decision-making authority.

This form also has a central headquarters that provide support services to the divisions. This typically include financial, legal, and tax services. Additionally, of course, the headquarters act as an external overseer, evaluating and controlling performance. Divisions, are therefore, autonomous within given parameters.

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THE DIVISIONAL STRUCTURE

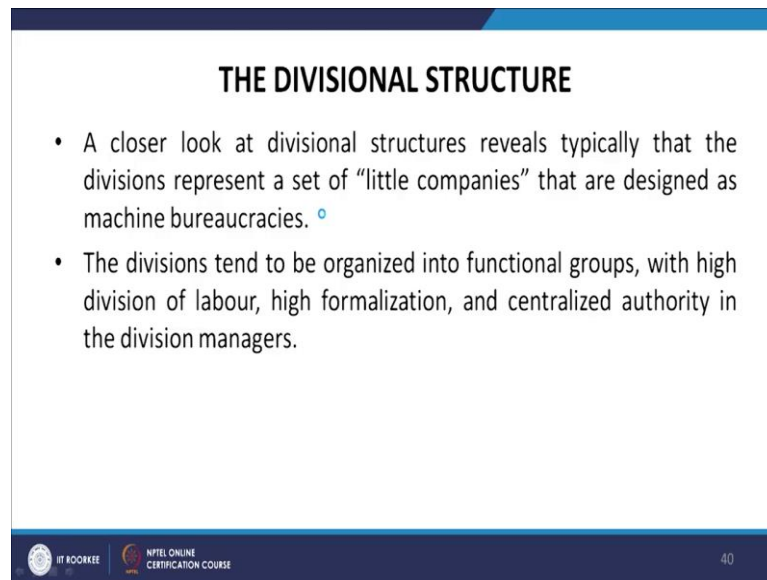
- Additionally, of course, the headquarters act as an external overseer, evaluating and controlling performance.
- Divisions, therefore, are autonomous within given parameters.
- Most continue to follow the dictum of Alfred Sloan, who originated the divisional structure at General Motors in the 1920s, that there should be “decentralized operations and responsibilities with coordinated control.”
- Division managers are free to direct their divisions any way they see fit as long as it is within the overall guidelines set down by headquarters.

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A closer look at divisional structure reveals typically that the divisions represent a set of “little companies” that are designed as machine bureaucracies. The divisions tend to be organized into functional groups,

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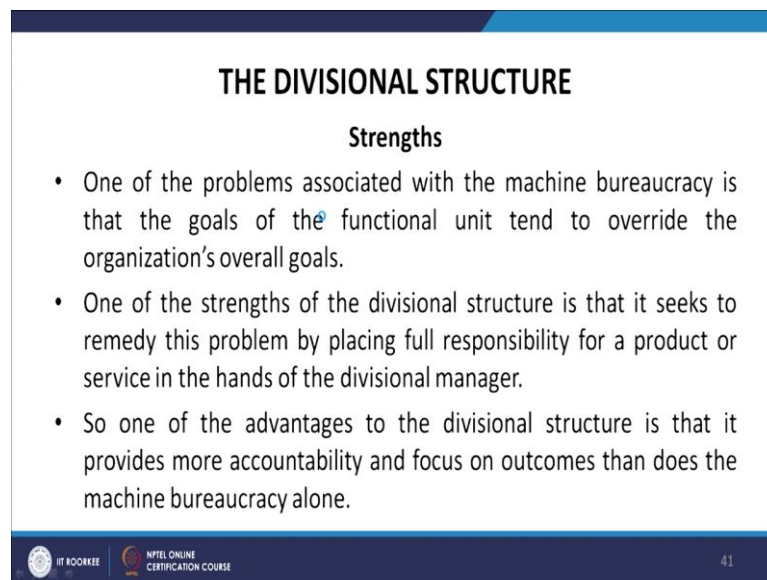
THE DIVISIONAL STRUCTURE

- A closer look at divisional structures reveals typically that the divisions represent a set of “little companies” that are designed as machine bureaucracies.
- The divisions tend to be organized into functional groups, with high division of labour, high formalization, and centralized authority in the division managers.

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with high division of labor, high formalization, and centralized authority in the division managers.

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THE DIVISIONAL STRUCTURE

Strengths

- One of the problems associated with the machine bureaucracy is that the goals of the functional unit tend to override the organization's overall goals.
- One of the strengths of the divisional structure is that it seeks to remedy this problem by placing full responsibility for a product or service in the hands of the divisional manager.
- So one of the advantages to the divisional structure is that it provides more accountability and focus on outcomes than does the machine bureaucracy alone.

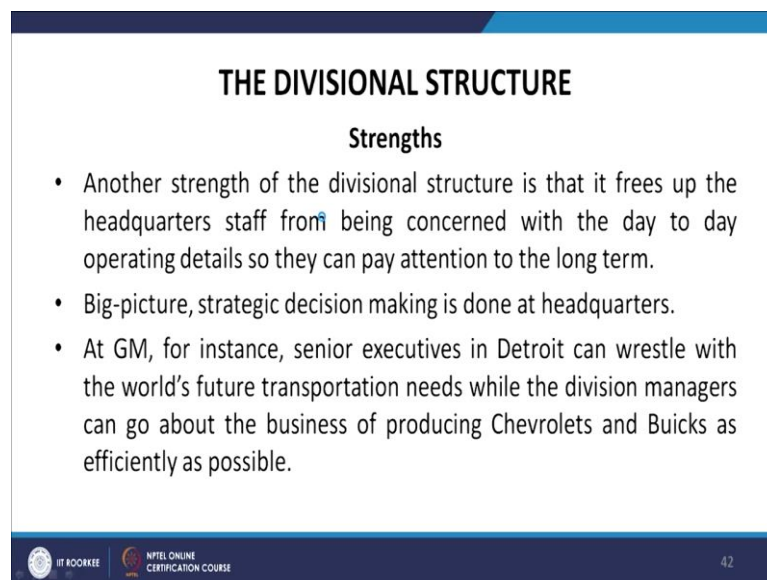
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Now, let us look at strengths of this divisional structure. One of the problems associated with the machine bureaucracy is that the goals of the functional unit tend to override the organization's overall goals.

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THE DIVISIONAL STRUCTURE

Strengths

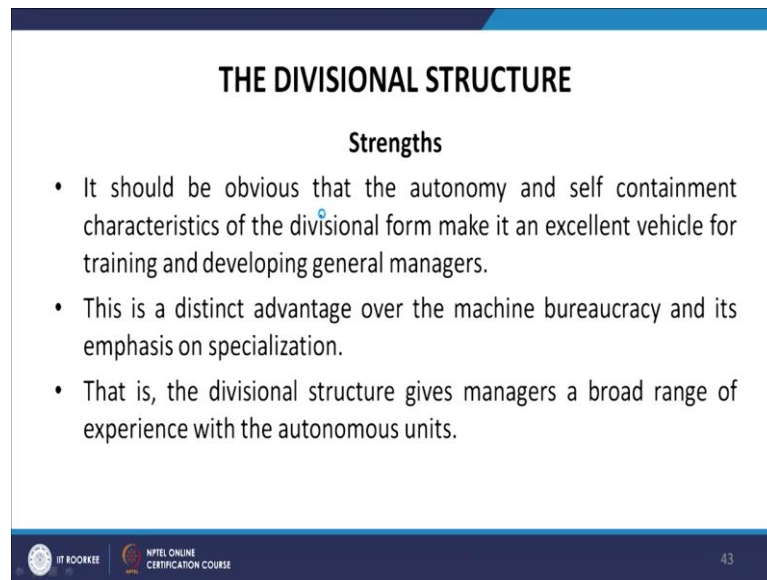
- Another strength of the divisional structure is that it frees up the headquarters staff from being concerned with the day to day operating details so they can pay attention to the long term.
- Big-picture, strategic decision making is done at headquarters.
- At GM, for instance, senior executives in Detroit can wrestle with the world's future transportation needs while the division managers can go about the business of producing Chevrolets and Buicks as efficiently as possible.

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Another strength of the divisional structure is that it frees up the headquarters staff from being concerned with the day-to-day operating detail so, they can pay attention to the long term big-picture. Strategic decision making is done at the headquarters.

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THE DIVISIONAL STRUCTURE

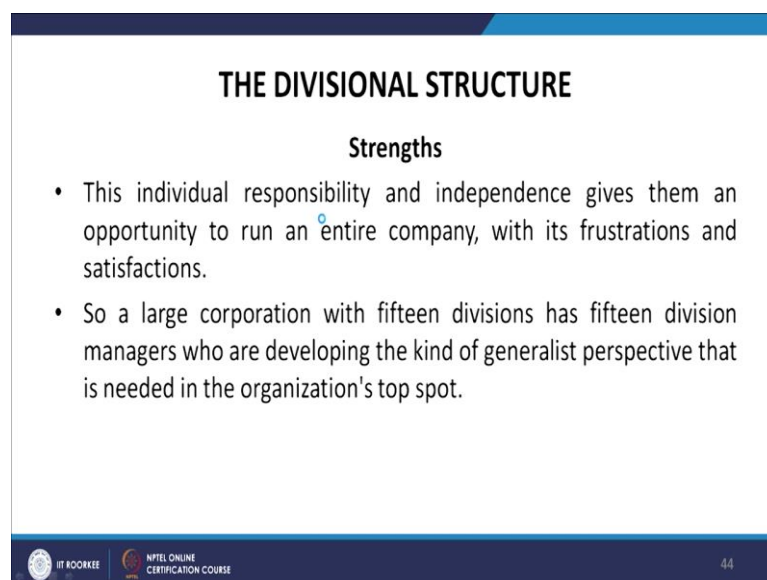
Strengths

- It should be obvious that the autonomy and self containment characteristics of the divisional form make it an excellent vehicle for training and developing general managers.
- This is a distinct advantage over the machine bureaucracy and its emphasis on specialization.
- That is, the divisional structure gives managers a broad range of experience with the autonomous units.

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It should be obvious that the autonomy and self containment characteristics of the divisional form make it an excellent vehicle for training and developing general managers. This is a distinct advantage over the machine bureaucracy and its emphasis on specialization. That is, the divisional structure gives managers a broad range of experience with the autonomous units.

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THE DIVISIONAL STRUCTURE

Strengths

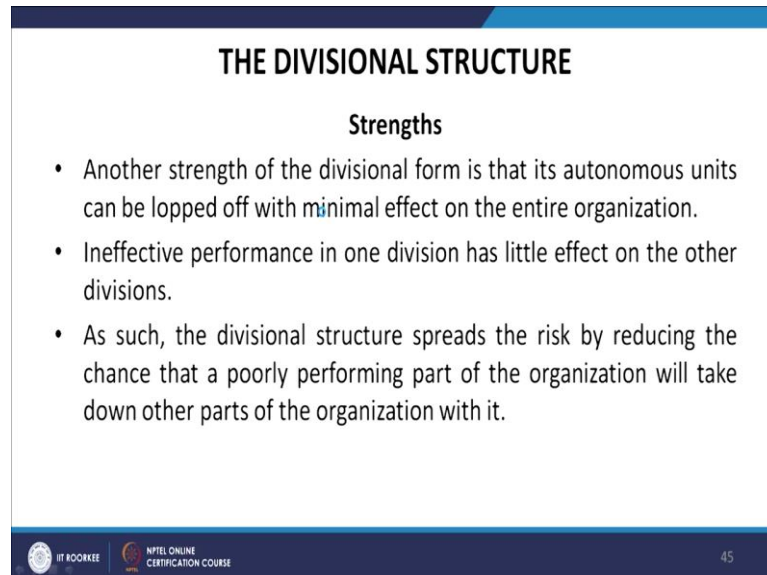
- This individual responsibility and independence gives them an opportunity to run an entire company, with its frustrations and satisfactions.
- So a large corporation with fifteen divisions has fifteen division managers who are developing the kind of generalist perspective that is needed in the organization's top spot.

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The individual responsibility and independence gives them an opportunity to run an entire company, with its frustrations and satisfactions. So, a large corporation with

fifteen divisions has fifteen divisional managers who are developing the kind of generalist perspective that is needed in the organization's top spot.

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THE DIVISIONAL STRUCTURE

Strengths

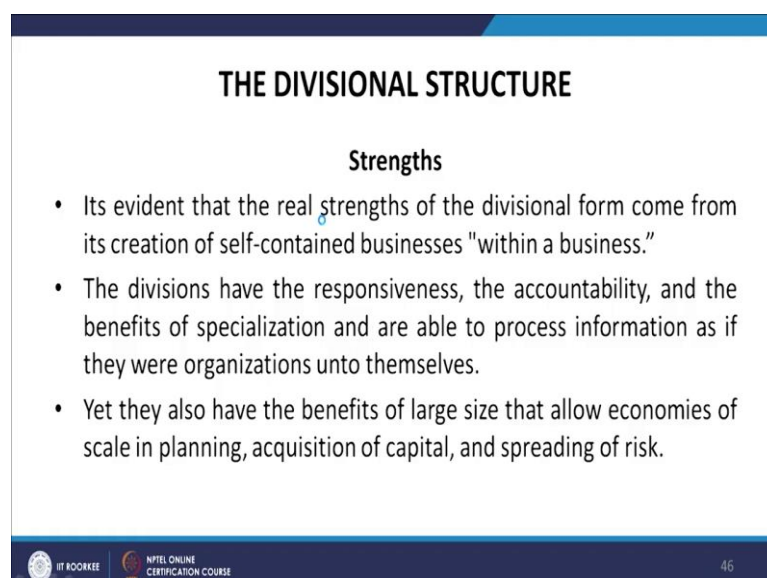
- Another strength of the divisional form is that its autonomous units can be lopped off with minimal effect on the entire organization.
- Ineffective performance in one division has little effect on the other divisions.
- As such, the divisional structure spreads the risk by reducing the chance that a poorly performing part of the organization will take down other parts of the organization with it.

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THE DIVISIONAL STRUCTURE

Strengths

- Its evident that the real strengths of the divisional form come from its creation of self-contained businesses "within a business."
- The divisions have the responsiveness, the accountability, and the benefits of specialization and are able to process information as if they were organizations unto themselves.
- Yet they also have the benefits of large size that allow economies of scale in planning, acquisition of capital, and spreading of risk.

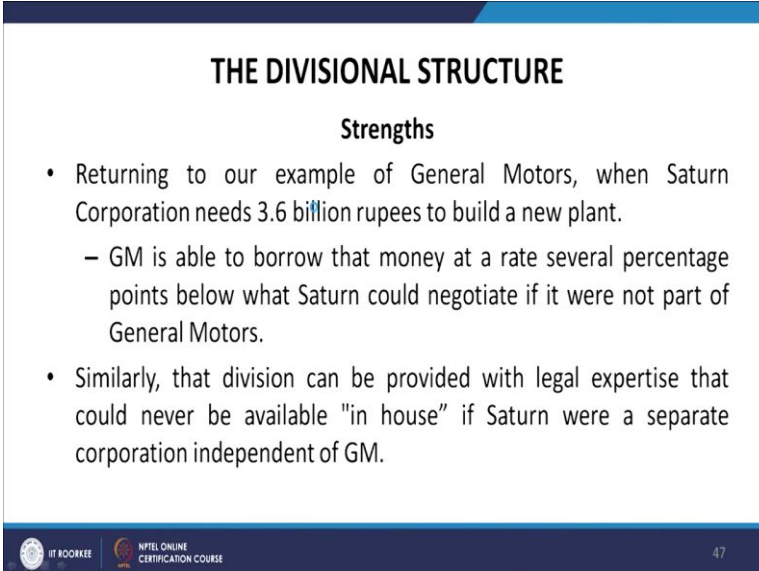
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It is evident that the real strengths of the divisional form come from its creation of self-contained businesses “within a business”.

The division have the responsiveness, the accountability, and the benefits of the specialization and are able to process information as if they were organizations unto themselves. Here, they also have the benefits of large size that allows economies of scale in planning, acquisition of capital, and spreading of risk.

Returning to our example of General Motors, when Saturn corporation needs 3.6 billion rupees to build a new plant.

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THE DIVISIONAL STRUCTURE

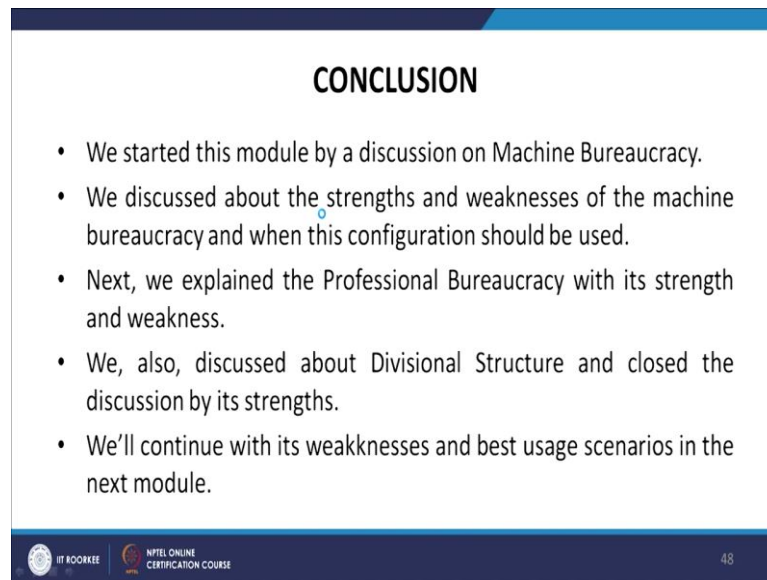
Strengths

- Returning to our example of General Motors, when Saturn Corporation needs 3.6 billion rupees to build a new plant.
 - GM is able to borrow that money at a rate several percentage points below what Saturn could negotiate if it were not part of General Motors.
- Similarly, that division can be provided with legal expertise that could never be available "in house" if Saturn were a separate corporation independent of GM.

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GM is able to borrow that money at a rate several percentage points below what Saturn could negotiate if it were not part of the General Motors group. Similarly, that division can be provided with legal expertise that could never be available “in house” if Saturn were a separate corporation independent of General Motors.

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CONCLUSION

- We started this module by a discussion on Machine Bureaucracy.
- We discussed about the strengths and weaknesses of the machine bureaucracy and when this configuration should be used.
- Next, we explained the Professional Bureaucracy with its strength and weakness.
- We, also, discussed about Divisional Structure and closed the discussion by its strengths.
- We'll continue with its weakknesses and best usage scenarios in the next module.

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So, in order to conclude this module, we started this module by our discussion on Machine Bureaucracy.

Then, we had discussed about the strengths and weaknesses of the machine bureaucracy and when this configuration should be used. Next, we explained the Professional Bureaucracy with its strengths and weaknesses..

We, had also, discussed about Divisional Structure and closed the discussion by its strengths. We will continue with its weaknesses and the best usage scenarios in the next module.

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And these are the four books used for making this module.

Thank you.