



ÇAĞ UNIVERSITY
FACULTY of ARTS & SCIENCES
PSYCHOLOGY DEPARTMENT
PSY 470 INDUSTRIAL PSYCHOLOGY
WEEK 13

ORGANIZATIONAL STRUCTURE, CULTURE, and DEVELOPMENT



Organizational Structure, Culture, and Development

Organizations shape worker behavior through their structure and culture. This presentation explores how different organizational designs impact employee behavior, communication, and decision-making.

Traditional vs. Non-traditional Structures

Traditional

Formal, rule-driven organizations with clearly defined roles.

Stable and resistant to change.

Strict lines of authority and status.

Sometimes, traditional organizational structures are called “mechanistic” or “bureaucratic” structures.

Non-traditional

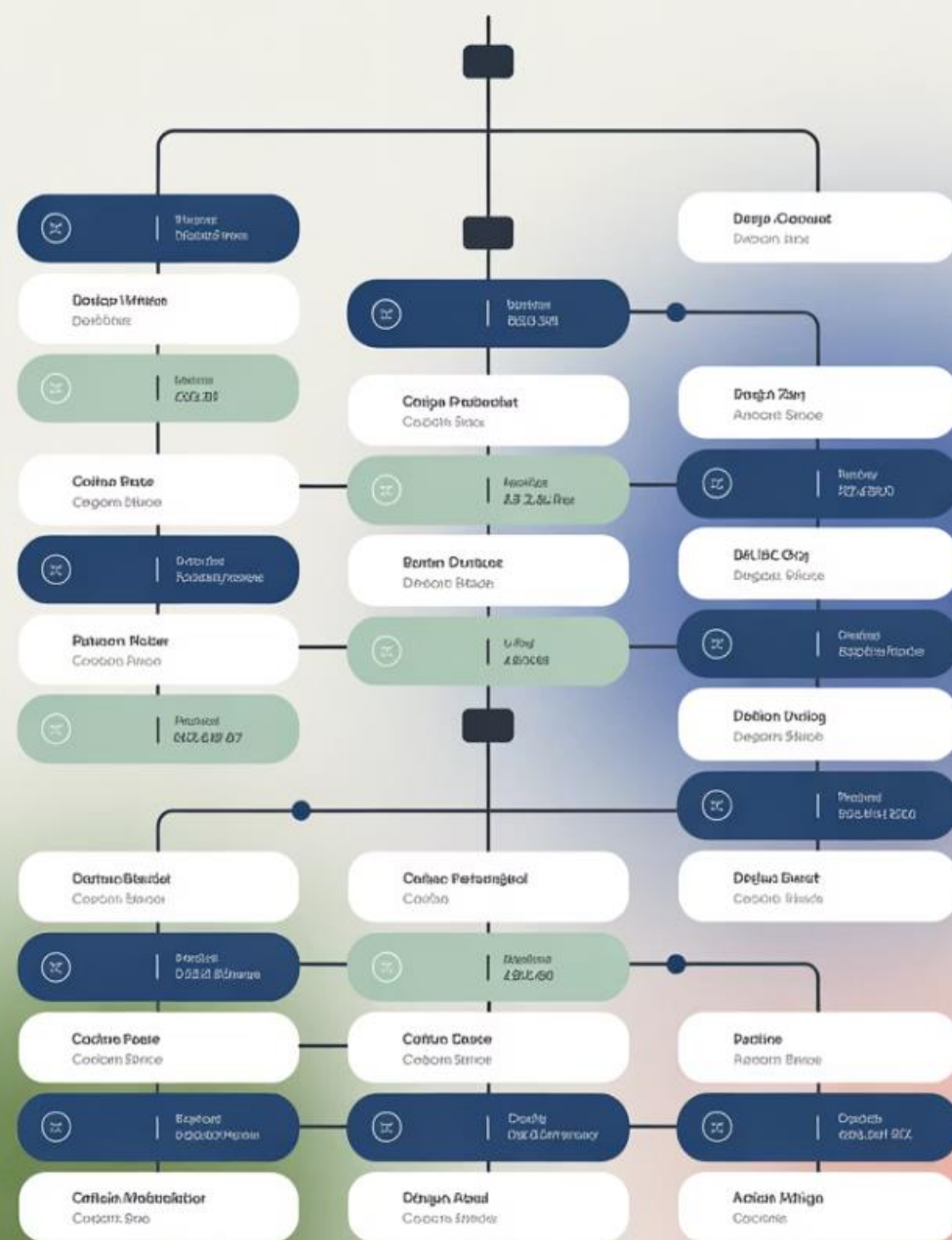
Less formalized work roles and procedures.

Flexible and adaptable structures.

Fewer rigid status hierarchies.

Non-traditional organizational structures are sometimes referred to as “organic.”

Company Structure



Dimensions of Organizational Structure



Chain of Command

Number of authority levels in an organization.



Span of Control

Number of workers reporting to a single supervisor.

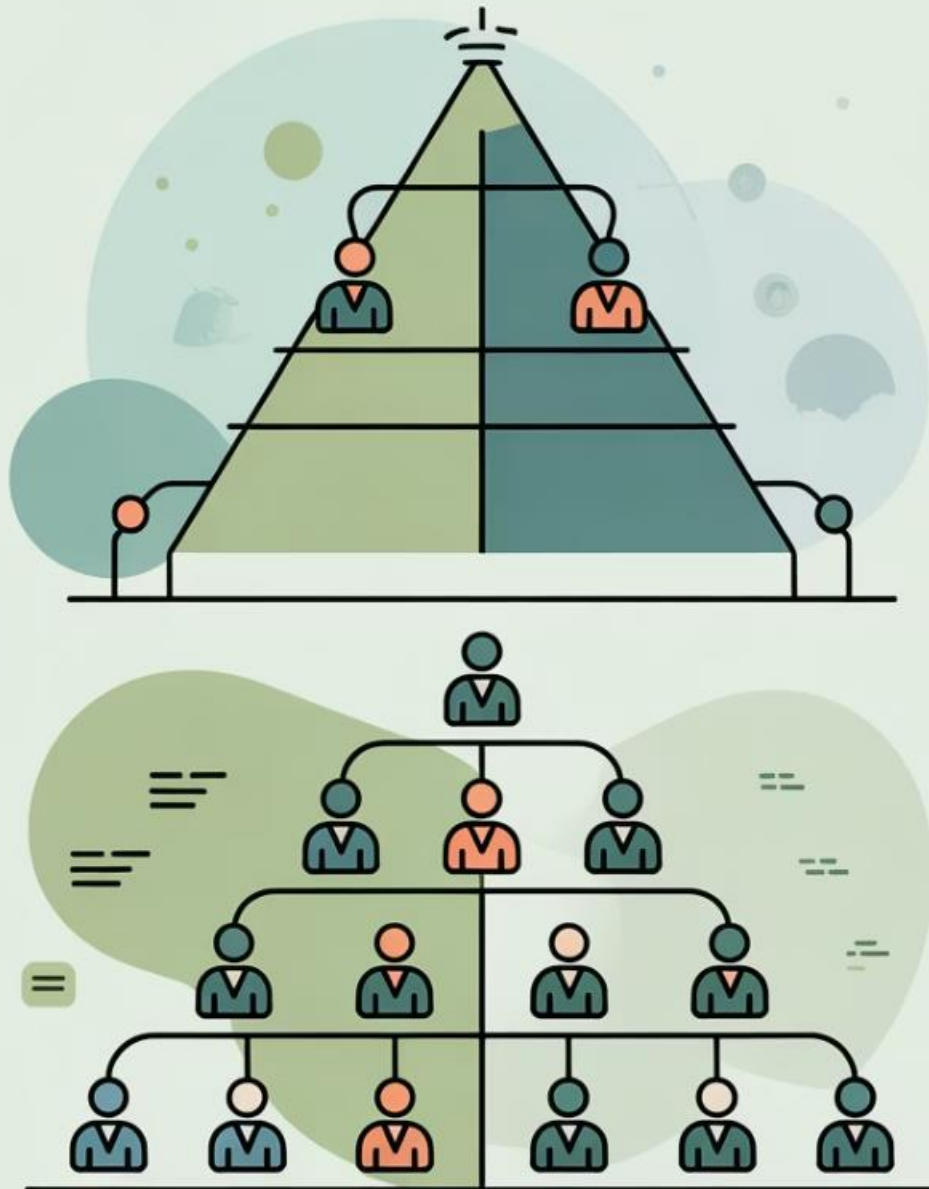


Tall vs. Flat Structures

Tall: Many authority levels, narrow span of control.

Flat: Few authority levels, wide span of control.

Tall Pyramid vs. Flat Structure



Tall vs. Flat Organizational Structures

Tall Structure Characteristics

- Many authority levels
- Narrow span of control
- More promotional opportunities
- Can become "top heavy" with managers

Flat Structure Characteristics

- Few authority levels
- Wide span of control
- Greater interaction between levels
- Fewer promotional opportunities

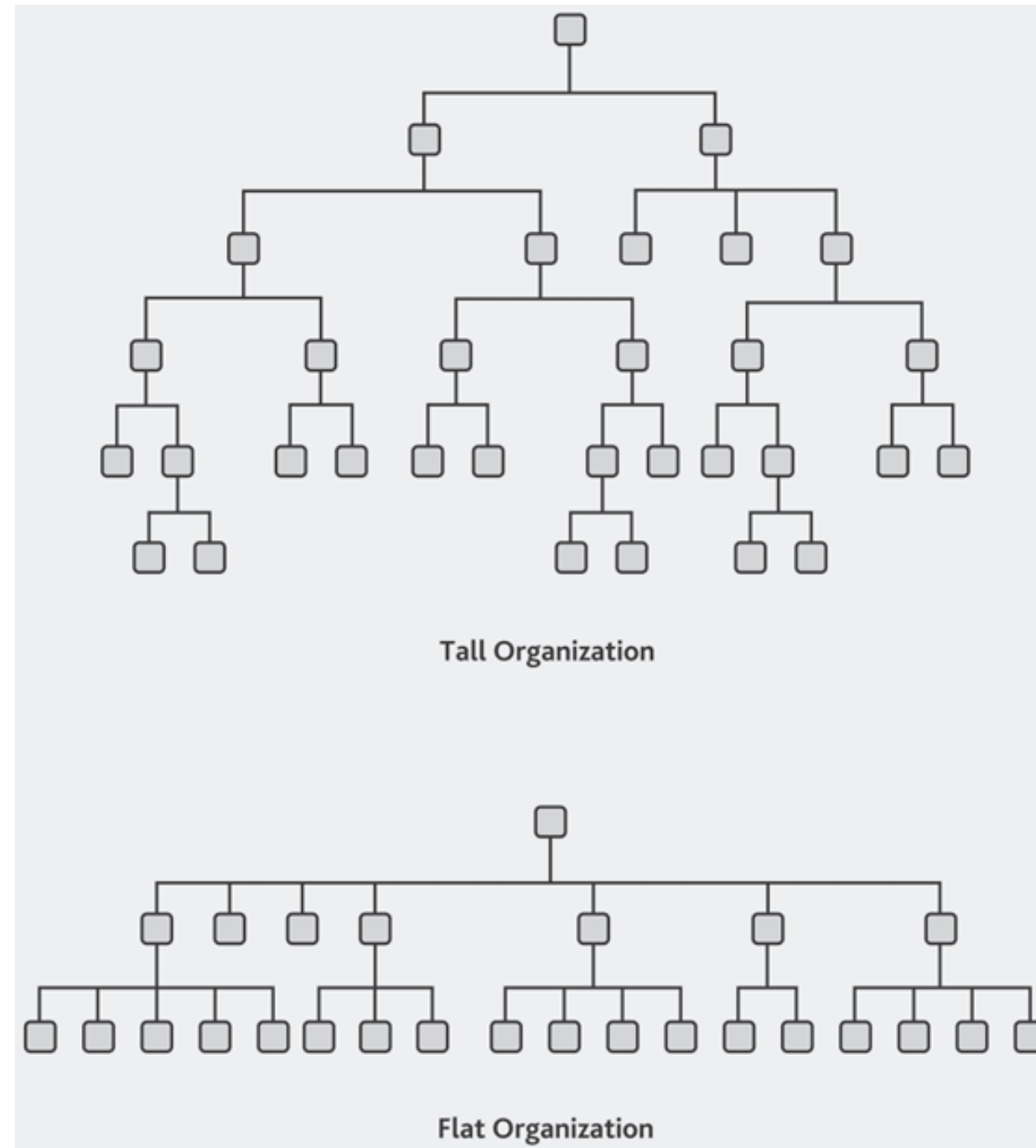


Figure 15.1 Tall and flat organizational structures.

Functional vs. Divisional Structure

1

Functional Structure

Departments based on functions performed (production, sales, finance).

2

Benefits

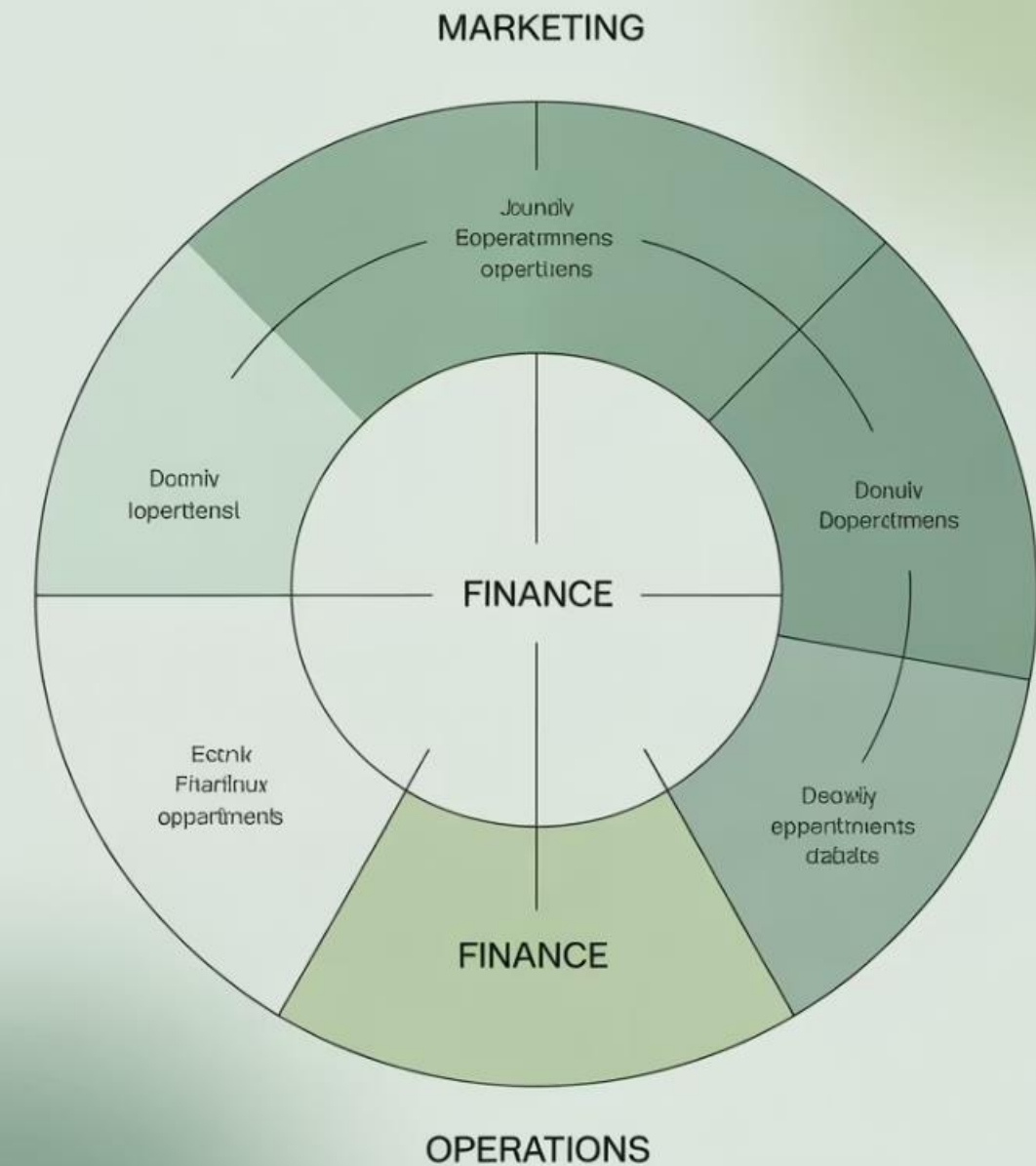
Creates job specialists and eliminates duplication.

3

Challenges

May breed interdepartmental rivalry and bottlenecks.

A **functional structure** divides the organization into departments based on the functions or tasks performed. For example, a manufacturing firm may be made up of a production department, sales department, and finance department.



Divisional Structure

A **divisional structure** is based on types of products or customers. For example, a major motion picture company might have multiple products—films for theatres, movies for television, and online, streaming products—each of which is represented by a separate division.

Product-Based Divisions

Each division handles a specific product line.

Accountability

Each division operates as a separate entity with its own goals.



Customer-Based Divisions

Divisions serve different customer segments.

Geographic Divisions

Divisions serve different regions or countries.

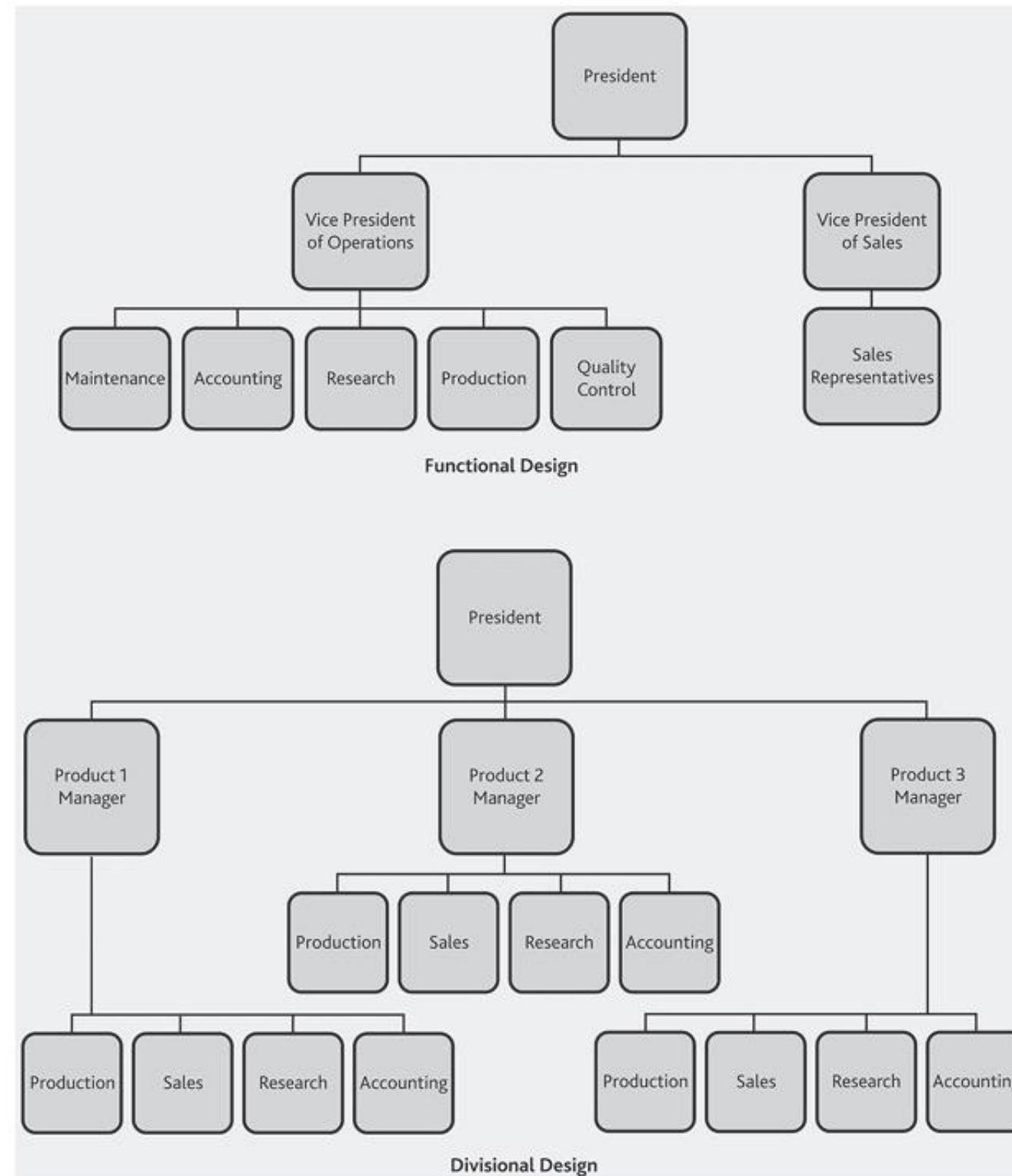
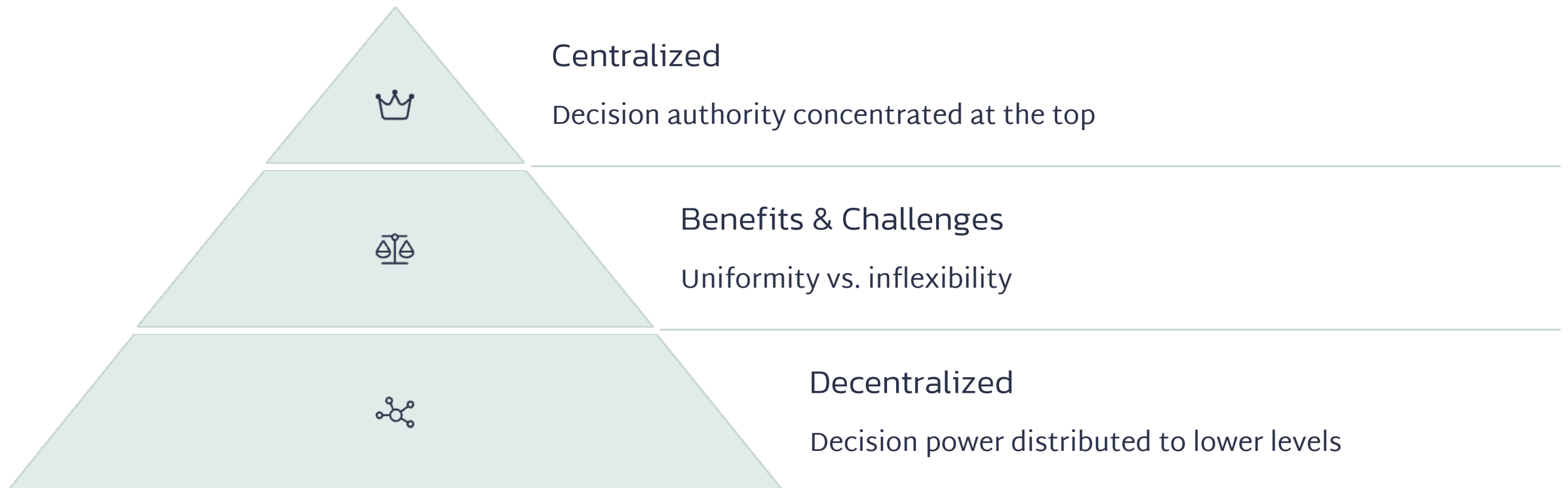


Figure 15.2 Functional and divisional organizational designs.

Centralized vs. Decentralized Decision Making



Traditional Organizational Structures

The Bureaucracy



Well-defined authority hierarchy
Clear chain of command



Formal rules and procedures
Standardized operations



Merit-based employment
Emphasis on qualifications

Bureaucracy: a traditional organizational structure typified by a well defined authority hierarchy and strict rules governing work behavior

Characteristics of Bureaucracy

Division of Labor	Specialized jobs with clear responsibilities
Authority Hierarchy	Clear chain of command from top to bottom
Formal Rules	Written procedures governing work behavior
Impersonality	Decisions made without personal favoritism
Merit-Based Decisions	Hiring and promotion based on qualifications
Written Records	Documentation of activities and decisions



Table 15.1 Six Characteristics of a Bureaucratic Organization

Specialization of labor—The complex goals or outputs of the organization are broken down into separate jobs with simple, routine, well-defined tasks. In this way, each person becomes a specialized expert at performing a certain task.

A well-defined authority hierarchy—Bureaucracies are characterized by a pyramid-type arrangement in which each lower position is controlled and supervised by the next higher level. Every position is under the direct supervision of someone higher up so that there is no confusion about who reports to whom (see Figure 15.3).

Formal rules and procedures—In a bureaucracy, there are strict rules and regulations to ensure uniformity and to regulate work behavior. Because of these extensive rules and procedures, there should never be any doubt about what a particular worker is supposed to be doing. Everyone's job is well defined, and procedures for coordinating activities with other workers should be clearly established.

Impersonality—In bureaucracies, behavior is based on logical rather than emotional thinking. This means that personal preferences and emotional factors do not have a place in any work-related decisions. For example, a true bureaucratic service organization would never give preferential treatment to one customer over another.

Employment decisions based on merit—Hiring and promotion decisions are based on who is best qualified for the job, rather than on the personal preferences of those making the personnel decisions. In a true bureaucracy, people who are effective workers should be the only ones advancing to higher-level positions.

Emphasis on written records—To ensure uniformity of action and fair and equitable treatment of employees, bureaucracies keep meticulous records of past decisions and actions. All behaviors occurring in the organization are recorded, which contributes to the image of bureaucrats as compulsive “paper-shufflers.”

Line–Staff Organizational Structure

Line Employees

Directly engaged in tasks that accomplish primary goals.

- Production workers
- Service providers
- Sales personnel

Staff Employees

Specialized positions designed to support the line.

- Human resources
- Accounting
- Legal department

Line–Staff Organizational Structure: a traditional organizational structure composed of one group of employees who achieve the goals of the organization (the line) and another group of employees who support the line (staff)

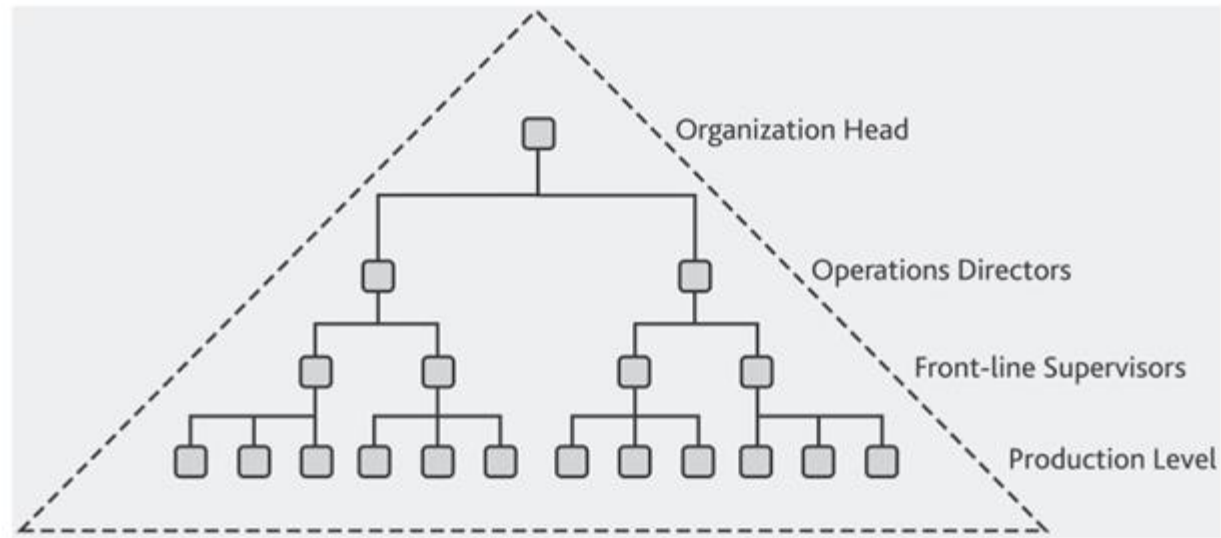


Figure 15.3 A bureaucratic organization is arranged like a pyramid, with decreasing authority levels leading down to the production line.

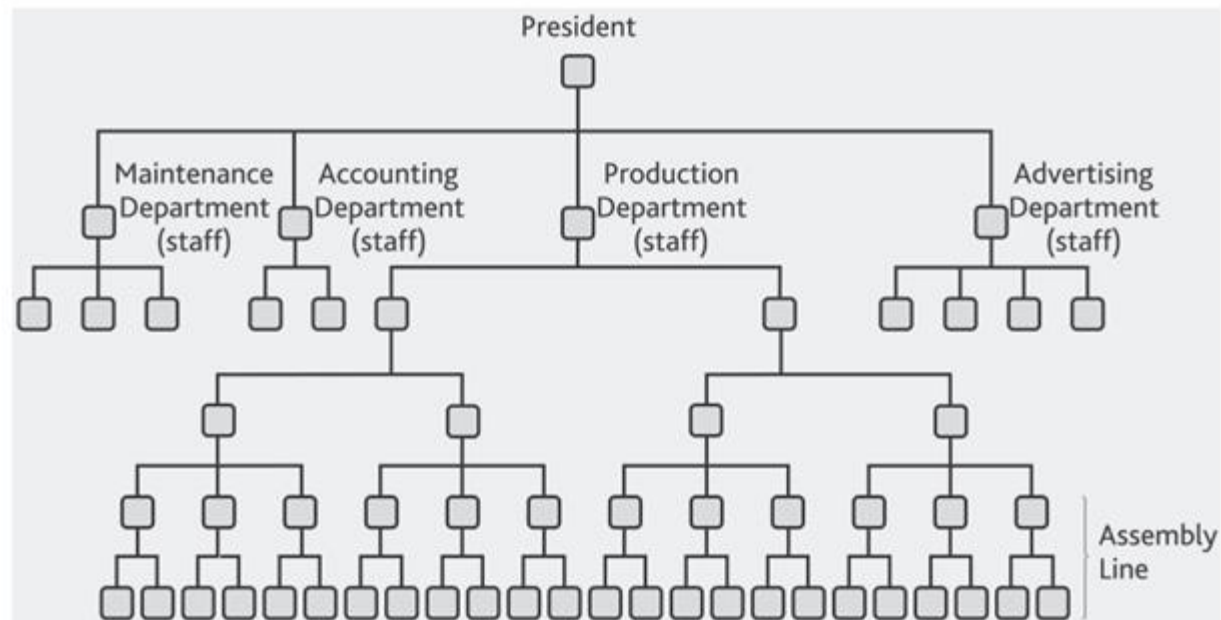
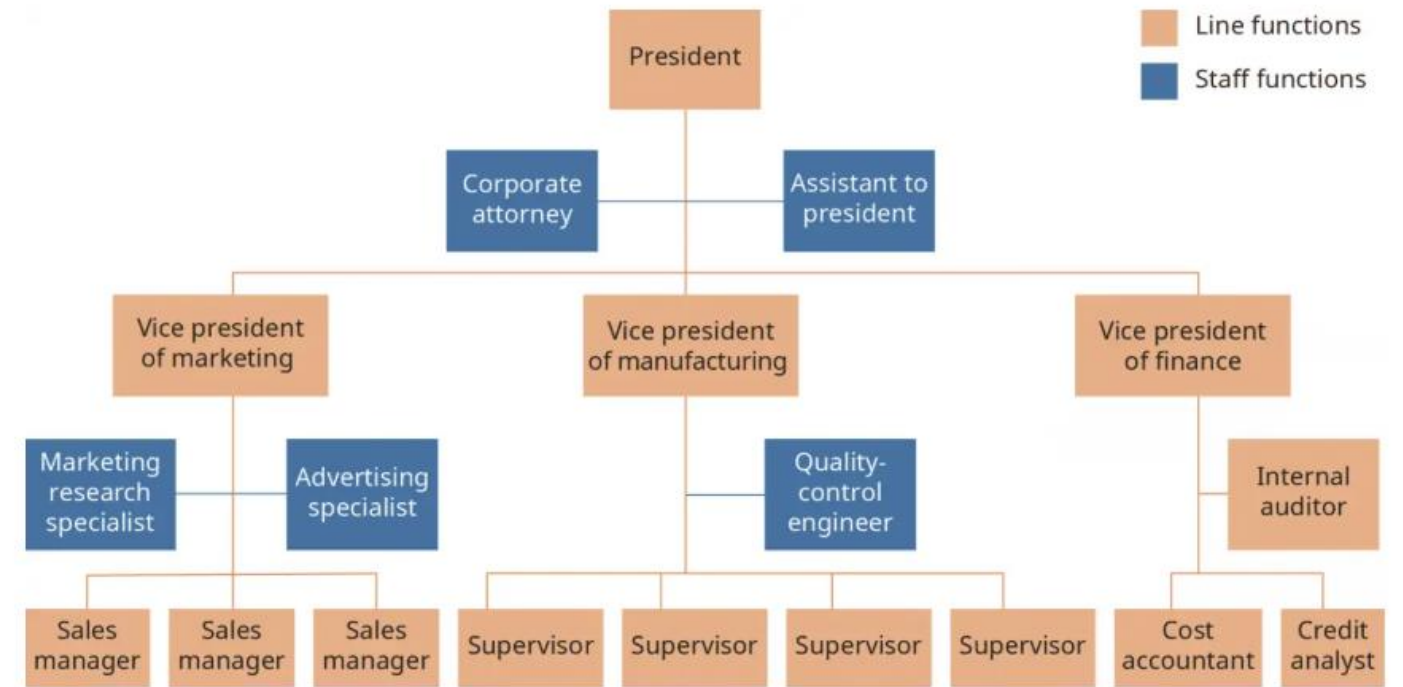


Figure 15.4 Line-staff organizational structure. In a manufacturing organization, the line is represented by production line workers. The staff consists of specialized positions or departments designed to support the line.



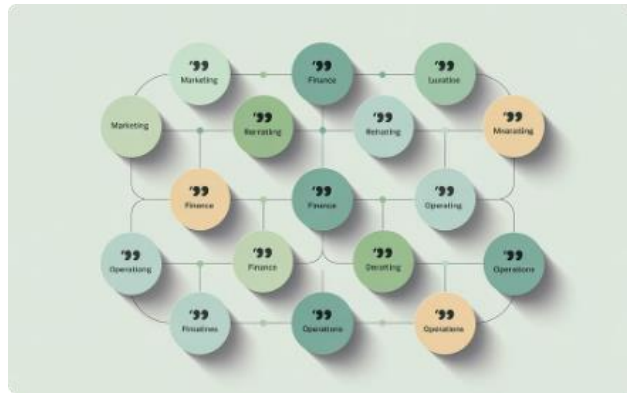
Line and staff organizational structure chart example | Image: OpenStax

Line: employees in an organization who are engaged directly in tasks that accomplish its goals

Staff: specialized employee positions designed to support the line

Non-traditional Organizational Structures

Matrix Organization: A Hybrid of Traditional and Non-traditional Organizational Designs



Dual Reporting Structure

Employees report to both functional and product managers simultaneously.



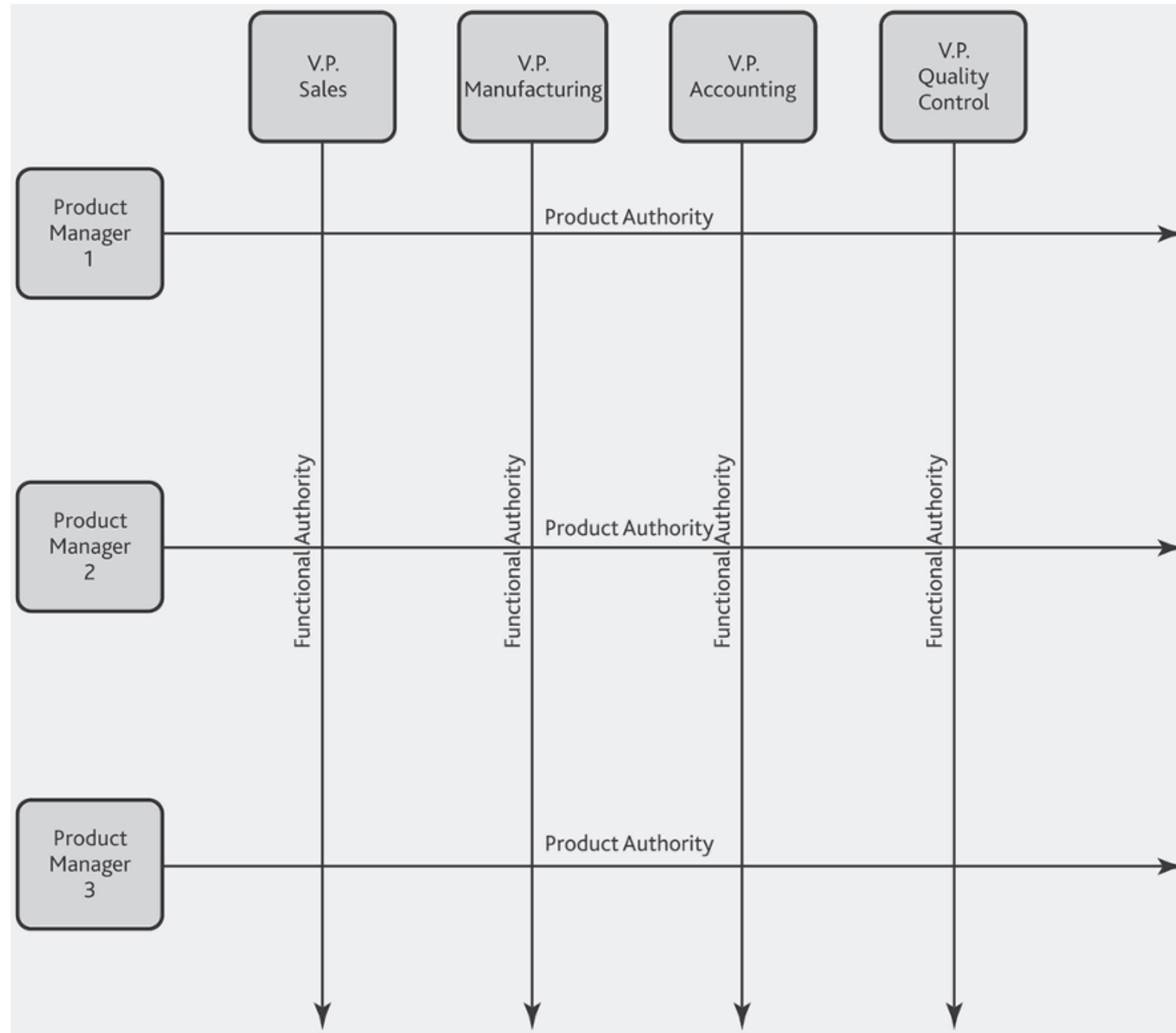
Team-Based Approach

Cross-functional teams work on specific products or projects.



Flexible Resource Allocation

Resources can be shifted between projects as priorities change.



Matrix Organization: an organizational design that blends functional and product structures

Figure 15.5 A matrix organization is a hybrid of functional and product designs.



Contingency Models of Structure

Many theorists argue that organizational structure should be addressed with contingency models. These models look at the interaction of characteristics of the organization and the setting in which the organization operates.

Woodward's Model

Organizational structure should match production technology type.

Small-batch (eg: specialized electronic components or construction equipment), mass production (eg: automobile assemblers), or continuous-process manufacturing (eg: chemicals or refining oil) require different structures.

Perrow's Model

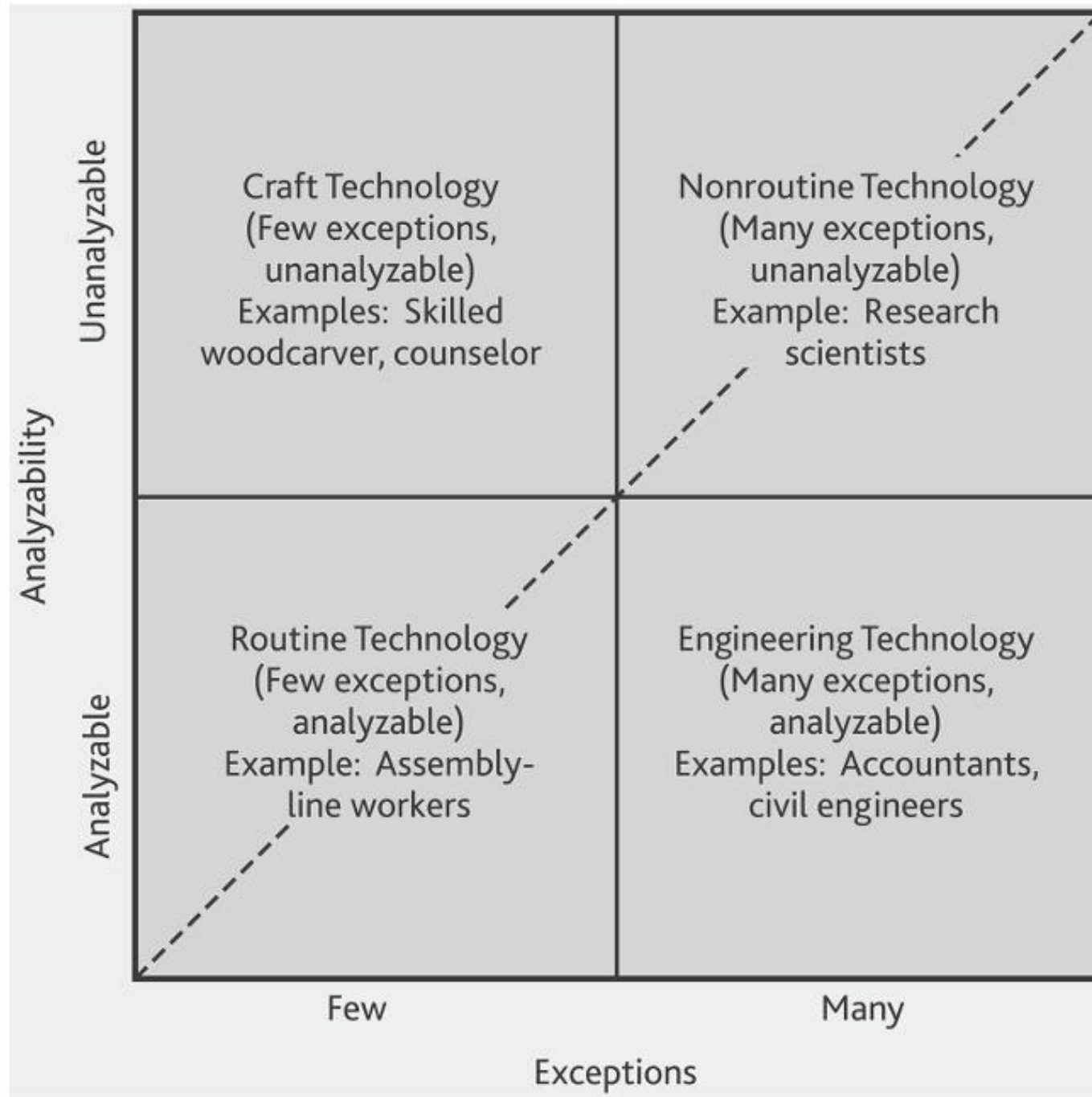
Structure depends on whether work is analyzable and has few or many exceptions.

Classifies technology as routine, engineering, craft, or nonroutine.

Best Fit Approach

No single structure works for all organizations.

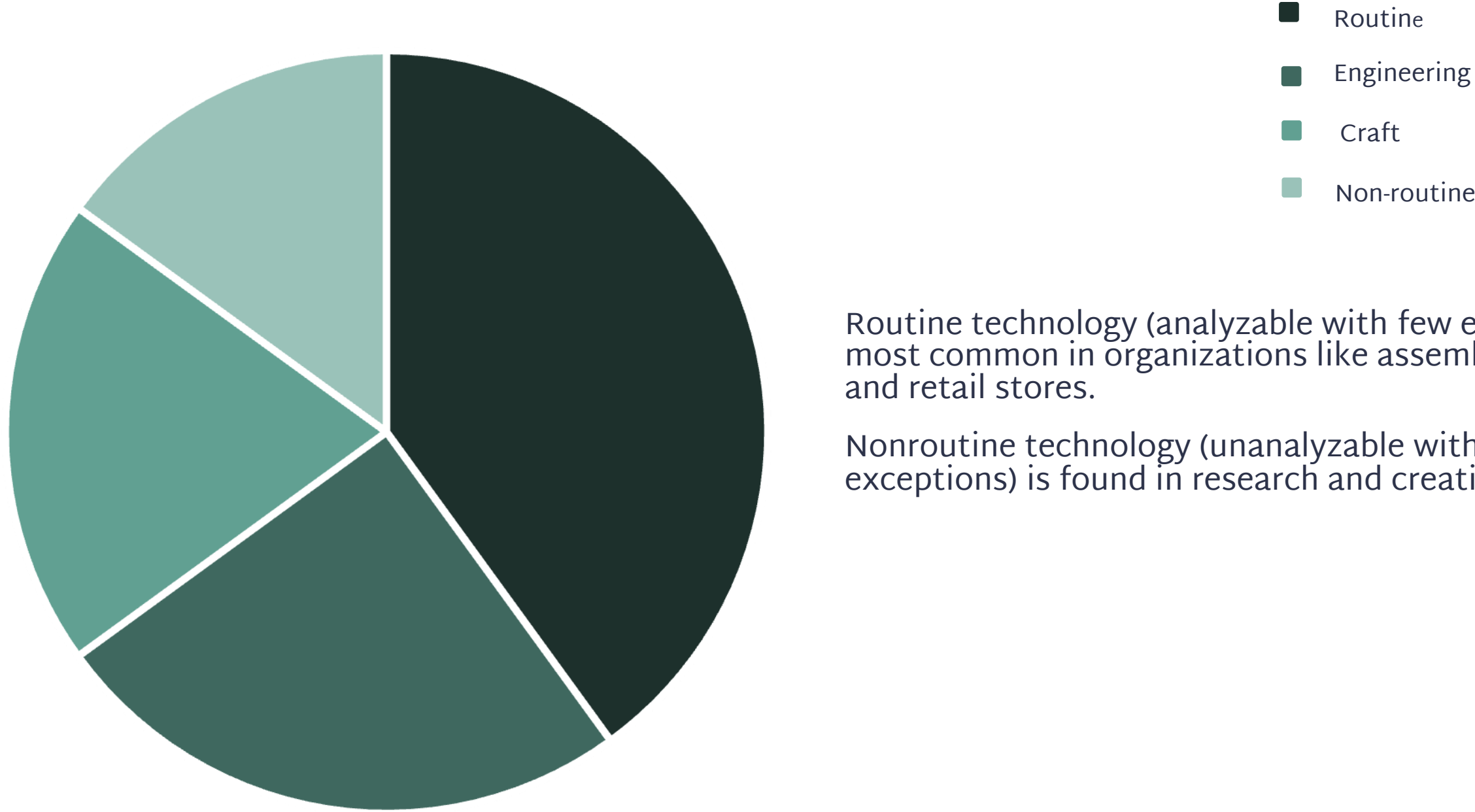
Structure should align with organization's goals, size, and environment.



The one obvious limitation to Woodward's structural contingency model is that it deals only with manufacturing organizations. A theory proposed by Perrow (1970) looked at the relationship between technology and structure in all types of organizations. Rather than focusing solely on production technology, Perrow examined what he called "information technology," which refers to all aspects of jobs, including the equipment and tools used, the decision-making procedures followed, and the information and expertise needed. Perrow classified work-related technology along two dimensions: whether the technology was analyzable or unanalyzable and whether the work contained few or many exceptional work situations requiring creative problem solving. Analyzable work refers to whether the technology can be broken down into simple, objective steps or procedures. Work with few exceptions is predictable and straightforward—presenting few novel problems. Work with many exceptions is "unanalyzable" and has unfamiliar problems turning up often in the work process.

Figure 15.6 Perrow's contingency model of organizational structure.

Perrow's Technology Classification



Routine technology (analyzable with few exceptions) is most common in organizations like assembly lines and retail stores.

Nonroutine technology (unanalyzable with many exceptions) is found in research and creative fields.

Key Takeaways



Organizations vary widely in structure, from traditional bureaucracies to flexible matrix designs.

No single structure works for all organizations - the best structure depends on goals, size, technology, and environment.

APPLYING I/O PSYCHOLOGY

The Role of Organizational Structure in Computer-Aided Manufacturing

Since the 1980s, there have been profound advances made in manufacturing technology. The greatest impact has been in the area of computer-aided manufacturing (CAM). More and more, product manufacturing is being controlled and monitored by sophisticated computer systems (Cecil, 2001). The changeover to CAM has led to significant organizational restructuring for the purposes of adapting and better integrating state-of-the-art production techniques (Shaiken, 1984).

In a study of nearly 200 U.S. metal-working factories, the impact of CAM technology on organizational structure was explored (Dean Jr et al., 1992). Of particular concern was how CAM affected the decentralization of decision making and the formalization of rules in the organizations. It was found that the use of CAM technology led to increased decentralization, as production

workers took on greater responsibility for making important work-related decisions. A great deal of the increased decision making being done by lower-level workers was related to the increased flexibility offered by CAM technology. Specifically, it was found that the computers could be more quickly and easily reprogrammed by lower-level personnel rather than going through the time-consuming process of going up the chain of command to make reprogramming decisions. Yet, with this increase in decentralization came an increase in the development of rules governing production-related decisions in the factories. The greater decision making of production workers seemed to increase the adoption of specific rules to govern the computer-related decisions they were now shouldered with.

Understanding Organizational Culture

Organizational culture shapes how companies operate. It's the shared values, beliefs, and behaviors within an organization.

Think of it as the company's personality. Two similar companies can feel completely different due to their cultures.

Organizational Culture: the shared values, beliefs, assumptions, and patterns of behavior within an organization.





What Creates Organizational Culture?



Organizational History

Experiences of what "works" and "doesn't work" form assumptions and norms.



Shared Values

Common norms, values, and goals contribute significantly to culture.



Stories and Myths

Tales told within the organization communicate and shape culture.



Founder Influence

Personalities of founders and early leaders impact culture, as with HP, Kellogg's and Walmart.

Strong vs. Weak Cultures

Strong Cultures

Organizations with dominant, influential cultures benefit service companies especially.

Example: Starbucks focuses on customer service and social responsibility.

Strong cultures help customers understand what the company "stands for."



Benefits of Strong Culture

Creates mutual trust and cooperation among members.

Encourages greater information sharing.

Leads to improved company performance.

Helps recruit better job applicants.



Culture's Impact on Organizations



Employee Selection

Companies assess if candidates "fit" with organizational values during hiring.



Training and Socialization

New employee training conveys cultural elements to newcomers.



Behavior Guide

Culture naturally guides behavior within the organization.



Resistance to Change

Strong cultures can resist innovation and necessary changes.



Culture and Business Outcomes

Growth and Innovation

Organizations with cultural values of flexibility, openness, and responsiveness are more likely to grow and innovate.

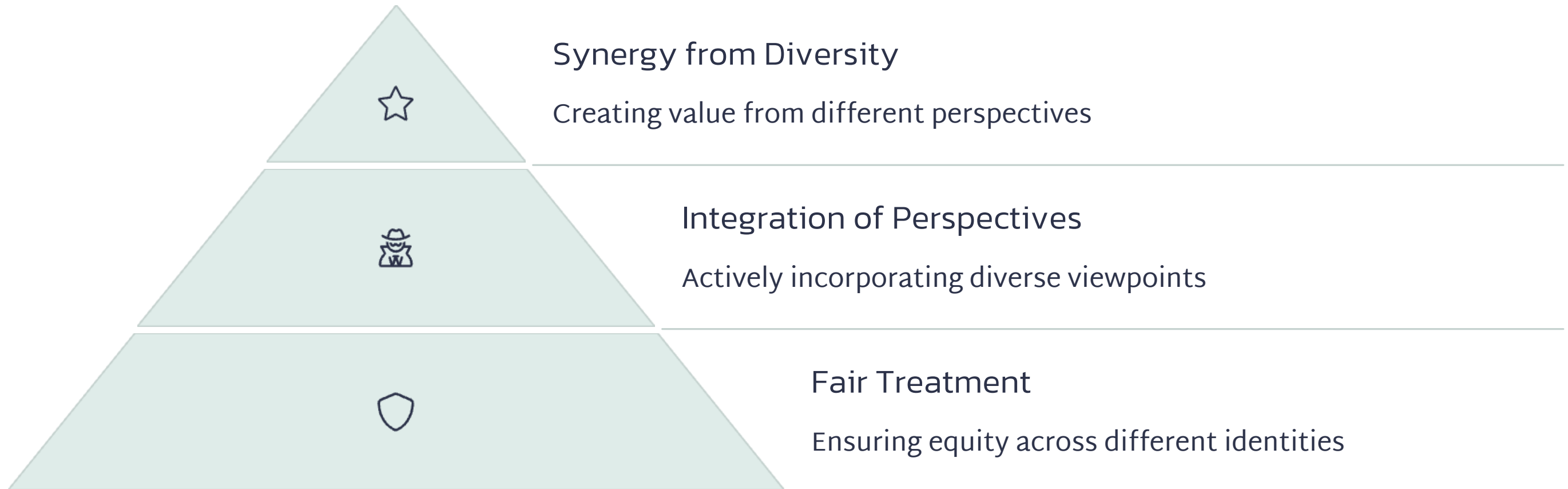
Productivity and Profit

Organizations valuing consistency and adherence to mission tend to be more productive and profitable.

Diversity and Inclusion

Cultures supporting diversity create positive work attitudes, better performance, and lower turnover.

Inclusive Organizational Cultures



Inclusive climates go beyond preventing negative treatment. They actively create synergies from different perspectives and identities. Leaders and peers both influence perceptions of whether a culture supports diversity.

Societal Influences on Organizational Culture

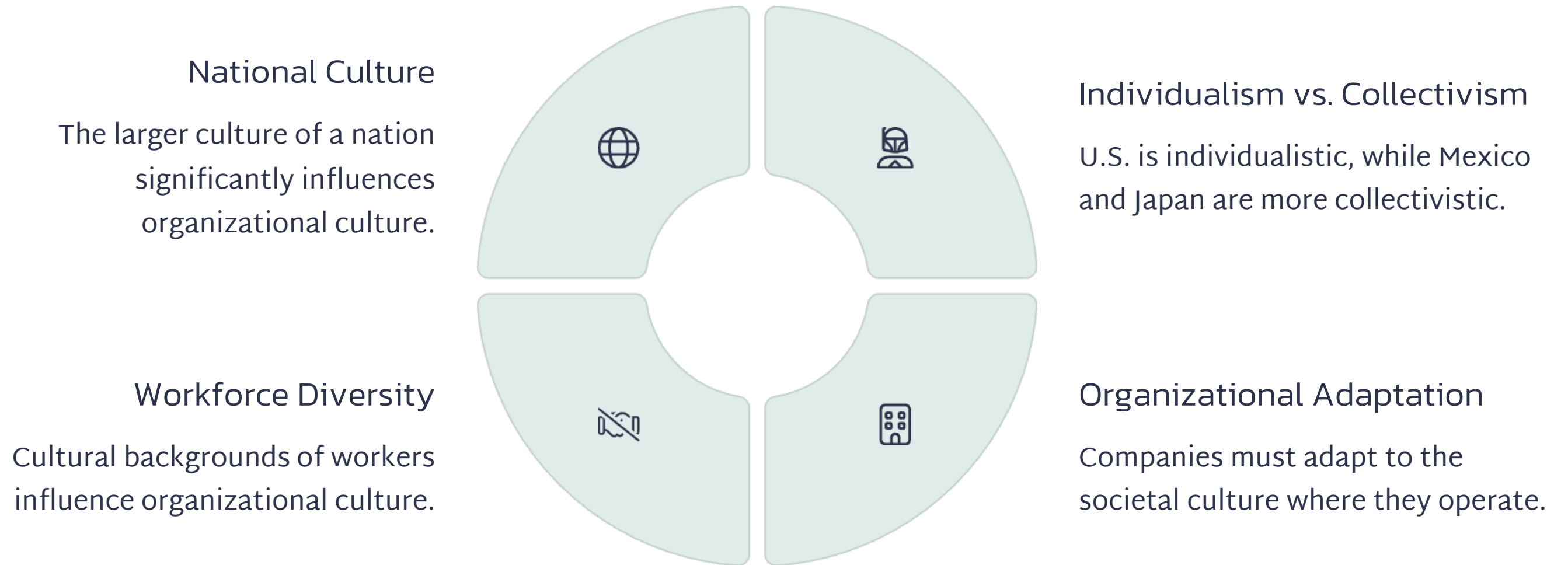


Table 15.2 Five Dimensions of Societal/National Culture

Individualism versus collectivism—Concerned with the extent to which individual interests and goals are emphasized versus a focus on the larger group, or collective

Power distance—Deals with the extent to which members of the culture accept and expect that there are differences in the way that power is distributed unequally among members

Masculinity versus femininity—Represents the extent to which members of the culture value traits and practices that are stereotypically “masculine,” such as assertiveness and competitiveness, or stereotypically “feminine,” such as caring for others and being modest in presentation of accomplishments

Uncertainty avoidance—Concerns the extent to which members of the culture avoid or tolerate uncertainty and ambiguity

Long-term versus short-term orientation—This dimension concerns whether members of the culture emphasize long-term orientations, such as perseverance and working hard today for future payoffs, versus short-term fulfillment of immediate needs

Source: Based on Hofstede (1980, 1997).



Measuring Organizational Culture



Cultural Artifacts

Symbols, stories, and rituals that carry meaning for members.



Diversity Measures

Tools to assess fair treatment regardless of identity.



Organizational Culture Profile

Sorts value statements into categories for a descriptive profile.



Organizational Practices Scale

Measures dimensions like process vs. results orientation.

Why Organizations Need to Change



External Adaptation

Companies must adapt to changing markets and technology



Workforce Evolution

New generations bring different skills and expectations



Operational Efficiency

Organizations must produce more with fewer resources

Organizations that fail to change often cease to exist. Kodak and Blockbuster couldn't adapt to new technologies and consumer preferences. Change is critical to survival.

Organizational Development (OD)

Diagnosis

Identify significant organizational problems through data collection.

Intervention Selection

Choose appropriate techniques to address identified problems.

Implementation

Apply the selected OD techniques within the organization.

Evaluation

Assess the results and effectiveness of the interventions.



The Change Agent's Role (Change agent: name for an OD practitioner, referring to the person's role as a catalyst who helps organizations through the process of change)



Guide, Not Problem-Solver

The change agent coaches the organization in developing problem-solving strategies rather than solving problems directly.



Behavioral Scientist

Often an I/O psychologist expert at diagnosing problems and handling sensitive situations.



Educator

Trains the organization to implement strategies for coping with future problems.

Action Research Model



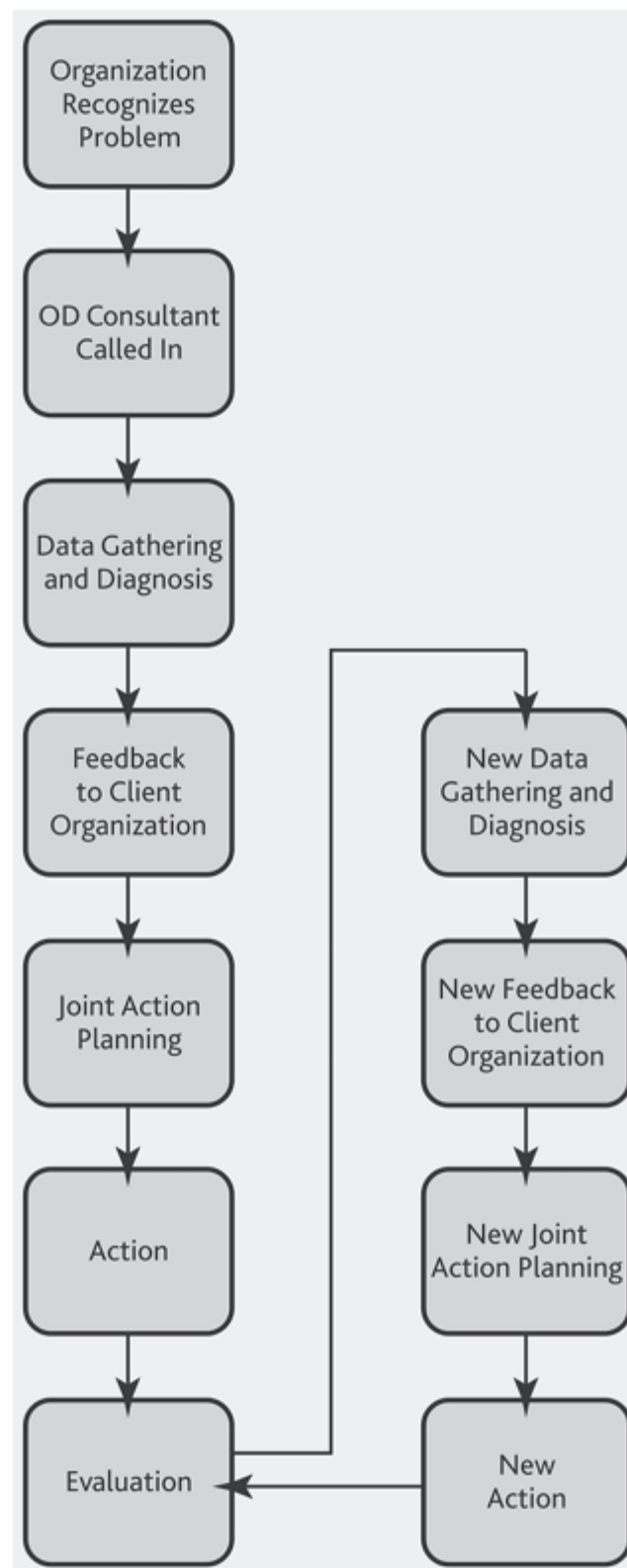


Figure 15.9 Steps in the action research process.

One popular OD model is **action research**, which is the process of **applying social science research methods to collect relevant data** within the organization to study the organization and to help it understand and solve its problems. The application-oriented goal of action research means that it is somewhat **different than the traditional hypothesis-testing research**.

Popular OD Techniques



Survey Feedback

Using employee surveys to identify problems and plan changes.



T-Groups (Sensitivity training)

Unstructured group interaction to gain insight into behavior patterns.



Process Consultation

Consultant helps organization learn to solve its own problems.



Management by Objectives (MBO)

A goal-setting OD technique in which supervisors and subordinates jointly set performance goals; at the end of the goal period, their attainment is evaluated, and new goals are set.

- ***Employees must participate in setting personal performance goals.*** A potential weakness of MBO goal setting, however, is that workers may take advantage of the freedom they are afforded and set goals that are much too easy and do not represent a motivating challenge. Alternatively, if the supervisor too strongly influences the setting of goals, MBO may not be effective because employees may feel that they have no real voice in the goal-setting process.
- ***Feedback concerning goal attainment must be provided.*** As in any performance appraisal system, the strength of the appraisal depends on the ability to assess performance objectively. Objective measurement of goal attainment must take place, and this information must be presented to the employees.
- ***Guidelines for improvement must be provided.*** In the case of the failure to reach goals, supervisors should provide suggestions for improving work performance. Otherwise, employees may become frustrated and unmotivated by their inability to achieve set goals.
- ***Goals must be realistic.*** They must be neither too high nor too low. If goals are unrealistically high, the workers will be frustrated. If they are too low, the employees are not challenged.
- ***The upper levels of the organization must support the program.*** Because MBO is a time-consuming process for supervisors, their efforts must be recognized. The best way to do this is to include effective participation in the MBO program as part of the supervisors' own performance goals.
- ***Individual, work group, and organizational goals must be equally emphasized.*** If jobs involve cooperation with other employees (and most jobs do), over-emphasis on individual goals may inhibit the group's ability to work together. Thus, workers must be oriented toward achieving not only their own goals but also those of the group and the organization as a whole.

Quality-Focused OD Approaches

- 1 — Quality Circles
Small volunteer groups identify and solve quality problems.
- Total Quality Management
Continuous improvement work processes across the organization.
- Six Sigma
Quality improvement process popularized by GE's CEO Jack Welch.

Success of quality programs requires fundamental changes in organizational culture. Workers must commit to improving output quality to compete in the global market.



ON THE CUTTING EDGE

Fast-Paced and Agile Organizations for the New Millennium

In the ultra-fast modern era, organizations can be created almost overnight and burst into the marketplace with some revolutionary product or service. Think of the startups of the last two decades—Lyft, Airbnb, Slack, Snapchat—companies that burst on the scene and have become household names. Or think of the older, cutting-edge companies—Google/Alphabet, Apple, Facebook, Tesla—that continue to change, adapt, and create new products and services. These fast-paced companies are teaching us a lot about the value of adaptable and organic organizational structures.

One structure or methodology that is gaining notice is what is called *agile management* (or “agile process management”), and it involves project teams that forgo much of the structure and processes that slow down

more traditionally structured teams in order to change and adapt quickly. Originally developed for computer software development, the idea is for these teams to try out new ideas and “fail quickly.” In other words, new ideas or products are entertained and explored, but, if they do not look promising, the team moves on to another idea. Some of the cornerstones of agile management are ongoing communication in the team, a lack of authority hierarchies (the teams are self-organized, often without a leader), organic and flexible processes, and lots of collaboration. The result is a fast-paced, extremely flexible organizational structure that leads to innovation and highly productive teams (Pirola-Merlo, 2010).