3 Company structure

Aims

○ Consider the different ways of organizing work
○ Discuss potential conflicts between different departments in a company
○ Compare the differences between large and small companies

Lead-in

- Which department – production, finance, accounting, marketing, sales, human resources, etc. – of an organization do you think is the most interesting to work in?
- What reasons can you think of for why departments get into conflict with each other?
- Is it better to have one immediate boss or to work for more than one manager?
- Do you prefer to work alone or in a team?
- Is it more motivating to be responsible to someone for your work, or responsible for people who report to you?

Reading: Wikinomics and the future of companies

Read the text below and answer this question.

- How is the world of organized work changing?

Experts are forecasting that in the future companies will use the Internet and the 'wikinomics' principle (from wiki, the Hawaiian word for 'quick', and economics). This means collaborating with people outside the traditional corporate structure, letting people around the world cooperate to improve an operation or solve a problem, and paying them for their ideas. This is an extension of the trend of outsourcing: transferring some of the company's internal functions or operations or jobs to outside suppliers, rather than performing them 'in-house'. In other words, companies will no longer need to get all their knowledge from their own full-time employees.

Here are two examples from Don Tapscott and Anthony D. Williams' book *Wikinomics: How Mass Collaboration Changes Everything*:

'The number one must read of 2007...
This is a breathtaking piece of work.'
Tom Peters, author of *In Search of Excellence*

Wikinomics
The International Bestseller

HOW MASS COLLABORATION CHANGES EVERYTHING

Don Tapscott and Anthony D. Williams

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Red Lake, a Canadian gold mine, wasn't finding enough gold and was in danger of closing down. Then its chief executive heard a talk about Linus Torvalds, the inventor of Linux, the open-source computer operating system. He decided to put the company's secret geological data on the Internet, and offered prize money to experts outside the company who could suggest where undiscovered gold might lie. People around the world recommended 110 targets, and 80% of them turned out to contain gold. The company's value has risen from $100 m to $9 bn.

If Procter & Gamble is looking for a new molecule to clean red wine off a shirt, it can use its own scientists. But there are 1.5 million other scientists around the world. The company can offer a payment for a successful solution, and see if a scientist somewhere comes up with one.

- In what ways could your organization, company or business school use the wikinomics principle?
- What do you think are the disadvantages of the wikinomics principle?
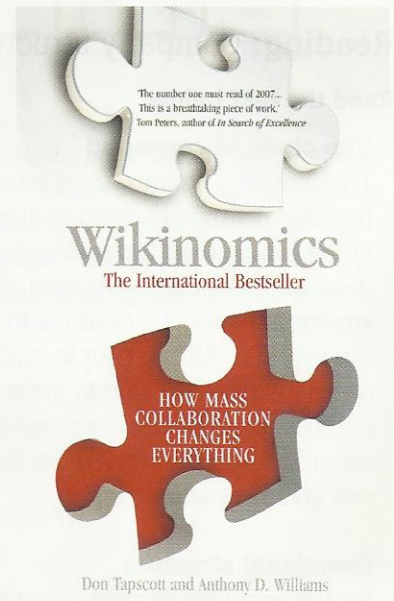
Vocabulary

Before reading about traditional company organization, check your understanding of some basic terms by matching up the following words and definitions.

| autonomous	to delegate	function	hierarchy or chain of command
line authority	to report to		

1 _____ a system of authority with different levels, one above the other, e.g. a series of management positions, whose holders can make decisions, or give orders and instructions

2 _____ a specific activity in a company, e.g. production, marketing, finance

3 _____ independent, able to take decisions without consulting someone at the same level or higher in the chain of command

4 _____ the power to give instructions to people at the level below in the chain of command

5 _____ to be responsible to someone and to take instructions from them

6 _____ to give someone else responsibility for doing something instead of you

Reading: Company structure

Read the text below.

The chain of command

Traditionally, organizations have had a hierarchical or pyramidal structure, with one person or a group of people at the top, and an increasing number of people below them at each successive level. This is sometimes called line structure. There is a clear chain of command running down the pyramid. All the people in the organization know what decisions they are able to make, who their line manager (or boss) is (to whom they report), and who their immediate subordinates are (over whom they have line authority, and can give instructions to).
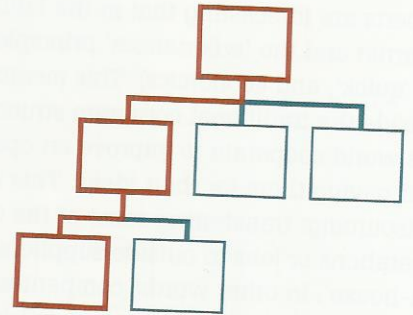
Functional structure

Yet the activities of most organizations are too complicated to be organized in a single hierarchy. Most large manufacturing companies, for example, have a functional structure, including, among others, specialized production, finance, marketing, sales, and human resources departments. This means, for instance, that the production and marketing departments cannot take financial decisions without consulting the finance department. Large organizations making a range of products are often further divided into separate operating divisions.

A disadvantage of functional organization is that people are often more concerned with the success of their own department than that of the company as a whole, so there are permanent conflicts between, say, finance and marketing or marketing and production over what the objectives are.
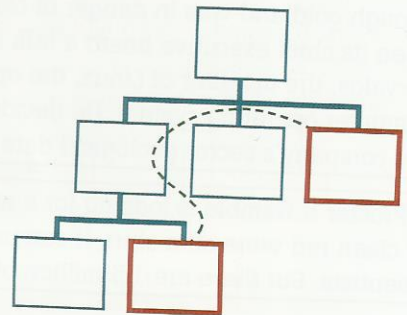
Flattening hierarchies and delegating responsibility

A problem with very hierarchical organizations is that people at lower levels can't take important decisions, but have to pass on responsibility to their boss. However, the modern tendency is to reduce the chain of command, take out layers of management, and make the organization much flatter. Advanced IT systems have reduced the need for administrative staff and enabled companies to remove layers of workers from the structure. Many companies have also been forced to cut back and eliminate jobs in recessions. Typically, the owners of small firms want to keep as much control over their business as possible, whereas managers in larger businesses who want to motivate their staff often delegate decision making and responsibilities to other people.

Matrix management

Another way to get round hierarchies is to use matrix management, in which people report to more than one superior. For example, a product manager with an idea could deal directly with the managers responsible for a certain market

segment and for a geographical region, as well as managers in the finance, sales and production departments. Matrices involving several departments can become quite complex, so it is sometimes necessary to give one department priority in decision making.
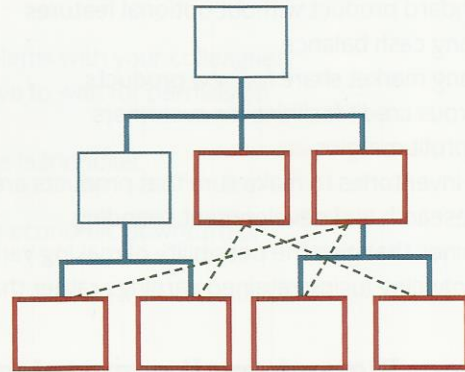
Teams

A further possibility is to have wholly autonomous, temporary groups or teams that are responsible for an entire project, and are split up as soon as it is successfully completed. But teams are not always very good at decision making, and usually require a strong leader.

Comprehension

1 What is the main advantage of a chain of command?
2 Why is it not usually possible to organize a large organization in a single hierarchy?
3 In what ways can dividing a business functionally cause problems?
4 What factors might lead companies to flatten their hierarchies?
5 According to the text, what kind of managers might not want to delegate decision making?
6 What is the potential disadvantage of matrix management systems?
7 Under what circumstances might teams not be effective?

Vocabulary

Match up the verbs and nouns below to make common word combinations.

|	
delegate	decision making
give	decisions
make	instructions
motivate	priority
take	responsibilities
	staff

Discussion: Incompatible goals

The text mentions the often incompatible goals of the finance, marketing and production (or operations) departments. Classify the following strategies according to which department would probably favour them.

1 a factory working at full capacity
2 a large advertising budget
3 a large sales force earning high commission
4 a standard product without optional features
5 a strong cash balance
6 a strong market share for new products
7 generous credit facilities for customers
8 high profit margins
9 large inventories to make sure that products are available
10 low research and development spending
11 machines that give the possibility of making various different products
12 self-financing (using retained earnings rather than borrowing)

Listening: Big and small companies ▶1.6

Listen to three MBA students at the Judge Business School talking about different-sized companies, and answer the questions.
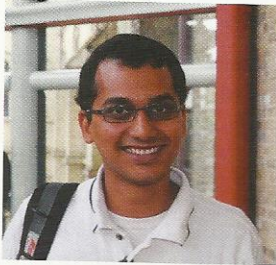
Krishna Srinivasan (from Malaysia)

Carlo de Stefanis (from Italy)

Olga Babakina (from Russia)

1 Why does Krishna say that company size isn't important? What does he say is important?
2 Why does Carlo recommend university graduates to start in big companies?
3 What does Carlo say are the differences between big and small companies?
4 What does Olga say is more important than company size?
5 What does Olga say about big companies?

Discussion: Big and small companies

- How far do you share Krishna and Olga's points of view, and agree with Carlo's advice?
- What other benefits of working in a large company can you think of?
- What other reasons might make someone prefer to work in a small company?

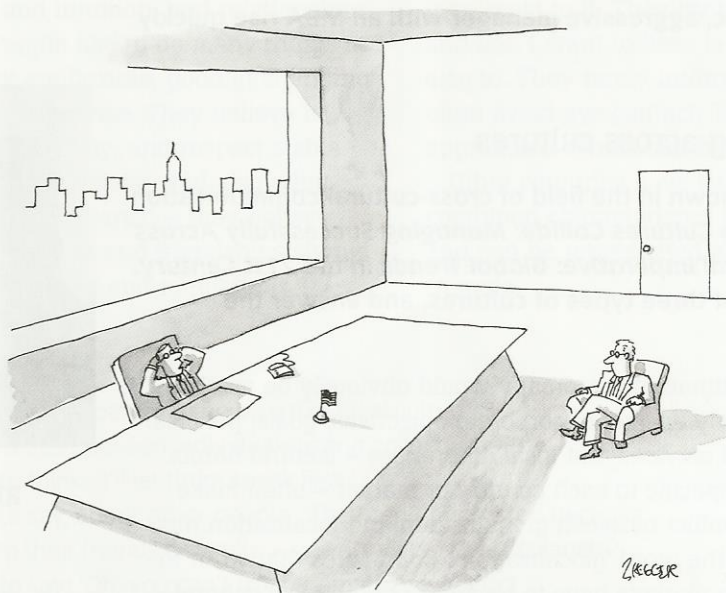- Do the following statements refer to the advantages of working in a big or a small company?

  1 You are less likely to be affected by a big reorganization or downsizing or merger or takeover.
  2 You are often responsible for a variety of different tasks.
  3 You can actually see the result of your contribution to the firm.
  4 You can be proud of working for a company with a national or international reputation.
  5 You can become more specialized in your work.
  6 You can probably change departments if you have problems with your colleagues.
  7 You have more independence, and you don't always have to wait for permission from a superior.
  8 You know everyone in the company and the atmosphere is friendlier.
  9 You may be able to go and work in a foreign subsidiary.
  10 Your company will probably be in a better position in an economic downturn or recession.

Presentation

Write notes for a short presentation on your company or a company you would like to work for. You should mention:

- what it does:
  It designs / makes / provides / distributes / sells / offers / organizes / invests in, etc.
- where it is located:
  It has offices / branches / subsidiaries / factories / stores, etc. in …
- how it is structured and whether this a reason for its success:
  It consists of / includes / is divided into / is organized in, etc.
- why you want to work for this company.

Then give a short presentation to the class.

"I do my part."

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