



YOUR GUIDE TO

ORGANIZATION DESIGN

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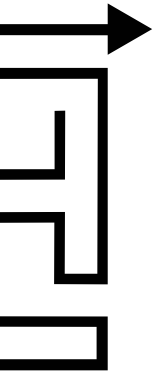


**WHAT IS AN
ORGANIZATION**

WHAT IS AN ORGANIZATION

Organizations are

- (1) social entities that
- (2) are goal-directed,
- (3) are designed as deliberately structured and coordinated activity systems
- (4) are linked to the external environment





ORGANIZATIONAL ENVIRONMENT

set of forces and conditions

beyond an organization's boundaries

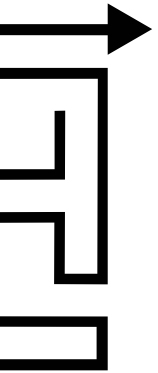
that affect its ability to acquire and use

resources to create value

ORGANIZATIONAL EFFECTIVENESS

An organization is effective if it can

- **Control** - secure scarce and valued skills and resources from outside the organization (external resource approach);
- **Innovate** - coordinate resources with employee skills creatively to innovate products and adapt to changing customer needs (internal systems approach);
- **Be efficient** - convert skills and resources efficiently into finished goods and services (technical approach).



DIGITAL TECHNOLOGIES

Can influence the way an organization achieve effectiveness

- Worldwide access to skills
- Co-creation of innovation
- Exploiting data through analytics

Which approach to effectiveness are these examples referring to?



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**ORGANIZATIONAL
STAKEHOLDERS**

ORGANIZATIONAL STAKEHOLDER

Anyone having an interest, claim, or stake in an organization, in what it does, and in how well it performs

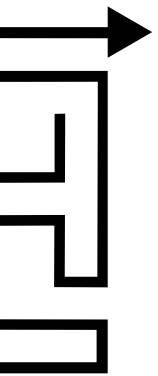


ORGANIZATIONAL STAKEHOLDERS

Internal: shareholders, managers, workforce

External: customers, suppliers, distributors, partners, government, unions, community

Each stakeholder contributes to the organization and receives an inducement to contribute





COMPETING INTERESTS

BETWEEN STAKEHOLDERS

MAY LEAD TO

ETHICAL DILEMMAS

☐ NEED TO DESIGN AN ETHICAL ORGANIZATION

03



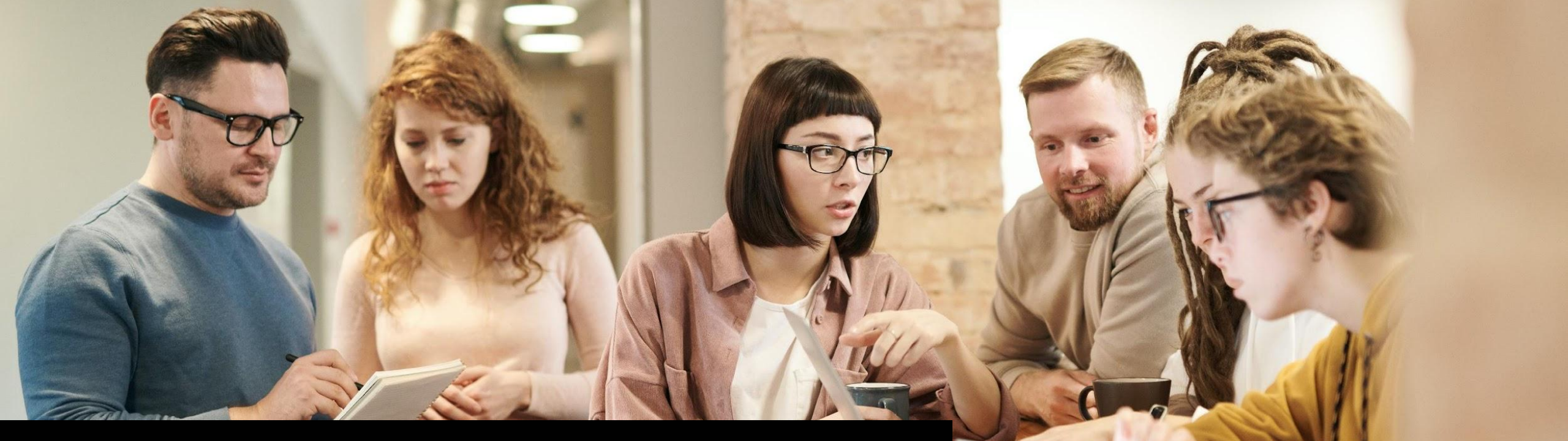
HORIZONTAL AND VERTICAL DIFFERENTIATION

A photograph showing several people's hands stacked together in a circle on a wooden table. In the background, there are business charts and documents. A semi-transparent logo is visible in the bottom left corner of the image area.

HORIZONTAL DIFFERENTIATION

Horizontal differentiation refers to the way an organization groups organizational tasks into roles and roles into subunits

Organizational role is the set of task-related behaviors required of a person by his or her position in an organization



HORIZONTAL DIFFERENTIATION

There are two main types of subunits:

A **function** is composed of a group of people who possess similar skills or use the same kind of knowledge, tools, or techniques to perform their jobs

A **division** consists of a collection of functions that share responsibility for producing a particular good or service

A network diagram on a white surface with various colored pushpins (red, yellow, green, blue, purple, black) connected by thin lines, representing an organizational structure. The pushpins are arranged in a non-linear fashion, with some having multiple connections to other pushpins, illustrating a complex reporting structure.

VERTICAL DIFFERENTIATION

refers to the way an organization designs its hierarchy of authority and creates reporting relationships to link organizational roles and subunits

04



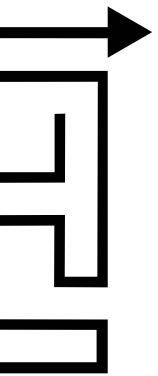
COORDINATION MECHANISMS

COORDINATION MECHANISMS

Authority

Centralized The authority to make important decision is retained by top managers

Decentralized The authority to make important decision is delegated to managers at all levels of the hierarchy



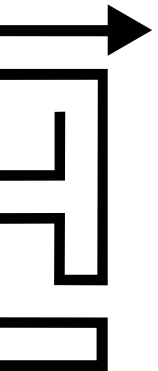
COORDINATION MECHANISMS

Standardization

Standardization Conformity to specific models/standards/rules

Mutual adjustment The evolving process through which people use their current best judgment of events rather than standardized rules to address problems, guide decision making, and promote coordination

The right balance makes many actions predictable, yet it gives employees the freedom to behave flexibly so they can respond to changes



COORDINATION MECHANISMS

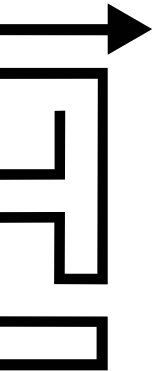
Relation-based

Direct contact Managers meet to coordinate activities

Task force Managers create temporary committees across subunits to handle a specific problem

Integrating role A new managerial role is established to coordinate the activities of two or more subunits

Relation-based mechanisms can vary in power and costs



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**ORGANIZATIONAL
STRUCTURE**

ORGANIZATIONAL STRUCTURE

Is the formal system of tasks and authority relationships that shapes how people cooperate and use resources to achieve the organizational goal





ORGANIZATIONAL STRUCTURE

Different types of organizational structures:

- Entrepreneurial
- Functional
- Divisional
- Matrix

ENTREPRENEURIAL STRUCTURE

The entrepreneur has maximum authority, directly controls employees and external stakeholders, there are no intermediate hierarchical levels



FUNCTIONAL STRUCTURE

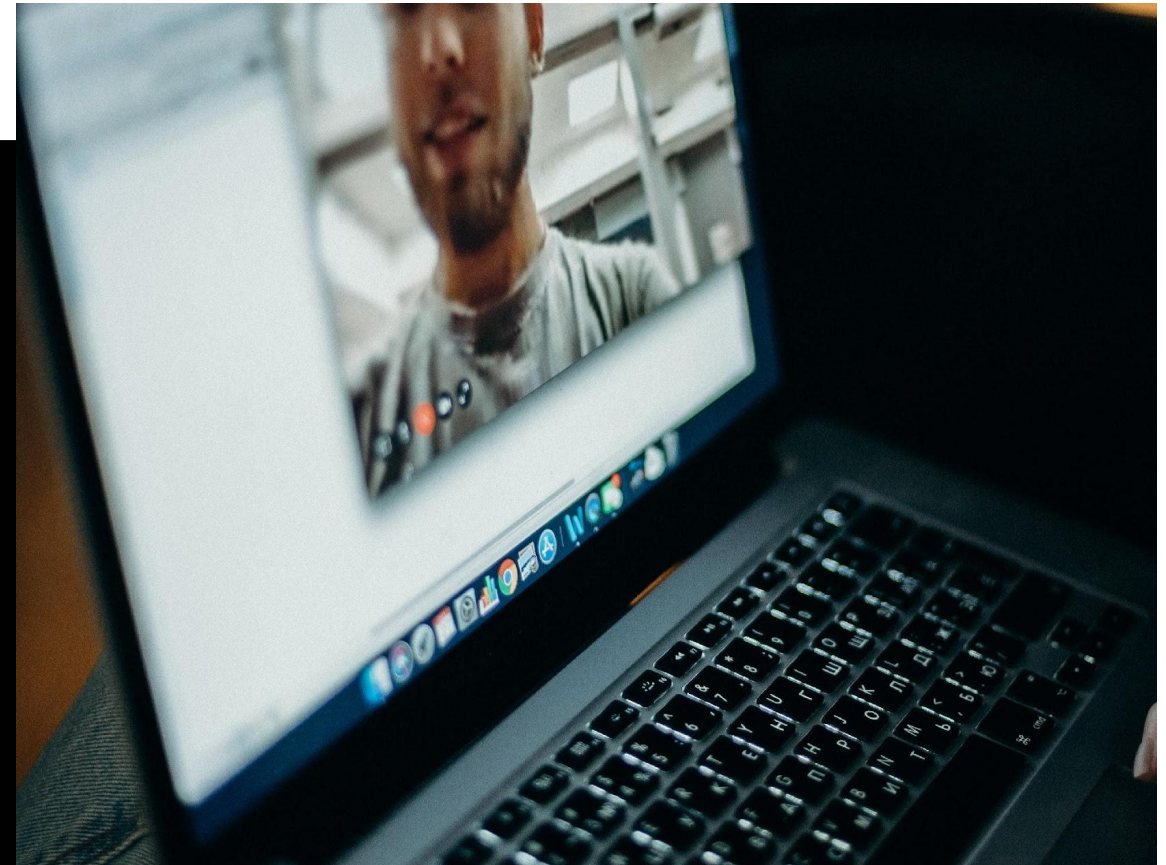
Groups people into functions because they share common skills and expertise and make use of the same resources



DIVISIONAL STRUCTURE

Groups people according to the type of product, customer or geographical area they focus on

Divisions are relatively autonomous and thus more market responsive



MATRIX STRUCTURE

Groups people and resources in two ways simultaneously (e.g., by function and by product)

It is useful to manage complex businesses where more than one dimension is strategically relevant



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**ORGANIZATIONAL
CULTURE**

ORGANIZATIONAL CULTURE

The set of shared values and norms that shape and control organizational members' interactions with each other and with people outside the organization





ORGANIZATIONAL CULTURE

Consists of the end states that the organization seeks to achieve (terminal values) and the modes of behavior the organization encourages (instrumental values)



ORGANIZATIONAL CULTURE

The cultural values of an organization are evident in the stories, ceremonies, language and artifacts in the organization.

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