

# 6. Adapting Organizations to Today's Markets

**Dr. Péter POPOVICS PhD.**

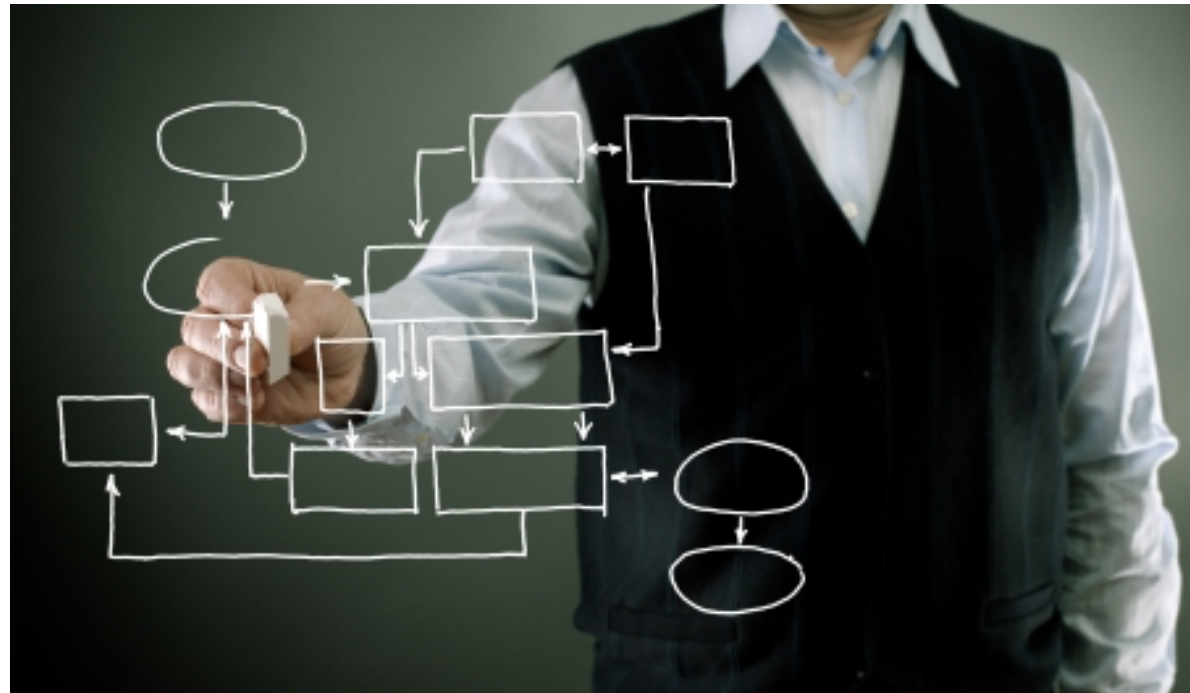
*Assistant professor, coach*

*Dept. Enterprise Development*

*Team Academy Debrecen*

# Outline of the chapter

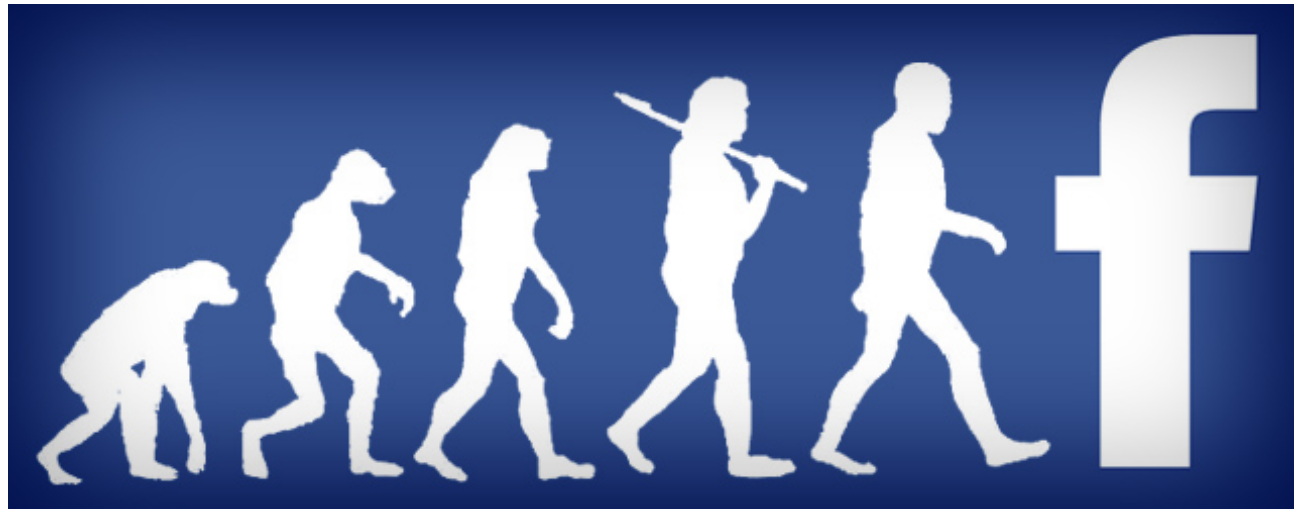
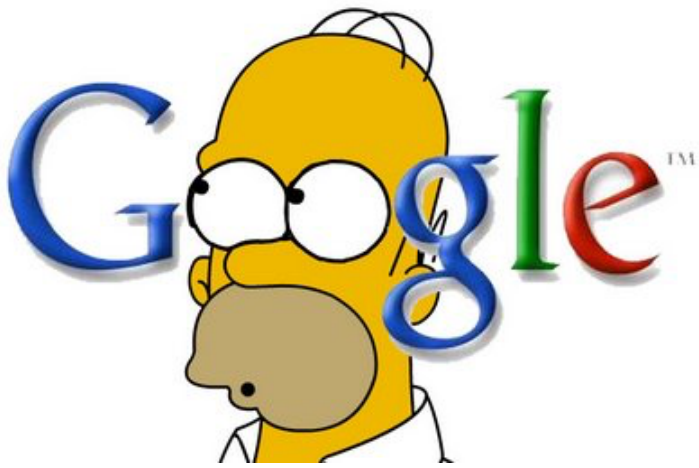
- basic **principles of organizational management**
- comparing the organizational **theories of Fayol and Weber**
- **structuring organizations**
- organizational **models**



# Organization management

## What is happening today to American businesses?

- they are adjusting to **changing markets**
- normal function in capitalist economy
- **big winners** vs. big losers:
  - Google, Facebook, etc.
- **the key to success:**
  - remaining flexible and adapting to the changing times



# Organization management

## What are the principles of organization management?

### ● Structuring an organization:

- division of labor (*job specialization*)
- set up teams or departments (*departmentalization*)
- assign responsibility and authority

### ● Allocate resources:

- such as funds
- assign specific tasks
- establishing procedures for accomplishing the organizations objectives

### ● Managers have to make **ethical decisions** about *how to treat workers*.



# Compare Organizational theories

## HENRI FAYOL



- **Henri Fayol**, a French industrialist, is now recognised as the Father of Modern **Management**.
- In year 1916 Fayol wrote a book entitled "*Industrial and General Administration*". In this book, he gave the **14 Principles of Management**. These 14 principles of management are universally accepted and used even today. According to Henri Fayol, all managers must follow these 14 principles.

HENRY FAYOL'S

ADMINISTRATIVE  
MANAGEMENT





## Table 2.1 Fayol's 14 Universal Principles of Management

1. **Division of work.** Specialization of labor is necessary for organizational success.
2. **Authority.** The right to give orders must accompany responsibility.
3. **Discipline.** Obedience and respect help an organization run smoothly.
4. **Unity of command.** Each employee should receive orders from only one superior.
5. **Unity of direction.** The efforts of everyone in the organization should be coordinated and focused in the same direction.
6. **Subordination of individual interests to the general interest.** Resolving the tug of war between personal and organizational interests in favor of the organization is one of management's greatest difficulties.
7. **Remuneration.** Employees should be paid fairly in accordance with their contribution.
8. **Centralization.** The relationship between centralization and decentralization is a matter of proportion; the optimum balance must be found for each organization.
9. **Scalar chain.** Subordinates should observe the formal chain of command unless expressly authorized by their respective superiors to communicate with each other.
10. **Order.** Both material things and people should be in their proper places.
11. **Equity.** Fairness that results from a combination of kindness and justice will lead to devoted and loyal service.
12. **Stability and tenure of personnel.** People need time to learn their jobs.
13. **Initiative.** One of the greatest satisfactions is formulating and carrying out a plan.
14. **Esprit de corps.** Harmonious effort among individuals is the key to organizational success.

# The Nature of Bureaucracy

- Weberian Model - Developed by German sociologist Max Weber, who viewed bureaucracies as rational, hierarchical organizations in which decisions are based on logical reasoning.
- Organized hierarchically and governed by formal procedures
- Power flows from the top downward





# Weber's principles

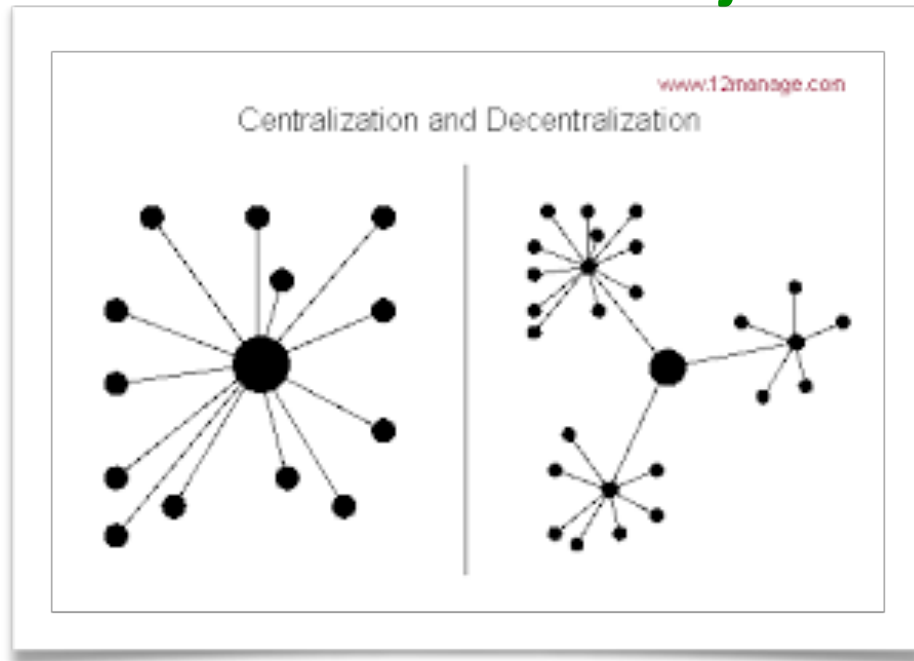


Typical structure of an organization

- **pyramid-shaped** organization structure
- put **great trust in managers** and felt the firm would do well if employees simply did what they were told
- for the employees the **less decision making** they had to do, the better
- reasonable way to operate if you are dealing with relatively uneducated and untrained workers (such was generally the case at the time Weber was writing)
- **job description**
- **written rules**, decision guidelines
- consistent procedures, regulations, and policies
- **promotion** based on qualifications

# Structuring organizations

What are the four major choices in structuring organizations?



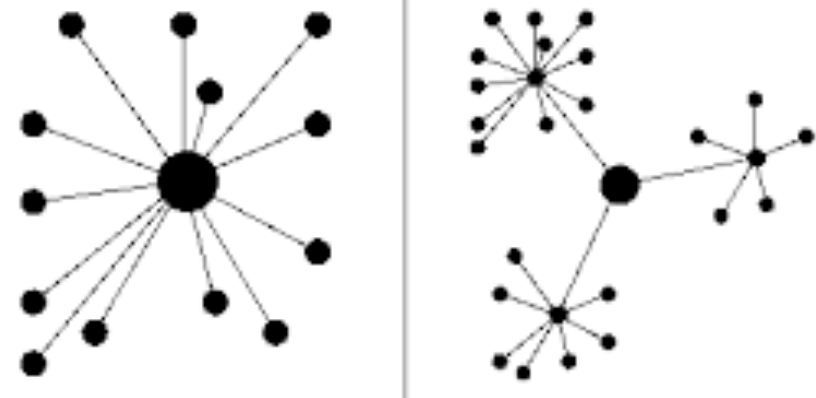
# Centralized vs. decentralized

## ADVANTAGES

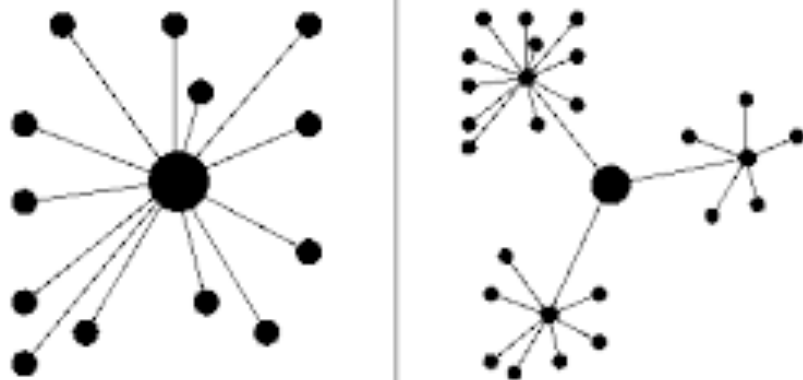
### Centralized

- Greater top-management control
- More efficiency
- Simpler distribution system
- Stronger brand/corporate image

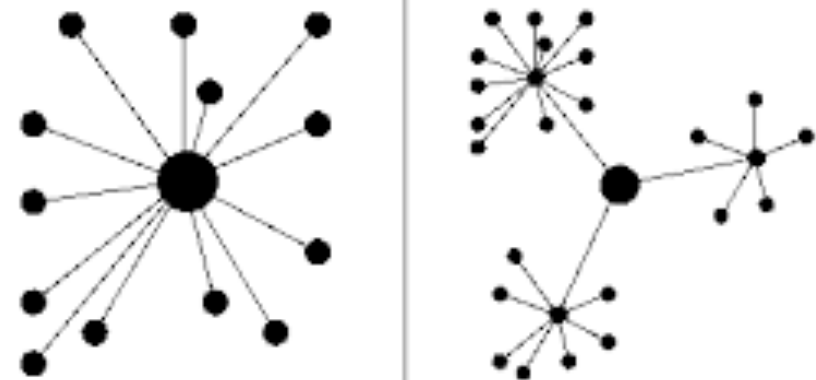
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# Centralized vs. decentralized

## ADVANTAGES

### Centralized

- Greater top-management control
- More efficiency
- Simpler distribution system
- Stronger brand/corporate image

### Decentralized

- Better adaptation to customer wants
- More empowerment of workers
- Faster decision making
- Higher morale

## DISADVANTAGES

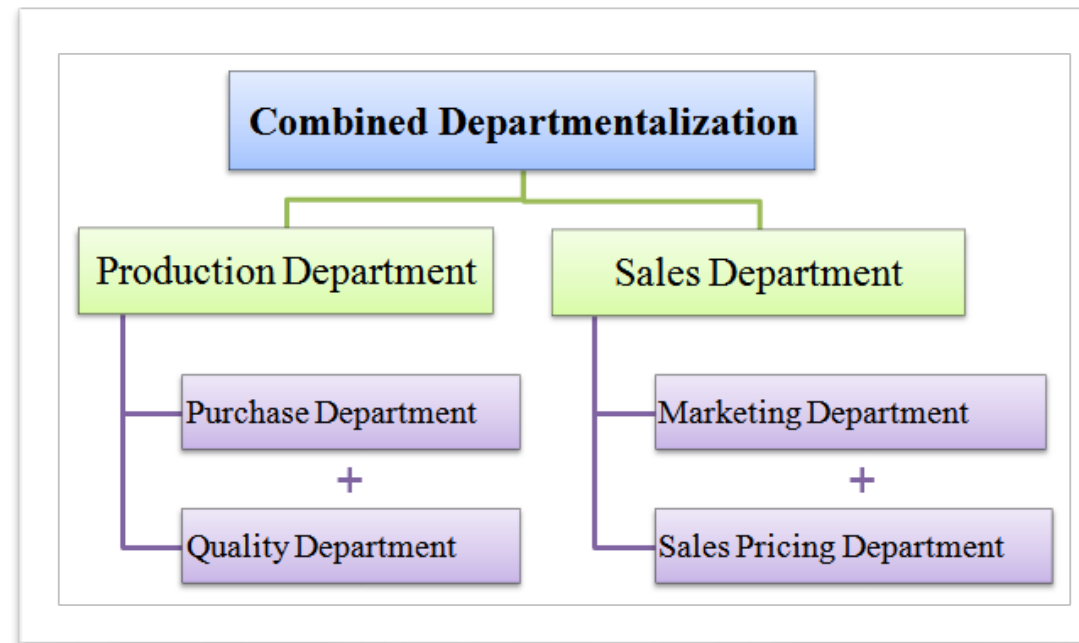
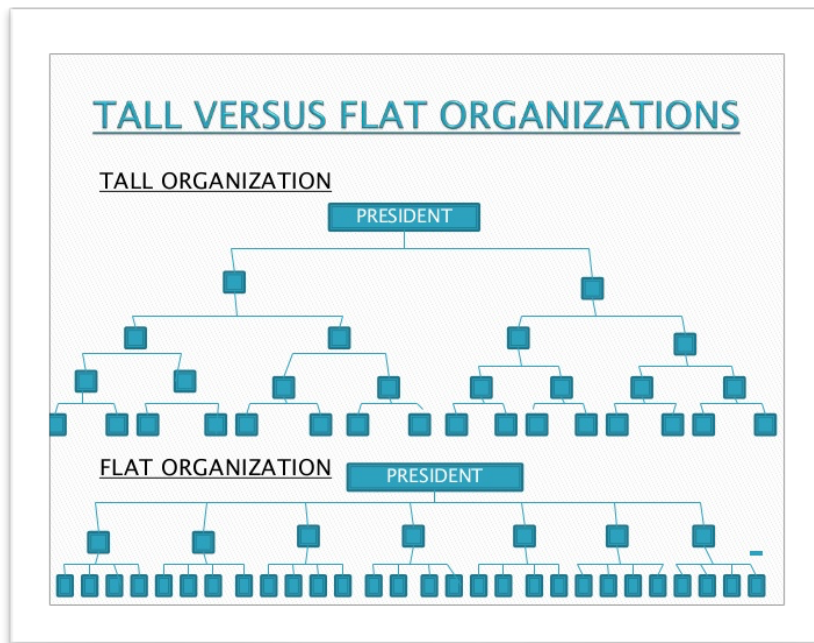
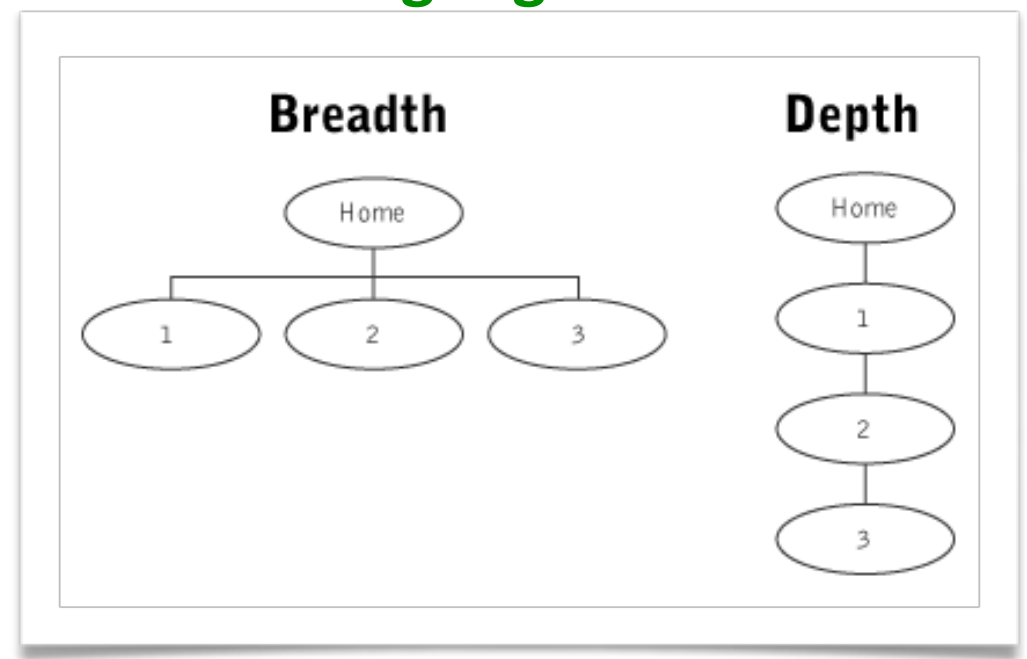
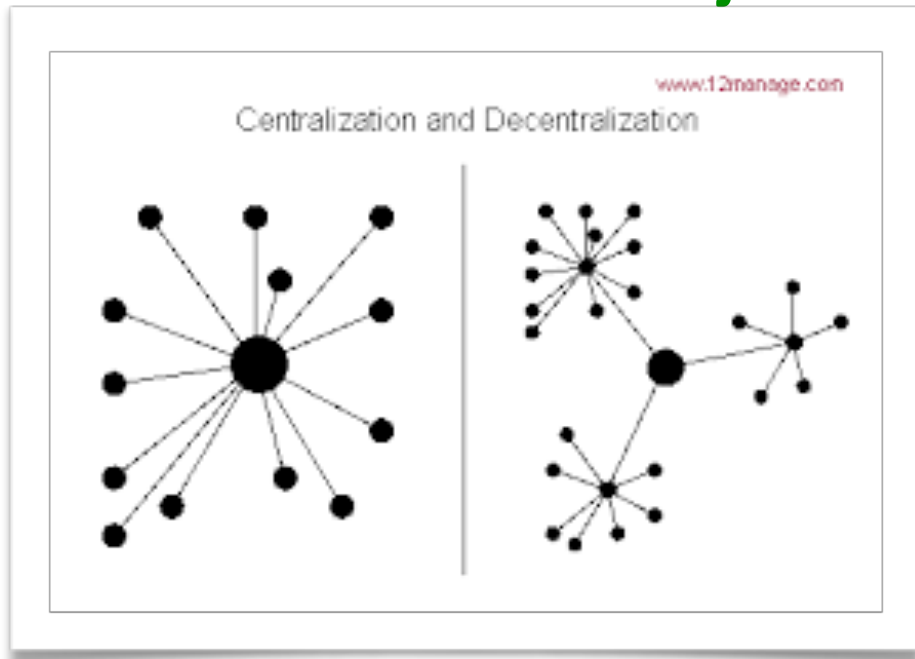
- Less responsiveness to customers
- Less empowerment
- Interorganizational conflict
- Lower morale away from headquarters

- Less efficiency
- Complex distribution system
- Less top-management control
- Weakened corporate image



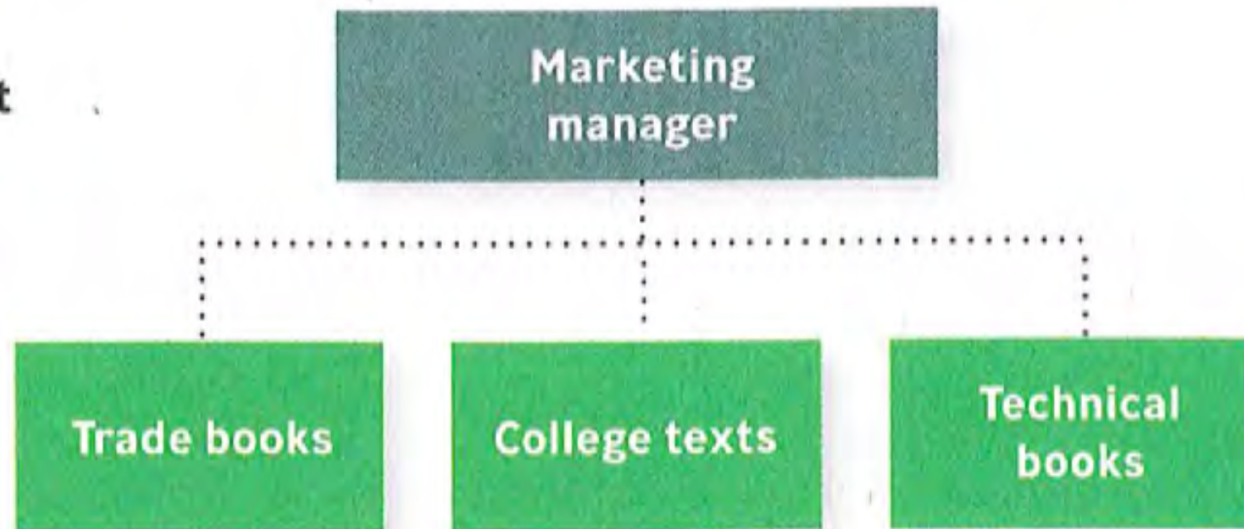
# Structuring organizations

What are the four major choices in structuring organizations?

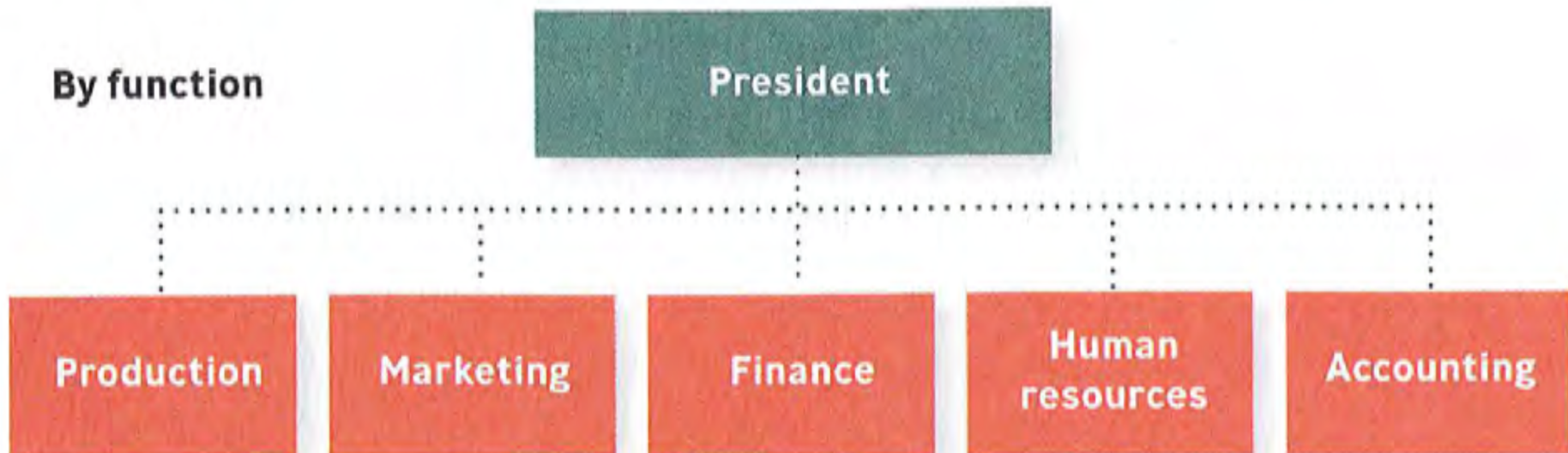


# Ways to departmentalize

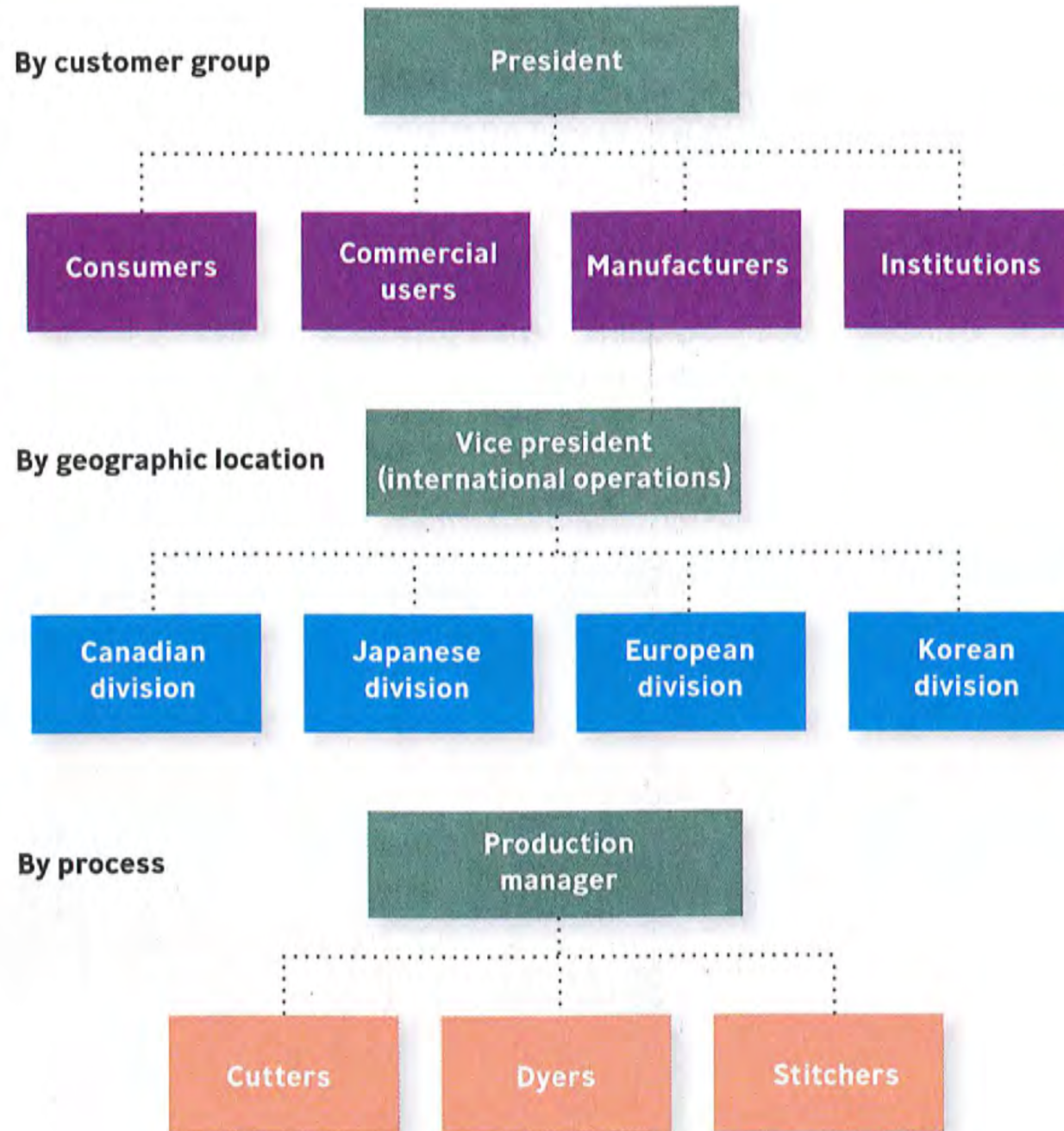
**By product**



**By function**



# Ways to departmentalize



# Structuring organizations

## What are the latest trends in structuring?

- departments are often replaced by **matrix organizations**
- **cross-functional teams** that decentralize authority
- the span of **control become larger** as employees become self-directed
- **eliminate managers and flatten organizations**

