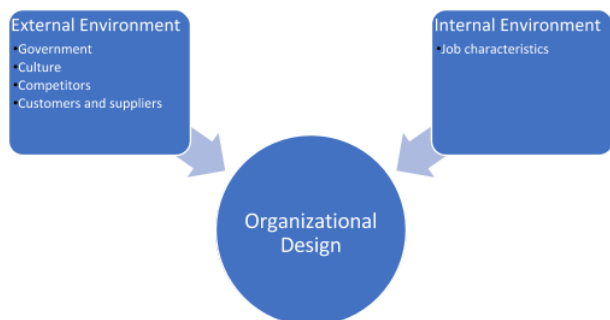


6.12: Factors Impacting Organizational Design

Learning Outcomes

- Identify aspects of the external environment that influence the design of an organization's structure.
- Identify aspects of the internal environment that influence the design of an organization's structure.
- Explain how business growth cycle affects organizational choices.



External Environment

The first factor to influence an organization's design will be that of the external environment. The external environment consists of everything outside of organizations that can affect their performance and outcomes. Availability and need for raw materials, human resources, and financial resources are elements of the environment. Further key elements include customers and suppliers, competitors, cultural factors, and the types of regulatory frameworks or governmental influences on the organization.

The greater the number of external forces, the greater the complexity of the external environment. A pharmaceutical company operates in a very complex environment dealing with many groups such as doctors, hospitals, pharmacists, external research establishments, regulators, health insurance providers, labor markets, and many suppliers. In addition, a pharmaceutical company would deal with these groups in many countries with varying local economic conditions, health care arrangements, and regulatory regimes.

Environmental stability refers to how stable all of the environmental forces are over time. There was a time when certain external forces were considered stable, such as governmental regulations and laws, which could continue for many years, even with new political administrations in place. However, the financial crisis of 2008 and political changes in the United States have added volatility. The high-tech and software industries would be considered unstable because of the relative ease for new software and technology companies to enter and take over an existing market.

? Practice Question

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Internal Environment

The internal environment is influenced by the jobs and the employees as they relate to those jobs. The employees' influence on the internal environment is directly related to their level of engagement, or job satisfaction. The job characteristics model, proposed by Richard Hackman and Greg Oldham in 1980, proposes that the right combination of skill variety, task identity, task significance, autonomy, and feedback can lead to high-quality performance, high internal motivation, and high satisfaction.

Skill variety: This is the degree to which the job requires a person to use multiple high-level skills. A department store greeter whose job consists of greeting customers and giving them a shopping cart demonstrates low levels of skill variety, whereas the employee who acts as a cashier, stocks shelves, and manages the inventory of outdoor furniture demonstrates high skill variety.

Task identity: This is the degree to which a person is responsible for completing an identifiable task from start to finish. A graphic designer who creates images for a website might have low task identity. This is because the designer's work is only part of a larger

whole; other designers and coders contribute their work to completing the website. However, a graphic designer who creates a brochure for a client from the idea phase to the final proof will have a high task identity.

Task significance: This is the degree to which a person's job affects customers or other people's work. A nurse handling the diverse needs patients in the intensive care unit may score high on significance, whereas new nurses aiding in the same department may feel that they perform only busy work and feel a low level of significance.

Autonomy: This is the degree to which a person can decide how to perform his or her tasks. For instance, a grocery store clerk who is given a list of tasks to complete by the end of the day has greater autonomy than a clerk who is given that same list and told that the list needs to be completed in a particular order, with certain tasks needing to be done by certain times of the day.

Feedback: This is the degree to which people learn whether they are doing their job well. Feedback may come from other people, such as managers, peers, subordinates, and customers, or it may come from the job itself. For instance, a customer service representative might receive feedback from a supervisor, as well as from the customers he or she has tried to help.

Taken all together, the job characteristics model links the task itself to employee motivation. More specifically, a job that is challenging will improve employee motivation but a job that is boring and repetitive will hamper employee motivation. To make a job challenging, managers can ensure the following:

- There are a variety of tasks for the employee to complete.
- The employee feels a sense of autonomy.
- The employee is empowered to make certain decisions.

? Practice question

<https://assessments.lumenlearning.co...essments/12207>

Growth Cycle

Larry Greiner's model of growth offers an organic view of the business life cycle. Like people, organizations change as they age and grow. Each growth stage encompasses an evolutionary phase of growth and a revolutionary phase where an organizational crisis will occur, and the business's ability to handle these crises can determine its future.

Phase 1: Creativity

The creativity phase is marked by early growth of a company due to an emphasis on creating a product or service. The founders of the company are usually technically or entrepreneurially oriented, and they generally disdain management activities. As the complexity of the business increases, the founders will struggle to both grow and manage the business.

Phase 2: Direction

A strong business manager will be brought in to install a functional organizational structure, with formal communication channels and hierarchy. A strong focus on accounting and capital management will drive most business decisions. Top management's control of all operations diminishes the autonomy that middle-level managers enjoyed, despite their superior knowledge of markets and products.

Phase 3: Delegation

The delegation phase is marked by the application of a decentralized organizational structure. Middle managers are freed up to make decisions and executives monitor the operation and focus on bigger issues, such as mergers or acquisitions. Better coordination of all the operations will be required as the executives feel a loss of control over the middle managers.

Phase 4: Coordination

The coordination of the business structure involves the merging of local units into product groups, a centralization of support functions, and establishment of formal planning procedures. Although resource use becomes more efficient and growth occurs, managers become frustrated with the bureaucratic red tape. The rules and procedures appear more important than productivity and innovation. In turn, corporate staff becomes frustrated with the uncooperative and uninformed managers.

Phase 5: Collaboration

All parts of the organization criticize the resulting bureaucratic structure, and it will take all the key leaders, managers, and employees to collaborate in an attempt to create a better structure. The formal systems and procedures will have to give way to social control and self-discipline. A shift to a problem solving-based approach is needed as teams combine across various business functions and previous systems are simplified.

? Practice Question

<https://assessments.lumenlearning.co...essments/12208>

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