

2.2: Modern Organizational Design

Learning Objectives

- Identify modern organizational design options

“Post-bureaucratic” organizational structures continue to be developed to enhance how organizations do business and remain competitive. Let’s talk about some of these new options, designed to help organizations do business in today’s world.

The Team Structure

In an organizational structure based on teams, the structure breaks down department barriers and decentralizes decision making to the level of the team. Team structures usually require employees to be generalists as well as specialists.

A team structure can define a whole company. Whole Foods Market boasts a team-based organizational structure, with the teams shaped around their departments within the store—there was a produce team, a meat team, and so on. Based on the shape of the organizational chart in Figure 2.2.1, you can understand why Whole Foods refers to its mission statement as the “Declaration of Interdependence.” Indeed, each of the teams is dependent on and answers to the other members of their own team and the other teams.

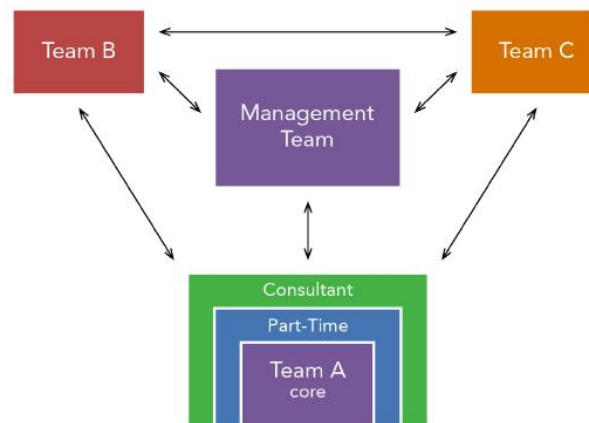


Figure 2.2.1: Team-Based Organizational Chart

More often than not, when larger organizations decide to use teams, they do so as a part of a bureaucratic structure rather than a straight team structure. Moving from a bureaucratic to a team structure requires a great deal of change, so larger organizations will assemble teams and add a quasi-team structure into their bureaucratic org chart.

Virtual Organization

A virtual organization is a small, core organization that outsources major business functions. Think of it as “renting” departments rather than owning them.

Back in the early days of Hollywood, movies were made by big studios with large bureaucratic organizational structures and a laundry list of celebrities. Now, when you sit down to watch a movie, you see several different production companies’ logos on the screen before the movie even starts. It might begin with “Paramount.” And then you see “Bad Robot.” And maybe two other companies. Each one of those companies has played a role in making the film. During the credits, you see animation companies and sound editing companies. Paramount may be acting as the central “organization.” The businesses to which Paramount sends work would make up the balance of the virtual organization.

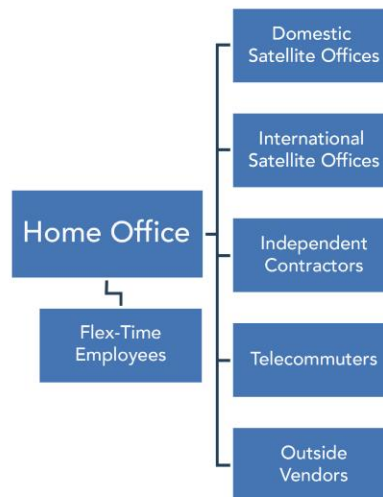


Figure 2.2.1: Virtual Organizational Chart

The chart in Figure 2 illustrates a typical virtual organization, which includes employees that practice flex-time in a home office, ones that are in satellite offices domestically and internationally, and then a group of independent contractors, telecommuters and vendors. Paul Newman's food product company, Newman's Own, runs on a virtual organizational structure. Newman's Own employs only 18 people, and outsources almost everything—manufacturing, procurement, shipping and the like.

Large organizations dabbling in the virtual organizational structure usually do so to outsource manufacturing. Thousands of well-known organizations are virtual in one way or another. General Motors, Nike, and Cisco are just a few of them. The flexibility a virtual organization provides is hard for organizations to resist, as it allows them to contract out any function they feel another organization can do more cheaply than them.

The virtual organization is definitely on the other side of the spectrum from bureaucratic organizational structure. The bureaucratic organizational structure seeks control in multiple levels and, if there is a downfall to the virtual organizational structure, it is that there is far less control over the different parts of the business.

Boundaryless Organizational Structure

American business executive and former CEO of General Electric, Jack Welch, coined the term “boundaryless organization” when he described his ideal General Electric. He wanted to eliminate vertical and horizontal boundaries within GE and break down barriers between the company and its customers and suppliers.

When an organization removes the vertical boundaries, the hierarchy flattens. Status and rank are minimized. Functional departments create horizontal boundaries, and those boundaries can stifle interactions between departments. Functional departments can be replaced with cross-functional teams, and activities can be organized around process.

General Electric used tools like 360 performance appraisals, where peers, subordinates and managers could evaluate an employee's performance. They put together cross-hierarchical teams and employed participative decision making processes.

The boundaryless organizational structure, when fully operational, breaks down barriers to external partners (suppliers, customers, etc.) and barriers created by geography. Telecommuting blurs organizational boundaries as well. In fact, this structure relies heavily on technology to achieve, and so sometimes it's called the T-form structure.

Holacracy

This video explains the concept of holacracy as a method of decentralized management and organizational governance in which decision making and authority are distributed amongst self-organizing teams.



Brian Robertson of Ternary Software in Exton, Pennsylvania, developed the system of Holacracy by experimenting with more democratic forms of organizational structure. It's a flat organization system, meaning there are few or no levels of middle management between staff and executives. The objective behind a flat organizational system is that employees are more involved in the decision making process rather than being directly and closely supervised by many layers of management.

The essential elements of Holacracy include:

- **Roles instead of job descriptions.** An individual can hold multiple roles within this construct. Roles are defined by each circle—or team—via a collective governance process.
- **Circle structure.** Each circle is a team. Circles are organized hierarchically and each circle is assigned a clear purpose and accountabilities by its broader circle. But the employees within that circle need to determine how to best achieve its goals. Each circle has a “lead link” and “rep link,” and those people sit in the meetings of both their circle and the broader circle to ensure alignment with the organization’s mission and strategy.
- **Governance process.** Circles use a defined process to create and regularly update its own roles and policies.
- **Operational process.** Circles align around operational needs and requires that each member of the circle fulfill duties. Members have a lot of autonomy and authority and can decide on their own how to best achieve these goals.

Zappos is famously using the Holacracy model in their work, and they chose to use that model so they could provide excellent customer service. Their theory was that they were able to put customer service decisions into the hands of the employees and eliminate burden on upper management.

It should be noted that the term “Holacracy” is a registered trademark of HolacracyOne, LLC.

Practice Question

<https://assessments.lumenlearning.co...essments/13999>

Which modern organizational structure best positions an organization for success? Well, like we mentioned, organizations—especially large ones—are committed to a bureaucratic org chart, and any additional changes in this direction are sometimes incorporated into the bureaucratic structure.

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