

# CHAPTER 13

## ORGANIZATIONAL STRUCTURE

### LEARNING OBJECTIVES

When you have completed this chapter, you will be able to:

- Read an organizational chart.
- List the four types of organizational structures and explain the advantages and disadvantages of each type.
- Name the factors that affect the type of structure an organization adopts.
- Describe the roles of the chief executive officer and the board of directors.

### READING STRATEGIES

As you read

- **PREDICT** what the section will be about.
- **CONNECT** what you read with your own life.
- **QUESTION** as you read to make sure you understand the content.
- **RESPOND** to what you read.





## “MANAGEMENT TALK”

“Our company today is leaner, faster, more flexible and more efficient—in short much more competitive. But our journey is far from finished. Building upon our recent success and momentum, we are determined to drive GM to the next level—to sustained success.”

—Rick Wagoner, General Motors,  
Chairman and CEO

## WORKPLACE CONNECTIONS

### Understanding Management

General Motors has a long, proud history of being one of the biggest car manufacturers in the world. By the 1980s and 1990s, however, the company was losing profits to newer, more efficient manufacturers. Since then, the company has updated its factories and streamlined its operations in order to reduce costs.

#### Analyzing Management Skills

*How would consolidating six divisions help General Motors improve service and cut costs? What are the possible drawbacks of merging the separate divisions?*

#### Applying Management Skills

*Have you ever been in a situation at home or work where there were too many people in charge of completing a task? What suggestions would you make to simplify the process?*

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# UNDERSTANDING HOW ORGANIZATIONAL STRUCTURES WORK

### WHAT YOU'LL LEARN

- How to read an organizational chart.
- The four main types of organizational structures.
- The difference between staff and line functions.
- The benefits of adopting a matrix or team structure.

### WHY IT'S IMPORTANT

Without an appropriate organizational structure, a business will not succeed.

### KEY TERMS

- organizational chart
- line function
- staff function
- matrix structure
- team structure
- flat structure
- tall structure

## What Is Organizational Structure?

Some organizations, such as a high school volunteer club, exist to help people in need. Other organizations, such as a student council, exist to give students a voice at school. Business organizations exist to earn profits. To meet their goals, they organize their employees into some kind of structure.

Companies adopt organizational structures in order to minimize confusion over job expectations. Having an organizational structure helps them coordinate activities by clearly identifying which individuals are responsible for which tasks.



▲ **ORGANIZATIONAL STRUCTURE** Chief executive officers cannot make all decisions themselves. They need to organize their companies so that other managers can share in decision making. *How does an organizational structure help a company earn profits?*

# Types of Organizational Structures

Companies generally adopt one of four organizational structures. These include:

- line structure
- line and staff structure
- matrix structure
- team structure

Each of these different types of organizational structures can be shown in an organizational chart. An **organizational chart** is a visual representation of a business's organizational structure. It shows who reports to whom within the company. It also shows what kind of work each department does.

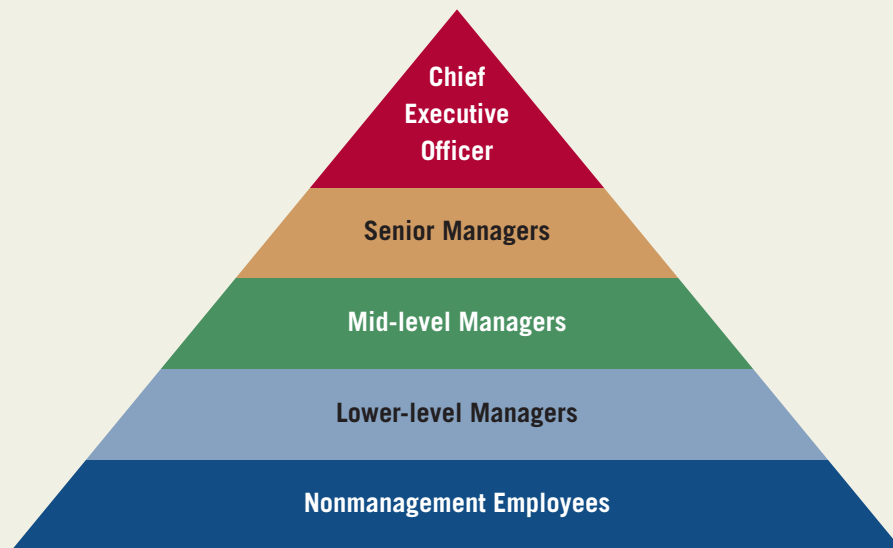
## Line Structure

In a *line organization*, authority originates at the top and moves downward in a line (see **Figure 13–1**). All managers perform **line functions**, functions that contribute directly to company profits. Examples of line functions include production managers, sales representatives, and marketing managers.

### CONNECT

Do you belong to any organizations? If so, how are they structured?

**Figure 13–1** LINE STRUCTURE



### WORKING WITH CHARTS

In a line structure organization, managers make all decisions affecting their departments. *What kinds of companies usually have line structures?*



# Senior Engineer

### ■ Nature of the Work

Senior engineers manage people and projects for a variety of industries. For example, they oversee the design and production of electrical and electronic equipment, industrial machinery, aircraft, and motor vehicles. They work in scientific, medical, and construction fields as well. State, local, and federal agencies employ many engineers at all levels.

Senior engineers supervise engineering and support staff, meet with upper management, and establish budgets and completion schedules for projects. They write reports for management and government inspectors. They see that projects conform to government guidelines and industry standards. Senior engineers often troubleshoot a project when problems develop.

### ■ Working Conditions

Senior engineers work in offices, laboratories, or industrial plants. They work 40 hours a week or longer, and may travel to outside sites to inspect projects.

### ■ Training, Other Qualifications, and Advancement

To become a senior engineer, you need a bachelor's or master's degree in engineering, plus several years experience. Engineers whose work affects life, health, or property, or who offer services to the public must register in

the state in which they work. Registration requires a degree from a college or university accredited by the Accreditation Board for Engineering and Technology (ABET), four years of experience, and successful completion of a state exam.

### ■ Salary Range

Senior engineers earn \$99,200 to \$120,000+, depending on experience, responsibilities, and industry.

### CRITICAL THINKING

What skills and abilities might be useful to a senior engineer?

## STANDARD & POOR'S

### INDUSTRY OUTLOOK

The aerospace industry is the largest exporter in the United States. In 2002, the industry had a net trade balance of \$30 billion. Civil aerospace exports totaled \$47 billion, military exports were \$9.4 billion, and engine and other parts comprised \$17 billion. Imports of aerospace products were \$27 billion for the year.



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Line managers collect and analyze all of the information they need to carry out their responsibilities. Production managers, for example, hire and fire all of the assembly-line workers in their departments. They also order all of the supplies their department needs.

Line organizations are common among small businesses. Larger companies usually require a different kind of organizational structure.

## Line and Staff Structure

In mid-sized and large companies, line managers cannot perform all of the activities they need to perform to run their departments. In these companies, other employees are hired to help line managers do their jobs. These employees perform staff functions (see Figure 13–2).

**Staff functions** advise and support line functions. Staff departments include the legal department, the human resources department, and the public relations department. These departments help the line departments do their jobs. They contribute only indirectly to corporate profits. Staff people are generally specialists in one field, and their authority is normally limited to making recommendations to line managers.



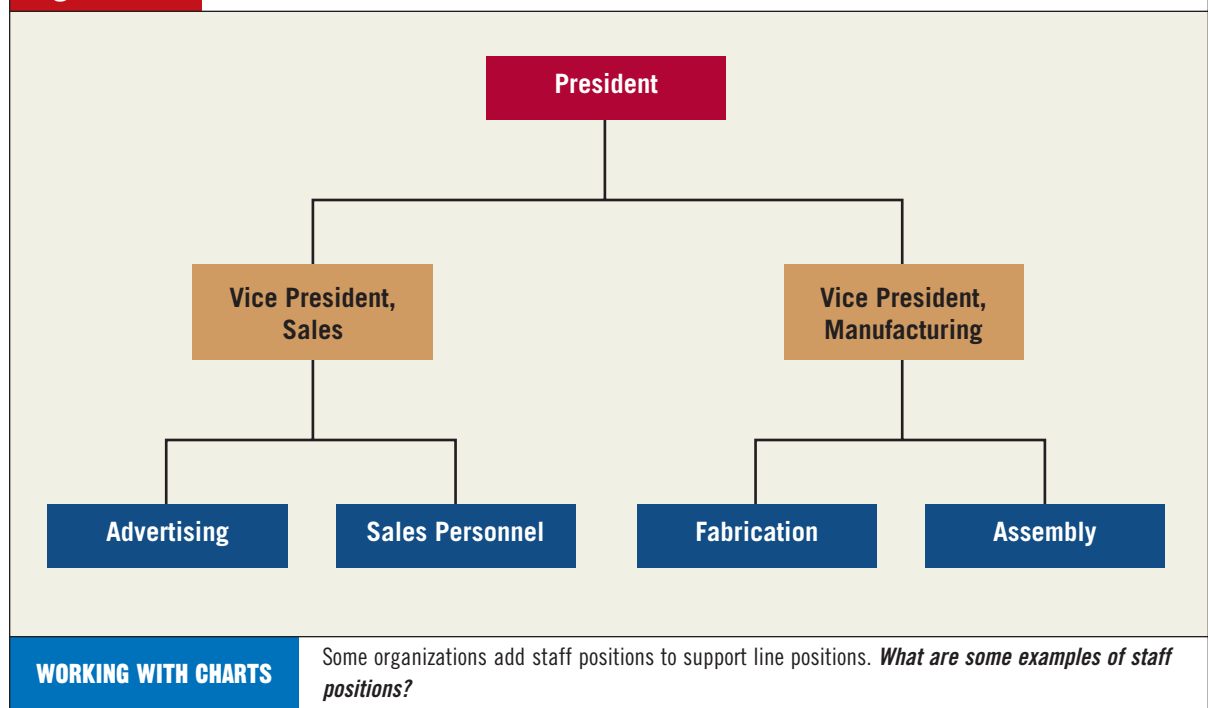
### LEAVE THE COMPETITION BEHIND

Different departments within an organization may not always be following the same operating rules of success. Always focus on the goal of satisfying customers. Internal rivalry wastes time and lessens morale. Compete with your competitors, not your co-workers.

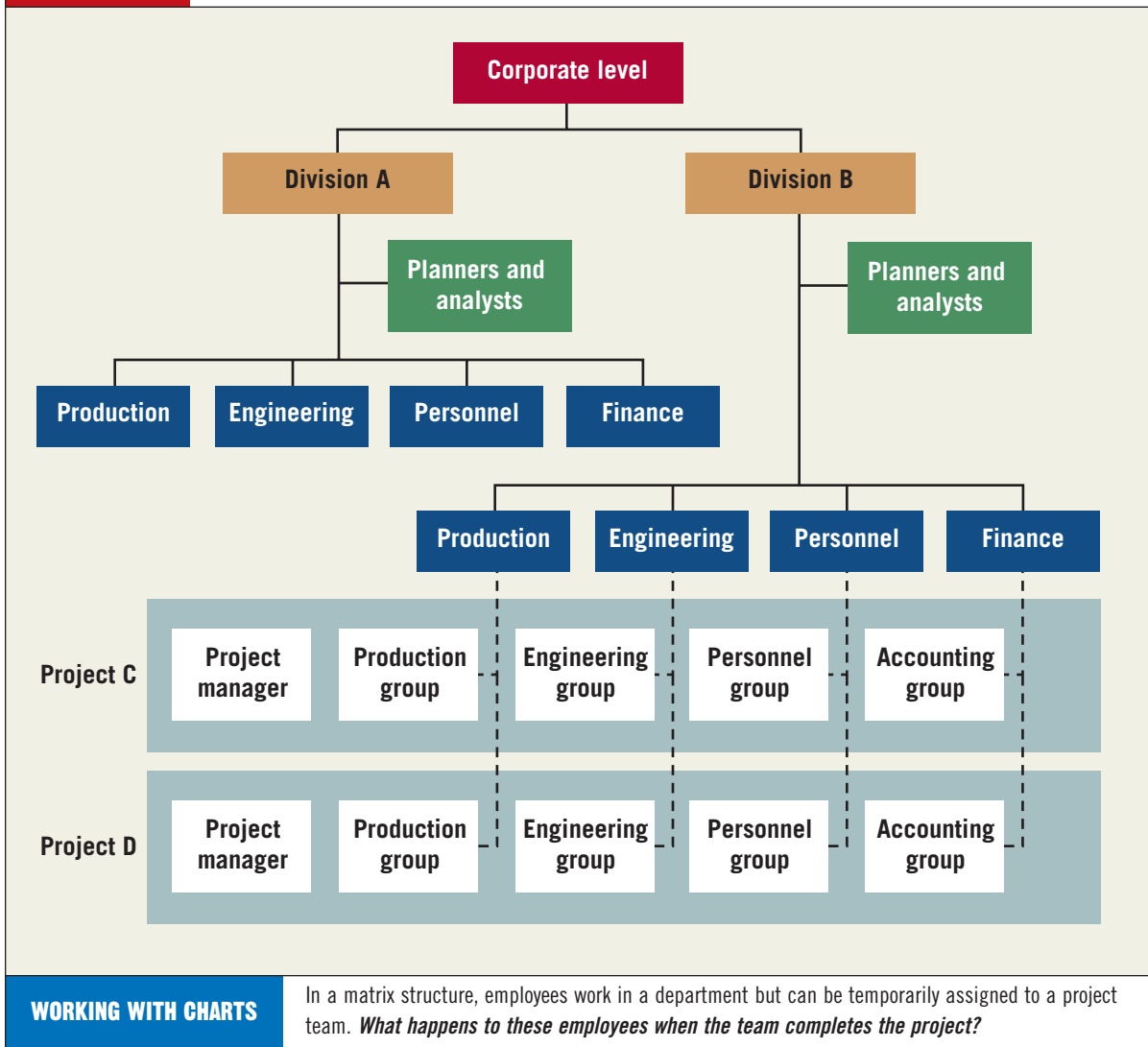
#### QUESTION

Would a line structure be more compatible with a continuous flow or intermittent flow operating system?

**Figure 13–2** LINE AND STAFF STRUCTURE



**Figure 13–3** MATRIX STRUCTURE



## Matrix Structure

A **matrix structure** allows employees from different departments to come together temporarily to work on special project teams (see **Figure 13–3**). The purpose of this kind of structure is to allow companies the flexibility to respond quickly to a customer need by creating a team of people who devote all of their time to a project. Once the team completes the project, the team members return to their departments or join a new project team.

Companies that undertake very large projects often use the matrix structure. Boeing, for example, regularly assigns employees to project teams it creates to design new aircraft. Large high-tech firms also frequently use the matrix structure.

## Team Structure

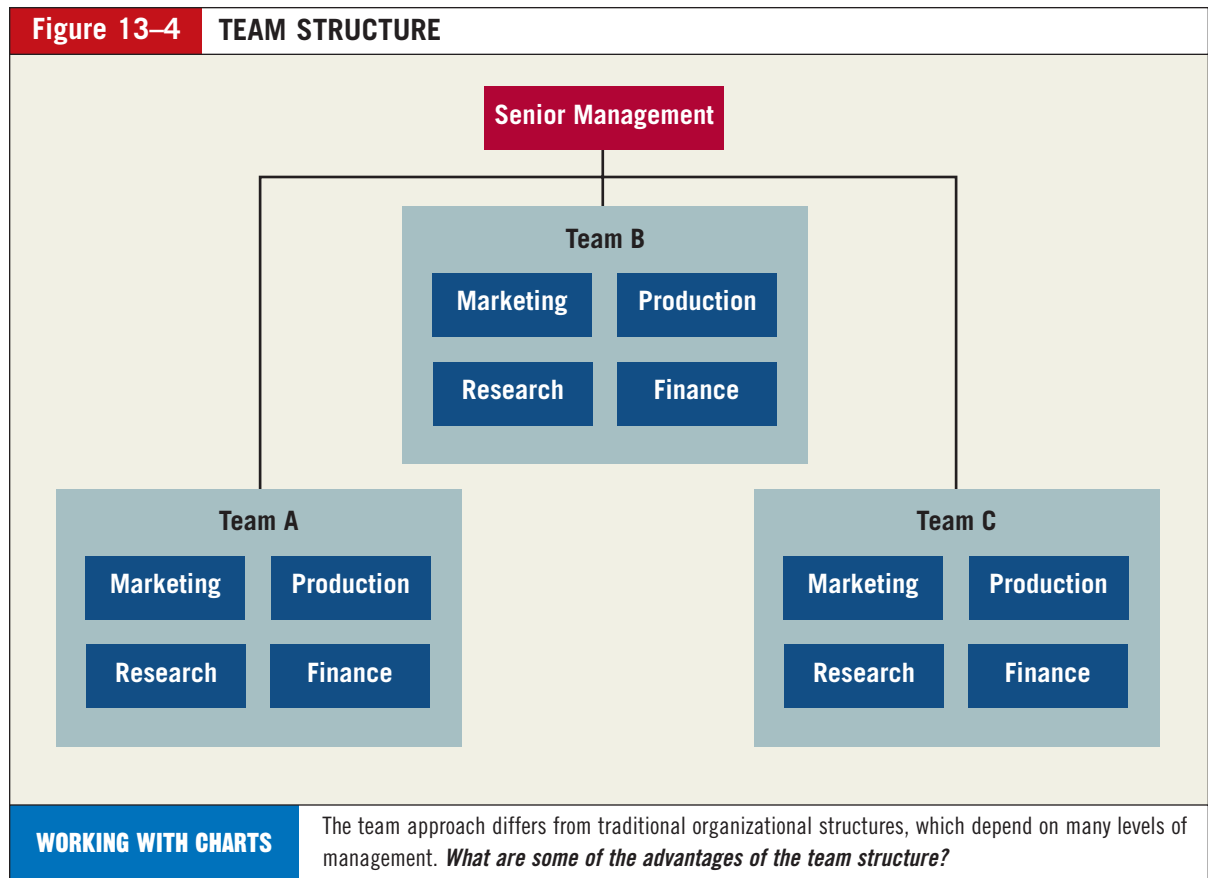
Many companies have abandoned the line and staff approach to organizational structure in favor of the team approach. A **team structure** brings together people with different skills in order to meet a particular objective (see Figure 13–4). More and more companies are using the team structure. They believe this structure will allow them to meet customer needs more effectively than the traditional structure.

The team structure is very different from the traditional organizational structure. In the traditional structure, each level of management



▲ **TEAM BUILDING** Many companies have moved away from the traditional organizational structure. *How does organizing a company into teams help it compete?*

**Figure 13–4** TEAM STRUCTURE





reports to a higher management level. In this kind of organization, senior managers need not approve decisions by lower-level managers. Instead, teams have the authority to make their own decisions. Employees often prefer the team structure because of its focus on completing a project rather than performing a particular task.

One company that has successfully used teams is IBM. Beginning in 1990 the company introduced self-directed management teams that it organized around customer needs. Each team tries to determine what the customer is looking for and develop strategies with which to meet those needs. The approach helps the company respond quickly in competitive markets.

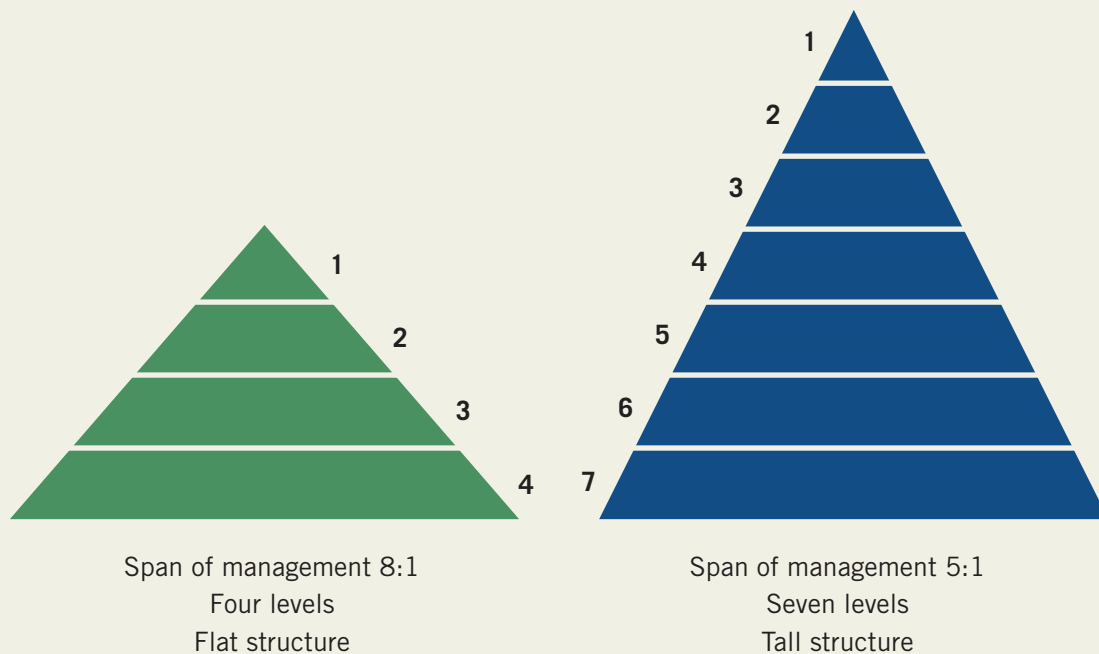
#### RESPOND

Would you prefer to be an employee in an organization with a tall structure or a flat structure?

## Flat vs. Tall Structures

In the previous chapter we looked at the importance of a manager's span of management—the number of employees who report to a

**Figure 13–5** FLAT VS. TALL STRUCTURES



#### WORKING WITH CHARTS

Organizations can have flat or tall structures. *Do you think that the downsizing trends of the 1990s have had any effect on a company's decision to maintain a flat or tall structure?*

manager. In a similar fashion, organizations can be classified as being either tall or flat.

A **flat structure** is an organization that has a small number of levels and a broad span of management at each level. This calls for a good deal of delegation on the part of the manager. Employees have more power within the company. A **tall structure** is an organization that has many levels with small spans of management. In this case, power is centralized on the top levels and there is more employee control. **Figure 13–5** illustrates the breakdown of management levels that occur in a flat or a tall structure. Some advantages of a flat structure include greater job satisfaction, more delegation, and increased communication between levels of management. Some advantages of a tall structure are greater control and better performance.

## Section 13.1 Assessment

### FACT AND IDEA REVIEW

1. What is the purpose of an organizational chart?
2. What is a line function?
3. What is a staff function?
4. What is a matrix structure?
5. How does the team structure differ from the line and staff structure?
6. True or False: A tall structure allows for greater employee power through delegation.

### CRITICAL THINKING

1. **Analyzing Information:** Why do businesses need organizational structures?
2. **Drawing Conclusions:** Why do some companies prefer to organize by teams?
3. **Predicting Consequences:** In a business with a line and staff structure, why might conflict arise between line managers and staff managers?

### ASSESSING MATH SKILLS

**L**abyrinth Technologies, a high-tech company that specializes in computer graphics, has decided to reorganize its corporate structure into a team structure. By organizing into teams, Labyrinth expects to be able to eliminate three mid-level managers, each earning \$82,000 a year. It also expects to hire two additional entry-level employees, to be paid about \$25,000 a year each. If the cost of the reorganization itself is \$75,000, how much can the company expect to save after two years?

### CASE ANALYSIS

**Y**ou are the manager of a manufacturing company that employs 500 people. The owner of the company has given you free rein to reorganize the company however you want.

**Apply:** Write a one-page paper that describes whether you would recommend adopting a line, line and staff, matrix, or team structure.

# CREATING AN ORGANIZATIONAL STRUCTURE

### WHAT YOU'LL LEARN

- The different ways in which companies organize their departments.
- Why a company's structure needs to change as the company grows.
- The role of the chief executive officer.
- The role of the board of directors.

### WHY IT'S IMPORTANT

Managers both help create and work within organizational structures.

### KEY TERMS

- committee
- chief executive officer
- board of directors

## Factors Affecting Organizational Structure

The organizational structure a company chooses depends on the nature of its business. A structure that is appropriate for a high-tech company that employs 50,000 people in eight countries will not be appropriate for a small retail business with just a dozen employees.

Many factors affect the choice of organizational structure. The most important factors are the size of the business and the kinds of products or services it produces.

### Size

The size of a business has a very important effect on the organizational structure that a management adopts. Very small, single-person businesses need no organizational structure at all. Companies with only a few employees can also function well without a formal structure.

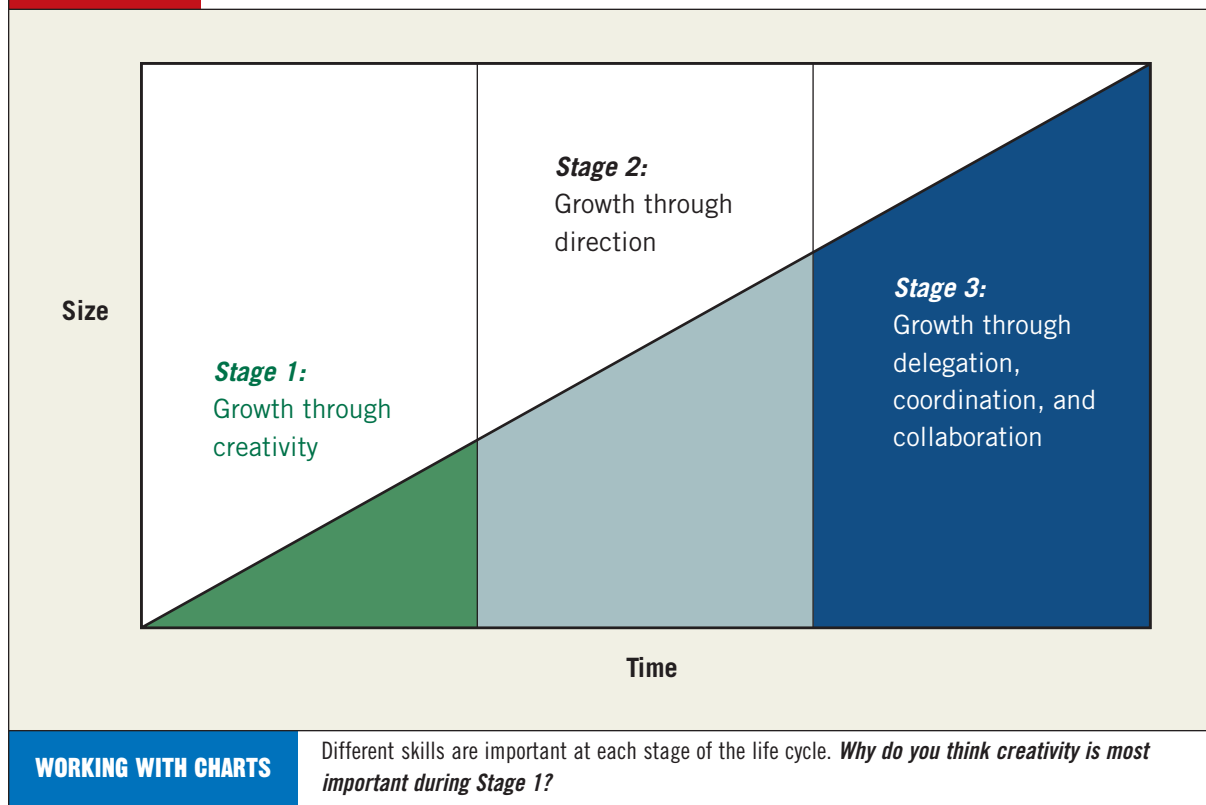
Once a business employs more than just a few employees, however, a formal structure is necessary. Moreover, for a business to be successful, its structure must change as the business continues to grow.

#### ▶ SMALL BUSINESS STRUCTURE

Very small businesses may not need organizational structures. *What happens when companies grow?*



**Figure 13–6** ORGANIZATIONAL LIFE CYCLE STAGES



Typically, businesses go through three organizational life cycle stages. As Figure 13–6 shows, these stages include growth through creativity; growth through direction; and growth through delegation, coordination, and collaboration.

**STAGE 1: GROWTH THROUGH CREATIVITY** During the first stage of growth, entrepreneurs with new ideas create products or services for which there is a market (see Figure 13–7). Their businesses tend to be small. They usually lack formal structures, policies, and objectives. The company founder is involved in every aspect of the business and makes all decisions.

During this stage of development, management skills are much less important than they are later on, because there are very few employees to manage. Having an idea that appeals to consumers is very important.

**STAGE 2: GROWTH THROUGH DIRECTION** Once a company grows, it enters the second stage of its growth cycle. During this stage, the company grows in size, and the company founder is no longer solely responsible for all decision making. Instead, the company relies on professional managers. The managers are responsible for various functions, including planning, organizing, and staffing.

**PREDICT**

At what point do you think a company will make the shift from Stage 1 to Stage 2 growth?

As a company grows, its managers usually create written policies, procedures, and plans. They establish rules and systems for hiring, firing, and rewarding employees. They set up systems for communicating information among employees. They set up financial controls, which determine how much each department can spend. Employees who once were able to make decisions spontaneously must now follow formal rules.

**STAGE 3: GROWTH THROUGH DELEGATION** As we discussed in Chapter 12, sometimes a company's structure becomes too rigid, and decision making becomes too centralized. Lower-level employees feel left out of the decision-making process. Top executives find themselves too far removed from the customer to make good decisions. To deal with

**FIGURE 13-7**

## The Changing Nature of a Company's Organizational Structure

**A** company's organizational structure must adapt as the company grows and different skills are needed at each stage of the cycle. Look at how the needs of Apple Computer have changed over time.



**1**

### STAGE 1

When a company is young, it depends heavily on creativity. Steven Jobs and Steve Wozniak were technical geniuses who had a brilliant idea for a user-friendly desktop computer. They turned this idea into a multimillion dollar company by introducing the Apple II computer in the 1970s.



these problems, companies often move to the next stage of the organization life cycle, stage 3.

In stage 3, businesses delegate more responsibility to lower-level employees in an attempt to decentralize decision making. Delegating authority helps businesses in two ways. First, it motivates people at lower levels, whose jobs become more interesting. Second, it allows senior executives to devote more of their time to long-term management issues, such as what kinds of products their companies should offer five and ten years down the road.

As you can see, businesses grow for many reasons and in many different ways. **Figure 13–7** illustrates the growth of one company through the three stages.



2

### STAGE 2

As a company grows, it needs managers with excellent managerial skills. To continue to grow, in the 1980s Apple Computer replaced its co-founder, Steven Jobs, with a professional manager. The new chief executive officer, John Sculley, helped introduce the company's Macintosh computer.



3

### STAGE 3

In the third stage of the organizational life cycle, managers learn to delegate authority. In 1996 company founder Steven Jobs returned to Apple as interim chief executive officer in an effort to breathe new life into a company that had fallen on hard times. Apple's organizational structure allowed it to introduce several important products in the 1990s, including the iMac.

## Type of Product or Service

The type of product or service a company produces is another important factor affecting its organizational structure. In general, the number of levels within an organization increases as the level of technical complexity increases. This means that a company that produces sophisticated electronic equipment is likely to have more levels of management than a company that produces garden tools. Companies that produce technically complicated products also are likely to have a larger percentage of managers and supervisors than companies that produce simpler products.

The president of a large water company that has 7,500 employees aptly summed up this relationship between product and organizational complexity. He noted, “We don’t need more management than a toy store does.” A company with just a few layers of management has a flat organizational structure.



### ▲ FUNCTIONAL DEPARTMENTATION

This graphic artist works in the marketing department, together with all of the company's other marketing professionals. **What are some of the advantages of organizing a company in this way?**

## Organizing a Company into Departments

All but the smallest companies are organized into departments. These departments may be based on work functions, products, geography, or customers.

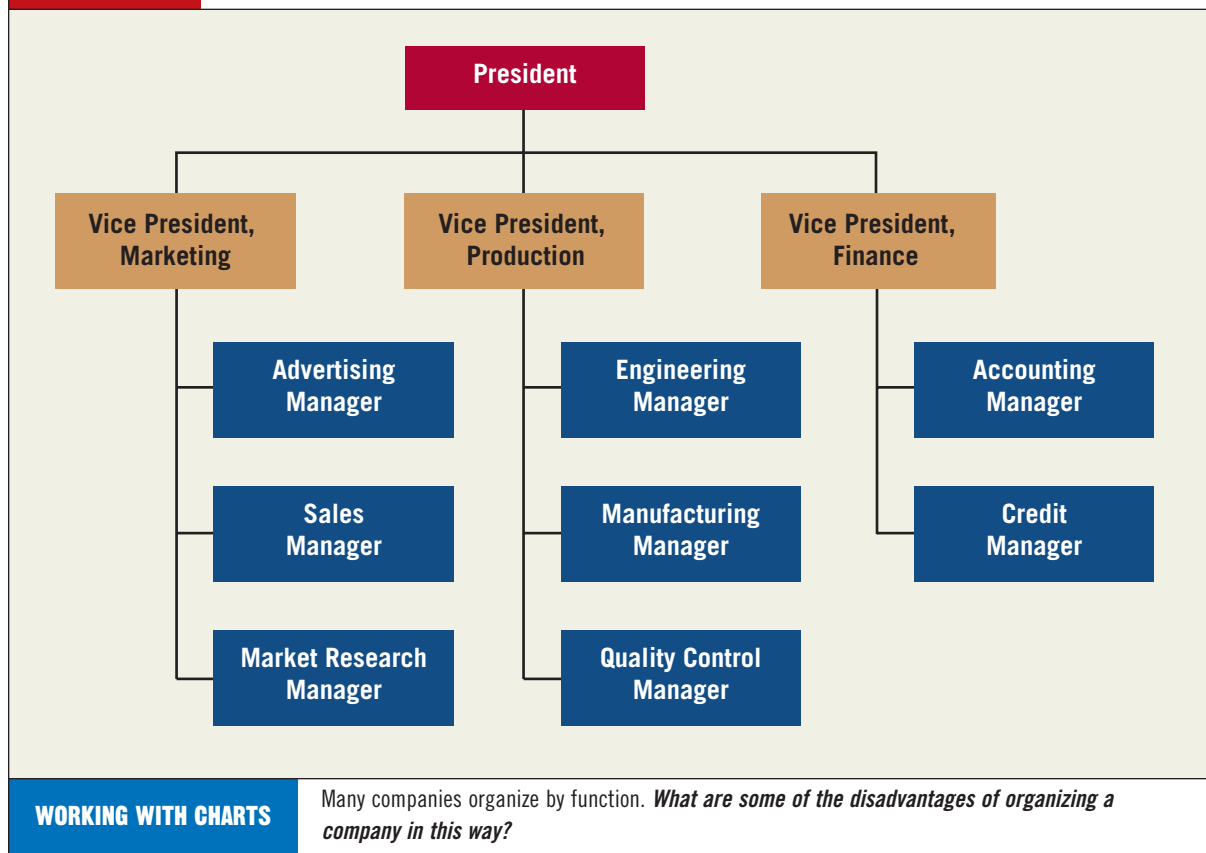
General Electric has several major divisions, including aircraft engines, consumer products, insurance, commercial finance, NBC, and Power Systems. A senior manager heads each of these divisions.

## Organizing Departments by Work Functions

Some businesses organize their departments by function (see **Figure 13–8**). These functions include production, marketing, finance, and human resources.

- *Production* refers to the actual creation of a company's goods or services.
- *Marketing* involves product development, pricing, distribution, sales, and advertising.
- *Finance* refers to maintaining a company's financial statements and obtaining credit so that a company can grow.
- *Human resources* deals with hiring employees and placing them in appropriate jobs.

**Figure 13–8** ORGANIZING A COMPANY BY FUNCTION



Each of these basic functions includes various positions. Marketing, for example, includes advertising, sales, and market research. Production includes engineering, manufacturing, and quality control. Finance includes accounting and credit.

The primary advantage of organizing a company by functions is that it allows for functional specialization. One group of professionals can devote all of its time to accounting. Another can become experts in advertising or engineering. Organizing a company by functions also may save a company money by allowing it to use its equipment and resources most efficiently.

Organizing a company by function can have some negative effects, however. Conflicts may develop between departments with different goals. The production department, for example, may be more concerned about product quality than the marketing department.

Organizing a company by functions also may hurt a company by creating managers whose scope is relatively narrow. For example, a marketing manager may know a great deal about marketing, but he or she may be completely unfamiliar with the other aspects of the company's business. Where managers need to have a much broader scope, a different organizational structure may be more appropriate.

**QUESTION**

Which of these four functions are line functions and which are staff functions?

## Organizing Departments by Product

A second way in which a company can organize its departments is by product (see **Figure 13–9**). Under this kind of organizational structure, a single manager oversees all the activities needed to produce and market a particular product. This type of organizational structure allows employees to identify with the product rather than with their particular job function. It often helps to develop a sense of common purpose.

Structuring a department by product also helps a company identify which products are profitable. General Motors (GM), for example, can easily determine which of its divisions is earning the most money because the company is organized in independent units. Each unit produces a different product. If GM had instead adopted functional departments, it would be difficult to know if Chevrolets were earning more profits than Cadillacs.

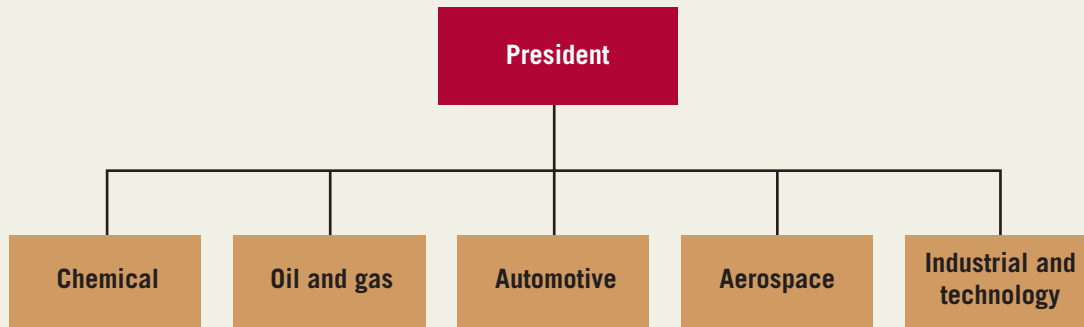
Another advantage of organizing departments by products is that it provides opportunities for training executive personnel by letting them experience a broad range of functional activities. The head of the Pontiac Division at GM, for example, understands all aspects of the division, not just those related to one particular function. He or she is in a better position to become the chief executive officer of GM than a manager who had spent his or her entire career working in a single functional department.

Organizing a company by products also can cause problems, however. Departments can become overly competitive, to the detriment of

### Tips from Robert Half

With the growing number of small businesses, chances are good that you'll work for one. Take advantage of the opportunity at a small firm to learn about marketing, sales, public relations, and computers.

**Figure 13–9** ORGANIZING A COMPANY BY PRODUCT



### WORKING WITH CHARTS

Organizing a company by product rather than function tends to create managers with expertise in more than one area. *What other advantages are there to organizing a company in this way?*



▲ **PRODUCT ORGANIZATION** At many packaged-goods manufacturers, managers are responsible for every aspect of a particular brand. *What are the advantages to organizing a company in this way?*

the company as a whole. Organizing the company by product also means that activities are duplicated across departments. GM, for example, has a marketing department for each division, rather than a single marketing department for the company as a whole.

## Organizing Departments in Other Ways

Companies can organize in other ways as well. Some companies, for example, organize their operations by geographical region. One senior manager might be responsible for all of a company's activities within North America. Another might be in charge of all activities in Asia.

Companies also can organize by type of customer. A large computer company, for example, might have one division responsible for sales to governments, another to for-profit businesses, and another to nonprofit organizations.



### Q&A WITH THE VISIONARY-IN-CHIEF

## A Talk with Chairman Bill Gates on the World Beyond Windows

**B**usinessWeek speaks to Bill Gates about the company's sweeping reorganization.

**Q:** Microsoft's financials have never looked better. So why reorganize?

**A:** Companies fail when they become complacent and imagine that they will always be successful. So we are always challenging ourselves: Are we making what customers want and working on the products and technologies they'll want in the future? Are we staying ahead of all our competitors? Are we organized most effectively to achieve our goals? Even the most successful companies must constantly reinvent themselves.

**Q:** What are the three key principles of the reorganization?

**A:** First, our vision had always been a computer on every desk and in every home. But it was also clear that we needed to build on that vision. Although the PC is still at the heart of computing, it is being joined by a large number of new devices—from palmsize PCs to smart telephones. At the same time, the Internet has



changed everything by giving the world a level of connectivity that was undreamed of just five years ago. So we needed a new vision centered around the Internet.

Second, the new structure puts the customer at the center of everything we do by reorganizing our business divisions by customer segment rather than along product lines.

Third, we're now holding the leaders of our new business divisions accountable to think and act as if they are independent businesses. That will give us even more flexibility to respond to changes in technology and the marketplace.

**Q:** Which three companies do you consider to be your biggest competitors today?

**A:** In 25 years in this industry, I have never seen so much competition in every single area. I can probably narrow today's list down to IBM, Sun, AOL/Netscape, Novell, Linux, and Oracle.

There's an unchanging competitor too—ourselves. Customers can choose whether to stay with the

software they have or upgrade to our new products. We have to ensure that all new releases are much, much better than our previous products. If they aren't, customers won't upgrade.

*Excerpted with permission from BusinessWeek, May 17, 1999*

### CRITICAL THINKING

**Explain what Gates means when he states, "Even the most successful companies must constantly reinvent themselves."**

### DECISION MAKING

**As a manager at Microsoft, decide whether it would be best to use customer departmentation or product departmentation.**

# Understanding the Role of Company Leadership

Organizational structures often appoint individuals or groups in leadership positions for the company. Three examples of such leadership roles are committees, chief executive officers, and boards of directors.

## Committees

A **committee** is an organized group of people appointed to consider or decide upon certain matters. Committees can be permanent or temporary. You might have been part of a committee at school, planning for the homecoming dance or a Thanksgiving drive to collect food for the poor. A committee might be formed in a company to work on a new budget, or to plan for the relocation of an organization.

Managers can do many things to increase the efficiency of a committee. In order to produce the optimal results, there are guidelines that should be followed when choosing and managing a committee. These guidelines are

- clearly define the committee's function
- establish authority figures within a committee
- set clear goals for members to attain
- decide on the limits of a committee's power

## Chief Executive Officer

Senior managers initiate or approve all of a company's major decisions. These include decisions about producing new products, expanding internationally, or building new factories. These managers are led by a **chief executive officer**, the most important executive in a company.

The chief executive officer, or CEO, is the top executive in a company. Together with other senior managers, the CEO

- sets the company's objectives
- makes decisions about meeting the company's objectives
- determines who fills senior management positions
- develops the company's long-term strategies
- attends the company's annual stockholders' meeting and answers questions about the company's activities
- takes charge of the company in a crisis
- works with the board of directors

### CONNECT

Imagine that you are in charge of organizing a committee to oversee your school's homecoming activities. What would you do to increase the committee's efficiency?



## WORKPLACE DIVERSITY

### TURKEY

Age is highly honored in Turkey. The Turkish defer to elders to offer advice and make decisions, especially since so many Turkish businesses are family owned. Elders

are shown respect by being introduced first, served first, and allowed to go through doors first.



## IT'S ALL GOOD

Stuck in a rut? Feeling undervalued or too bogged down with work? Think for a moment about the most difficult situations you have had to face. Compared to your previous difficulties, the current situation is probably a breeze.

## Board of Directors

In companies owned by stockholders, a board of directors approves all major management decisions. A **board of directors** is the legal representative of a company's stockholders. In this role, a board of directors serves several important functions. Headed by a chairperson, the board approves the most important decisions made by the company's chief executive officer. It examines all major decisions to ensure that they are in the best interest of the company's stockholders.

The presence of a board of directors makes it more difficult for corporate managers to act in ways that benefit them personally at the expense of the company's owners.

If, for example, management proposed to increase executive salaries by 300 percent, the board of directors would likely veto the move. It would approve the increase if it believed that such a move was somehow in the interest of stockholders.

In a small business, the board of directors may consist entirely of family members. In a larger company, the board usually includes both people from the company and people from outside the company.

## RESPOND

Do you think it's important for members of a company's board of directors to have expertise in the company's type of business? Why or why not?



▲ **CORPORATE DECISIONS** During his tenure as CEO of Home Depot, Arthur Blank (right) initiated or approved all major corporate decisions. *What are some of the decisions Blank was likely to face?*

Senior company managers who serve on the company's board of directors are known as *inside board members*. Directors who do not work for the company are known as *outside board members*.

Outside board members often include senior executives of other businesses, heads of cultural or educational institutions, and former public servants. At PepsiCo, for example, the board of directors includes the former CEOs of IBM and AT&T, as well as the CEO of a public television station and the former president of a major university. Such outside directors often bring a fresh perspective to analyzing a business's decision-making process.

Boards of directors usually meet four to six times a year. They focus on a company's major decisions, leaving day-to-day company operations to the company's managers.

## Section 13.2 Assessment

### FACT AND IDEA REVIEW

1. What are the three organizational stages a company will go through?
2. Name two different ways a company can organize its departments.
3. Explain some of the duties of a chief executive officer.
4. What is the difference between an inside board member and an outside board member?
5. How can a manager increase committee efficiency?

### CRITICAL THINKING

1. **Making Comparisons:** What are the advantages and disadvantages of organizing a company by function? By product?
2. **Analyzing Information:** What is the purpose of a board of directors? Why is it important for a company to have outside directors on its board?

### ASSESSING COMPUTER SKILLS

**C**hoose a major U.S. company, such as Compaq Computer, Texas Instruments, IBM, Coca-Cola, or General Mills. Using the Internet or library resources, find out how the company you selected is organized and identify the top six managers. If you can, obtain a copy of the company's organizational chart.

### CASE ANALYSIS

**J**ohnson Office Supply is a large wholesale supplier of office supplies. The company sells to office supply stores, government agencies, and other institutions. Currently, the company is organized geographically, with senior managers responsible for each of the company's four major regions. The president of Johnson Office Supply suspects that this structure may not be appropriate. She has asked you to come up with a proposal for reorganizing the company.

**Apply:** Prepare a one-page report explaining how and why you would reorganize Johnson Office Supply.



# CHAPTER 13 ASSESSMENT

## REVIEWING VOCABULARY

Write a paragraph that demonstrates your understanding of the following vocabulary words:

organizational chart  
line function  
staff function  
matrix structure  
team structure

flat structure  
tall structure  
committee  
chief executive officer  
board of directors

## CHAPTER SUMMARY

### Section 13.1

- ▶ Companies use organizational charts to visually represent their organizational structures.
- ▶ Businesses generally adopt one of the following four organizational structures: line structure, line and staff structure, matrix structure, or team structure.

### Section 13.2

- ▶ The type of structure a company adopts depends on many factors, including the company's size and its products or services.
- ▶ Many companies are organized by work functions. Others are organized by product, region, or customer.
- ▶ An organization may form a committee to decide upon certain matters.
- ▶ Senior management, led by the company's chief executive officer, initiates or approves all of a company's major decisions.
- ▶ A board of directors approves all major decisions made by corporate management.

## RECALLING KEY CONCEPTS

1. Describe a line and staff organizational structure.
2. How does a business's structure change as it grows in size?
3. What are some factors that determine the kind of organizational structure a company adopts?
4. How does a board of directors affect the decision-making process of a business?

## THINKING CRITICALLY

1. Why do businesses need organizational structures?
2. Why is it important for a company's structure to evolve as the company grows?
3. What skills are most important at each stage in a company's development?
4. Why is it important for a company's management to work well with its board of directors?
5. Explain the difference between a tall structure and a flat structure.



# CHAPTER 13 ASSESSMENT

## ASSESSING ACADEMIC SKILLS

**ART** Choose two of the organizational structures described in this chapter. Make a poster showing how a company would be organized under each type of structure.

## APPLYING MANAGEMENT PRINCIPLES

**SOLVE THE PROBLEM** You are a member of the board of directors of a major importer of tropical nuts. Recently, some of the company's stockholders have expressed their concern that the company may be contributing to the depletion of the Amazon rain forest. As a board member, how would you respond to their concerns?



### Public Speaking

Present your ideas on responding to environmental concerns to the other members of the board. End your presentation with a proposal to company management.

## PREPARING FOR COMPETITIVE EVENTS

To display the authority structure within an organization, use a/an

- a. bar chart.
- b. line graph.
- c. organizational chart.
- d. pictogram.



## BusinessWeek **ONLINE**



In this chapter you read the *BusinessWeek* Management Model about Bill Gates. Using the Internet or library resources, find current articles on Microsoft's corporate organization, Bill Gates' role in the company, and the government's impact on Microsoft's organization. Write a two-page summary of the articles and present your findings to the class. For more information, go to *BusinessWeek* online at: [www.businessweek.com](http://www.businessweek.com)