# *Lecture 6:*

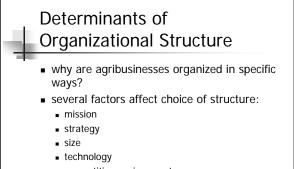
61.100 Introduction to Agribusiness Management Dr. Jared Carlberg



- organizational structure
  the "formal organization"
- specialization & departmentalization
- responsibility & authority
- centralized & decentralized organizations
- types of organizational structures
- the informal organization

#### **Organizational Structure**

- the specification of tasks within an agribusiness
  - and how those tasks relate to one another!
- different forms of agribusinesses will need unique organizational structures
- the organizational structure is often referred to as the "formal" organization



#### competitive environment

### Organizational Chart

- depicts the agribusiness' structure
  and shows where everyone "fits in"
- also shows the *chain of command*
  - who reports to whom within the agribusiness

#### Specialization

- focusing on one task or a small set of tasks by an individual
  - this is a natural result of organizational growth
  - Adam Smith first wrote about specialization
- specialization allows a person to develop exceptional skills in a particular area
  - but can limit opportunities to build other skills

#### Departmentalization

- grouping specialized tasks into logical units
  - makes control & coordination easier
  - allows firms to develop *profit centers*
- can occur along several lines:
  - customer
  - product
  - process
  - geographic
  - functional

# Responsibility

- the duty to perform an assigned task
  - requires a clear delineation of who is responsible for doing which jobs

managers may *delegate* tasks to employees

- both are responsible for the task
- the employee is *accountable* to the manager, who is also *accountable* to a senior manager

# Authority

- the power to make decisions necessary to complete the tasks required
  - authority is *centralized* when top management reserves the right to make most decisions
     leads to "flat" organizational structures
  - authority is *decentralized* when top managers delegate decision-making to other managers
     leads to "tall" organizational structures
- the number of employees falling under one supervisor is the *span of control*

#### Three Forms of Authority

- it is always necessary to specify who has authority over whom
- three common forms of authority:
  - line
  - Ine & staff
  - committee & team

#### Line Authority

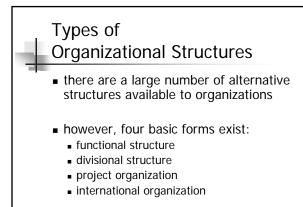
- clear line of authority leads from top mgt. down to each employee
  - shows who reports to whom
- ideal for smaller businesses that require a less complex structure
  - i.e. firm carries out one major activity
- not as effective as firms become larger
- does not easily accommodate specialists
  - since they're not directly part of production

#### Line & Staff Authority

- similar to line organization, but includes a place for specialists (staff)
  - staff are accountable to key line managers
  - staff are responsible for carrying out tasks relating to their specialization
  - staff typically have little authority; advice is related to line managers who take responsibility
- potential for conflicts with line managers
- staff have the expertise; managers the authority

# Committee & Team Authority

- committees of top managers from major areas often play important roles in the firm
  - often granted authority to make decisions outside of their usual scopes
- many firms use *work teams* that organize their own tasks & supervise themselves
  can be an effective form of organization!



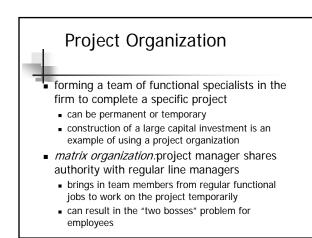
#### **Functional Structure**

 organizational units are formed based on the tasks they perform toward firm goals

- makes use of departmentalization by function
- oldest and most common structure
- focuses attention on key activities
- allows special expertise to be developed
- conflict between functional areas can arise
- decision making can be slow

#### **Divisional Structure**

- divides the agribusiness into several semiautonomous units and/or profit centres
  - can base divisions on products, customers, geographical areas, etc.
  - accommodates change & expansion
  - can result in duplication of activities across divisions
  - *conglomerates* are organizations where each division operates as a separate firm



#### International Organization

- firms that operate in multiple countries require a structure that accommodates this
  - often have an "international division" to handle the special concerns/tasks that arise
    - managed by a particular person, same as any other division
  - the international division would then be a part of the larger organizational structure

# New Types of Organizational Structures

- new types of structures are evolving to accommodate a changing business world:
  - boundaryless organizational structure
  - team organization
  - virtual organization
  - learning organization
- over time, these new types of organizations will start to "catch on"!

### The Informal Organization

- concerned with interpersonal relationships among people
  - as opposed to the "formal" organization as represented by the organizational chart
- emotions, feelings, communications, and values are part of the informal organization

#### Importance of the Informal Organization

- relationships within the business go beyond those defined by the formal organization
  - people who are happy & satisfied will do a better job
  - communication improves with an effective informal organization
  - span of control can be lengthened because people work together more effectively
- an organization that ignores its informal organization will suffer as a result!!

# Facets of the Informal Organization

- status is the social rank or position of a person in his/her work group
- *symbols* of status include title, experience, age, authority, privileges, etc.
- *power* is the ability to control another's actions
  - the source of power can be formal or informal
- *politics* is how power & status are used
  manipulation of people/circumstances

