

Lecture 6: Organizing the Agribusiness



61.100 Introduction to
Agribusiness Management
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Today



- 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

Determinants of Organizational Structure

- why are agribusinesses organized in specific ways?
- several factors affect choice of structure:
 - mission
 - strategy
 - size
 - technology
 - 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
 - line & 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!

Types of Organizational Structures

- there are a large number of alternative structures available to organizations
- however, four basic forms exist:
 - functional structure
 - divisional structure
 - project organization
 - international 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 semi-autonomous 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

Project Organization

- forming a team of functional specialists in the firm to complete a specific project
 - can be permanent or temporary
 - construction of a large capital investment is an example of using a project organization
- *matrix organization*: project manager shares authority with regular line managers
 - brings in team members from regular functional jobs to work on the project temporarily
 - can result in the "two bosses" problem for employees

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

Next Class

- topic: Human Resource Management in Agribusiness
- reading: Chapter 8
- staffing, recruiting, selection
- evaluating employee performance
- compensation & benefits
- legal issues in HRM
- discussion question: define and discuss four training & development techniques/methods
