

ORGANIZATIONAL DESIGN AFFECTING FACTORS (ФАКТОРИ, ЩО ВПЛИВАЮТЬ НА ОРГАНІЗАЦІЙНИЙ ДИЗАЙН)

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Although many things can affect the choice of an appropriate structure for an organization, the following five factors are the most common: size, life cycle, strategy, environment, and technology.

The larger an organization becomes, the more complicated its structure. When an organization is small – such as a single retail store, a two-person consulting firm, or a restaurant – its structure can be simple.

In reality, if the organization is very small, it may not even have a formal structure. Instead of following an organizational chart or specified job functions, individuals simply perform tasks based on their likes, dislikes, ability, and/or need. Rules and guidelines are not prevalent and may exist only to provide the parameters within which organizational members can make decisions. Small organizations are very often organic systems.

As an organization grows, however, it becomes increasingly difficult to manage without more formal work assignments and some delegation of authority. Therefore, large organizations develop formal structures. Tasks are highly specialized and detailed rules and guidelines dictate work procedures. Interorganizational communication flows primarily from superior to subordinate, and hierarchical relationships serve as the foundation for authority, responsibility, and control. The type of structure that develops will be one that provides the organization with the ability to operate effectively. That's one reason larger organizations are often mechanistic systems and usually designed to maximize specialization and improve efficiency.

Organizations, like humans, tend to progress through stages known as a life cycle. Like humans, most organizations go through the following four stages: birth, youth, midlife, and maturity. Each stage has characteristics that have implications for the structure of the firm.

Although an organization may proceed sequentially through all four stages, it does not have to. An organization may skip a phase, or it may cycle back to an earlier phase. An organization may even try to change its position in the life cycle by changing its structure.

As the life-cycle concept implies, a relationship exists between an organization's size and age. As organizations age, they tend to get larger; thus, the structural changes a firm experience as it gets larger and the changes it experiences as it progresses through the life cycle are parallel. Therefore, then older and larger the organization, its need for more structure, more specialization of tasks, and more rules is greater. As a result, then older and larger the organization becomes, greater the likelihood that it will move from an organic structure to a mechanistic structure.

How an organization is going to position itself in the market in terms of its product is considered its strategy. A company may decide to be always the first on the market with the newest and best product (differentiation strategy), or it may decide that it will produce a product already on the market more efficiently and more cost effectively (cost-leadership strategy). Each of these strategies requires a structure that helps the organization reach its objectives. The structure must fit the strategy.

Companies that want to be the first on the market with the newest and best product probably are organic, because organic structures permit organizations to respond quickly to changes.

The environment is the world in which the organization operates, and includes conditions that influence the organization such as economic, social-cultural, legal-political, technological, and natural environment conditions. Environments are often described as either stable or dynamic.

In a stable environment, the customers' desires are well understood and probably will remain consistent for a relatively long time. In a dynamic environment, the customers' desires are continuously changing – the opposite of a stable environment. This condition is often thought of as turbulent. In addition, the technology that a company uses while in this environment may need to be continuously improved and updated.

In general, organizations that operate in stable external environments find mechanistic structures to be advantageous. In contrast, organizations that operate in volatile and frequently changing environments are more likely to find that an organic structure provides the greatest benefits. This structure allows the organization to respond to environment change more proactively.

Advances in technology are the most frequent cause of change in organizations since they generally result in greater efficiency and lower costs for the firm. Technology is the way tasks are accomplished using tools, equipment, techniques, and human know-how.

Organizational design depends on the type of business. The small-batch and continuous processes work well in organic structures and mass production operations work best in mechanistic structures.