Business Organization

SUBMITTED BY: Dan Wolfe, University of Pennsylvania

SUBJECT(S): Management

GRADE LEVEL(S): 9, 10, 11, 12

☰ OVERVIEW:

In this lesson, the teacher will address the topic of organizational structure. Specifically, the class will cover the trend toward flattening of organizational hierarchies and the subsequent implications for career advancement. To illustrate the latter concept, students will read and discuss the Knowledge@Wharton article "Chief Receptionist Officer? Title Inflation Hits the C-Suite."

☰ NBEA STANDARD(S):

- Management, III. Business Organization

☰ RELATED ARTICLES:

- "Leadership Secrets from a School that Turned Out Some Top CEOs"
- "Educator Toolkit: The Chief Executive Officer"
- "Behind the Wheel of Tesla's Model S and Elon Musk's Endless Innovation"
- "A Look at Amazon, Walmart and How Your Shopping Experience Is Changing"

Organizational Structure — The framework, typically hierarchical, within which an organization arranges its lines of authority and communications, and allocates rights and duties. Organizational structure determines the manner and extent to which roles, power, and responsibilities are delegated, controlled, and coordinated, and how information flows between levels of management. (From businessdictionary.com)

Types of Organizational Structures:

- **Tall**— The company has a very distinct hierarchy in place, with many layers of employees between the lowest level of staff and the upper echelons of management. Any given employee or manager typically has a low level of autonomy. Generally an employee will report to only one manager, and it is very easy to trace the chain of command all the way to the corporate suite.
    - Advantages to this type of structure include:
        - **Upper management can maintain control and coordination among employees**
        - Employees can be closely supervised since each manager has a smaller number of employees
        - There are clear channels of control and power
        - A clear ladder for career advancement exists
    - Disadvantages include:
        - Conflicts may get pushed up the chain of command and eventually bog down the CEO
        - There may be a lack of communication between different "branches" of the corporate "tree"
        - It can be very costly to have many layers of management staff
        - Employees have fewer opportunities to be creative
- **Flat**— The company's hierarchy is more spread out, with few layers of employees between the lowest level of staff and the upper management. Any given middle manager typically has a great deal more autonomy than in a tall organization. Employees may report to several different managers, and it can be difficult to trace a path through the chain of command.
    - Advantages to this type of structure include:
        - **Lower levels of management have more autonomy and thus more flexibility to respond to changes in the competitive environment**
        - More team spirit
        - It is cheaper to have fewer levels of management
    - Disadvantages include:
        - Confusion over channels of power and reporting duties
        - There is a lack of a clear career ladder
        - Managers may be stretched thin
        - It is hard to maintain when a company becomes large

NBEA Standard(s): Analyze the structure of a business.

Common Core Standard(s):

Objectives/Purposes: Students will be able to analyze a company's structure to determine whether it is flat or tall. They will be able to discuss the advantages and disadvantages of each form, addressing the implications both for the business and for their own careers in that company.

Knowledge@Wharton Article:

"Chief Receptionist Officer? Title Inflation Hits the C-Suite"

http://knowledge.wharton.upenn.edu/article.cfm?articleid=1748

Other Resources/Materials:

For Teachers:

1. Internet Access-if the teacher has Internet and can project the screen to the class, this is fine.
2. Poster board or chart paper
3. Markers

Activity:

Introduction (5 mins): Class discussion opener

Begin by reading the following definition (from businessdictionary.com) of organizational structure to students:

Organizational Structure — The framework, typically hierarchical, within which an organization arranges its lines of authority and communications, and allocates rights and duties. Organizational structure determines the manner and extent to which roles, power, and responsibilities are delegated, controlled, and coordinated, and how information flows between levels of management.

Next, ask students to describe a "typical" organizational structure for a corporation like Walmart or Starbucks. Answers will likely have a CEO/COO/CFO on top, followed by a vice president or

two, followed by regional managers, followed by store managers, followed by the hourly employees.

Now introduce the two types of organizational structure to students using the definitions above. The tall structure will probably be more familiar to students.

Guided Reading (10 mins):

Now, have students read the K@W article:

"Chief Receptionist Officer? Title Inflation Hits the C-Suite"

http://knowledge.wharton.upenn.edu/article.cfm?articleid=1748

Class Discussion (10 mins):

1. Which organizational structure has been the prevailing norm in the past?

    a. The tall structure has been the traditional form of organizing a business.

2. Why is title inflation occurring in organizations that are described as flat?

    a. Raises can be expensive. The alternative in a tall organization is to promote employees, but…

    b. In the absence of a predefined career ladder that one would see in a tall organization, many companies are simply inventing titles rather than giving employees meaningful promotions.

3. What is the effect on customers' perceptions of a company when a position, such as chief environmental advocate, is created?

    a. Customers may take the position's creation as a sign that the company treats the issue very seriously

4. What are the problems associated with title inflation?

    a. It can create very high expectations, such as in the chief marketing officer example.

b. It dilutes the prestige of achieving an officer- or VP-level position.

c. The titles may be meaningless to future employers, and there may be no substantive increases in responsibility or skills to accompany them.

5. How can these titles be beneficial to smaller firms and their employees?

a. The titles may actually correspond with an increase in responsibilities, which can mean more professional development. This may motivate employees to work even harder.

6. What are some alternatives to inflated titles in a tall organization, and why might these be beneficial to one's career?

a. Special project work allows an employee to put concrete examples of responsibility and success on his or her résumé.

b. An increase in the number of employees supervised gives a clear indication of trust in a manager; however, this may not always be feasible.

Activity (10 mins):

Have students split up into two groups of 3-4. If there are significantly more students, allow multiple sets of two groups each.

Instruct each set of two groups to select a company with which they are all familiar. Students will analyze this company's business to determine whether a tall or flat organizational structure is appropriate. Ask one group in each set to advocate for the tall structure and the other group to advocate for the flat structure.

Inform students that their ideas need to be well thought out and detailed; additionally, they should be specific to their company. For example, if students are explaining why a company like Google should use a flat structure, they should say that a flat structure would enable any given division of Google to respond quickly to new developments in Internet technologies without the need for approval from the top. Meanwhile, students advocating a tall structure might argue that Google needs to maintain cohesion among its various offerings (Maps, Gmail, Google+, Docs, etc.)

Discussion (5 mins):

Have each set of students present to the class. Again, be sure that students' suggestions provide an appropriate level of detail and are specific to that company or industry.

Closing (5 mins):

Answer any questions students may have or clarify any points of confusion.

Practice outside the Classroom: Students should investigate a few companies that they may consider joining in the future in order to figure out their organizational structure. They should consider whether or not they prefer the freedom afforded by the flat structure or the clear boundaries in place under the tall structure.

Tying It All Together:

This lesson helps students understand different ways in which a business may be organized. These points are applicable to many different types of organizations as well, including student clubs.

What Worked and What I Would Do Differently: Students seemed to have trouble coming up with the advantages and disadvantages of each type of structure. I would recommend steering them toward these conclusions more firmly.