Chapter 8 begins our discussion of the 2nd function of management—organizing. Here we will concentrate on three major themes: organizational culture, the elements of organizational structure, & types of organizational structures. The topic of organizational culture (see definition on p. 236) is highly researched and discussed in the field of management.

Figure 8.2 highlights four types of cultures in organizations:

1. **Clan** (p. 237-238) → internal focus and values flexibility rather than stability and control. These cultures operate more like families and value cohesion, a humane working environment, group commitment, and loyalty. Examples include Sony, Hyundai, Toyota, Tom’s of Maine.

2. **Adhocracy** (p. 238) → have the same focus on flexibility as clans but instead of focusing on its internal strengths, emphasize competition, creativity and differentiation through innovation. Examples are high tech companies, such as Google, Apple, Amazon.

3. **Market** (p. 238) → have a strong external focus and value stability and control. They are concerned with competitiveness and productivity through emphasis on partnerships and positioning. Market cultures include General Electric, Coca-Cola, and General Motors.

4. **Hierarchy** (p. 238) → Hierarchical organizations share similarities with the stereotypical large, bureaucratic corporation. They value control and have an internal focus. Many financial institutions, banks, insurance companies, as well as government, FORD, McDonald’s, have this type of culture.

Organizational culture features two levels: **visible** and **invisible** (see the picture below). The smaller (visible) level of culture consists of (p. 240) overt, observable behaviors:

- **Symbols** → e.g. a coffee mug with a company logo, or the Nordstrom’s “inverted pyramid”
- **Stories** → could be either true stories or myths (see an example of stories at 3M)
- **Heroes** → e.g. Herb Kelleher at Southwest Airlines, Jack Welch of GE, Sam Walton of Wal-Mart, Anita Roddick of the Body Shop
- **Rites & rituals** → holiday parties, Pink Cadillac at Mary Kay, “best of the best” awards, etc.

The invisible level of the organizational culture includes
underlying values, beliefs, and assumptions.

Both the visible and invisible levels interact and affect each other. Although it is much harder to change the larger, invisible level, organizational cultures do not stay still. Both internal and external changes (mergers, newly appointed CEO/top managers, technological shifts, changes in the customer base, competition, political and legal environment, etc.) impact organizational cultures and move them in new directions.

Your textbook names 4 major impacts of the organizational culture on its members on p. 241. Organizational culture has two main functions: (1) Internal integration (providing means for organizational members to relate to each other), and (2) External adaptation (helping companies to adapt to changes in the external environment).

The second half of the chapter deals with the organizational structure, its elements, and types. We need to familiarize ourselves with numerous terms, including organization chart (p. 247), division of labor, or work specialization (p. 249), chain of command, or hierarchy of authority (p. 249), span of management, or span of control (p. 250), unity of command (everyone in the organization should report and be accountable to only one boss), authority, accountability, responsibility, and delegation (all defined on p. 250-251). In addition, we also need to recognize such terms as line vs. staff managers (pp. 251) and centralization vs. decentralization of authority (p. 251).

Although you need to be familiar with all 8 types of organizational structures described in the text, we will pay a special attention and describe pros and cons of the following three: functional (p. 252), divisional (p. 253), and matrix (p. 254) structures. Make sure you understand the differences between these three structures that are illustrated in the textbook. Other structures are also covered, such as network, team-based, and modular on pp. 255-258.

Your text highlights major differences between mechanistic and organic organizations (p. 263). This is relatively new theory that gives us more insight towards to different philosophies of organizational design.