



# Organisations

 **informatics**

# Becoming a Legal Entity

- Types of organisation: commercial, public, not-for-profit.
- Mostly we look at commercial organisations intended to make profits.
- Different kinds of organisation:
  - Sole trader - individual - no legal formalities - the legal entity is the individual.
    - If turnover is big enough will need to register for VAT etc.
    - The individual is liable for company debts - so assets like home, savings are at risk
  - Partnership - this is the form a group must trade under unless it is a limited company
    - Often the required form of organisation for professionals e.g. law, medical, hedge fund etc because the liability issues control excesses
    - Liability is joint and several liability - all are fully liable for the debt of the partnership
  - Limited company : the preferred form of legal entity for commercial firms

# Limited companies

## ■ Three principles:

- The company is a legal person separate from the people who own or work in the company.
- Ownership is divided into shares that can be bought and sold by shareholders
- Owners of the company have no obligation to pay debts incurred by the company - the owners risk is limited to the value of their shares.

## ■ In the UK:

- Public limited company (plc): public can hold shares - BA plc - shares may or may not be listed on the stock exchange
- Private limited company (Ltd): shares cannot be held by the public - Small Company Ltd

# Setting Up a Limited Company

- Two documents:
  - Memorandum of Association: short and simple - name, location of the registered office, objects of the company, liability clause (saying the limits to liability of the owners), share capital (e.g. 100 shares, value £1 - to be a plc must have capital over £50K). Concludes with declaration of association that list the people setting up the company.
  - Articles of Association: Complex and technical (see the handout). Covers how the company will run, roles of directors, ...
- Once a company is registered then the memo of association and articles of association are on public deposit at Companies House.

# Directors

- Sometimes shareholders run the company but in larger companies directors may be employed
- Directors must:
  - Have regard to the owners and employees' interests
  - Act in good faith and for the benefit of the company
  - Exercise skill and care (be “professional”)
  - Declare conflicts of Interest
  - Legally:
    - Be aware of the financial position of the company
    - Drawing up annual reports and accounts and filing them at companies house
    - Complies with relevant law
- Companies have executive (employed) and non-executive (non-employed advisors)
- Every company has a company secretary responsible for required communications

# Conflicts of Interest – Activity – Reading

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- Individually, read clause 14 of the model articles
- In pairs look again at clause 14(4) parts (a)-(c)
- Choose one each of (a) - (c) and try to explain it to your partner
- Write down your explanations.
- Get together in a group of four
- Review your explanations - choose the best one and then work together to write a short scenario describing when you think that clause might be invoked in an imaginary company.

# Setting up a company

- Not necessary to employ a lawyer or accountant
- Easiest way is to buy an “off-the-shelf” company and tailor it to your needs (change the name, objectives, constitution, ...)
- Registering a company yourself costs £100 (same-day service at the Register of Companies) - this is slower because you need to fill in forms etc.
- UK and US have similar, easy, ways to set up companies. In other countries it can take several months and cost thousands of pounds.

# Non-Commercial Bodies

- Statutory bodies - set up by act of Parliament e.g. local unitary authorities.
- Royal Charter: sets up free-standing bodies that are independent of the state, e.g. Universities
- Not-for-profit organisations (often established as companies limited by guarantee):
  - Charities
  - Professional organisations: BCS, Institute of Physics, ...
  - Political Parties



# Summary



- Becoming a legal entity
- What situations are different entities appropriate
- Limited companies
- Obligations on limited companies
- Other organisations

# Organizational Structures

Harlequin PLC operates in three different regions Asia-Pacific, US, and Europe Middle East & Africa (EMEA) it produces high-end print control software for publishers, niche programming language compilers, crime investigation software, and company productivity software. Suggest an organisational structure for the company and justify your choice. If you lack any information to make your judgement please note this, make an assumption about the missing information and say what that assumption is.

# What Is Organizing?



## ■ Organizing

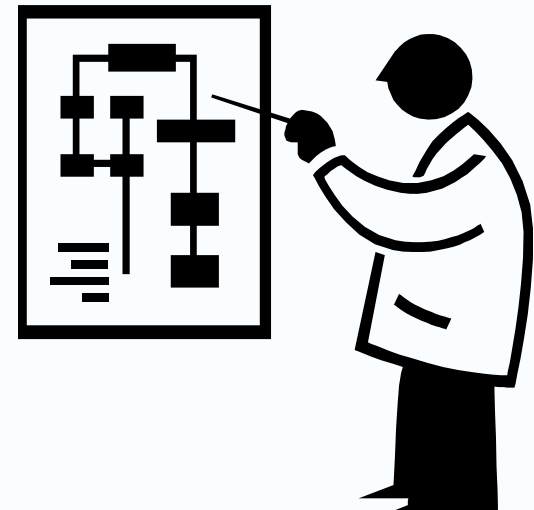
- Arranging the activities of the enterprise in such a way that they systematically contribute to the enterprise's goals.



# Describing Structure

## ■ Organization Chart

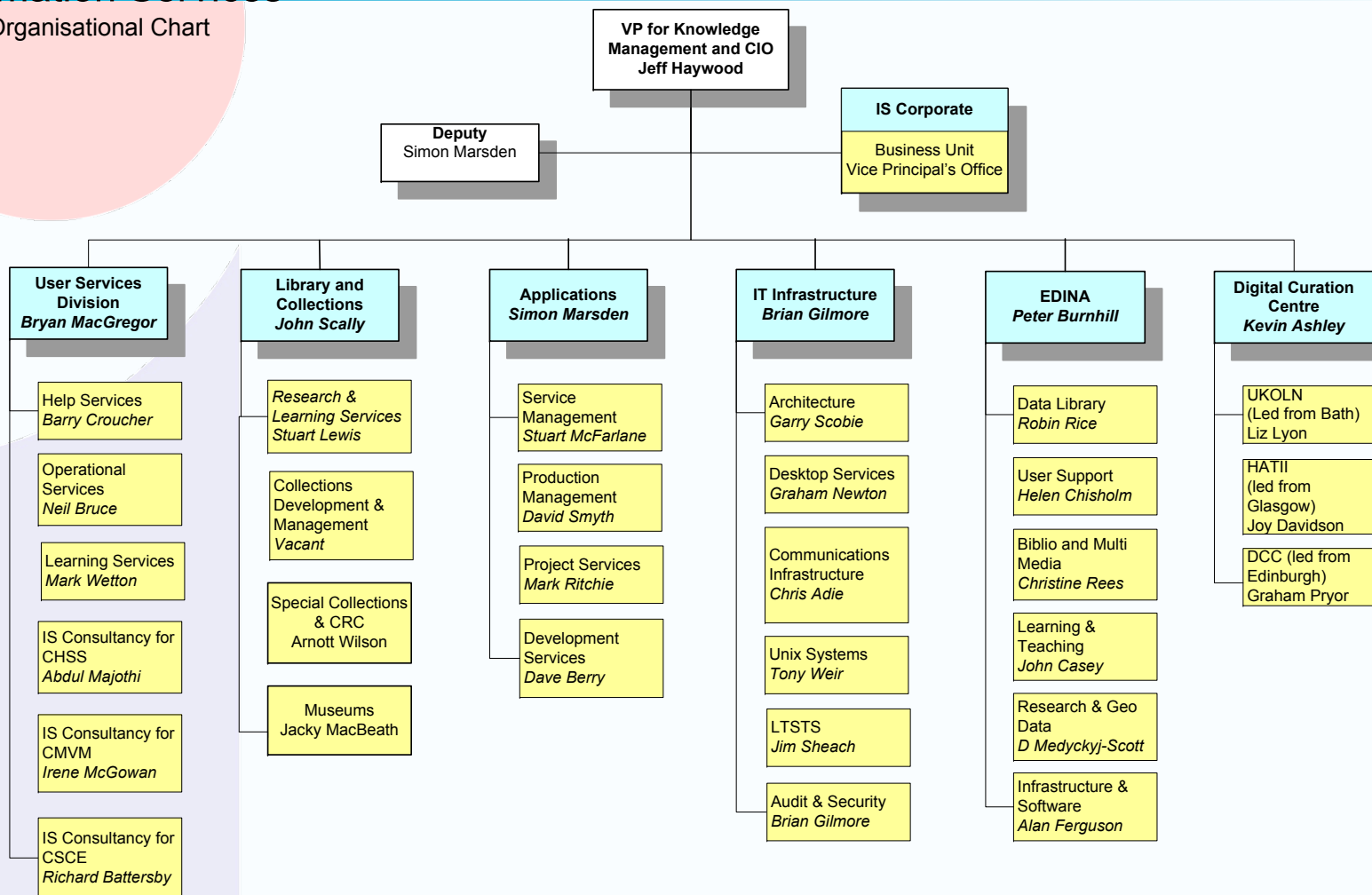
- How the organisation is structured showing lines of control and responsibility.



# Organization Chart

## Information Services

Organisational Chart



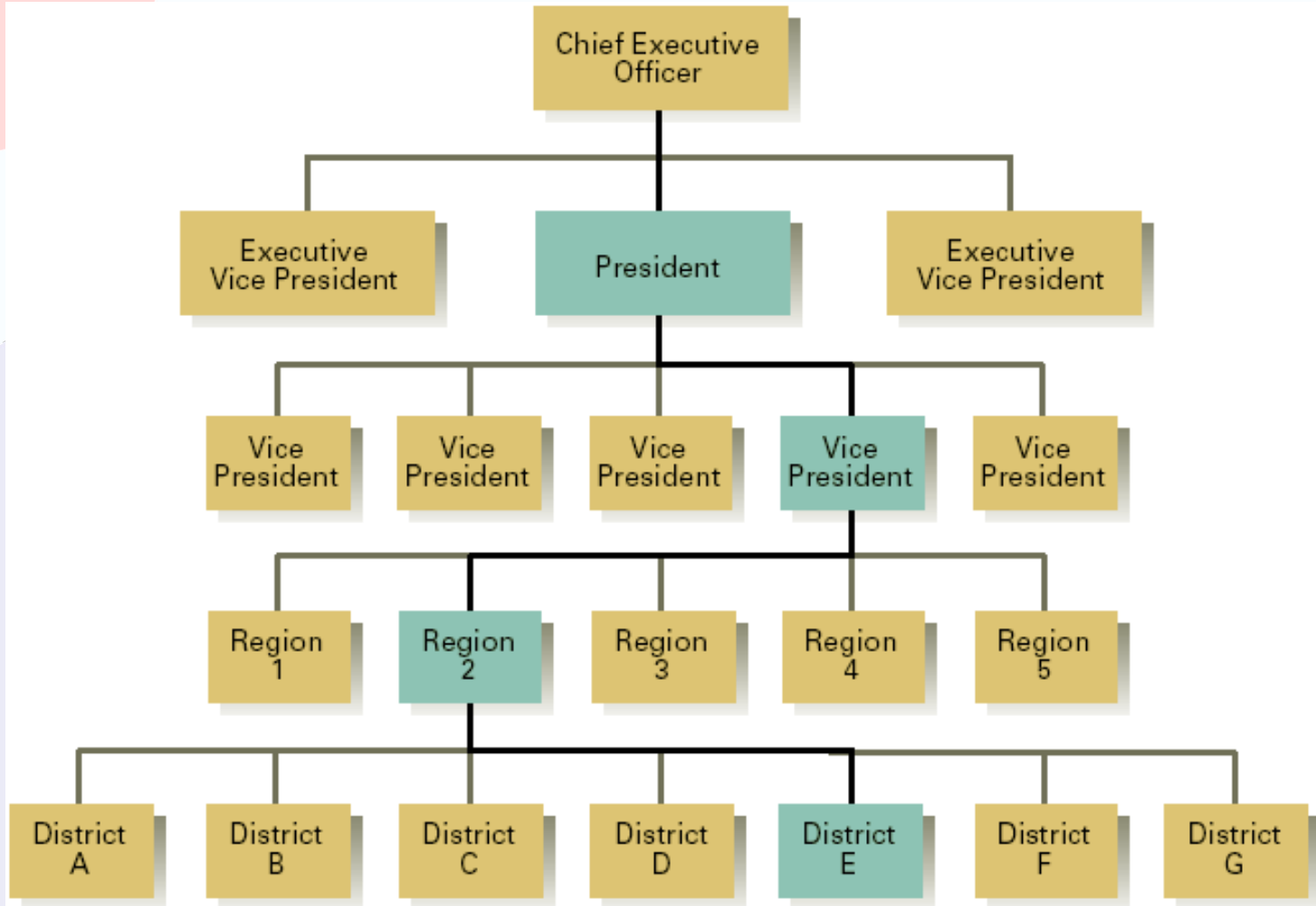
# Organisational Structures

- Simple structure
- Functional structure
- Divisional structure
- Matrix structure
- Team-based structure
- Boundaryless organization
- Mechanistic organization
- Organic organization
- *Structure enables the company goals...*

# Organizational Structure: Control

- Chain of command
  - The management principle that each person should report to at most one boss
- Span of control
  - The number of people a manager can have under their direct control
- Authority
  - The manager's right to give orders and expect them to be carried out
- Responsibility
  - The obligation to perform assigned activities
- Power
  - The capacity to influence decisions (individually or collectively)

# Chain of Command + Span of Control





# Organizational Authority

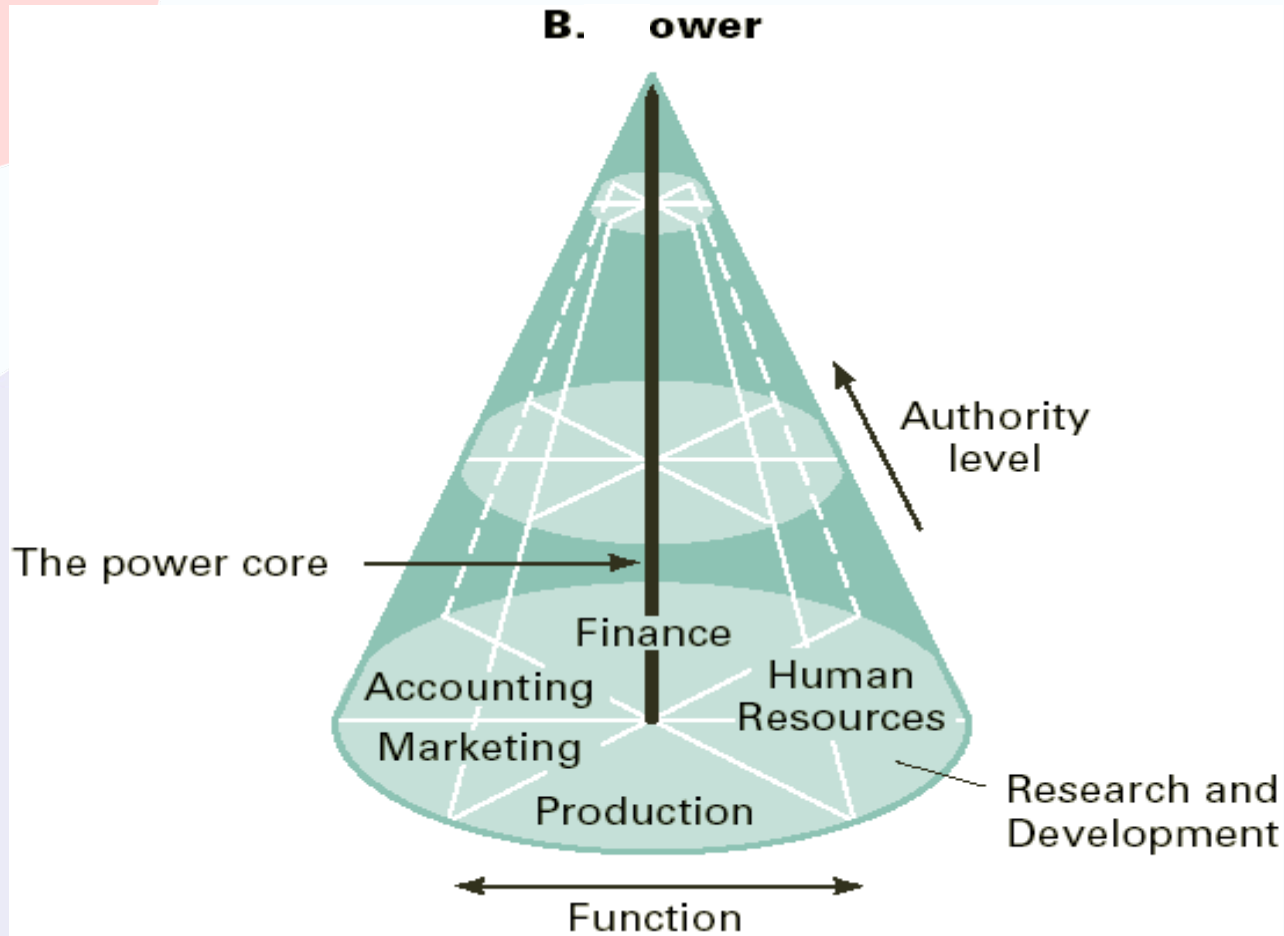
## ■ Line authority

- The authority of a manager has over someone who is below them in the chain of command.

## ■ Staff authority

- Positions that have some authority to assist managers. For example:
  - Health and safety - have the authority to stop some operations
  - Human relations - authority to control practice of hiring, firing, promotion, this authority ensures the company is not open to litigation by employees.
  - Other examples?
- The authority here rests in particular expertises that line managers cannot be expected to possess (too many things, too complex, not in the mainstream of company activity)

# Authority Versus Power



# Types of Power



<i>Legitimate</i>	Power based on position in the organisational structure
<i>Coercive</i>	Power based on fear
<i>Reward</i>	Power based on the capacity to deliver something of value
<i>Expert</i>	Power based on training, skill, expertise

# Authority and Responsibility

- In general authority can be delegated but responsibility cannot.
- Delegation is often the most efficient way to organize.
- Make a delegated task clear with clear completion criteria.
- Delegate - but remember the responsibility is not delegated.
- Know what to delegate.
- It is important to think about how much discretion is needed to carry out a task (and the delegated person may not have that).
- Responsibility should not be greater than Authority.
- Authority should not be greater than Responsibility.
- Accountability has to do with demonstrating results...
- Employees should not delegate work to their managers.

# Departmentalization

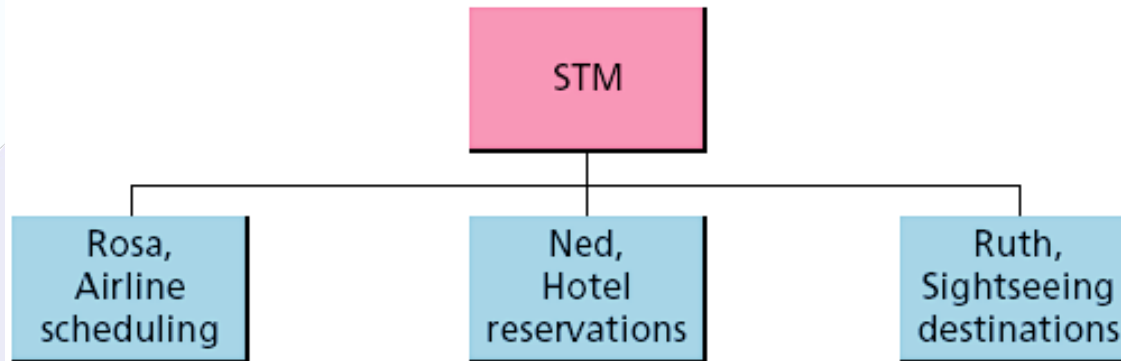
- **Functional**
  - Grouping of activities by the functions performed by group
- **Product**
  - Grouping of activities by the product or product category the activities produce
- **Customer**
  - Grouping of activities around the categories of customers served by the activity
- **Geographic**
  - Grouping of activities by the geographical region served
- **Process**
  - Grouping of activities by the work flow carried out or by the flow of customers

# Functional Departmentalization



## FUNCTIONAL ORGANIZATIONS

### Summer Tour Organization



### ABC Car Company

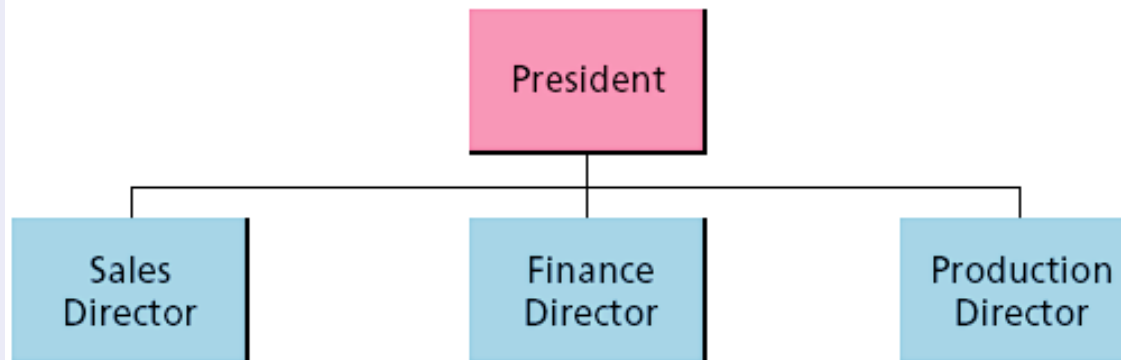


FIGURE 6-1  
G.Dessler, 2003

# Organising by purpose

- **Product Departmentalization**
  - Grouping departments around a firm's products or services, or each family of products or services; also referred to as a "divisional" organization.
- **Customer Departmentalization**
  - Self-contained departments are organized to serve the needs of specific groups of customers.

# Divisional Organization for a Pharmaceuticals Company

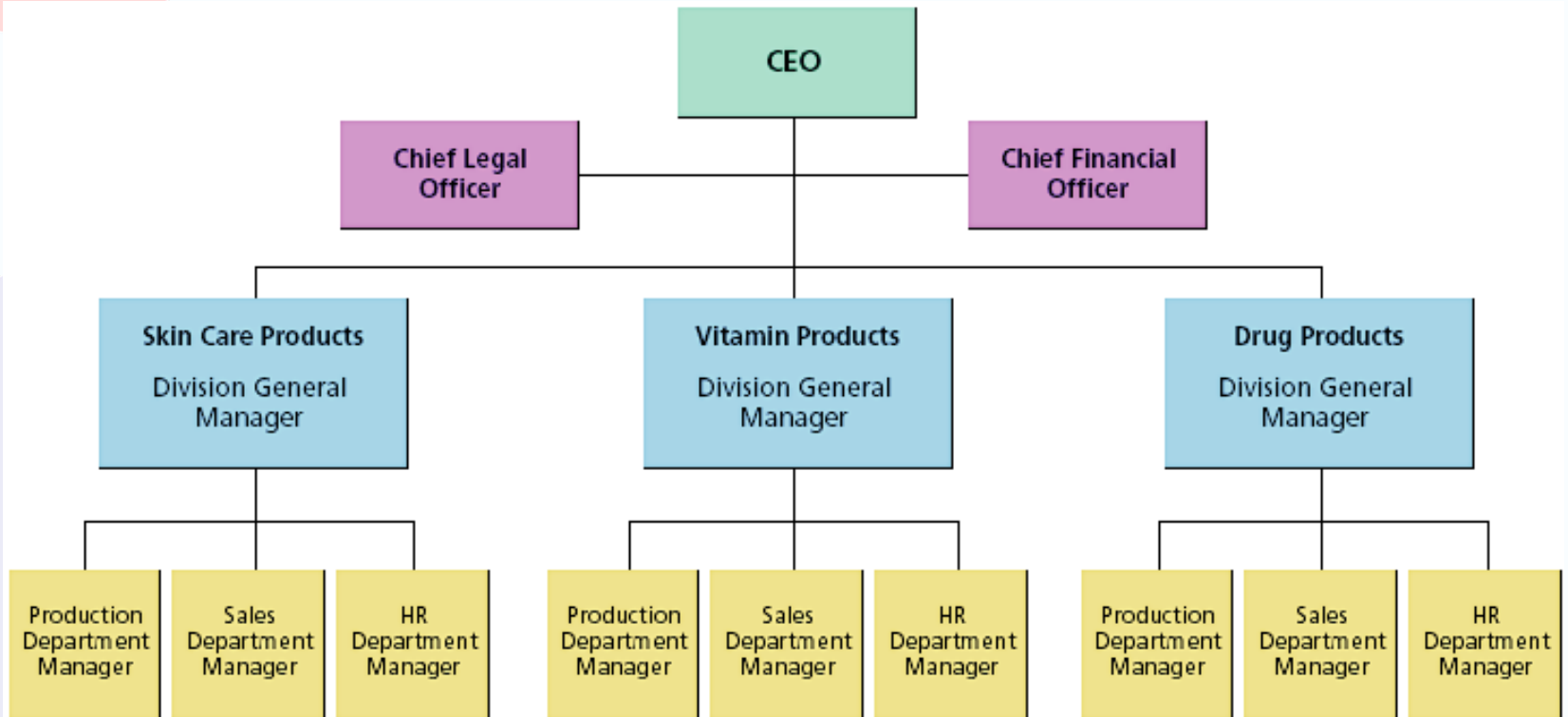


FIGURE 6-2  
G.Dessler, 2003



# Organizing Departments Divisions/Purposes

- Marketing-channel Departmentalization
  - Products into supermarkets - why might this be sensible?
  - Products into the NHS
- Geographic (Territorial) Departmentalization
  - For example, pre concerns about climate the US and European automobile markets were completely different (and still are in some areas).

# Marketing Channel Departmentalization

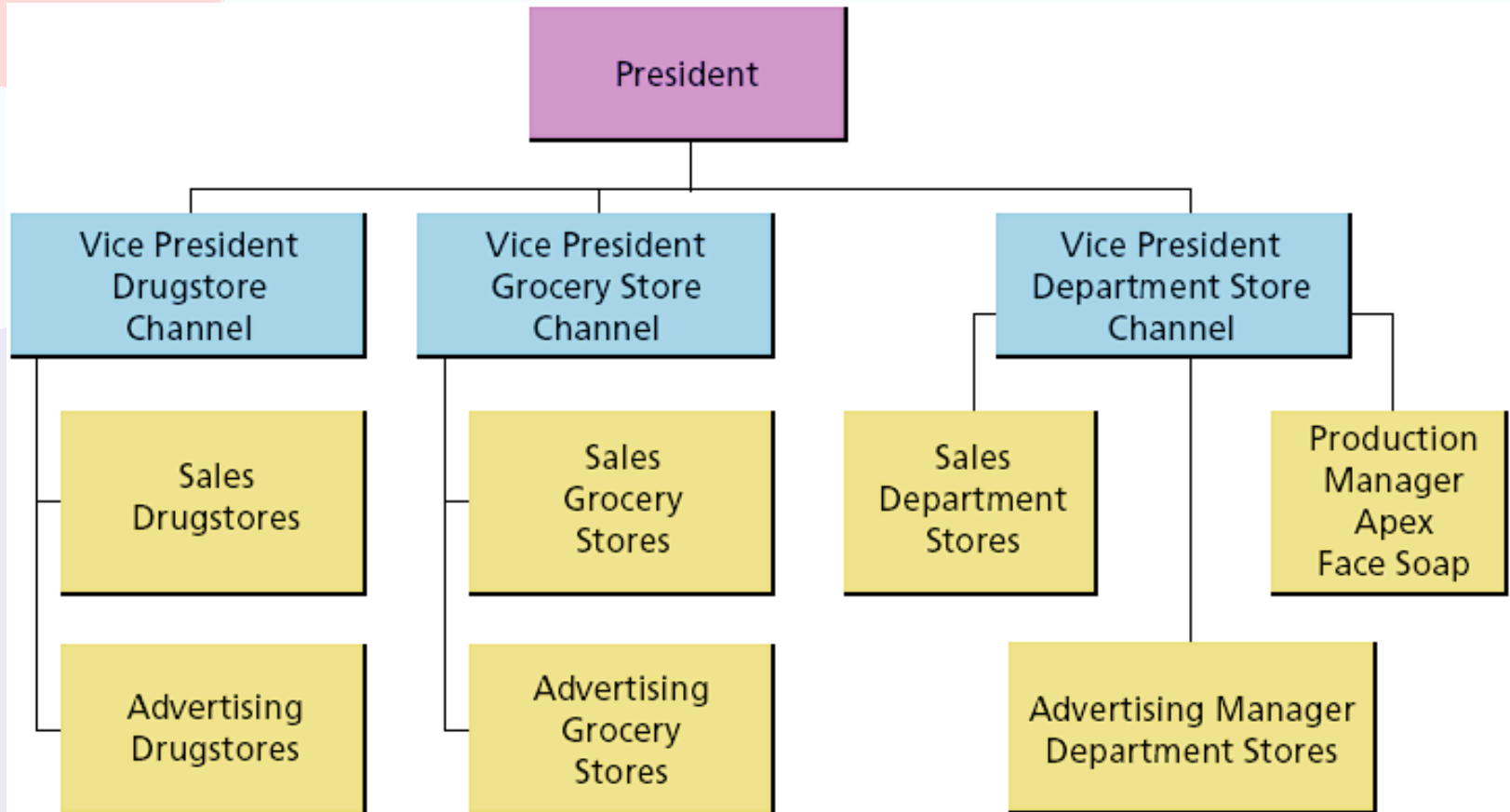


FIGURE 6-4  
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# Divisional Organizations Facilitate Coordination

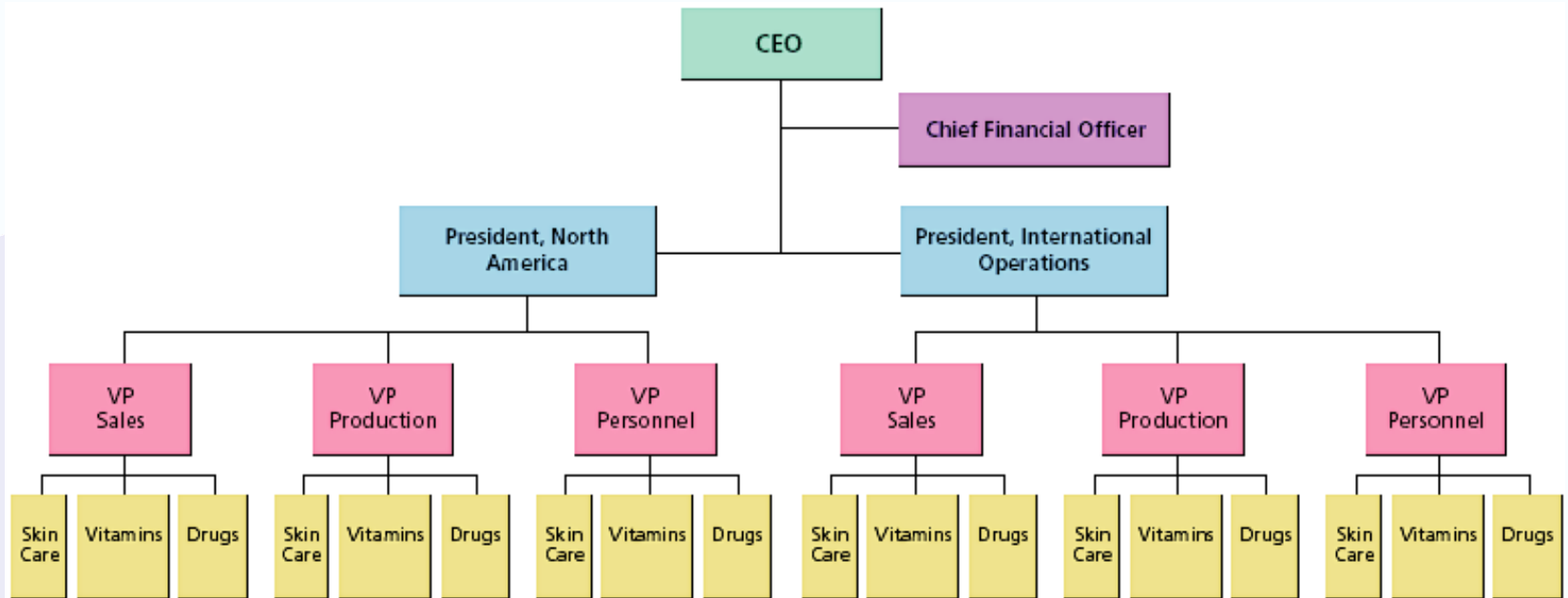


FIGURE 6-5  
G.Dessler, 2003

# Creating Matrix Organizations

## ■ Matrix Organization

- There is a need for strong functional specialisation e.g. fluid dynamics, control specialist, engine specialist, ... In an aircraft manufacturer. People are permanently employed in one department and get line management from there.
- There is also a need to coordinate projects and so day-to-day work is allocated by a project manager who is attempting to deliver the project.

# Matrix Organization Departmentalization

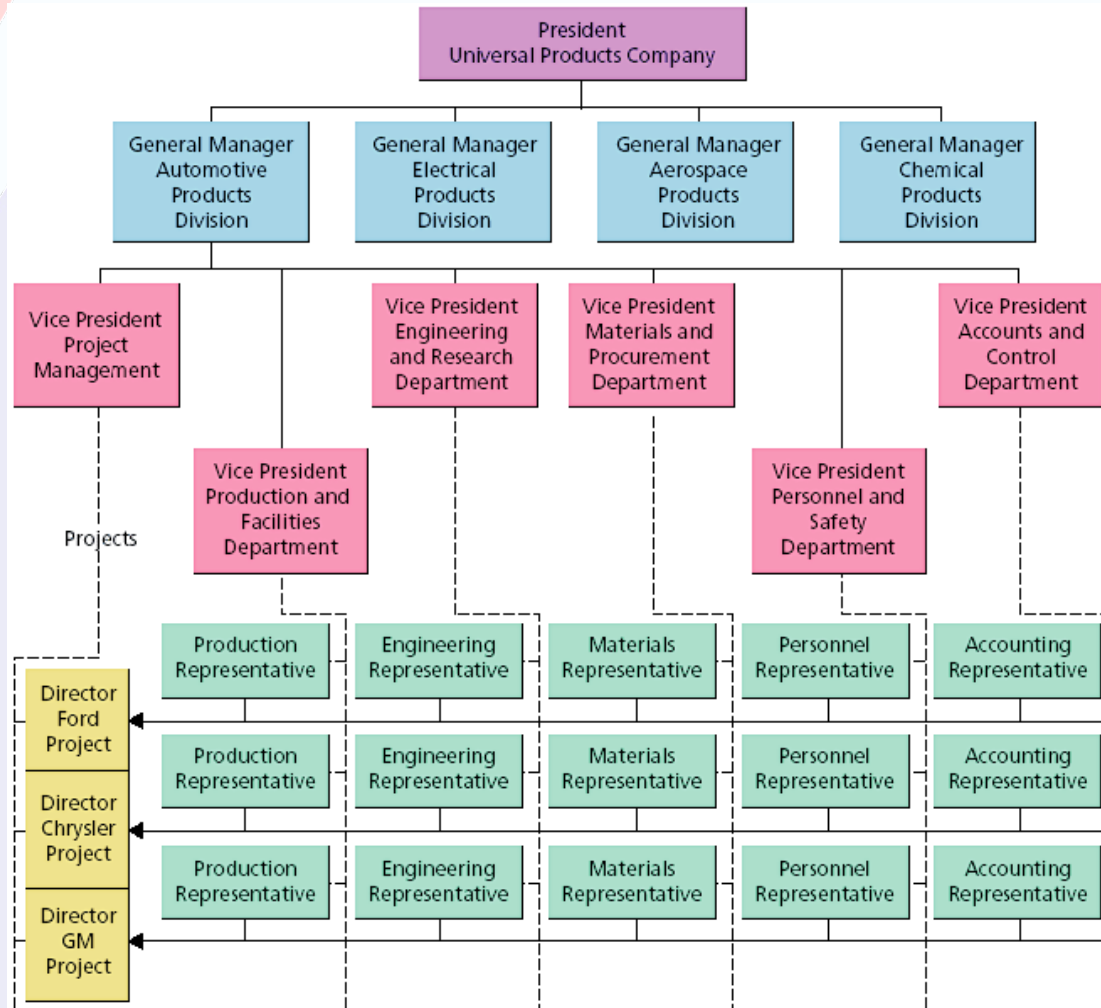


FIGURE 6-6  
G.Dessler, 2003

# Matrix Organizations

## For Matrix

- Stable home for expertise.
- Staff have a permanent home in the department.
- Can bring a flexible team together rapidly to look at a problem.

## Against Matrix

- Two or more bosses.
- Disagreement between bosses.
- Management overhead in multiple assignments.
- Confusion switching from project to project.

# Network-based Organizations

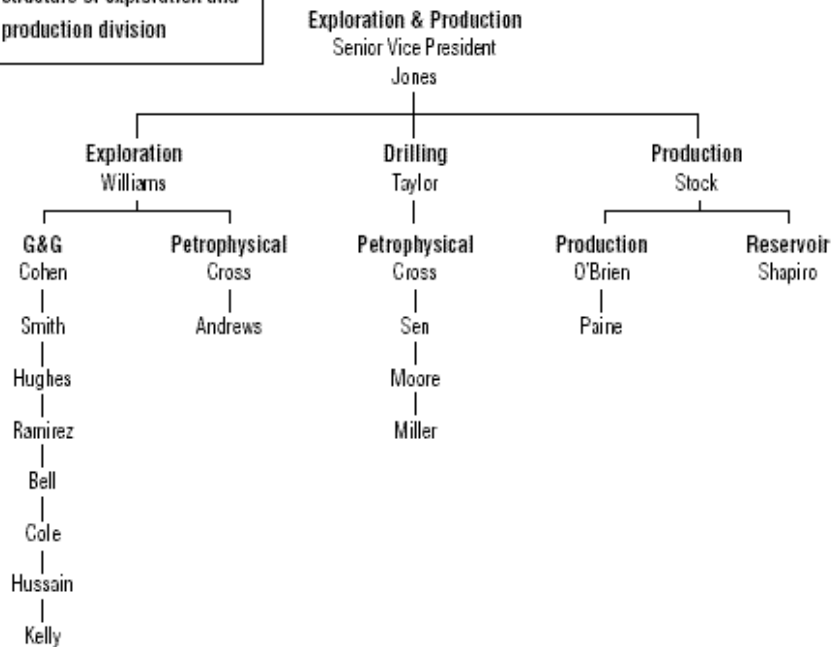
- Organizational Network
  - Individuals are the unit, networked into groups.
- Informal Networks
  - Relationships and cooperations that do not follow a formal structure and chain of command - more flexible personally negotiated.
- Formal Organizational Network
  - A network designed with particular characteristics e.g. diversity of background, coverage of necessary expertise.
- Electronic Organizational Networks
  - Using remote collaboration technologies to carry communication...

# Formal vs. Social Structure

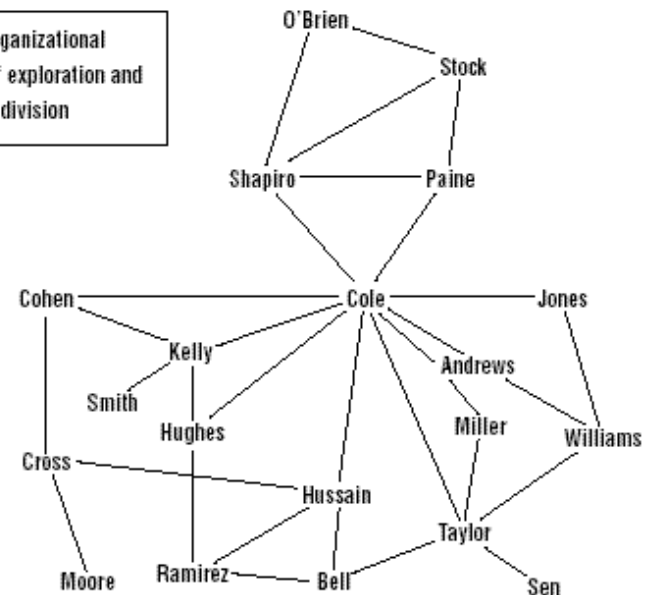


Rarely do the communication patterns match the formal structure

Formal organizational structure of exploration and production division



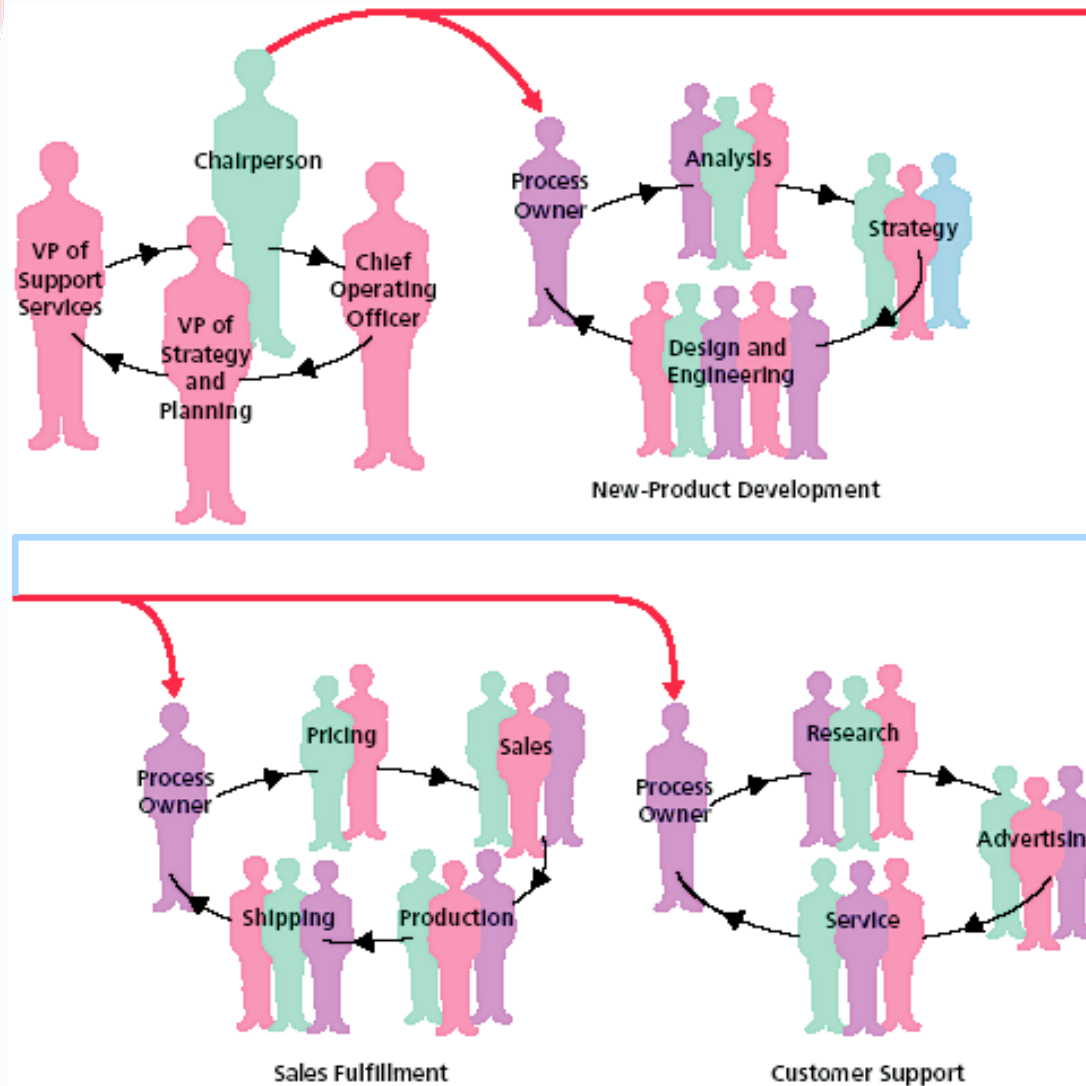
Informal organizational structure of exploration and production division



Cross, Rob. *A bird's-eye view: Using social network analysis to improve knowledge creation and sharing.* IBM Executive strategy report 04Jun2002  
<http://www-1.ibm.com/services/us/index.wss/xs/imc/a1001262>



# The Horizontal Corporation







Source: John A. Byrne, "The Horizontal Corporation," *Business Week*, 20 December 1993, p. 80.

FIGURE 6-11  
G.Dessler, 2003

# Organizational Boundaries



	KEY QUESTIONS	TENSIONS DEVELOPING DUE TO THIS BOUNDARY
Authority Boundary	"Who is in charge of what?" 	How to lead but remain open to criticism. How to follow but still challenge superiors.
Task Boundary	"Who does what?" 	How to depend on others you don't control. How to specialize yet understand other people's jobs.
Political Boundary	"What's in it for us?" 	How to defend one's interests without undermining the organization. How to differentiate between win-win and win-lose situations.
Identity Boundary	"Who is—and isn't—'us'?" 	How to feel pride without devaluing others. How to remain loyal without undermining outsiders.

Source: Reprinted by permission of *Harvard Business Review*. "The Four Organizational Boundaries that Matter," from "The New Boundaries of the Boundaryless Company," by Larry Hirschorn and Thomas Gilmore, May–June 1992. Copyright © 1992 by the President and Fellows of Harvard College. All rights reserved.

FIGURE 0–3  
G.Dessler, 2003

# Conclusion

- There are many possible structures for an organisation.
- Most companies combine several approaches
- Structure often determines authority and responsibility
- Formal organizational structures are quite rigid
- Many organizations now have more fluid structures
- The “real” structure and formal structure often don’t match