

ORGANIZATIONAL DESIGN AND STRUCTURE FINAL

Organizational Design and Structure Final

By:

Kanasha L. N. Blue

Niagara University

Spring 2018

ADS: 710

Abstract

This report takes an in-depth look at the relationship between rapid expansion and the organizational design, structure, and culture of Mary Kay Cosmetics, Inc. , Inc., The proposed framework identifies alternate means in which an organization can adapt to changing environments using contingency theory and different organizational structures. This report also includes a depth analysis of the impact information technology has on the internal and external organization design and structure of an organization. Based on the interpretation of existing literature, parallels are drawn between rapid expansion and the need for organizational redesign.

Gareth Jones (2013), describes an event that may occur and requires prior planning as a contingency. Contingency approach is a management method that allows for the design of an organization's structure to be personalized to the sources and factors of uncertainty facing it. The primary contingency factors that influence organizational design according to Jones (2013), are the environment, size, people, and technology. This report will discuss and provide insight into the current organizational culture of Mary Kay Cosmetics, Inc. Inc., and anticipate the contingencies the organization face as it prepares to embark on a rapid expansion in the global market.

Organizational Culture of Mary Kay Cosmetics, Inc. , Inc.,

There are four sources of organizational culture as described by Jones (2013), includes characteristics of people, property rights, organization ethics and organizational structure. Organizational culture varies amongst organizations since each organization interests, select, and retain members with different morals, standards, and personality (Jones, 2013). An organization hires and employs people who encompass similar ethics, beliefs, values, and attrition that match that of the company. The qualities of the people within the organization are a derivative of the values, views, and beliefs of the organization's founder. A company's unique organizational culture is built over time as more members join with this makeup and, the people within become more and more similar.

Characteristics of the People

The characteristics of the people who make up the employees and consultants of Mary Kay Cosmetics, Inc. , Inc. are a derivative from the ideals and principals of founder Mary Kathryn Ash, known as Mary Kay Ash. The organizational culture, Mary Kay Ash envisioned

Organizational Design and Structure Final

for her company was based on the education, participation, and empowerment of women (Mary Kay Ash, 1981). Her uncomplicated success formula was an organization where women can put their faith first, family second and career third and in that order the possibilities are endless.

These principles still hold true today as the women recruited into the Mary Kay Cosmetics, Inc. , Inc. family are exposed to Mary Kay Ash's principles through education at weekly unit meetings, online education tools such as Mary Kay University and classes at corporate sponsored seminars and leadership conferences (Mary Kay Inc. US, n.d.). The team building model of the organization requires the current sales force to empower other women by introducing them to the products and eventually the business opportunity. Mary Kay Ash says, "Pretend that every single person you meet has a sign around his or her neck that says, 'Make me feel important.' Not only will you succeed in sales, you will succeed in life (1981, p.125).

Property Rights

Organizational culture is also made up of property rights according to Gareth Jones (2013). Property rights are the different levels of privileges given to organization members by that company, and that determines the use of organizational resources. Organizational property rights are assigned differently to each group who are stakeholders in the company. Based on the level of property rights each group receives, determines their values, norms, and attitudes toward the organization. Some of the stakeholders in Mary Kay Cosmetics, Inc. , Inc. who have property rights include the Shareholders, National Sales Directors, Sale Directors, and Independent Beauty Consultants. Since Mary Kay Cosmetics, Inc. , Inc. is a privately own company, the shareholders would be the family of Mary Kay Ash (Gross, 1996). Shareholders property rights include all the decision making authority and control over resources. Top Managers in Mary Kay Cosmetics, Inc. , Inc. sale force are the National Sales Director, who are given vigorous property

Organizational Design and Structure Final

rights to inspire, encourage and motivate hard work for the company's success. According to Jones (2013), senior managers property rights includes the authority to make some decisions, have control over organizational resources, large salaries, stock options and hefty payouts upon termination. National Sales Directors are involved in the decision-making process for new products innovation, training, and education framework, drive the company's Pink Escalade and earns upwards of a million dollar each year. Sale directors are responsible for the decision making in their units, for recruiting, educating and motivating new Independent Beauty Consultants. Sales directors drive one of the following company car's; Pink Cadillac, Ford Fusion or the Chevrolet Equinox and usually makes a six-figure income. The general salesforce rights comprise of earning 50 percent commission of their sales, option to secure the use of a career car and recruitment new members and earn a commission of the new member sales. In a nutshell, property rights distribution to different stakeholders determines organizational effectiveness and shapes the culture that will emerge within the organization.

Organizational ethics

Organizational ethics is another source of an organization's culture. The guiding values, beliefs, rules, principals, and standards by which a business analyze, interprets and operates in situations of right and wrong dilemmas are what Jones (2013), defines as organizational ethics. A company like Mary Kay Cosmetics, Inc. demonstrates corporate ethics through acts of fairness, integrity, honor, compassion, and responsibility. Organizational ethics as noted by Jones (2013), come from three sources; societal ethics, professional ethics and individual ethics. Societal ethics refers to the written and unwritten norms and values that exist in society's customs, practices, and legal system and governs how people interact with each other's. The societal ethics Mary Kay Cosmetics, Inc. abides by include making skin care and cosmetics that

Organizational Design and Structure Final

meet federal, state and Food and Drug Administration guidelines. The organizing of a group of people to set values and moral rules to control how task completion take place and the resources used is known as professional ethics (Jones, 2013). An example of Mary Kay Cosmetics, Inc. professional ethics includes Mary Kay Cosmetics, Inc. became the first founding member of the International Outreach Consortium of the Institute for In Vitro Sciences, Inc. (IIVS) in 2011. IIVS is an international professional organization created to regulate global cosmetics safety and advocate for an alternative to animal testing (Mary Kay Inc. US, n.d). Individual ethics are the personal and moral standards individual's governs themselves by when it comes to decision making and performing specific actions. Mary Kay Cosmetics, Inc. subscribes to the golden rule as the guiding principle for individual ethics. The golden rule inspires Independent Beauty Consultants to treat others how they would like to be treated. Similarly, to the characteristics of the people within the organization, organizational ethics are driven by the organization founders and top management. Mary Kay Ash lived and founded the company on the golden rule. The senior executives in the organization purposefully develop the ethical values communicated to employees through focus training on the company standards to control members behaviors (Jones, 2013).

Organizational Structure

The final source of organizational culture as stated by Jones (2013), is organizational structure. Organizational structure is a mechanism that uses the formal system of rules, task, and authority relationship to establish control of organization activities. Organizational structure controls and shapes the behavior within the organization, influencing how people interpret and respond to situations and the environment around the organization. The structure of an organization according to Jones (2013), controls the company's coordination and motivation,

Organizational Design and Structure Final

responsible for response to contingencies with human resources, technology and the internal and external environment. A company's organizational structure grows and differentiates as the organization evolves. An example of the unique organizational structure that Mary Kay Cosmetics, Inc. used to motivate and mobilize its sales force are annual meetings where National Sales Directors, Sale Directors, and Independent Beauty Consultants is rewarded and praised for their exceptional achievements. Each level of the sale force is given goals and rewarded with generous prizes of shashes, crowns, money, jewelry, and status based on reaching and surpassing those goals.

Organizational Design

Organizational structure and culture are two of the three components that make up organizational theory, which according to Jones (2013), is the study of how organizations function and operates and how the company affects and are affected by there environment. The third element of organizational theory is organizational design and change. Jones (2013), defines organizational design as the how and the why of the decision-making process in the operations of a company. "Organizational design is the process by which managers select and manage aspects of structure and culture so an organization can control the activities necessary to achieve its goals" (Jones, 2013, p.9). With organizational design, companies attempt to achieve the proper balance in managing the internal and external pressures of the changing environments to ensure the long-term survival of the company. Establishments should continually transform and redesign its structures and culture to address the primary contingencies affecting the organization. According to Tom Burns, G.M Stalker, Paul Lawrence, and Jay Lorsch as reported by Jones (2013), there is no one best way to design organizational structures and the structure of the design is based upon the internal and external situation of the company.

Contingency Approach

The internal and external factors that may affect an organization are strategies, environment, technology, and organization size and age. A company's strategies are formed at the corporate level and are based on the company's mission and strategic objectives and goals. As organizational structures are created to achieve goals by implementing the plans, approaches, and tactics; when strategy change so must organizational structure (Jones, 2013). An organization's environment plays a significant role in its decision-making process. An uncertain or unpredictable environment makes decision-making difficult, while predictable and stable environment increases the effectiveness of the organization functioning. When an organization is dealing with the unstable environment, it must be flexible and responsive and able to adapt to change. This unpredictable also requires the organization to have more communication and coordination amongst departments.

The size of an organization is the direct result of the number of people working for the organization. An organization size influences its structure and design in terms of rules, regulations, standard operating procedures, a division of labor, performance appraisal and budgeting procedures (Jones, 2013). The age of an organization has similar impacts as an organization's size, as with age an organization increases its standardized systems. Organizations age evolves through the stages including birth, youth, midlife, and maturity. In the early stages, the organization is informal and have little or no rules and regulations. With maturity, growth and expansion in size, decisions are made by the owner and a few close colleagues, formal rules and procedures are just being put into place, and the division of labor is taking place (Jones, 2013). As the organization grows larger in size and age and reaches the midlife stage, it now has

Organizational Design and Structure Final

extensive policies, procedures, regulations, and rules to guide employees. Functional departments are in place, where tasks are decentralized, and authority is delegated. In the final stage of the life cycle, control systems are in place, a division of labor is refined and specialized staff, budgets and rules, and regulations are in place (Jones, 2013).

Mechanistic Structure

Mechanistic structure and organic structures are two types of organizational structure that are described by Jones (2013). Jones identifies that different organizational structure gives rise to different corporate cultures. Examples of mechanistic structures identified by Jones (2013), includes individual employees specializing in one defined task, clearly defined hierarchical authority, and vertical communication. In a mechanistic structure, the power to control assignments is dispensed from top management and the organization participate in the extensive use of rules and standard operating procedures to execute tasks and complete work. With a mechanistic structure, employees know exactly what they are responsible for and the behavior that is appropriate for their role according to Jones (2013). A stable environment is more conducive to the effectiveness of the mechanistic organizational design. There is a low differentiation of task and subtask with this design as the stability allows for easy control. The stability of organization task also results in the low integration of functional areas and departments as departments are not heavily dependent on each other to meet their goals. With a mechanistic structure and a stable organizational environment, lower level employees are not involved in complex decision-making as decision making is centralized to the top of the company. A stable organization environment also allows for smooth operations without breakdown as task are formalized and standardized (Jones, 2013).

Organic Structure

Organic structures of an organization include optimizing task performance by using teams and task forces, and the use of units to create sophisticated integrating mechanisms. Communication in an organic structured organization is lateral as the authority of task delegation comes from all levels, and work processes are unpredictable as the coordination of task changes amongst the teams (Jones, 2013). An organic structure is flexible, where roles are loosely defined, and new job skill is performed for the changing task. Environments that are considered uncertain and dynamic are most conducive and successful to an organic structure design. For an organization to be effective in uncertain environments, there needs to be a high differentiation of tasks so there can be a quick response to changes (Jones, 2013). In complex environments with uncertain and constant change, rapid information sharing and communication amongst department and functional areas are necessary. This need results in high integration of company departments. Decision-making powers are also extended to the lower ranks within this structure as rapidly changing task makes it unfeasible to institute formalized procedures and standardizations (Jones, 2013).

According to Burns and Stalker as reported by Jones (2013), organic and mechanistic organizational structures do not exist in pure form in any organization. Each organization must have a balance of both structures and as contingencies emerge; the organization adapts more characteristics to suit the environment be it stable or uncertain. When an organization can manage its environment by having a close fit between organization and environments, it will be successful. Organizations that have poor structural fit with their environments lead to failure according to Jones (2013).

Differentiation

As an organization grows, part of the management responsibility is to coordinate activities for the organization to create value. To create value organizations, participate in differentiation or allocating people and resources to company task, and establishing authority relationships to achieve organizational goals (Jones, 2013). This process is also known as the division of labor, which control the level of specialization in the organization. An organization may divide task according to product type, type of work or by region to name a few. For example, a division may be responsible for one product from start to finish including purchasing, public relations, production, and manufacturing. A division by geographical location is also possible where instead of products being shipped in pink trucks across the country for distribution the products are manufactured and distributed by regions. Most of the products made by Mary Kay Cosmetics, Inc. are produced in its Texas manufacturing plant but are transferred to one of the five regional distribution centers in the United States. The five branches are the Northeast Branch in Somerset, NJ, the Southern Branch in Duluth, GA, the Western Branch in Cypress, CA, the North Central Branch in Bloomingdale, IL, and the Southwest Branch in Dallas, TX. Each branch is responsible for processing Independent Beauty Consultant agreements, processing orders and shipping products to Independent Beauty Consultants and customer service activities (Mary Kay Inc US, n.d). Advantages of differentiation include the quick response and flexibility to address environmental changes. Differentiation also enhances innovation. Disadvantages of the division of labor include not supporting the exchange of ideas and knowledge within the profession and may result in the duplication of resources. The same equipment may need to be purchased for each division to be successful.

Coordination

Coordination is the process of integrating or assimilating the objectives, purpose, and activities of separate functional units or department in an organization in order to achieve the organizational goals effectively (Jones, 2013). Jones goes on to explain that without coordination in an organization, employees and departments may lose sight of their contribution and role within the organization. With poor coordination, departments and individuals may begin to take up their own specialized interest and projects. According to Jones (2013), these specialized interest and projects may be at the expense of the broader organizational goals. Coordination is needed based on the nature of the task, communication requirements and the level of interdependence of the different units and departments performing the task. An increase in coordination is needed when the factors in the environment are changing, nonroutine and unpredictable work is being conducted, and high interdependence between department is high (Jones, 2013). A high level of coordination is also significant in organizations that set high productivity, performance, objectives and efficiency goals according to Jones (2013).

Coordination becomes a challenge or problem in an organization when organizational units do not interact or depend on one another to carry out and complete their day to day tasks but depend on the satisfactory performance of each department for survival and success (Jones, 2013). Coordination is also a problem when one organizational department must act before the other department can proceed, this is known as sequential interdependence according to Jones (2013). Differentiation and division of labor further complicate effective coordination as the specialization and division of task among departments increase interdependence and integration.

Hierarchy of Authority

Jones (2013), describes three means of addressing problems with coordination in a growing organization. The three methods are a hierarchy of authority, mutual adjustment, and standardization (Jones, 2013). Hierarchy of authority is when the organization's chain of command stipulates relationships among its employees and members and the units they oversee. The hierarchical chain of authority facilitates the flow of information between departments and units. The hierarchy of authority determines who reports to whom based on rules and procedures with the design intention of anticipating and handling routine events. The hierarchy in an organization is most appropriate in a mechanistic organizational structure when the environment is stable and unchanging. This rigid structure allows for status awareness, limited upward mobility as promotion is slow, and an employee's career path is clearly outlined. Implementing a hierarchy of authority allows or increased coordination and assures that each unit in the organization is directing their effort toward a common aim (Jones, 2013).

Standardization

The next mean of addressing problems with coordination in organizational design is finding the balance between standardization and mutual adjustment. Standardization as defined by Jones (2013), are established rules and norms such as standard operating procedures (SOPs) that are considered proper and expected to be implemented in a given situation. When written rules and procedures are used to standardized operation, this is called formalization. When a company is highly formalized and standardized, it also has a high level of centralization in its decision-making process. Lawrence and Lorsch as reported by Jones (2013), states that standardization and formalization facilitate control and coordination in an organization and is

Organizational Design and Structure Final

most successful and implementable in a stable environment in a mechanistic organizational structure. Standardization encourages predictability, centralization, and an unchanging environment.

Mutual Adjustment

Mutual adjustment depends on the judgment of members rather than formalized rules for problem-solving. Jones (2013), defines mutual adjustment as an evolving process requiring and using the best judgment of members for problem-solving rather than using rules to guide decision-making. Mutual adjustment promotes coordination and innovation within an organization. The flexibility and ability to innovate, allows this model to be successful in an organic organizational structure where uncertainty and changing environment is assured (Jones, 2013). Mutual adjustment is successful in integrating mechanism such as teams and taskforce and, working on complex uncertain task. Mutual adjustment promotes innovation and risk taken and a decentralized decision-making process.

The balance between standardization and mutual adjustment for an organization like Mary Kay Cosmetics, Inc. depends on the organizational goals and the environment. Standardization is appropriate in where predictable behavior is needed such as accounting, production, and manufacturing. Mutual adjustment is appropriate for individual unit meeting and motivation of Independent Beauty Consultants. Mutual adjustment is beneficial in departments such as research and development as it encourages risk-taking and innovation to create new products. The optimal balance between mutual adjustment and standardization according to Jones (2013), is when top managers are creating strategic decisions while middle managers are making decisions on the ground level.

Information Technology and Organizational Design

Information technology has had a major impact on the structure and design of organizations. Information technology has increased the reach of small organizations, allowing them to exist for the most part in cyberspace. These small organization has no formal buildings with desks and offices but enables the company to reach millions of people. Information technology allows an organization to do more work with fewer employees (Jones, 2013). For example, business management software such as enterprise resource planning (ERP) reduces the workload and manhours of clerical staff by streamlining administrative duties such as automatically generating invoices and payment processing. Mary Kay Cosmetics, Inc. allows customers to order products online from Independent Beauty Consultants without consultants having to process the orders. Online ordering is automating placing the order, shipping the order and recouping payment without the consultant doing anything.

Information technology enables organizations to decentralize the decision-making process and reducing some of the layers of management. Since the evolution of information technology, information that was previously only available to the top managers at corporate headquarter can now be quickly shared, and access by the organization despite geographical distances (Joens, 2013). According to Jones (2013), information technology encourages organizational coordination as employees can coordinate and facilitate online meetings, increasing communication and decision-making amongst members. Employees are now connected through networks such as the intranet which improves horizontal coordination,

Organizational Design and Structure Final

connecting offices and people globally. The intranet is an excellent means for employees to communicate and stay aware of organizational goals, missions, activities, and outcomes.

Information technology is also improving inter-organizational relationships by supporting collaboration and coordination with external partners such as customers, suppliers and other parties (Jones, 2013). Information technology has revolutionized the relationship between the customer and an organization like Mary Kay Cosmetics, Inc. Customers now have a wealth of information and tremendous power because of information technology, increasing their expectations and perceptions regarding quality of service, speed, and convenience. Before the information technology evolution, customers had limited communications with manufacturers and relied on phone and snail mail to get information. Now customers have real-time and direct access to exchanging information. The customer can access product, rate companies, and access customer service data. Before the boom of information technology, traditional organization relationship with the supplier was at an arm's length communicating through the telephone and processing orders through the United States Postal Service. Now the relationship is interactive and electronic, with orders being process instantly through electronic ordering, invoicing and payments.

Jones (2013), also discussed how information technology had enhanced the network structures. This technology boom has empowered organizations to create a network organization structure, where critical functions of the organization can be subcontracted to separate companies. These separate companies are connected electronically. Electronic communication has created ease and speed to the viability of network structures. Network structures allow companies to keep their cost low while expanding their productivity and market presence.

Motivation

Jones (2013), identifies that there is a direct correlation between levels of hierarchy and motivation. A flat organization explains Jones (2013), has few levels of management and more responsibility per each manager and employee. Organizations with tall hierarchical organizational structures provide less responsibility and allow managers and employees to shift and evade their duties. Studies have shown that organization with flat hierarchical structures are more motivated to perform the task as they have more authority and responsibility (Jones, 2013).

Mary Kay Cosmetics, Inc. despite being a giant organization has found a way also to be a flat organization. Mary Kay Cosmetics, Inc. allows each Independent Beauty Consultant to be their own boss and own their own small business. As a small business owner, the Independent Beauty Consultant has all the responsibility to locate customers, service customer, order product and complete bookkeeping. This challenge encourages motivation. Mary Kay also implements unit meetings to generate motivation by osmosis. Seeing that other Independent Beauty Consultant can make money and be successful in the business influence and motivates others.

Functional and Divisional Structures

A functional organization structure is described by Jones (2013), as a design where employees are grouped and classified based on their areas of specialization and skills necessary to complete that type of work. An organization with a functional structure may divide employees into divisions such as accounting, marketing, human resources, engineering, and research and development. The human resources department in a functional structure would have its own

Organizational Design and Structure Final

human resources department and hire employees according to its needs. Likewise, each additional division would also have its own human resources department to meet its own unique hiring needs. Each functional department is led by a manager with experience in that field.

Advantages associated with the functional structure include an environment where specialization, productivity, and focus learning can take. Operational speed and clarity is cultivated as with time the employee becomes more experienced and learns effective techniques to solve problems with speed. Employees grouped together can also supervise each other and control and motivate specific behavior according to Jones (2013). Working in a functional group structure allows for the development of norms and values over time, along with a commitment to team members and organizational activities said Jones (2013).

There are many disadvantages of a functional structure such as communication, restrictive organizational view, slow response and weak accountability. Communication problems arise as more functional departments are created, each with its own chain of command, creating more distance between the units. A limited organizational view is an issue in this structure as each unit may lack broader awareness of the organization's purposes or even products outside of their department. This structure struggles with response to changes in the market as decision making is centralized with top managers. Each department does not have access to the broad perspective of the company to adjust to change quickly. Each department is unable to measure their contribution to a project, and if a project fails, it is challenging to identify the weak link.

A divisional structure according to Jones (2013), is when the organizational structure brings together duties based on a product line or regional divisions. Each product line division has its own resources in terms of production, marketing, human resources, and purchase. An example of this would be in Mary Kay Cosmetics, Inc. where the Timewise line has its own

Organizational Design and Structure Final

research and development, market, manufacturing and customer relations department, addressing all the needs of that line in one place. In a divisional product structure, each product line or division is head by a general manager, and the general manager answers to the organization top management for the performance of their division.

The strengths of a divisional product structure include clear accountability, coordination between departments, broader skills development, and fixability to adjust to change. In this structure success and profitability can be measured. A clear correlation can be made between profit and expense for each product line. Clear measurement allows for the formulation of precise business objectives and expectations according to Jones (2013). A product line divisional structure fosters comprehensive skill development across the entire product line allowing for cross-training of top managers and opportunities to learn new skills. Cross-training also allows for multiple career path within the product line. Using this structure, managers can quickly adjust to the unstable environment as each division is self-reliant and decision making is decentralized.

The weakness of a divisional product structure includes resource duplication, the limited career path for specialists, divisional affiliations and difficult product integration. For each product line to be to be independent, resources are duplicated rather than shared. Each product line in Mary Kay Cosmetics, Inc. would need that top scientist to move the product line forward. In this structure it is easy to cross train managers, technical specialist are isolated and do not cross train with their peers in other division. Only one top scientist is needed in the Timewise product line, and he or she is isolated from the top scientist in the Mary Kay Men's line. Isolation of this magnitude increase divisional affiliation but decrease the sense of belonging to the larger organization. Product divisions focus on making their line successful and may miss the overall objective of the organization. Along the same lines, product integration is difficult when more

Organizational Design and Structure Final

than one product must be combined for a more substantial product. As each line is focused on their product not the overall result. If there is a problem, one line may feel like it is not their problem and fail to address the issue in a timely manner.

Functional structures are most useful for small to medium size organizations. This structure would also be effective for an organization whom only have a few products for distribution. Based on the information provided by Jones (2013), the functional structure would be most successful in the birth stage of the organizational growth cycle. The entire vision of the organization is reflective of the founder because the organization is still small enough to be directed with centralized decision-making. Product divisional structures are best suited for huge corporations with multiple products that are not interdependent. A divisional product structure is also most useful in competitive environments as it can make decisions quickly to deal with changing customer demands. The divisional structure is more advantageous in the organizational growth stage, as new products can be introduced to the company without interfering with the success of existing product lines (Jones, 2013).

Other Structures

Other organizational structures yet to be considered are market specific structure, geographic and matrix structure. The matrix structure allows for both horizontal and vertical reporting in the hierarchy of authority. With a matrix organizational structure, an employee can be apart of the functional group and serve on a new product development team. As an organization expands to create new products, matrix structure supports different work groups collaboration to produce the new lines (Jones, 2103). Mary Kay Cosmestics, Inc. would be able to have the Repair product line head of research and development still have members report to him or her while providing expertise on the Shea Butter product line. The advantage of this

Organizational Design and Structure Final

structure according to Jones (2013), is by overcoming practical barriers and reducing problems of subunit orientation with cross-functional teams. This structure opens up communication lines between functionalist specialist and cultivates cross training amongst different departments. Another advantage of this structure is the ability to move specialized and skilled employees where there are needed, instead of hiring a duplicate specialist (Jones, 2013). The final advantage of the matrix structure is that both product quality and cost is at the forefront of product creation says Jones (2013).

Disadvantages of the matrix organizational structure according to Jones (2013), including a lack of control structure due to lack of rule, norms and standard operating procedures. Use of a matrix structure can lead to conflict as a hierarchy of authority is not clear. Jones states a Matrix structure has to be carefully managing to retain flexibility and ensure managers do not become overcontrolling when their expectations are not met (Jones, 2013). Matrix structures are not meant for every day or prolong use according to Jones (2013), but should be implemented when high level of coordination is need.

Since Mary Kay Cosmetics, Inc. is a global corporation with flagships in 35 different countries and four global regions including the Latin American Region, North American Region including the United States and Canada, the European Region, and the Asia Pacific Region (Mary Kay Inc US, n.d.). Jones (2013), notes the use of a geographic divisional structure which the requirements of their location dictate organizational divisions. The needs of Mary Kay Latin American Region is different from the needs of its European Region. An advantage of the geographic divisional structure is it better supports logistical needs and demands that are often different for customers in specific geographic locations. Some advantage of this structure includes competition between the different regions; regions can tailor make their products to

Organizational Design and Structure Final

support their local markets and have strong collaborative teams at each location according to Jones (2013). The disadvantage of this structure includes the potential duplication of functions, resources, and duties.

Another divisional structure is a market structure. In a market, structure employees are grouped based on the specific market in which the company is selling (Jones, 2013). Mary Kay Cosmetics, Inc. uses a form of market structure to reach customers on multiple platforms. The first division is the sales force, which is made up of consultants who buy the product from Mary Kay Cosmetics, Inc. and then resell the products at home parties. The next division is the online marketplace; Mary Kay has created an online platform that customers can order from without interacting with any consultant. Mary Kay also uses the market structure to recruit new consultant by rewarding current consultant when they introduce the business opportunity to others. The consultant has rewarded a percentage of commission based on the amount of product that is ordered by the new hire. The commission is paid by the company (Mary Kay Inc US, n.d.). The advantage of the market structure is it can quickly identify changes in the market and adjust the focus of the company accordingly as the market structure focus on the entire company (Jones, 2013).

Information Technology and Allocation of Authority

At Mary Kay Cosmetics, Inc., technology has had a significant impact on how the organization approaches allocation of authority. According to Aquire.com (n.d.), every two-year Mary Kay Cosmetics, Inc. would undergo succession planning. Succession planning is identifying and developing internal employees who have the experience and capability to fill key business leadership positions in the company when these roles become available. The planning session was cumbersome as it included many patchworks of spreadsheets, manual data analysis

Organizational Design and Structure Final

and pulling employee data from multiple human resource systems. According to Jennifer Long, the program manager for succession planning at Mary Kay as reported by Aquire.com (n.d.), “Dropping that data into 100 different Microsoft Excel spreadsheets and then analyzing the data based on the direct reports of specific leaders within a global geographic area” (para 5). The process would then include the 100 spreadsheets to vice-president level executives in the local and corporate headquarters of Mary Kay, followed by gathering feedback to generate one rolling document. According to Aquire.com (n.d.), it would take months to get the information back from the vice presidents rendering the information out of date as employee’s title and supervisors had changed.

To overcome the challenge of succession planning, Mary Kay implemented OrgPublisher by Aquire, which is an online organization charting solution. This charting solution according to Aquire.com (n.d.), provides organizations access to critical metrics by the span of control, absentee rate, headcount, and open positions. The program visible reports relationship such as divisional and functional chain of commands and daily analytics reporting by the hierarchy. This software allows managers to create departmental plans and what if organizational design and structure scenario like the company expanding by 950 employees Aquire.com (n.d.). With the help of this information technology a succession plan that used to take two months now takes a few weeks as its fully digital and accessible across the entire Mary Kay workforce.

Expansion

Organizational structure and design would change significantly in terms of division of labor, coordination, communication, chain of command and ethical consideration if an organization grew from 50 employees to one thousand personnel. An organization that grows by over 950 employees must implement some wide organizational changes to remain effective and

Organizational Design and Structure Final

efficient. An organization with fifty employees is most likely operating with flat management structure and limited hierarchical level and centralized decision-making powers. When organization grows by such magnitude a flat management structure will cease to be as effective. Problem that may arise include confusion regarding responsibility to for moving decisions forward. This confusion can be addressed by the organizational structure implementing hierarchy of authority, standardization or mutual adjustment and coordinating across departments. Hierarchy of authority being a visible chain of command, standardization refers to formal written rules and standard operating procedures and informal norms, while the mutual adjustment is allowing the staff to problem solve and be innovative.

With growth of this proportion, communications would also show limitations. Author and former executive at Netflix, Patty McCord as reported by Delaney (2016), “Once a startup leader gets up on a chair to address the staff and someone yells out ‘We cannot hear you,’... it is time to start rethinking how you are communicating” (para. 11). Communication requirements would also change because staff may be scattered in multiple locations. Communication could be addressed by implementing an intranet to keep the company aware of organizational wide activated, purpose and objectives. With a small company, staffers wear multiple hats and pitch in were works need to be done. When a company expands new way to control activities must be implemented. A division of labor can be implemented, allowing staff to become more specialized increasing the differentiation of the organization. According to Delaney (2016), in small company employees can be motivated and kept in line by peer pressure but when a company expands it needs a top-down discipline-based management system.

Other areas that would need to be addressed would be ethical considerations. The culture of the organization is based on the founding members according to Jones (2013), and as more

Organizational Design and Structure Final

people are hired they have to be integrated into to the organizational culture. This can be done by implementing orientation, teaching the history of the organization and having scenario-based training to deal with the ethical issue when they arrive.

References

- Aquire. (n.d.). *Mary Kay's succession planning makeover*. Retrieved May 6, 2018, from https://www.aquire.com/_resources/dyn/files/844514z34a939bd/_fn/Mary%20Kay%20Case%20Study_FINAL.pdf
- Ash, M. K. (2008). *The Mary Kay way: Timeless principles from America's greatest woman entrepreneur* (New ed.). Hoboken, N.J.: John Wiley & Sons.
- Delaney, K. (2016). Something weird happens to companies when they hit 150 people. Retrieved May 6, 2018, from <https://qz.com/846530/something-weird-happens-to-companies-when-they-hit-150-people/>
- Gross, D. (n.d.). Mary Kay Ash and her corporate culture for women. In *Forbes Greatest Business Stories of All Time*. Retrieved from <http://www.stephenhicks.org/wp-content/uploads/2012/01/forbes-mary-kay-ash.pdf> (Excerpted from *Forbes Greatest Business Stories of All Time*, 1996)
- Jones, G. R. (2013). *Organizational theory, design, and change* (7th ed.). Boston, Mass: Pearson.
- Mary Kay. (n.d.). Mary Kay. Retrieved May 5, 2018, from <https://www.marykay.com/en-us/about-mary-kay>