

## A Case Study of the Important of Good Organization Structure and Power of Decision Making

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### **Abstract / Subject area**

*The case is written for MBA or senior undergraduate courses on Management and Organizational Behavior*

### **Study level/applicability**

*The case is written for MBA or senior undergraduate courses on Management and Organizational Behaviour, leadership or strategy implementation. The case can be taught towards the end of a Management course to learn about organization and its behavior. This case can be used in the segment focusing on action and leadership.*

### **Case overview**

The organization structure is business skeleton. Organization structure helps everyone in company understand their role and scope of work. It help to facilitate divisions of labor, efficiency and assist in avoiding conflicts and confusion. Good organizational chart also illustrate the reporting chain, who reports to whom so that everyone have clear idea how they are held accountable. This really help employees know how from whom to take direction, where they can fit into organization, and the scope and limitations in their job post. There are three most common organization chart namely simple functional, divisional and matrix structure. In order to have a good organization chart, there will involve eight steps. All types and process will briefly explain in the case study.

In order to create a good organization chart, we must know types of organizational chart. There are three most common organization chart namely simple functional, divisional and matrix structure. The functional structure which also known as bureaucratic organizational structure. The structure is divides by company specialty. For example, it is divided by department specialty like marketing, sales and finance. The advantage to have this type of structure is each employee is dedicated into a single function which they can focus and have clearly understanding the job scope. Second type is divisional structure. This structure refers to the structure leadership according to the different product or project. Third type is the matrix structure. This type of structure shows where employees have multiple bosses and reporting superiors. Matrix structure come with flexibility and balanced decision making. This type of structure has commonly found in advertising agencies, research agencies, consulting, universities and entertainment industries.

The process to create one good organizational chart involved 8 steps. It's including clearly identify company's objective, determining company's activities, properly assigned duties, delegating authority, coordinating activities, providing physical facilities and right environment and lastly establishment of structural relationship for overall control. All these eight steps actually will help one organization to perform in a good and proper direction.

The Managing Director of Alkaff Dynamic Sdn Bhd (AKSB), Datuk Alif Nazrin has decided to restructure the company's organizational chart. This decision making is not because of poor business activity but it is because he want to enhance the company's functional activity by creating additional supporting department to all the operation department. This new department called Strategic Planning Unit. According to him, as company growth the way of doing business should not remain as old version but need to enhance with new strategy in order to make operation department stronger in market.

Alkaff Dynamic Sdn Bhd (AKSB) is a company that involve in supply and services activities. Therefore they will have a various business activities in company. There are Automotif department, Engineering department, Trading department and Retail department. For supporting department there are Human Resource and Administrative department, Finance Department. As business expansion become tremendously within these two years' time, Strategic Planning Unit (SPU) is needed to give support to all operation departments. The role of SPU divided into three sub tasks which are Planning, Business Development and Documentation monitoring. The task of SPU is to assist operation team to do preliminary work, background search on new potential company, create and develop new Standard

Operating Procedure (SOP) for existing and new business activities and creating the business proposal and agreement.

From that decision making has been made on July 2017, Datuk Aliff Nazrin has appointed one Corporate Consultant to assist him to fulfill his vision. After five months from the decision has been made, several research about the company has been made by the consultant. This is to understand the organization's behavior including the culture of the employee. The consultant found that this company practice Divisional Structural Type where each division are dedicate to do all process of job from find new prospect business, preliminary work, budgeting, presenting the proposal, preparation of agreement and the whole operation except the billing control by finance department. With this current trend of doing business, the consultant found out that the tendency of the operation team to skip the process flow of doing business especially in preliminary work is huge. Therefore the vision of Datuk Aliff Nazrin to have another one supporting department for operation is supportive.

The process of restructuring the organization chart has involved so many phases including investing on human capital development, build solid foundation with explicit guiding rules and regulation, all the mangers, executives and ground staff are expected to be dedicated too their tasks with the mindset of owning a portion of the organization and when it comes to the decision making people at all level are expected to get involve. This way will make everyone feel their work is important and will make in impact in achieving the organizational goal.

One quiet day on December 2017, Datuk Aliff Zainal make a phone call to the consultant name Nicholas to have an update on restructuring process. The three minutes conversation is as below.

Datuk Aliff Nazrin:	Hello, Good Morning Nicholas. Wishing you have very good day
Nicholas:	Hello, Good Morning Datuk Aliff, how may I help you Datuk?
Datuk Aliff Nazrin:	Nick, I want to hear an update on the restructuring process of my company's organization. Can you give a short brief?
Nicholas:	From the mandate given last July, we have doing research on your company's business activities and how the culture of working in employee. We found that, each operation department doing all steps by them self-including procurement, business finding and preparing the business proposal to potential client. This task actually has one particular department that handle with expertise in doing business presentation complete with fact and future return expectation. If this situation continues, The Operation team cannot focus on monitoring

- their operation process as they also need to think with all the preliminary work, SOP and documentation process
- Datuk Aliff Zainal: So what is your plan to overcome this issue?
- Nicholas: We have created the role of Strategic Planning Unit (SPU) to assist the operation team to do all the non-operation job. We also have discussed with Department of Human Resource & Administration to approve the new structure by adding one supporting department which is not profit oriented department. We also explained that even though SPU is not profit driven department, but with SPU it will enhance the efficiency of working and indirectly it will help operation boost up the production and eventually will result to increasing the company's revenue.
- Datuk Aliff Nazrin : Alright, I hope this new structure will reflect to the effectiveness of profit making and efficiency of my employee's performance.
- Nicholas: No worry Datuk, We will support and assist until your vision to have a strong organization structure with talented employee become reality.
- Datuk Aliff Nazrin: Thank you for your kind assistance.
- Nicholas : You're welcome Datuk.

On January 2018, the Strategic Planning Unit (SPU) has been formally created with one Head of Department and one Manager. However, the formation of SPU department is not well explained on the Job description. The Head of Department of SPU only been brief to find a new job market for the company so then the company will have new customer listing. While the managers only doing potential company background search and enhance Standard Operating Procedure (SOP) internally also is doing development for retail department. Other than that, they just pass back to the operation team to handle including proper analysis on potential business coming to the company.

Therefore, after several months, the role and working flow has been emphasize to be more efficient for all divisions especially for SPU unit. This is because, The Managing Director Datuk Aliff Nazrin want the SPU not only doing business development but also assist the special task in Managing Director's Office. The roles also include in facilitating and monitoring the information and job not only done by Department in Headquarters, but also the information and job come from regional all over Malaysia. In addition, Nicholas also found out that current practice of reporting from regional is directly to Managing Director. In this stage, Nicholas also found that the job doing in regional is the same like what is currently

doing in Headquarters. But, the cost Centre and the revenue were not consolidated and even put it separate cost center. This practice has result to imbalance of revenue distribution.

Therefore, the meeting with all the Head of Departments, Regional Managers, and Strategic Planning Unit has been conducted to get official consent on the fully restructuring of chart and reporting flow that effected the presentation of revenue distribution in accounting statement. The planning was to centralize the business activity where the regional only play a role as ambassador to the company and no longer profit driven.

As result, on October 2018, the full restructuring of organization chart as been well applied. The changes were including the creation and development of Strategic Planning Unit, centralization of cost center and revenue distribution and the reporting flow of regional manager as they are no longer profit driven to the company, but play a role as ambassador or representative fellow for Headquarters. In addition, by practicing the centralization of profit center, the distribution of profit center can properly manage and monitor by business activity not by location or regional based.

In conclusion, one organization needs to do some restructuring on organization chart as the business growth. This is to enhance the performance and to make organization more organize in reporting. Furthermore, the organization chart also plays a big role to present how company was running.

### **Discussion Questions:**

1. Explain the definition of organization structure and brief the important to have good organization structure.
2. Explain type of organization structure and advantage with example
3. What is business activity that Alkaff Dynamic Sdn Bhd (AKSB) is doing and what is the new vision of Managing Director, Datuk Aliff Nazrin ?
4. What is the role of Strategic Planning Unit and how Important the unit reflect to the operation and company in overall?
5. Explain the result of restructuring the organization structure of Alkaff Dynamic Sdn Bhd.

### **References**

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