Organizational Behaviour
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Lecture - 36
Organizational Structure and Design

Welcome to the chapter twenty two of the discussion today which is on organizational structure and design. In this chapter, we are going to learn about what is organizational structure and what are the different design options present in the organization? What is the difference between organizational structure and design and different types of design and what are the variables affecting design and how design affects organizational performance and other things.

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So, as a objective of this chapter, we are having develop an understanding of organizational structure and design key elements for organizational structure which are work specialization, departmentalization, chain of command, span of control centralization and decentralization, formalization and organizational structure, its determinants and outcomes, organizational designs and employee behavior, challenges in designing in an organizational structure, organizational designs, Indian organizations, empowerment styles in Indian perspective, restructuring Indian organizations, what are the challenges and responses to it, impact of culture on Indian business organization.

So, this will be the whole span of the discussion. In first, you are going to cover about organizational structure and different aspects or the key elements of organizational structure and some of its determinants and outcomes in the first lecture. So, to start off with, we will try to define what organizational design is.

What is organizational structure design is something when a manager makes a conscious effort to think of how to do things in the organization and how employees will do their work. That aspect is called design, how, in what ways employees will be interacting with each other, how they will be placed in their hierarchies and what will be the relationship amongst the employees, how will they access the resources. When this thought process goes on in the managers' mind, this is called organizational design. The main part of that design is that is known as organizational structure.

So, when we are talking of organizational structure, it is the anatomy part of the design. It is defined as the stable relationships and processes of the organization. Structure is defined as the stable relationship and processes of the organization as a whole. It is told to be the anatomy of the organization or the framework of the organization. So, it focuses on different things like what are the different positions in the organization, what are the different functions of the organization, how rules and procedures are to be formulated and who like how to prescribe authority.

These are certain things which come under like when you are talking of organizational structure. It is used mainly to regulate the behavior of the employees so that uncertainty is reduced in the organization. People know their reporting relationships. They know where to procure resources from. So, uncertainty is reduced through when you are talking of organizational structure. There is somewhat a control like when we are talking of with respect to employee behavior of individual employee. So, that is what the organizational structure is. So, we can tell like organizational structure defines how formally jobs are defined and placed in organization and how task are divided grouped and coordinated, coordination amongst the different task.

Now, there are certain key elements of organizational structure which are based on certain design questions. The key elements are like work specialization, departmentalization, span of control, unity of command and centralization, decentralization and formalization. These are like some of the key elements of

organizational structure. Now, when we ask the question like what is the relevant design question for which this structure is the answer, we find like when we ask the design question like to what degrees your activities will be subdivided into separate jobs, the answer that we get for it is work specialization.

To what extent like should they be divided into small parts of jobs are subdivided, so work specialization is the answer for it. When we are thinking of like on what basis the jobs will be divided, what is that, on what basis on which the jobs will be divided, the answer for it thus like the answer for this design question is departmentalization. When we are thinking of like to whom the individuals and the groups will be reporting, what is the reporting relationship, and then the answer from the structure side is that of chain of command.

When we are thinking of like how many individuals can manage control at a particular point of time, then the answer is, of course, span of control and like what is that number of employees which managers can direct at a effectively direct at a particular point of time answer is, of course, span of control. When we are talking of where the decision making authority lies, so it is like it we are talking of centralization and decentralization. When we are talking of like to what degree there will be rules and regulations in the organization and to direct the employees and to the managers, we are talking of formalization.

So, these are the different design questions and their relevant answers from the organizational structure side. What we will do now is we will try to visit each of these structures separately and each of these key elements of the structure separately. Try to find out the details of it. Then, like we try to relate it later on to the different design options, we will try to learn about organizational designs. So, firstly we will try to see what we mean by work specialization. Work specialization means the degree to which like the work is or the task in the organization is subdivided into separate jobs.

What is done over here if there is a big part of the job, if we are trying to make a product, so to we divide it into small parts and tell like only each of them together like done separately and then assembled together will make the product or not because it is not possible in many cases to go for this like designing the whole product at a particular time, so what is done over here is the whole particular task at hand is divided into

subdivided into small, small separate jobs. What happens over here is, then this is also called division of labor in the sense which makes efficient use of employees' skills.

The efficient use of employees' skills increase employees' skills through repetition because in job specialization, what is done? A bigger task is broken into small small jobs and each employee based on their own skills that they are best at for doing a particular job are placed at each of the jobs. This is because it is true that all employees do not have the same skill to do all jobs in same way people differ in their skills and their expertise. So, specialization in work specialization, what is done is that the job is divided and the employees based on the skills like which they are best at are placed in these different jobs.

So, what happens is that it utilizes the efficiency of the employees in a much better way and because of doing a repetitive work day in and day out, they also can improve in their work. This is because it becomes a part of habit and practice. They know how to do it in a better way. That is what where it tells like it increases employees skills. Third is like when you are talking of terms of errors committed and loss making, so there is there is less of downtime in this because people know how to do this thing. They are like familiar with doing the same thing again and again. It increases the productivity.

So, when we get specialized training for doing certain things, it becomes more effective and efficient. People learn also use of specialized equipments. So, this when work specialization is there, you find there is a increased productivity, but this part of the organizational structure element of the organizational structure has a flip side to it also. Doing the same job day in and day out may increase stress boredom in the members because they do not have a new things to learn. They do not get any like excitement from doing the job itself.

So, they know like when to begin, when to end as a routine repetitive type of job. So, may be sometimes like they are disinterested in the job itself which may lead to decrease in productivity as errors try to creep in at this point of time. So, as a result of that again, sometimes the late in nineteen sixties, the new design options like job enlargement came up where people got exposure of different types of things to be done and so that you can learn new things. So, what we can say over here is it is not that job specialization or

work specialization ship being done away with because of the boredom stress and other factors that is generated nor it always leads to increase in productivity.

So, it can be applied to all sorts of job. So, what we have to do is we have to see the nature of the work, the things that it demands. Then, we have to find out like what degree of specialization is required for this type of job and beyond which may be specialization is not required, some enlargement like exposure to other types of works work better over here. So, that judgment has to be made by the manager or the top people of the organization to know if we need work specialization, then what, for what type of job and to what extent. Next we come to a discussion about departmentalization.

Departmentalization is the basis by which jobs are grouped together in the organization. So, if you can understand jobs are grouped together either by functions or by the products or by the process of doing things like when we are talking of jobs are grouped together by products means organization or it could be departmentalization could be based on geography. Also, when it is first by function, then different functional areas like engineering is one, division manufacturing is one, may be sales is another. So, all the functions are different. Departmentalization is done according to that.

So, for making a particular product, what happens? These functions provide support to making all the products a, b and c, whatever that company makes. Next type of departmentalization is by a is departmentalization by the product when we want. When the organization wants to concentrate more on the product and wants its products to make a place in the consumers mind, then what happens is each of the products are given emphasis. The departmentalization is made according to the products. All the functional facilities are under each of these products.

That type of division is called product division. The product is placed under a particular manager. He takes care of these products and all the functions like sales, marketing, and manufacturing. Everything is put for this. These functions get repeated for each of the products. So, each of the product has its own set of functional people. Next is when we are talking of geographic departmentalization. So, this is may be due to the market that we want to enter special nature of the market, the demand is there for the product.

We or the competitors present around all these features may influence the decision of like whether to make the product, whether to go for a product based thing, functional based thing or departmentalization should be like geography based.

So, when you are talking of geography based, then according to geographic locations, all the or the division is made and there is a top person who takes care of that geography to see that whether the business is growing in that part of that part of the country. So, that departmentalization is called departmentalization according to geography. When we are talking of departmentalization according to the process, then then it so happens that there is a mix of the whole thing of the products and the functions. It is called process departmentalization.

So, also there it could be other ways of departmentalization. It could be based on the nature of customers whom you are addressing to and the authority also, but mainly, these four, the functions, the functions, then the product, geography and the processes are the main four ways of departmentalization. This takes of this takes care of, the process of departmentalization takes care of things which are called complexity in the organization. When we are talking of complexity in the organization, it is the degree of like how many distinctly different job titles are there.

So, that is what we are focusing into and number of groupings and number of like distinctly different units and departments. What we can talk of like either there is a horizontal differentiation or whether it is a vertical differentiation. So, when you are talking of horizontal differentiation, it is the number of units at the same level. When we are talking of vertical differentiation, it is the number of levels in the particular organization. So, either you are going for a tall structure or you are going for a flat structure, so horizontal differentiation and vertical differentiation, these are the two defined qualities of departmentalization.

Next, what you are looking into is like mainly, now what happens is process departmentalization is becoming more important for organizations which are which are addressing the needs for the particular customers. So, what they do is they take in customers need. They try to process it. They make the product moves to various departments. Then, you get the product which is designed or made for the customer. So, this is also known. When you are targeting a particular type of customer, then this is also

customer based departmentalization. The segment of customer that you want to reach each of your products is defined according to them. That is called customer based departmentalization.

So, in nutshell departmentalization, the division of the division or grouping of jobs is based on certain parameters, which could be function, which could be product of the service, which could be the geography and which could be the customer, which could be the process. What will be the nature of departmentalization is, of course, it is defined by what the organization wants to focus on, what is the job at and how it wants to specialize, how it tries to answer, is it customer based and all these factors. Next, we come to the discussion on the third part of this one, the key elements of organizational structure which is called chain of commands in chain of commands.

The most important part of discussion is that on authority like how that authority is split from the top to bottom it started with is. When we are talking of chain of command, it is an unbroken chain of command from top to bottom. When we are talking of that, we are talking, discussing chain of command with respect two things. First is the unity of command and the second is that of authority. When we are talking of chain of command, it is also, you are talking of unity of command. It means only a subordinate has only one boss and the instructions follow from that boss. That is called unity of command.

When you are talking of authority, it means by virtue of the position that the manager is in a particular organization. That position gives the persons some formal authority to control the behavior of the subordinates. That is called authority to oversee the behavior of the subordinates to give directions. So, that authority comes from that. That is the formal authority which comes directly from the position that the manager joins in the organization.

Now, who are with unity of command? So, person knows like he or she has to answer to the instructions of only one boss which sometimes reduces complexity and less stressful for the individual as compared to when in a situation where a person has to work under two bosses. This sometimes happens in matrix organization. Now, when this is the situation, the person has to work under two bosses, if these bosses are having conflicting demands that they make from the employees, then the employees becomes stressful. So,

unity of command is preferred in that way, but it also means information is flowing very slowly from top to bottom.

If there is one person reporting and to only another person and may in our present situation organizational situation, what we find like because of network structure where all persons are connected with each other information from top to the other people, the lower level of the organization, it reaches very fast due to this networking processes because all are connected with each other. They can share information with each other like through different channels of horizontal up or down or vertical diagonal communication pattern.

So, that is why, like even if it is less stressful, the chain of command, when you are talking of unity of command, maybe it is somewhat not practiced to that extent today in present organization, where we are moving more towards team work, where each of the employees are connected to each other. We have a lot of help from the technology which helps to maintain connectivity because sharing of information, fast completion of work, individuals are able to take their own decisions and the work pattern people believe. Now, next we move on to a discussion on the next part of the key element which is a very important element, which is called span of control.

In span of control, what happens? When you are talking of span of control, it defines like how many employees a person can control at a particular point of time. So, this exactly is defined by the nature of the job. If you can understand like if the nature of the job is such which is like less of complexity in nature and less complex jobs with more sort of routine activity, less of guidance is required, less of uncertainty is required. May be people have large span of control. You can control many people at a particular point of time, but when it is, so like the nature of job is complex in nature, you have to give one to one guidance.

You have to share one to one information. May be have to monitor by the people are doing their jobs properly or not and try to make them learn things. So, in those cases, may be it is not possible to guide or take care of too many people at a time. So, in those cases, the span of control will be less as compared to the span of control meant for a job which is of like less complexity in nature. What we find over here is like when again other factors like which define the span of control and the factor which is important like

the physical placement of the workers, so if the workers are doing a simple task are physically placed close to each other and need little coordination from the manager, then the manager spends little times for planning for them.

May be they they are, they could be controlled by a larger span of control. So, in that case like in span of control, what is most important is the frequency of the actual relationship which is important rather than the total number of relationships what is important over here is like the two factors which are, what is, what questions we can ask is what is the required number of contacts which is required. So, if the task is more ambiguous in nature, then what happens? May be it requires more interactions. So, more contact is needed like what is the degree of specialization?

So, as already discussed, if people are doing less complicated job, then managers may be able to oversee more people at particular time. The ability to communicate so clear, communicators can manage more people, so it depends on the nature of industry and the type of job. So, the manager is playing the role. All these factors define what will be the span of control, what is the complexity of the function, what is the degree of planning required, what is the degree of coordination required for a particular job, whether there is a geographic continuity or they are placed geographically, then whether there is similarity of functions or not.

All these things will try to define the degree of span of control for a particular management. So, if we find like there is a tall organizational chart, it means with greater height, then it means there is a less span of control. If we have a flat organizational structure, it means there is a broader span of control at the level. There are different units, different, different people, and more people at the same level. Then, this is greater span of control. So, how do the subordinates interact with the managers is a part of span of control. Sometimes it is direct where the managers are no face to face the employees. They want to communicate with them.

Also, when there is a cross communication amongst the employees, they like when there is a bigger greater span of control, then employees try to communicate with each other because they have so many pears amongst them at the same level. They can communicate with each other. Second, third is there could be communication between groups of subordinates like if there is a large span of control groups, the people form

groups. There could be communication between groups of subordinates. So, the different types of interaction which take place, it gives a particular formula of what could be the number of interactions in a particular organizational set up, which we can link to organizational, which we can link to the span of control in the organization.

So, that formula is stated by i is equal to n multiplied by two minus n minus one that is the formula i is equal to n multiplied by two minus n minus one. That is the formula which defines the span of control where i is the number of interactions and n is the number of subordinates. When you are talking of again how many managers, how, what should be the span of control for managers at a particular level, we pointed out that for operating level managers, the maximum span of control is thirty to thirty workers.

At the executive level for middle managers and top managers, so at that level, it is three to nine subordinates and the span of control beaks down. It is not possible to control beyond that level what are the different determinants of appropriate span of control are like we cannot say like different factors which are influencing the span of management, it can also be called as the different factors which are influencing the span of management are like what is called the competency of the supervisors and the subordinates.

If the subordinates are competent enough to do their things by their own span of control will be large in a sense that you do not have to give individualized attention to the subordinates, but if they are not that competent enough, they need one to one guidance, may be span of control will be small. So, it depends on the competency of the manager and the subordinate. First is like what will be the span of control in a particular organization. Second is physical dispersion of subordinates. If they are widely spread, then may be span of control will be small is placed.

Then, span of control will be large. Then, degrees of interaction required with the, whether it is a closed interaction required or distant interaction can also help like the time of the interactions required, also what is the extent of non supervisory jobs in the manager's work, so it will help to define what is the time that the manager can spend for this supervision part? If all the employees have to have at least one discussion with him, then what is the proper span of control for that? Next is what is the frequency of new

problem coming up? Does it require like a discussion has to be made amongst the employees.

So, all these factors will define the span of control. So, what are the like drawbacks of narrow span of control is sometimes is spent extra on defining new layers of people like when you are talking of a very narrow span of control, so additional layers of levels of management, so there is an increased complexity of vertical communication, who will pass on the message to whom, where the communication block is there, whether messages are with held or not. So, these problems will come. Next, it encourages very tight supervision, employee supervision by the manager and less of employee autonomy where they can decide to some extent how to do a particular job.

So, these could be the some of the disadvantages of narrow span of control. Next, we try to find out what are the important factors which define strategy and define structure. One of the key factors, of course, key elements to continue with is the centralization and which is one of the main aspects of design is centralization and decentralization. When we are talking of centralization and decentralization, so these are called like where the power is concentrated in the organization. So, if it is like centralization, it is the location of the decision making authority in the hierarchy of the organization.

So, it is like centrally located. All the decisions are taken centrally. It is then passed on to the lower layers or the members of the organization. So, it is the degree to which centralization, it is the degree to which decision making, power is centralized at a particular point in the organization when we are, may be all is centrally located. If there is a departmentalization accounting to the geography, then it is located at the regional office of the particular geography when you are talking of decentralization. Decentralization is the degree to which decision making is spread throughout the organization.

So, these both have advantages and disadvantages. When we are talking of centralization so if like when the all the major decisions are centralized, then what happens? There is less chance of misinterpreting facts according to own understanding and misrepresentation of it to the external world. There is central, centralized system which takes care of everything, which is regarding the product, its design in the market and

everything, then also for the employees in the organization. But, when there is a great geographic span, people are spread across the products of like are in different range. So, what happens at that point of time?

We are working in markets which are having a differential demands. So, sometimes it could be any of the reasons or all of them are working together like some people may go for decentralization. So, decentralization is giving some powers to others to decide till a particular level of accountability will help to make decisions fast and answer to the demands of the market quickly, otherwise what happens if everything is centralized, then it will take time to for the request to generate and come to the central office and then get sanctioned and get ultimately the benefit of that sanction and to get the decision for it. By that time, may be demands of the outside environment no longer exist.

The customers may have changed their mind and may have moved to the competitors finding like their answers or not. Their queries have not been answered within a particular time to make the process, to make it more easy and timely. So, what happens? To make the top management less burdened from taking decisions regarding every small things of the organization, so decentralization may be the answer, but again, we have to take care to have a balance of like to understand what is to be centralized and what is to be decentralized.

If something, some decision is very crucial to the functioning of the organization or important for the functioning of the organization, those should be centralized because in decentralization, there could be chances of misinterpreting the things according to their own needs or understanding. Different versions may come out of what was of, what are the rules and how to make decisions about it, how to make decisions in for different situations coming up based on the managerial equipment, managers present at different levels and the employee zone discretion. So, because it will matter, the differences will matter.

So, some very important decisions which are crucial to the functioning of the organization should be centralized and what could be decentralized to some extent and what, what level that the organization has to fix up for a smooth running of the organization, fast answering of employee queries and their needs, those things could be

decentralized. Next, we look into the determinants of organizational structure and its outcomes.

So, the strategy of the organization, the technology of the organization, the size of the organization, and the technology the environment, all these define structural designs and the cultural norms present, whether it is a mechanistic organization or not, all these things or organic organization, these things come up and influence like results from interaction of these factors when you are talking of organizational structure and the determinants of organizational structure.

We will try to look into details for each of these determinants separately. First, will try to focus on the strategy of the organization like why do organizations differ because of their strategy? What are the different strategies which are there in the organization? The different strategies which are there in the organization are like we can just see to the things like we have innovation, innovation strategy which is taking care of the innovations made in the organization.

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It focuses on the introduction of major new products and services in the organization. When we are talking of cost minimization strategy, it is a strategy that emphasizes on tight cost control, then avoidance of unnecessary innovation or marketing expenses and price cutting. When we are talking of imitation strategy, it is a strategy that seeks to move into new products or new markets only after their visibility has already been or the

viability has already been proven. Now, the relationship between the strategy and structure is that when we are talking of like this innovation strategy, it it it is more into like more of an organic nature. Why?

This is because organic nature of the organization, it supports innovation creativity, it supports creativity in the organization. It gives spans for people to interact with each other and communicate with each other. So, when you are talking of innovation strategy, organic structure is the answer to it. If it is not, if it the mechanistic organization, then innovation is not possible like it is not supported by that type of organizational structure. When we are talking of like cost minimization strategy, it leads to mechanistic structure.

It is the some sort of tight control, extensive work specialization and high formalization and high decentralization. So, when you are talking of formalization, it is the degree to which there are specified rules and regulations, what are the expectations from the employees, they are clearly stated and written and what could be for the violations of the stated rules and regulations, what are like and it and it is effective by enforcing it. So, this is called formalization. When we are talking of cost minimization strategy, then tight formalization, tight mechanistic structure are the answers to it.

When we are talking of imitation as a strategy, it is leading to a mix and match of both mechanistic and organic structure, mix of loose with tight properties so that like for imitating, you need to learn also from the environment. You need to like practice, see that whether it is working for you or not. At the same time, we should try to control the cost related to it and the behaviors of the employees related to it. So, for that, what happens?

If we have to imitate and we have to bring a product to the market after the viability of it is already been proven, then we have to take care of both the things, some new features added to it and of also the cost part of it of the products. For that, mix of both mechanistic and organic structure is the answer which helps to reach this imitation strategy that is tight control over current activities and loose control over new undertakings.

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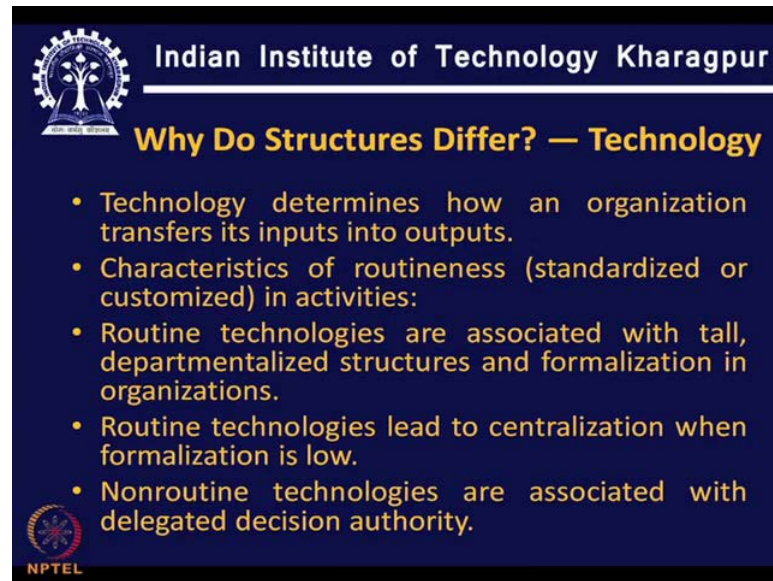
Next another important factor for which organizations differ is size. So, when the organization becomes larger in size it becomes more mechanistic. This is because there are wide number of people, different types of job. If we do not go for a tight control over it, then everything will run out of hand. So, what happens? Which are the characteristics of large organizations are it is more of specialization. Then, next are more vertical levels in the organization and more rules and regulations. Until that is defined, we cannot bind the organization and the different parts of the organization together.

So, when the organization initially it may start as an organic structure, but when it goes on adding up, adding up to itself in terms of departments, different product lines, ways of doing things, different strategies taken, so what happen? May be different strategies are taken for different products. So, what happens when you go on adding up like that? Mechanistic organization could be the answer for it.

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Structures also differ based on technology. So, technology defines how an organization transfers its input into outputs. If it is a like characteristic, one of the characteristics is that of routineness, whether it is standardized or customized in its activities. So, routine technologies are associated with tall, departmentalized structures and formalization in organization. Routine technologies needs to centralization when formalization is low. Non routine technologies are associated with delegated decision making authority. So, what we find is like decentralization when we are talking of non routine technologies.

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Next part like why the structures differ is due to the environment like institutions or forces outside the organization that potentially affect the organizations' performance. The key dimensions of environment are capacity, volatility and complexity. Capacity is degree to which an environment can support the growth. Volatility is the degree of instability in the environment. Complexity is the degree of heterogeneity and concentration among environmental elements. These will define like how the structure will look like.

So, we will proceed with this further when we are talking of organizational designs because environment, size, technology, these are the factors which define and the strategy, these are the factors which define like what will be the particular design for a particular organization. Here we have a mention of this. We will consider this further when we are talking of organizational designs in the next lecture.

Thank you.