

MODULE FIVE

ORGANIZATIONAL DESIGN, CHANGE AND INNOVATION (four hours)

- **CHAPTER TWENTY TWO-*Organizational Structure and Design***
(three hours)
- **CHAPTER TWENTY THREE- *Managing Change and Innovation***
(one hour)

Reference:

1. **Organizational Behaviour, Stephen P.Robbins, Timothi A.Judge and Seema Sanghi, 12th ed, Prentice Hall India**
2. **Organizational behaviour-Human behaviour at work by John W Newstrom, 12th edition, McGrawHill**
3. **Organizational behavior and management by Ivancevich, Konopaske and Matteson - 7th edition, Tata McGrawHill**
4. **Organisational Behaviour by Steven L Mc Shane Mary Ann Von Glinow Radha R Sharma Tata McGrawHill**
5. **Organizational behavior by Don Hellriegel; John W. Slocum; Richard W. Woodman-8th edition, Thomson South-Western**
6. **Understanding the theory and Design of Organizations, Richard L Daft, SouthWestern Cengage Learning**
7. **Organizational Theory, Design and Change, 5th edition, Gareth R Jones, Pearson Education**

Prepared By

Dr Susmita Mukhopadhyay

Assistant Professor, VGSOM, IIT Kharagpur

email-susmita@vgsom.iitkgp.ernet.in

Chapter Twenty Two

Organizational Structure and Design

Objectives

To develop an understanding of:

Organizational Structure and Design

Key Elements for Organizational Structure

- (a) Work specialization*
- (b) Departmentalization*
- (c) Chain of command*
- (d) Span of control*
- (e) Centralization and decentralization*
- (f) Formalization*

Organization Structure: Its Determinants and Outcomes

Organizational Designs and Employee Behavior

Challenges in Designing an Organizational Structure

Organizational Designs

Indian organizations

- **Empowerment Styles in Indian Perspective**
- **Restructuring Indian organizations: Challenges and responses**
- **Impact of culture on Indian Business Organizations**

Introduction

Organizational Structure and Design are important factors influencing behavior of individuals and groups that comprise the organization; they establish expectations for what individuals and groups will do to achieve the organization's purposes.

Design: Managers make a conscious effort to predetermine the way employees do their work.

Structure: Defined as "stable relationships and processes of the organization." It is also the "anatomy" or framework of an organization. It focuses on different positions, formulations of rules and procedures, and prescriptions of authority. It is used to regulate, or at least reduce uncertainty in the behavior of individual employees.

Organizational Structure defines how job tasks are formally divided, grouped, and coordinated. **Key Elements for Organizational Structure** are (a) Work specialization (b) Departmentalization (c) Chain of command (d) Span of control (e) Centralization and decentralization (f) Formalization

Work Specialization

The degree to which tasks in the organization are subdivided into separate jobs

Division of Labor (a) Makes efficient use of employee skills (b) Increases employee skills through repetition (c) Less between-job downtime increases productivity (d) Specialized training is more efficient (e) Allows use of specialized equipment

Departmentalization—The basis by which jobs are grouped together. Activities are grouped by: (a) Function (b) Product (c) Geography (d) Process (e) Customer (f) Authority—The rights inherent in a managerial position to give orders and to expect the orders to be obeyed

Complexity is the number of distinctly different job titles, or occupational groupings, and the number of distinctly different units, or departments.

- a. **Horizontal differentiation**—the number of different units at the same level.
- b. **Vertical differentiation**—the number of levels in the organization.

Chain of Command—The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

Unity of Command—A subordinate should have only one superior to whom he or she is directly responsible

Span of Management /Span of Control- **Span of Control** refers to the act of establishing the number of jobs to be included in a specific group. It is the volume of interpersonal relationships that a single manager can handle. Wider spans of management increase organizational efficiency.

Three types of interpersonal relationships:

1. Direct single—between manager and each subordinate.
2. Direct group—between manager and each permutation of subordinate groups.
3. Cross—subordinates interacting with each other.

Designing Span of Management: A Contingency Viewpoint

Some factors relating to an optimal plan of control are known, but the answer remains elusive as industry and communications change.

- Similarity of functions
- Geographic continuity
- Complexity of functions
- Coordination
- Planning

Span of control is increased when subordinates have similar functions, are physically close, have simple tasks, needs little coordination and manager spends little time planning.

Frequency and intensity of actual relationships is critical, not the total number.

1. Required contact—the more ambiguity, the more contact needed.
2. Degree of specialization—managers are able to oversee more people, if they are doing less complicated work.
3. Ability to communicate—clear communicators can manage more people.

Height of Organization Chart

Tall chart: Greater height - Smaller span

Flat chart: Lower height - Greater span

Narrow Versus Wide Spans

– **A. V. Graicunas**

Subordinate interactions

- Direct—the manager’s relationship with each subordinate.
- Cross—among the subordinates themselves.
- Group—between groups of subordinates.
- Formula for the number of interactions of all types:
 - » $I = N(2N/2 + N - 1)$, where I is the total number of interactions and N is number of subordinates.

– **Ralph Davis**

- Operative span for lower-level managers up to 30 workers.
- Executive span for middle and top managers at 3 to 9.

Determining the Appropriate Span:

Factors Influencing the Span of Management (reference: Houghton Mifflin Company).

1. Competency of supervisor and subordinates 2. Physical dispersion of subordinates. 3. Extent of non supervisory work in a manager’s job 4 Degree of required interaction. 5. Extent of standardized procedure. 6. Similarity of tasks being supervised. 7. Frequency of new problem. 8. Preference of supervisor and subordinates

Drawbacks of Narrow Span (a)Expense of additional layers of management(b) Increased complexity of vertical communication(c)Encouragement of overly tight supervision and discouragement of employee autonomy

Centralization and Decentralization

Centralization is the location of the decision-making authority in the hierarchy of the organization.it is the degree to which decision making is concentrated at a single point in the organization

Decentralization is the degree to which decision making is spread throughout the organization.

Formalization

The degree to which jobs within the organization are standardized. It is the extent to which expectations regarding the means and ends of work are specified and written down.It is effective only if are enforced.

The relationships between dimensions of organizational structures and the four design decisions are summarized below

Key Design Questions and Answers for Designing the Proper Organization Structure

- 1.To what degree are articles subdivided into separate jobs? Work specialization.**
- 2.On what basis jobs will be grouped together? Departmentalization**
- 3.To whom do the individual and group report to? Chain of command**
- 4.How many individuals can a manager efficiently and effectively direct? Span of control**
- 5.Where does decision making authority lie? Centralization and decentralization**
- 6.To what degree there will be rules and regulations to direct the employees?Formalization**

(Reference: Organizational Behaviour, Stephen P.Robbins, Timothi A.Judge and Seema Sanghi, 12th ed, Pearson education, pp590)

Organization Structure: Its Determinants and Outcomes

Strategy, Size, technology, environment determines structural designs like mechanistic or organic which moderated by individual differences and cultural norms leads to performance and satisfaction.

Why Do Structures Differ? —Strategy

Innovation Strategy

A strategy that emphasizes the introduction of major new products and services

Cost-minimization Strategy

A strategy that emphasizes tight cost controls, avoidance of unnecessary innovation or marketing expenses, and price cutting

Imitation Strategy

A strategy that seeks to move into new products or new markets only after their viability has already been proven

The Strategy-Structure Relationship

Innovation strategy leads to Organic structure which is loose in nature; low specialization, low formalization and decentralized.

Cost minimization strategy leads to mechanistic structure which is tight control; extensive work specialization, high formalization and high decentralization.

Imitation strategy leads to a mix of mechanistic and organic structure- mix of loose with tight properties, tight control over current activities and loose control over new undertakings.

Why Do Structures Differ? —Size

The size of an organization affects its structure. As an organization grows larger, it becomes more mechanistic.

Characteristics of large organizations:

- More specialization
- More vertical levels
- More rules and regulations

Why Do Structures Differ? — Technology

Technology determines how an organization transfers its inputs into outputs.

Characteristics of routineness (standardized or customized) in activities:

- Routine technologies are associated with tall, departmentalized structures and formalization in organizations.
- Routine technologies lead to centralization when formalization is low.
- Nonroutine technologies are associated with delegated decision authority.

Why Do Structures Differ? — Environment

Institutions or forces outside the organization that potentially affect the organization's performance

Key Dimensions of Environment

- Capacity: The degree to which an environment can support growth
- Volatility: The degree of instability in the environment
- Complexity: The degree of heterogeneity and concentration among environmental elements

Structure-Effectiveness Relationship

Structures like organizations are: a. Purposive. b. Goal-oriented.

Structure should be focused toward organizational effectiveness. However the exact relationship between structure and effectiveness is difficult to know as people hold perceptions regarding structural variables that are formed by observing things around them in an unscientific fashion. This is called **Implicit Models of Organizational Structure**

Organizational Designs and Employee Behavior

Research Findings

- Work specialization contributes to higher employee productivity, but it reduces job satisfaction.
- The benefits of specialization have decreased rapidly as employees seek more intrinsically rewarding jobs.
- The effect of span of control on employee performance is contingent upon individual differences and abilities, task structures, and other organizational factors.
- Participative decision making in decentralized organizations is positively related to job satisfaction.

Lawrence & Lorsch: Differentiation, Integration, and the Environment

Investigated how companies in different industries differentiate and integrate their structures to fit the environment

Three industries that experienced different levels of uncertainty:

1. The plastics industry
2. The food-processing industry
3. The container or can-manufacturing industry

When environment is perceived as more unstable and uncertain: Effective organizations are less formalized, more decentralized and rely more on mutual adjustment.

When environment is perceived as stable and certain: Effective organizations have a more centralized, standardized, and formalized structure.

Burns and Stalker: Uncertainty, Differentiation and Integration

When degree of uncertainty (complexity, dynamism, richness) is high it leads to high degree of departmental differentiation and cross functional integration.

Environmental Uncertainty and Structure

Organizations need different kinds of structure to control their activities based on the environment

Unstable and changing environment: Organic structures are more effective. Organic structure is a complex structure with high differentiation, high integration, decentralized decision making, mutual adjustment.

Stable environment: Centralized, formalized and standardized characteristic of mechanistic structures are more effective. Mechanistic structures are simple structures with low differentiation, low integration, centralized decision making and standardization.

Designing an Organizational Structure

Organizational design—the decisions and actions that result in an organizational structure.

Decisions to be made when designing an organization.

1. ***How to divide the task into successively smaller jobs.***
 - a. Smaller sets of related activities.
 - b. Specialized activities and responsibilities.
2. ***How to distribute authority.***
 - a. The right to make decisions without higher approval.

b. The right to extract obedience.

3. *Which jobs should be grouped together?*

4. *What is the appropriate size of the group?*

Design Challenge 1

Differentiation

People in this organization take on new tasks as the need arises and it's very unclear who is responsible for what, and who should report to whom. This makes it difficult to know on whom to call when the need arises and to coordinate people's activities so they work together as a team. Differentiation is the process by which an organization allocates people and resources to organizational tasks. It establishes the task and authority relationships that allow the organization to achieve its goals.

Division of labor is the process of establishing and controlling the degree of specialization in the organization. In a simple organization, differentiation is low because the division of labor is low. Individuals typically perform all organizational tasks. In a complex organization, differentiation is high because the division of labor is high. Total process is "divided up" so that individuals perform separate tasks. Historic economic advantages of division of labour are:

1. Mass production relies on specialized labor.
2. Specialized labor is obtained through organizations.

Building Blocks of Differentiation

The four building blocks of differentiation are **Organization, Division, Function, Role**.

Organizational level

■ **Vertical differentiation:** the way an organization designs its hierarchy of authority and creates reporting relationships to link organizational roles and subunits

■ **Horizontal differentiation:** the way an organization groups organizational tasks into roles and roles into subunits (functions and divisions)

Organizational Roles are set of task-related behaviors required of a person by his or her position in an organization. As the division of labor increases, managers specialize in some roles and hire people to specialize in others. Specialization allows people to develop their individual abilities and knowledge within their specific role. The identification of roles leads to authority and control issues.

Authority is the power to hold people accountable for their actions and to make decisions concerning the use of organizational resources.

Control is the ability to coordinate and motivate people to work in the organization's interests

Subunits: Functions and Divisions

Function is a subunit composed of a group of people, working together, who possess similar skills or use the same kind of knowledge, tools, or techniques to perform their jobs

Division is a subunit that consists of a collection of functions or departments that share responsibility for producing a particular good or services

Five Function Types

1. **Support functions:** facilitate an organization's control of its relations with its environment and its stakeholders. Eg-Purchasing, sales and marketing, public relations and legal affairs
2. **Production functions:** manage and improve the efficiency of an organization's conversion processes so that more value is created. Eg-Production operations, production control, and quality control
3. **Maintenance functions:** enable an organization to keep its departments in operation. Eg- Personnel, engineering and janitorial services
4. **Adaptive functions:** allow an organization to adjust to changes in the environment. Eg-Research and development, market research, and long-range planning
5. **Managerial function:** facilitate the control and coordination of activities within and among departments. Eg-Top management, middle management, and lower-level management

Departmental Bases are the reasons for grouping certain tasks. It refers to grouping of tasks and is necessary for coordination.

Departmentalization bases

1. **Functional Departmentalization**
 - a. Divisions based on function.
 - b. Advantage—efficiency.
 - c. Disadvantage—organizational goals may be sacrificed in favor of departmental goals.
2. **Territorial departmentalization**

- a. Divisions based on geographical area.
- b. Helpful in large organizations where centralization is difficult.
- 3. **Product departmentalization**
 - a. Division based on product line.
 - b. Helpful in large, diversified companies.
 - c. Advantage—managers develop expertise in many areas.
 - d. Disadvantage—some redundancy exists because each product line has its own research, engineering, marketing, etc.
- 4. **Customer departmentalization**
 - a. Divisions based on customer group or clients.
 - b. Better able to satisfy customer-identified needs.
- 5. **Mixed and changing departmentalization**
 - a. Organizations use a mixture of bases at different levels.
 - b. Organizations will change departmental bases over time, as conditions change.

Design Challenge 2

Balancing Differentiation and Integration

We can't get people to communicate and coordinate in this organization. Specifying tasks and roles is supposed to help coordinate the work process, but here it builds barriers between people and functions. Horizontal differentiation is supposed to enable people to specialize and become more productive. However, specialization often limits communication between subunits as people develop subunit orientation. **Subunit orientation** is a tendency to view one's role in the organization strictly from the perspective of the time frame, goals, and interpersonal orientations of one's subunit. **Integration** is the process of coordinating various tasks, functions, and divisions so that they work together and not at cross-purposes

Seven Types of Integration Mechanisms

1. **Hierarchy of authority:** "who reports to whom"
2. **Direct contact:** managers meet face to face to coordinate activities
3. **Liaison roles:** a specific manager is given responsibility for coordinating with managers from other subunits on behalf of their subunits

4. **Task force:** managers meet in temporary committees to coordinate cross-functional activities

5. **Teams:** managers meet regularly in permanent committees to coordinate activities

6. **Integrating role:** a new role is established to coordinate the activities of two or more functions or divisions

7. **Integrating department:** a new department is created to coordinate the activities of functions or divisions

Balancing Differentiation and Integration

Managers facing the challenge of deciding how and how much to differentiate and integrate must do two things:

1. Carefully guide the process of differentiation so that it develops the core competences that give the organization a competitive advantage
2. Carefully integrate the organization by choosing appropriate integrating mechanisms that allow subunits to cooperate and that build up the organization's core competences

Design Challenge 3

Balancing Centralization and Decentralization

Centralization versus decentralization of authority

Centralized: organizational setup whereby the authority to make important decisions is retained by top level managers. People in this organization don't take responsibility or risks. They are always looking to the boss for direction and supervision. As a result, decision making is slow and cumbersome, and we miss out on a lot of opportunities to create values.

Decentralized: an organizational setup whereby the authority to make important decisions is delegated to managers at all levels in the hierarchy

Decisions about how to distribute decision-making authority in an organization change as the organization grows and differentiates. Balancing authority is an ongoing managerial task.

Delegation of Authority

Every job has a range of alternative configurations of authority delegation; each has gains and losses.

Advantages of high delegation of authority:

1. Develops professional managers.

2. Leads to competitive climate.
3. Managers exercise more authority, satisfying their problem-solving desires.

Costs of high delegation of authority:

1. Costly training in decision-making may be necessary.
2. Managers may not delegate to subordinates, for fear of losing control.
3. Monitoring systems to evaluate decision-making are expensive to develop and use.

Design Challenge 4

Balancing Standardization and Mutual Adjustment

Standardization: conformity to specific models or examples that are considered proper in a given situation

Mutual adjustment: the compromise that emerges when decision making and coordination are evolutionary processes and people use their judgment rather than standardized rules to address a problem

Formalization: the use of written rules and procedures to standardize operations. People in this organization pay too much attention to the rules. Whenever I need somebody to satisfy an unusual customer request or need real quick service from another function, I can't get it because no one is willing to bend or break the rules.

- **Rules:** formal, written statement that specify the appropriate means for reaching desired goals
- **Norms:** standards or styles of behavior that are considered acceptable or typical for a group of people
- **Socialization:** the process by which organizational members learn the norms of an organization and internalize these unwritten rules of conduct

Challenge facing managers is to find a way of using rules and norms to standardize behavior. However, at the same time, managers need to allow for mutual adjustment to give managers opportunity to discover new and better ways to achieve goals

Organizational Designs

Simple Structure

A structure characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization

Bureaucracy

A structure of highly operating routine tasks achieved through specialization, very formalized rules and regulations, tasks that are grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command.

➤ Strengths

- Functional economies of scale
- Minimum duplication of personnel and equipment
- Enhanced communication
- Weaknesses
- Subunit conflicts with organizational goals
- Obsessive concern with rules and regulations
- Lack of employee discretion to deal with problems
- Centralized decision making

➤ Weaknesses

- Subunit conflicts with organizational goals
- Obsessive concern with rules and regulations
- Lack of employee discretion to deal with problems

Why Bureaucracy Survives

- Large size prevails
- Environmental turbulence can be largely managed
- Standardization achieved through hiring people who have undergone extensive educational training
- Technology maintains control

Two design models have significantly influenced management theory/practice: the mechanistic model and the organic model.

Mechanistic model:

A highly centralized, formalized and complex organizational structure developed by management theorists and practitioners in the early 1900s (e.g., Fayol, Weber, Follett) and characterized by:

- a. Emphasis on efficiency.
- b. Highly specialized jobs.
- c. Centralized problem solving and decision-making.
- d. Standardized policies, procedures and rules directing much of the decision-making.
- e. Rewards based on obeying supervisors.

Organic model:

Seeks to maximize organizational flexibility and adaptation via:

- a. De-emphasizing job descriptions and specialization and status/rank differences.
- b. Assuming that higher-level employees are not necessarily better informed than those at lower levels.
- c. Emphasizing horizontal and lateral organizational relationships as much or more than vertical ones.
- d. Maintaining a less permanent and more flexible structure.

Advantages:

- a. Flexible and adaptable to changing environments.
- b. Encourages greater use of human potential.
- c. Multidirectional communications flow.
- d. Decentralized decision-making.
- e. Control and goal setting.

Overall, the mechanistic structure is relatively simple, decentralized, and informal.

A design that gives individuals a sense of personal worth and motivation, and that facilitates flexibility and adaptability would have three characteristics:

1. Relatively simple.
2. Relatively decentralized.
3. Relatively informal.

Neither the mechanistic or organic model is best in all situations; both have strengths and weaknesses.

The Matrix Model

Matrix Structure is a structure that creates dual lines of authority and combines functional and product departmentalization. It refers to a combination of the functional and product departmental bases; a balanced compromise between departmentalization by process and by purpose.

Key Elements

- Gains the advantages of functional and product departmentalization while avoiding their weaknesses. It overlays a horizontal structure of authority, influence, and communication on the vertical structure. It has **Dual authority system** where people report to two managers, a functional supervisor and a product supervisor
- Facilitates coordination of complex and interdependent activities
- Breaks down unity-of-command concept

Matrix designs are used by organizations that:

- a. Must respond quickly to rapid change in two or more environments (e.g., technological and markets).
- b. Face uncertainties due to high information-processing requirements.
- c. Deal with financial and human resources constraints.

Advantages of matrix organization:

1. Efficient use of resources—involves sharing rather than duplicating specialized resources.
2. Flexibility in conditions of change and uncertainty—timely response to environmental demands because of effective communications channels inherent in the design.
3. Technical excellence—because interaction of specialists encourages cross fertilization of ideas.

4. Freeing top management for long-range planning—enables top management to delegate ongoing decision making.
5. Improving motivation and commitment—offers more opportunities to participate in key decisions.
6. Providing opportunities for personal development—exposes members to diverse parts of the organization and other viewpoints; lets them learn about other specialties and become more aware of the total organization.

WEAKNESSES:

- Causes participants to experience dual authority, which can be frustrating and confusing
- Means participants need good interpersonal skills and extensive training
- Is time consuming; involves frequent meetings and conflict resolution sessions
- Will not work unless participants understand it and adopt collegial rather than vertical-type relationships
- Requires great effort to maintain power balance

Source: Adapted from Robert Duncan, "What Is the Right Organization Structure? Decision Tree Analysis Provides the Answer," *Organizational Dynamics* (Winter 1979): 429.

Different forms of matrix organization:

1. Forms can be seen as existing on a continuum from extremely mechanistic to extremely organic.
2. Development typically follows an evolutionary process:
 - a. **Task force**—new product results in a temporary task force of members from each functional department to expedite the process.
 - b. **Teams**—if new product development continues, permanent teams comprising members from the functional departments become permanent. The teams meet regularly to resolve interdepartmental issues and achieve coordination.
 - c. **Product managers**—if new product development becomes a way of life, product managers chair the teams and report to top management; however they are temporary and have no formal authority over the team members.
 - d. **Product management departments**—created with subproduct managers for each product line.

Multinational Structure & Design

It is described as consisting of a group of geographically dispersed organizations with different national subsidiaries. It often exists in very divergent environments.

Approaches to setting up subsidiaries:

1. Replication—using the same organization structure and operating policies and procedures as in the domestic organization. May result in reliance upon organizational designs and management practices unsuitable for the local environment.
2. Designing in response to unique factors, such as:
 - a. National boundaries.
 - b. The varying importance of national boundaries on different elements of organizational structure.
 - c. Desire of a subsidiary to act as a conduit to introduce change into the host country's environment.
 - d. Desire to use subsidiary to introduce features of the host country's environment throughout the organization.

Four Stages of International evolution are:

	Domestic	International	Multinational	Global
Strategic orientation	Domestically oriented	Export oriented multi domestic	Multinational	Global
Stage of development	Initial foreign involvement	Competitive positioning	Explosion	Global
Structure	Domestic structure plus export department	Domestic structure plus international division	Worldwide geographic, product	Matrix Transnational

Market potential	Moderate, mostly domestic	Large multidomestic	Very large multinational	Whole world
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Ref:<http://www.swlearning.com/management/daft/otad8e/powerpoint/powerpoint.html>

Matching organizational structure to International advantage

Forces for global integration are	Forces for national responsiveness are	Strategy	Structure
Low	Low	Export	International division
High	Low	Globalization	Global product structure
Low	High	Multidomestic	Global geographic structure
High	High	Globalization and Multidomestic	Global matrix structure.

Ref:<http://www.swlearning.com/management/daft/otad8e/powerpoint/powerpoint.html>

Emergent Structural Forms

- Inter-organizational network
- Global international network structure
- Transnational Corporate structure **Transnational corporations involves linking foreign operations to each other and to headquarters in a flexible way. It is a network of company units and a system of horizontal communication. The characteristics of TNCs are dispersed subunits, specialized operations and interdependent relationships. It requires the dispersal of responsibility and decision making to local subsidiaries. The effectiveness of TNCs is dependant on the ability and willingness to share current and new learning and technology across the network.**

Multinational Structures	Output Control	Bureaucratic Control	Decision-making Control	Organizational Control
International division structure	Most likely profit control	Must follow company policies	Some centralization	Treated like other divisions

			possible	
Global geographic structure	Profit centre most common	Some policies and procedures necessary	Local units have autonomy	Local subsidiary culture often most important
Global product structure	Unit output for supply; sales volume for sales	Tight process controls for product quality and consistency	Centralized at product division headquarters	Possible for some companies but not always necessary
Transnational network structure	Used for supplier units and some independent profit centres	Less important	Few decisions centralized at head quarters; more decisions centralized at key network nodes	Organizational culture transcends national culture; supports sharing and learning, the most important control mechanism

New Design Options

Team Structure

The use of teams as the central device to coordinate work activities

Characteristics

- Breaks down departmental barriers
- Decentralizes decision making to the team level
- Requires employees to be generalists as well as specialists
- Creates a “flexible bureaucracy”

However for teams amount of horizontal coordination required is high and cost of coordination in time and human resources is also high.

Network organization

A small core organization that out sources its major business function in order to concentrate on what it does best

Modular organization

A manufacturing organization that uses outside suppliers to provide product component for its final assembly operations.

Virtual Organization

A small, core organization that outsources its major business functions

Highly centralized with little or no departmentalization

Concepts

Advantage: Provides maximum flexibility while concentrating on what the organization does best

Disadvantage: Reduced control over key parts of the business

- A. Many complex factors and variables must be considered in designing an optimal organizational structure.
- B. The overall structure results from the key decisions in a specific design.
- C. Overall goal—to develop a structure that channels individual and group behavior into patterns that contribute to organizational performance.
- D. Organizations of the future—likely to be flatter, less hierarchical, and more decentralized and design are driven by technology and its capacity.
- E. Boundary-less organizations are another design approach—it is an attempt to eliminate vertical and horizontal structure, tightly defined work roles, and top-down control. The minimized layers results in a flatter hierarchy.

Boundary-less Organization

An organization that seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams

T-form Concepts

Eliminate vertical (hierarchical) and horizontal (departmental) internal boundaries

Breakdown external barriers to customers and suppliers

The Learning Organization

An organization that has developed the capacity to continuously learn, adapt, and change through the practice of knowledge management by employees.

Characteristics of a learning organization:

- ❖ **An open team-based organization design that empowers employees**
- ❖ **Extensive and open information sharing which is timely and accurate.**
- ❖ **Leadership that provides a shared vision of the organization's future, support and encouragement**
- ❖ **A strong culture of shared values, trust, openness, and a sense of community.**

(Important reading about learning organization:

http://peoplelearn.homestead.com/MEdHOME/MANAGEMENT/IWhat.Learning_organizations.pdf)

Sociotechnical systems model

It is designed for the joint optimization of the social system (individual and team behaviour, organization and team culture, management practices, leadership style, degree of communication openness and individual needs and desires) and the technical system (type of production technology-small batch, mass production; level of interdependence- pooled, sequential, reciprocal; physical work setting; complexity of production process- variety and analyzability; nature of raw materials, time pressure) through work roles, task and work flow, setting of goals and values and matching the skills and abilities with the job.

Indian organizations

Empowerment Styles in Indian Perspective(Reference: **Organizational Behaviour, Stephen P. Robbins, Timothy A. Judge and Seema Sanghi, 12th ed, Pearson education, pp607**)

1. Information sharing
2. Upward problem solving
3. Task autonomy
4. Attitudinal shaping
5. Self Management

Restructuring Indian organizations: Challenges and responses(Reference: Organizational Behaviour, Stephen P.Robbins, Timothy A.Judge and Seema Sanghi, 12th ed, Pearson education, pp615)

Challenges

- The pressure of competition as a result of liberalization is squeezing margins and profits
- The globalization of business has compelled more and more companies to establish export departments
- New developments in IT have made it necessary to adopt new organizational arrangements.
- The shift in fiscal policy and reduction of government expenditure have forced companies to identify new customers and markets.
- Cost cutting and increased productivity is demanding downsizing of workforce at both worker and managerial level.

Responses

- Regrouping business activities
- Strategic Business Units

Impact of culture on Indian Business Organizations (Reference: Organizational Behaviour, Stephen P.Robbins, Timothy A.Judge and Seema Sanghi, 12th ed, Pearson education, pp617)

1. Centralized decision making
2. Slow decision making
3. Short term focus
4. Individual Orientation
5. Avoidance of conflict
6. Low risk tolerance
7. Focus on results
8. Individual accountability

9. Little or no horizontal cooperation
10. Highly politicized environment
11. Bureaucratic structure
12. Resistance to change
13. Guarded communication
14. Slow communication
15. Adoption of indirect communication style

Questions

1. Define Organizational Structure and Design. Describe the Key Elements for Organizational Structure
2. What are the determinants of Organization Structure? What are the Outcomes of Organization Structure?
3. Explain the effects of Organizational Designs on Employee Behavior. Justify with research findings.
4. Describe with suitable examples the challenges faced in designing an Organizational Structure
5. Describe with suitable examples the various Organizational Designs. Which according to you is the best design and why?
6. What are the empowerment styles in Indian perspective. What are the challenges and responses Restructuring Indian organizations. State the impact of culture on Indian Business Organizations
7. Discuss in details the organizational structure of MNCs.
8. Write short notes on (a) Learning organization (b) socio-technical system