

Organizational Design Change and Transformation
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Module - 03
Lecture - 11
Organizational Structure

[FL]. Today we will begin with our week 3 of this course on Organization Design Change and Transformation. This is module 3 and lecture one in this particular topic in this particular week we will be speaking about the basic challenges of organizational design, designing organizational structure, authority and control, organizational structures types of structures, contemporary design structures, why do structures differ and we shall also be speaking about the information sharing perspective on structure.

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**ORGANIZATIONAL DESIGN,
CHANGE AND TRANSFORMATION**

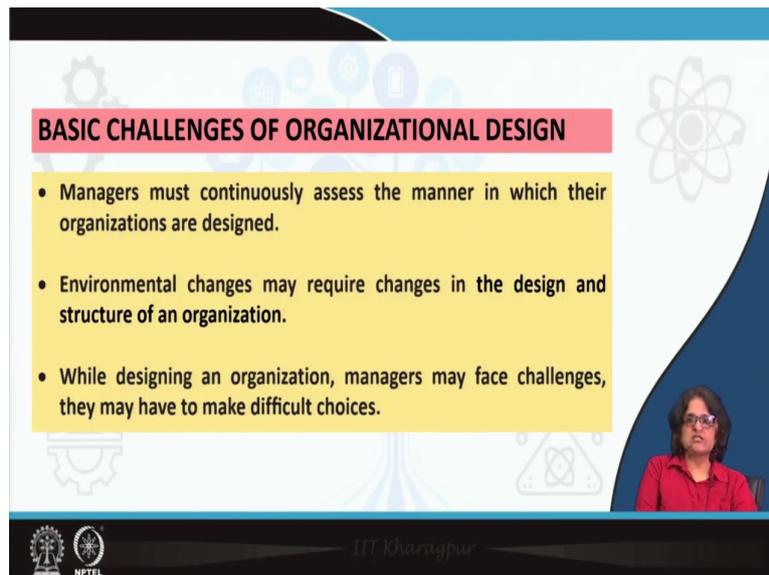
Organizational Structure

- Basic Challenges of Organizational Design

The slide features a blue and white color scheme with a large blue graphic element on the right side. A small video inset in the bottom right corner shows Prof. Sangeeta Sahney, a woman with glasses wearing a red shirt. The footer contains the logos of IIT Kharagpur and NPTEL.

So, in today's lecture we will be speaking we will be discussing the basic challenges of organizational design and how do organizations you know deal with such challenges when they have to you know decide on their organizational structure.

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BASIC CHALLENGES OF ORGANIZATIONAL DESIGN

- Managers must continuously assess the manner in which their organizations are designed.
- Environmental changes may require changes in the design and structure of an organization.
- While designing an organization, managers may face challenges, they may have to make difficult choices.

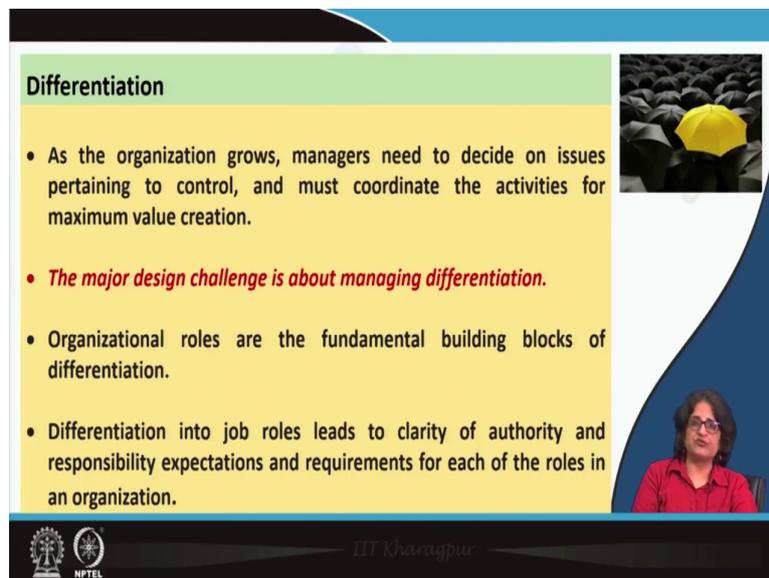
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So, managers must continuously assess the manner in which their organizations are designed. We have been stressing upon the fact right from the first lecture that organizations need to you know design themselves structure themselves keeping in mind the environment and as and when changes in the environment take place, you know organization structure organization design may require a change ok.

So, managers must continuously assess the manner in which the organizations are designed and environmental changes may require changes in the structure or in the design of the organization and while designing an organization, managers may face challenges and they

may have to make some very very difficult choices which we will see as we proceed in this week.

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Differentiation

- As the organization grows, managers need to decide on issues pertaining to control, and must coordinate the activities for maximum value creation.
- *The major design challenge is about managing differentiation.*
- Organizational roles are the fundamental building blocks of differentiation.
- Differentiation into job roles leads to clarity of authority and responsibility expectations and requirements for each of the roles in an organization.

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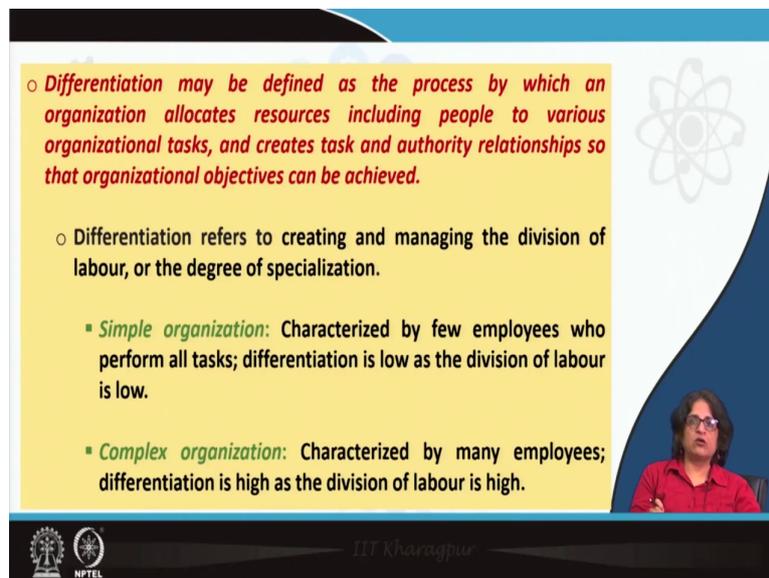
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Now, let us first talk about differentiation. Now as an organization grows managers must decide on issues pertaining to control and must coordinate the activities across different divisions, across different functions, across different teams and groups of people for maximum value creation. So, the major challenge design challenge is about managing differentiation and organizational roles are the fundamental building blocks of differentiation ok.

So, when we talk of differentiation into the various job roles leads to clarity of authority and responsibility expectations and requirements for each of the roles in the organization and so,

differentiation is very very essential an organizational roles are the fundamental building blocks of man of differentiation.

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o *Differentiation may be defined as the process by which an organization allocates resources including people to various organizational tasks, and creates task and authority relationships so that organizational objectives can be achieved.*

o Differentiation refers to creating and managing the division of labour, or the degree of specialization.

- **Simple organization:** Characterized by few employees who perform all tasks; differentiation is low as the division of labour is low.
- **Complex organization:** Characterized by many employees; differentiation is high as the division of labour is high.

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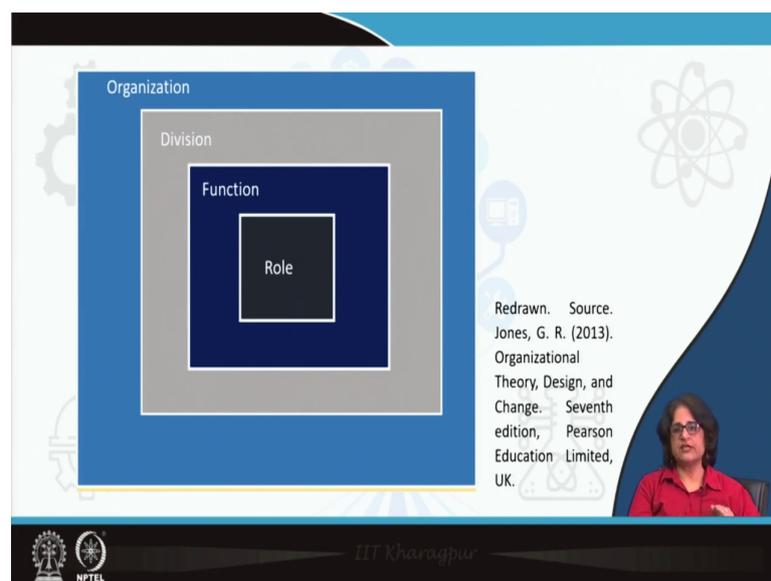
Now, what is differentiation? So, differentiation may be defined as a process by which an organization allocates resources including people to various organizational tasks and it creates the various task and authority relationships so, that organizational objectives can be achieved.

So, when we talk of differentiation we are actually talking creating and managing the division of labour or the degree of specialization you know. So, broadly speaking we say that organizations can be simple organizations or complex organizations. Simple organizations are those which have very few employees who perform all the tasks who perform all the jobs.

So, differentiation is very low as the division of labour is low ok. On the other hand we have complex organizations which are characterized by many employees in the organization and each of these employees are doing different tasks, they have different activities to perform and so, differentiation is very high as the division of labour is very high.

So, when we talk of differentiation we say it is creating and managing the division of labour or the degree of specialization and it is actually the process by which an organization allocates resources including people to various organizational tasks and it creates task and authority relationships so, that the organizational objectives can be achieved.

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Now, you look at this here we have a role, we have a function, we have a division and we have the organization let us first start with what our role is. So, when we talk of a role an organizational role. So, it is a it basically refers to the expected set of task related behaviours

owing to a person's position owing to the person or the you know person occupies in the organization.

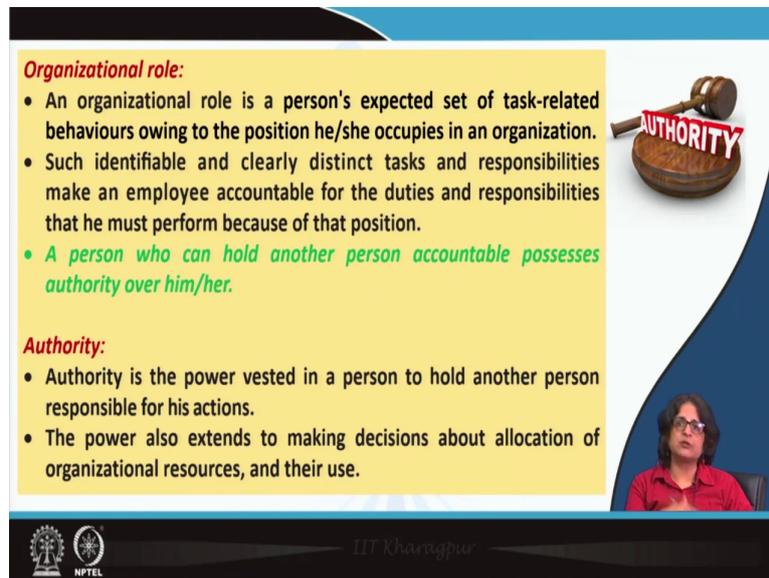
So, such identifiable and clearly distinct tasks and responsibilities make an employee accountable for the duties and responsibilities that he must perform because of the position that he holds. So, a person who can hold another person accountable possesses authority over him or her ok.

So, I repeat you know when we talk of an organizational role, it is a person's expected set of task related behaviours owing to the position that he or she occupies in the organization such identifiable and clearly distinct task and response and responsibilities make an employee accountable for the duties and responsibilities that he must perform because of the post or the position that he possesses.

And a person you know who can hold another person accountable for his actions holds authority over him possesses authority over him. Now what is authority? Authority is the power vested in a person to hold another person accountable for his actions to hold another person responsible for his actions.

So, the power also you know when we talk of authority, the power to hold another person responsible is you know something which we will define authority and the power will also extend to making decisions regarding allocation of organizational resources and their use ok.

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Organizational role:

- An organizational role is a person's expected set of task-related behaviours owing to the position he/she occupies in an organization.
- Such identifiable and clearly distinct tasks and responsibilities make an employee accountable for the duties and responsibilities that he must perform because of that position.
- *A person who can hold another person accountable possesses authority over him/her.*

Authority:

- Authority is the power vested in a person to hold another person responsible for his actions.
- The power also extends to making decisions about allocation of organizational resources, and their use.

Authority



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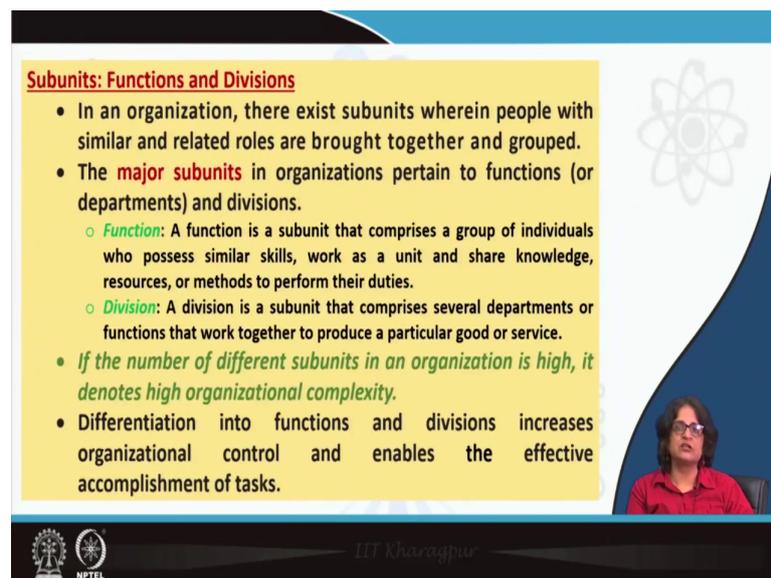
So, this is what we have as a role. So, you know it is a person's expected set of task related behaviours owing to the position that he or she occupies and a person who occupies a position is a role is expected to perform certain duties certain responsibilities and because of the position that he holds and he is accountable to somebody else with and that somebody else has authority over him.

So, authority is the power which is vested in the superior to hold the subordinate accountable or responsible for his actions ok. The next thing that we come to is a function or a division. Now in an organization there exist several subunits where in people with similar and related jobs and roles are brought together and grouped ok. So, there will be several subgroups or subunits in an organization where in people with similar job roles will be brought together and grouped.

The major subunits will pertain to the function or will pertain to the division or the department ok and if we related to a function. So, a function is a subunit which will comprise of people who are performing you know performing a similar duty and they share similar knowledge skills abilities and so, its a group of individuals who possess a similar skill sets as a unit and they share their resources, they share their skill sets and perform similar activities and so, they are working together.

When we talk of it the when we talk of a division we are actually talking of another subunit which comprises several departments or functions that work together to produce goods and services.

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Subunits: Functions and Divisions

- In an organization, there exist subunits wherein people with similar and related roles are brought together and grouped.
- The **major subunits** in organizations pertain to functions (or departments) and divisions.
 - **Function:** A function is a subunit that comprises a group of individuals who possess similar skills, work as a unit and share knowledge, resources, or methods to perform their duties.
 - **Division:** A division is a subunit that comprises several departments or functions that work together to produce a particular good or service.
- *If the number of different subunits in an organization is high, it denotes high organizational complexity.*
- Differentiation into functions and divisions increases organizational control and enables the effective accomplishment of tasks.

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So, you know. So, we have the function and we have the division. A function here is a subunit comprising groups of people who possess similar skills, they work as a unit, and they

share knowledge, resources and methods to perform their duties. A division is another subunit which will comprise several departments or several functions and they will all work together to produce a good order service ok.

So, so there are these subunits in an organization. So, beyond a role there is a function which is a subunit and then there is a division which are again subunits and if the number of these different subunits is high, it means that organizational complexity is also high ok. So, differentiation into functions and divisions increases organizational control and enables effective performance of the task.

So, here we have the role which is which is actually a set of task related behaviours owing to a position that a person occupies, then there are subunits of function where people are grouped together because they share similar skills and they work together to perform a certain similar functions and then you have the divisions which is again subunits of departments or of you know functions where you know where in there is huge amount of coordination between the different subunits to achieve the co-organizational goals.

And so, whenever that the number of subunits either in the form of function or in the form of divisions is high, it denotes higher levels of organizational complexity and differentiation into functions or at and divisions increases organizational control it also leads to coordination at better coordination and of course, leads to effective accomplishment of the tasks and of course, then at the overall we have the organization.

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Vertical and Horizontal Differentiation

- Based on the authority vested in an organizational role, the organizational chart differentiates organizational roles in a vertical manner.
- **Hierarchy:**
 - A categorization of people according to the relative authority that they possess and the rank that they hold is termed a hierarchy.
 - The top management roles own more authority and responsibility than the roles down in the organizational hierarchy, with each lower role being under the control or supervision of the higher role above.
- *While designing organizations, managers must decide on the extent of vertical differentiation in the organization, i.e., the Number of levels from top to bottom.*

The slide features a yellow background for the text, a blue header, and a blue footer. On the right side, there is a graphic of a blue staircase with figures on each step, and a small video feed of a woman in a red shirt. The footer includes the IIT Kharagpur and NPTEL logos.

So, now we come to the next which is differentiation in terms of horizontal and vertical differentiation. Till now we said that differentiation is the process by which you know wherein you know wherein you know the it is a process by which organizations allocate the resources including people to various tasks and they create task and authority relationships.

So, that organizational objectives can be met we said it is basically trying to manage the division of labour or the degree of specialization. But when we talk of differentiation we further can you know see it in two forms as vertical differentiation and horizontal differentiation ok. So, what is horizontal differentiation and what is vertical differentiation let us discuss that a little more now ok.

So, based on the authority which is vested in a role, the organizational chart will differentiate organization roles in a vertical manner ok. Based on the authority which is vested in a role the

organizational chart will differentiate the roles in a vertical manner and this leads to hierarchy. So, what is hierarchy? A categorization of people according to the relative authority that they hold and the rank that they you know hold is termed as a hierarchy.

So, the top management roles own more authority and responsibility than the middle management roles or the lower management roles and so, and each lower role is under the control and supervision of the higher role ok. So, when we talk of you know a vertical differentiation we are actually talking of organizational hierarchy where people are categorized according to the relative authority that they possess and the rank that they hold.

And the top management roles own more authority and responsibility than the middle management roles or the lower management roles and the lower and the middle are under the control and supervision of the higher roles above. So, while designing organizations managers have to decide on the extent of vertical differentiation in the organization that is they have to decide on the number of levels that they are going to have from the top to the bottom.

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o **Vertical differentiation:**

- The manner in which an organization designs its hierarchy and reporting relationships to link to the various organizational roles and subunits is known as vertical differentiation.
- It creates the distribution of authority among levels, thereby providing the organization with greater control over people's activities.

o **Horizontal differentiation:**

- The manner in which an organization groups organizational tasks into roles and further the roles into subunits, i.e. Functions and divisions, is known as horizontal differentiation.
- Roles are differentiated according to task responsibilities.
- Horizontal differentiation encourages division of labour, which enables specialization and productivity.

The slide includes a diagram with a vertical double-headed arrow labeled 'VERTICAL' and a horizontal double-headed arrow labeled 'HORIZONTAL'. A presenter in a red shirt is visible in the bottom right corner of the slide frame. The footer contains the IIT Kharagpur and NPTEL logos.

So, the manner in which organizations design its hierarchy and reporting relationship to link to the various organization roles and subunits we refer to it as vertical differentiation. So, it clearly creates the distribution of authority among levels providing to the organization greater control over peoples activity. So, people at the top level have greater control over people at the middle and the lower levels ok.

So, the this man the manner in which the organization designs it hierarchy and reporting relationships is what constitutes the vertical differentiation. Now, there is another differentiation which is horizontal. So, the manner in which organization groups different tasks into roles and further roles into subunits that is the functions and the divisions this is known as the horizontal differentiation.

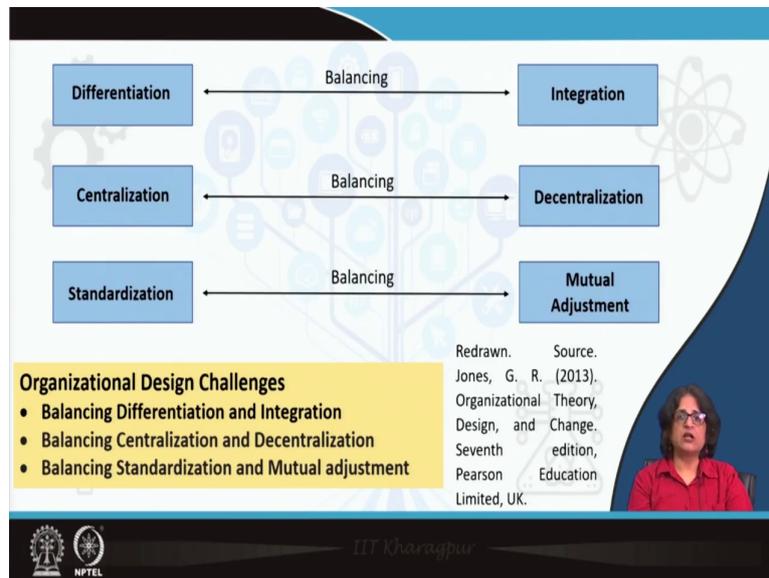
So, the roles are differentiated according to the task responsibilities ok. So, horizontal differentiation encourages division of labour which enables specialization and productivity. So, we have a horizontal differentiation and we have a vertical differentiation.

We started with hierarchy where we said that you know the organizational chart basically differentiates organizational roles in a vertical manner and people are you know people are categorized based on the authority that they possess and the rank that they hold and so, top middle and lower and so forth and while this designing the organizations.

A managers have to decide on the extent of vertical differentiation that they would want to have which means the number of levels that they like to have, but this is with respect to the vertical which is based on authority ok amongst different levels authority relationships superior subordinate relationships and so forth.

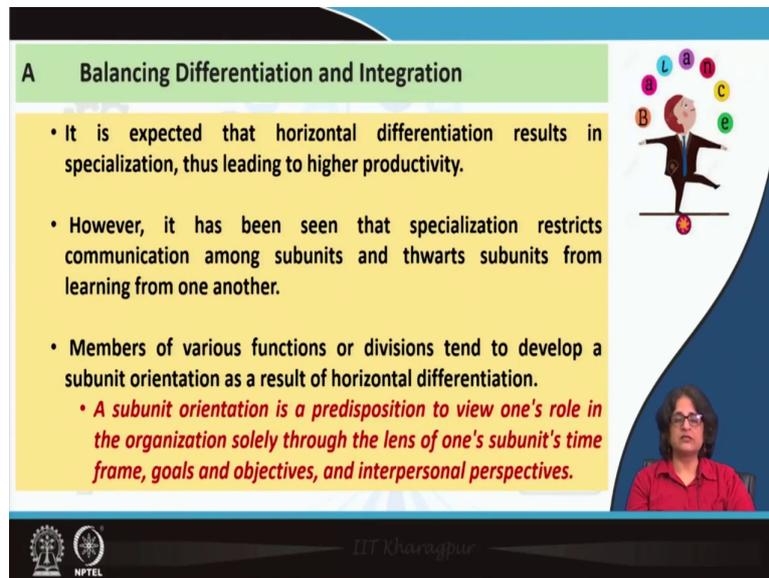
But there is another kind of differentiation which is horizontal wherein the organization groups tasks into roles and further the roles into subunits which we just discussed here as the function and the division subunits. So, this kind of differentiation is what is horizontal differentiation where roles are differentiated not according to authority, but according to task responsibilities. So, horizontal differentiation encourages division of labour and enables specialization and productivity.

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Now, managers in organizations have to face some tough challenges you know and there are these three different design challenges that organizations face that managers face one is time to balance differentiation and integration two centralization and decentralization three balancing standardization and mutual adjustment. So, let us come to the first one which is balancing differentiation and integration.

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A Balancing Differentiation and Integration

- It is expected that horizontal differentiation results in specialization, thus leading to higher productivity.
- However, it has been seen that specialization restricts communication among subunits and thwarts subunits from learning from one another.
- Members of various functions or divisions tend to develop a subunit orientation as a result of horizontal differentiation.
 - *A subunit orientation is a predisposition to view one's role in the organization solely through the lens of one's subunit's time frame, goals and objectives, and interpersonal perspectives.*

The slide features a cartoon illustration of a person in a suit balancing on a ball, surrounded by letters A, B, C, D, E, L, R, U, C, E. At the bottom, there is a small video inset of a woman in a red shirt and the logos for IIT Kharagpur and NPTEL.

Now, when we talk about the in differentiate the balancing differentiation and integration you know the issue that comes in is about the about you know managing the horizontal differentiation ok. So, it is expected that horizontal differentiation will result in specialization it lead to higher productivity; however, it has been seen that specialization restricts communication among subunits and the subunits you know fail to learn from each other yeah.

So, members of the various functions or member of the different divisions they develop a subunit orientation which means that they try to view things from a very tunnel perspective, they try to see it from a very narrow frame their own you know department of functional perspective.

So, this predisposition to view a role in an organization through one's own lens you know through the lens of a one subunit and its time frame and its goals and objectives and

interpersonal perspectives while ignoring the others is something which is which can be problematic for organizations.

So, while it is expected that horizontal differentiation will lead to you know productivity, will lead to specialization, and people will learn from each other the fact is that people within the subunits either in divisions or in departments you know do not communicate much with each other and they do not learn much from each other and when that happens it is not fruitful for the organization.

So, members of the various functions or divisions they develop a very narrow view of looking at things from their own functional or divisional perspective they develop the subunit orientation and this cannot this is not healthy for an organization. So, there is this problem about how to integrate with the rest of the organization.

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Integration and Integrating Mechanisms

- *The integration of organizational subunits is essential.*
- **Integration:** *It is defined as the coordination of various tasks, roles, functions, and divisions to ensure that they cooperate rather than compete, and can work together.*
 - Managers may use several integrating mechanisms, like the hierarchy of authority, direct contact, liaison roles, task force, teams, integrating roles, and integrating departments.

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So, integration of organizational subunits is essential. Now what is integration? Integration is the coordination of various tasks, roles, functions and divisions to ensure that the various subunits they cooperate with each other rather than compete together they should cooperate rather than compete and they must work together.

So, the different units or the different subunits you know must learn to collaborate must learn to cooperate with each other, must work on to work with each other as teams rather than competing with each other and so in. So, you know while we have horizontal differentiation, it is also important that there is integration. So, that tasks roles functions divisions can better coordinate amongst each other ok.

So, managers use a number of integrating mechanisms like hierarchy of authority direct contract, liaison roles, task force teams integrating roles and integrating departments so, that they can bring about integration you know so, that integration in the organization can be enhanced.

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The slide features a yellow text box on the left with three bullet points: 'Hierarchy of authority', 'Direct contact', and 'Liaison roles'. To the right is a diagram showing 'Research and Development' at the top, connected to 'Production' and 'Marketing' below it, with 'Liaison Roles' written underneath. A small video inset shows a woman in a red shirt speaking. The slide footer includes the IIT Kharagpur and NPTEL logos.

- **Hierarchy of authority:** The authority hierarchy dictates "who reports to whom"; it differentiates employees by the amount of authority that they own.
- **Direct contact:** Managers meet and coordinate activities face-to-face; the problem is that manager in one function has *no authority* over a manager in the other function.
- **Liaison roles:** A manager is tasked with coordinating with managers of other subunits on behalf of his/her subunit.

Redrawn. Source. Jones, G. R. (2013). Organizational Theory, Design, and Change. Seventh edition, Pearson Education Limited, UK.

Research and Development

Production Marketing

Liaison Roles

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So, you have hierarchy of authority as one of the ways in which managers try to try to bring in integration you know. So, hierarchy of authority you know the here the authority hierarchy dictates who reports to him. So, it will differentiates employees by the amount of authority that they own ok.

Then there is direct contact where managers meet and coordinate activities face to face through direct contact. The problem is that manager in one function has no authority over managers in the other function. So, this can be a problem you know as a mechanism this has this weakness where manager in one function has no authority over manager in another, but nonetheless you know managers try to meet each other and coordinate activities through direct contact.

The third is a liaison role which is another mechanism which is used to bring about integration in the organization. A manager is tasked with the with coordinating with managers of other subunits on behalf of his or her subunit then we have task force.

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o **Task force:** A task force is a temporary committee formed to address a specific problem; members of the task force are responsible for bringing coordinating solutions back to their respective functions for further input and approval; in a task force, managers meet to coordinate cross-functional activities.

o **Teams:** A permanent task force formed to address long term strategic or administrative issues; in a team, managers meet regularly to coordinate activities.

Redrawn. Source. Jones, G. R. (2013). Organizational Theory, Design, and Change. Seventh edition, Pearson Education Limited, UK.

Task force or Teams

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So, here in the in this slide you can see that the R and D manager is trying to you know be a liaison between the production and the marketing manager or the marketing the R and D is trying to liaison between the production and the marketing. Another integrating mechanism is task force.

A task force is a temporary committee which is formed to address a specific issue. Members of the task form task force are you discuss a problem and they are responsible for bringing coordinating solutions back to the respective functions for further discussion and approval in

a task force managers meet basically to coordinate the various activities cross functional activities between different departments.

So, you can see here you know that there is this task force which has people from sales R and D, production marketing engineering and it is a temporary committee which is formed to address the issue they discuss and then they go back to their functional areas for further discussion and approval ok and so, this makes the task force this that the attempts or the efforts by the task force are highly cross functional and you know a cross functional approach is there to solve problems.

Then you have teams, a team is a permanent task force which is formed to address long term strategic or administrative issues and people managers meet regularly to coordinate their activities.

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o **Integrating role:** A new role, and a full-time position is created to manage activities of two or more functions or divisions, and to improve communication.

o **Integrating department:** A new department is created to manage the activities of the various functions or divisions; when a large number of employees play integrating roles, a new department is created.

Computer Software Division

Applications Division

Integrating Role or Department

Computer Hardware Division

Integrating Role or Department

Redrawn. Source. Jones, G. R. (2013). Organizational Theory, Design, and Change. Seventh edition, Pearson Education Limited, UK.

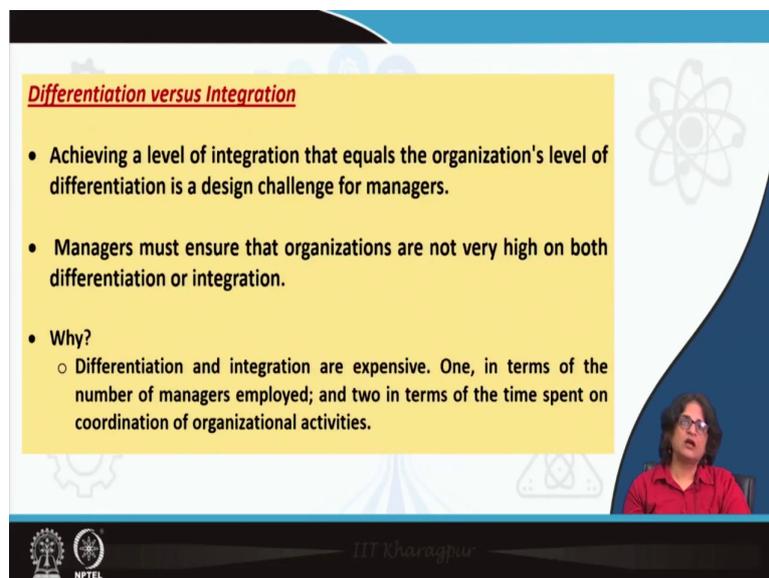
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Sometimes the integration may require setting up of a new department or a new role. So, integrating role is a new role and a full time position which is created to manage activities of two or more functions or two or more divisions to improve the communication between them. Similarly, an integrated department may be created which is an integrating department to manage the activities of the various functions or divisions.

When the number of people are large and they are playing you know and when it is needed that a large number of employees play integrating roles a new department is created. So, you can see here that integrating role or department is created you know and the computer hardware division coordinates and integrates with the computer software and the applications division. So, that is how the activities of the computer software division and application division gets integrated ok.

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Differentiation versus Integration

- Achieving a level of integration that equals the organization's level of differentiation is a design challenge for managers.
- Managers must ensure that organizations are not very high on both differentiation or integration.
- Why?
 - Differentiation and integration are expensive. One, in terms of the number of managers employed; and two in terms of the time spent on coordination of organizational activities.

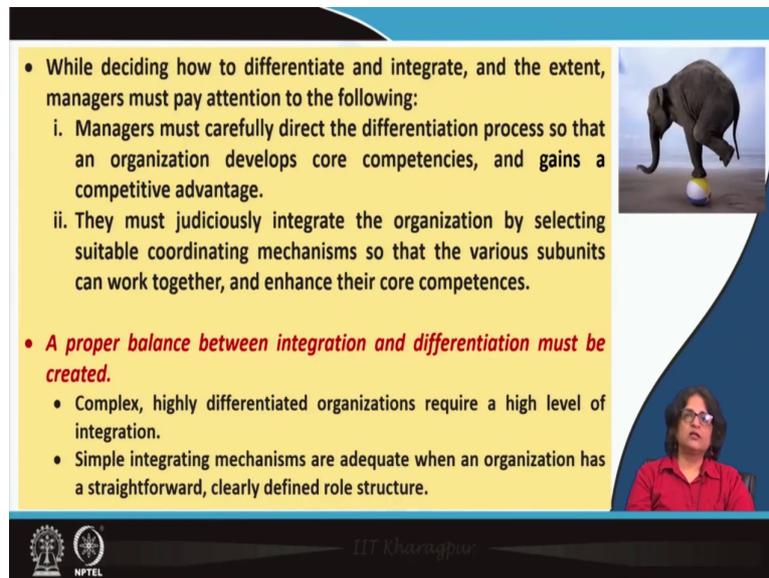
The slide features a yellow background for the text, a blue and white decorative border, and a video inset of a woman in a red shirt speaking. Logos for IIT Kharagpur and NPTEL are visible at the bottom.

So, we come to the basic question differentiation versus integration and so, so, that is the challenge which we started with. So, achieving a level of integration which equals to the organizations of organizations level of differentiation is a design challenge. Organizations must learn to differentiate as also integrate. So, trying to bring about a balance trying to equalize the integration and the differentiation in an organization is a big challenge.

So, managers must ensure that organizations are not very high on both integration or differentiation. Why? Because both integration and differentiation are expensive activities one the expenses in expensive in terms of the number of people employed in the activity ok number of managers employed and two in terms of the time which is spent on coordination of these activities.

So, too much of differentiation and too much of integration you know is not healthy for an organization and managers must ensure that they are neither very high nor low on both integration and differentiation ok. There they should not be very high on both integration or differentiation there must be a balance between both of them.

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• While deciding how to differentiate and integrate, and the extent, managers must pay attention to the following:

- Managers must carefully direct the differentiation process so that an organization develops core competencies, and gains a competitive advantage.
- They must judiciously integrate the organization by selecting suitable coordinating mechanisms so that the various subunits can work together, and enhance their core competences.

• ***A proper balance between integration and differentiation must be created.***

- Complex, highly differentiated organizations require a high level of integration.
- Simple integrating mechanisms are adequate when an organization has a straightforward, clearly defined role structure.

The slide features a yellow background for the text. On the right side, there is a photograph of an elephant balancing on a small ball. Below the text, there is a small inset video of a woman in a red shirt speaking. At the bottom left, there are logos for IIT Kharagpur and NPTEL. The name 'IIT Kharagpur' is written in the center at the bottom.

So, while deciding on how to differentiate and integrate and extent. So, managers must pay attention to the following. One you know managers must direct the differentiation process so, that the organization develops its core competencies and gains competitive advantage and they must try to integrate the organization by choosing such integrating mechanisms at the subunits can work together and the core competencies can be enhanced.

So, a proper balance between you know differentiation and integration must be created. So, it has been seen that in complex highly differentiated organizations, they require a high level of integration. On the other hand simple integrated mechanisms are adequate when organizations are straightforward they have clearly defined role structures and so, managers must keep it in mind that when you know if the organization is complex they would require a high level of integration.

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B Balancing Centralization and Decentralization

Centralized structure:

- A centralized structure is an organizational structure in which managers at the top of the hierarchy possess and retain the authority to make crucial decisions.

Decentralized structure:

- A decentralized structure is an organizational structure in which managers at all levels of the hierarchy have the authority to make important decisions about organizational resources.

A proper balance between centralization and decentralization is essential but challenging.

Balance

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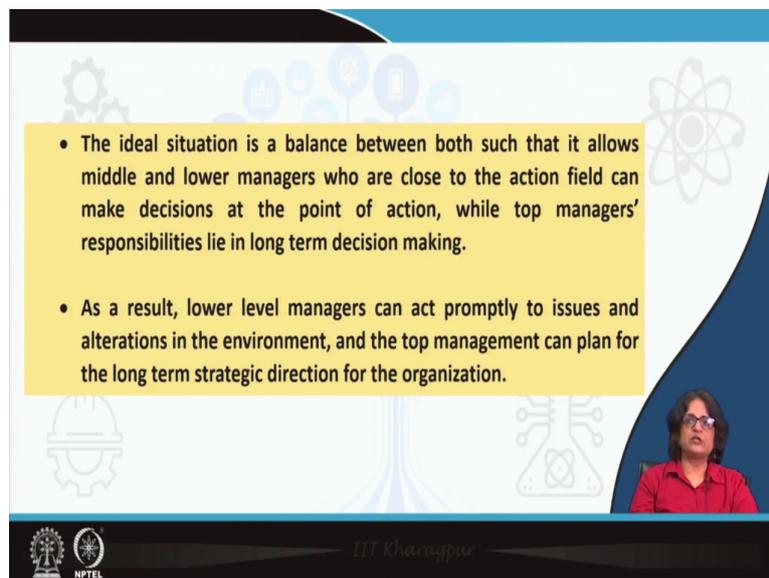
The slide features a green header with the title 'B Balancing Centralization and Decentralization'. The main content is on a yellow background, defining 'Centralized structure' and 'Decentralized structure'. A red-bordered box on the right contains the word 'Balance' in a cursive font above a stack of stones. A small video feed of a woman in a red shirt is in the bottom right corner. The footer includes the IIT Kharagpur and NPTEL logos.

The next challenge that that manager's face is regarding centralization and decentralization whether to have a centralized structure or a decentralized structure and so, ultimately what is important is a balance between the two, but a proper balance is essential, but again challenging. So, what is a centralized structure and what is a decentralized structure?

A centralized structure is where managers at the top of the hierarchy, they possess and retain the authority to make crucial decisions. The decision making power lies with the higher levels in the management hierarchy ok and they are the ones who make crucial decisions. A decentralized structure on the other hand is one where managers at all the levels in the hierarchy have the authority to make important decisions about the resources about the usage of the resources.

So, on one hand we have a centralized structure where decision making is concentrated to the top levels and all major decisions are taken by the top management on the other hand we have a decentralized structure, where managers at different levels in the hierarchy have the authority to make important decisions pertaining to their levels and ok and with regard to utilization of resources as well.

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- The ideal situation is a balance between both such that it allows middle and lower managers who are close to the action field can make decisions at the point of action, while top managers' responsibilities lie in long term decision making.
- As a result, lower level managers can act promptly to issues and alterations in the environment, and the top management can plan for the long term strategic direction for the organization.

So, the ideal situation is a balance between both such that middle and lower managers who are close to the field of action can make decisions at the point of action and top and the long term decision making is restricted to the top managers. So, as a, so, in this case both you know will benefit a top managers can plan and have long term plans and the and the middle and lower managers who are at the action field who are at close to the action field will be able to take decisions pertaining to you know issues which they face during implementation.

So, in. So, if that if a balance is possible you know in such a case a lower managers will be able to act promptly to issues and alterations in the environment and the top management can spend time and energy and resources for long term strategic direction for providing long term strategic direction to the organization.

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C Balancing Standardization and Mutual Adjustment

Standardization:

- Standardization is adherence to defined sets of rules and norms which manifest in the form of specific models or examples, deemed appropriate in a given situation.
- **Formalization:** To standardize operations, written rules and procedures are used, and this is termed formalization; *a high level of formalization means centralization of authority.*
- **Rules:** Rules are formal written statements stating the appropriate way to achieve desired goals.
- **Norms:** Norms are styles of behaviours considered acceptable by a group; *The process by which employees learn about organizational norms and assimilate these unwritten rules of conduct is known as socialization.*

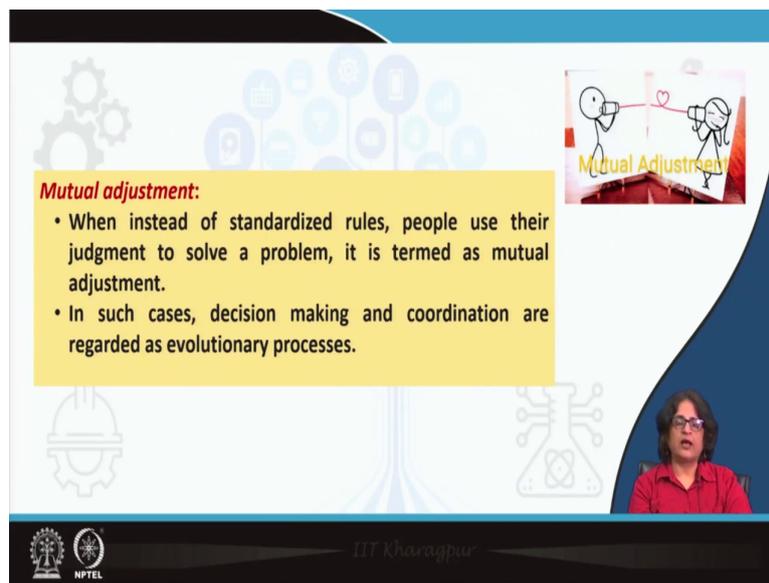
The slide features a background image of a balance scale and a small inset video of a woman in a red shirt. Logos for IIT Kharagpur and NPTEL are visible at the bottom.

The third challenge that comes in is about balancing standardization and mutual adjustment. So, what is standardization? Now when we talk of standardization we are typically you know referring to the adherence to defined set of rules and norms which manifest in the form of specific models or examples which are deemed to be appropriate in a situation ok.

So, to standardize operations what is required is, written rules regulations policies procedures and this is known as formalization. So, a high level of formalization means centralization of authority. Rules are formal written statements which state appropriate ways of behaviour

which state appropriate behaviours to achieve goals norms are styles of behaviour which I accepted which I considered acceptable by the group and the process by which employees learn about these norms and assimilate them is known as socialization.

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Mutual adjustment:

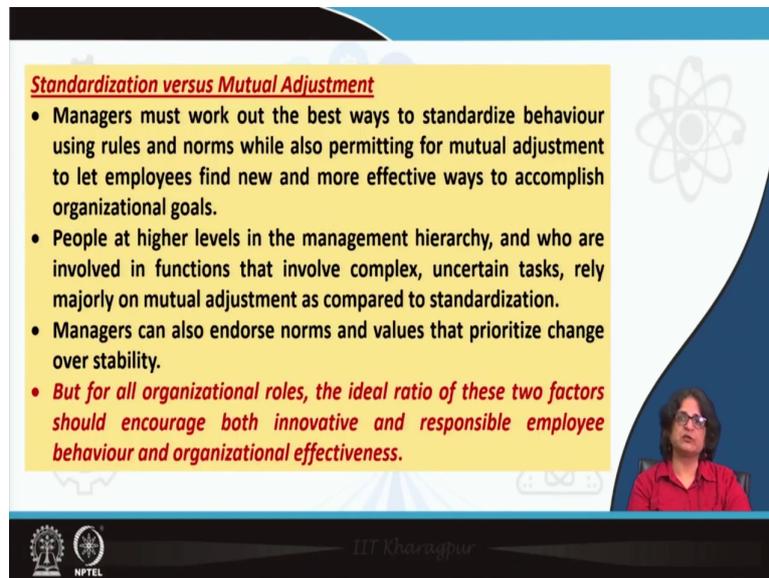
- When instead of standardized rules, people use their judgment to solve a problem, it is termed as mutual adjustment.
- In such cases, decision making and coordination are regarded as evolutionary processes.

The slide features a yellow text box with the definition and a small video inset in the top right corner showing two stick figures holding hands with a heart between them, labeled 'Mutual Adjustment'. The background includes faint icons of gears, a lightbulb, and a person. At the bottom, there are logos for IIT Kharagpur and NPTEL.

So, standardization is about the well-defined sets of rules and norms which manifest in the form of specific models and examples which are deemed appropriate in a given situation, but on the other hand we have mutual adjustment when you know mutual adjustment happens when instead of standardized rules and norms people use their judgment to solve a problem.

So, in such cases decision making and coordination are regarded as evolutionary processes they are not strictly by rule, but they follow an evolutionary process. Now again that the design challenge that comes in you know is about how to balance from standardization and mutual adjustment ok.

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Standardization versus Mutual Adjustment

- Managers must work out the best ways to standardize behaviour using rules and norms while also permitting for mutual adjustment to let employees find new and more effective ways to accomplish organizational goals.
- People at higher levels in the management hierarchy, and who are involved in functions that involve complex, uncertain tasks, rely majorly on mutual adjustment as compared to standardization.
- Managers can also endorse norms and values that prioritize change over stability.
- *But for all organizational roles, the ideal ratio of these two factors should encourage both innovative and responsible employee behaviour and organizational effectiveness.*

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So, managers must work out the best ways to standardize behaviour using rules, using norms, but also permitting for mutual adjustment because you know people at higher levels in the hierarchy and who are involved in functions that involve highly complex and uncertain tasks majorly rely on mutual adjustment you know as compared to standardization.

So, its very very important that mutual adjustment is also accorded importance ok. So, for all organizational roles the ideal ratio of these two factors should encourage both you know both innovative and responsible employee behaviour and organizational effectiveness and for that its important that a balance is struck between standardization and mutual adjustment ok.

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Impact of Design Challenges

Design Challenges result in Mechanistic or Organic Structures

Mechanistic structures:

- Appropriate for organizations that operate in stable environments.
- Characteristics: centralized decision making authority; clearly defined tasks; close supervision of subordinates; information flows downwards vertically; each function is separate, and responsibility for communication and coordination lies with the top management.
- Designed such that people behave in predictable and accountable ways.
- Integrating mechanisms both within and between functions lies in hierarchy, and complex integrating mechanisms are not required.
- Control is exercised through hierarchy and standardization.

Individual Specialization in a Mechanistic Structure

A Person in a role specializes in a specific task or set of tasks.

Roles (light blue circle) Tasks (dark blue circle)

A → X, B → Y, C → Z

Redrawn. Source: Jones, G. R. (2013). Organizational Theory, Design, and Change. Seventh edition, Pearson Education Limited, UK.

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So, if we relate these design challenges to the mechanistic structure and to the organic structure we can see here that you know individual specialization in a mechanistic structure a person in a role specializes in a specific task or a set of tasks. So, A specializes in X, B specializes in Y, C specializes in Z. So, A as A role A role A plays the X task, role B plays the Y task and role B role C plays the Z task.

So, such a kind of a mechanistic structure is appropriate for organizations which operate in stable environments we have discussed about this earlier as well the centralized decision making authority clearly defined tasks, close supervision a information flows downwards vertically each function is separate and responsibility for communication lies with the top management.

So, such structures are designed in for situations where people behave in people can behave in predictable and accountable ways and design and the structures are designed such that people behave in predictable and accountable fashion, integrating mechanisms both within and between functions lies in hierarchy which we just spoke of and integrating mechanisms you know are not needed because the only integrating force is hierarchy ok and the control is exercised through hierarchy and standardization.

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Organic structures:

- Appropriate for organizations that operate in unstable environments.
- Characteristics: decentralized decision making authority; roles are weakly defined, and people perform changing tasks and develop new job skills; cross-functional approach to problem solving.
- Designed such that people can adapt quickly to the changing environment and can initiate change; promotes flexibility.
- Higher level of integration is required, which is achieved through task forces and teams.
- The key to coordination lies with mutual adjustment and informal rules and norms.

Joint Specialization in an Organic Structure
 A person in a role is assigned to a specific task or set of tasks.
 However, the person is able to learn new tasks and develop new skills and capabilities

Legend: Roles (light blue square), Tasks (dark blue square)

Redrawn. Source: Jones, G. R. (2013). Organizational Theory, Design, and Change. Seventh edition, Pearson Education Limited, UK.

As opposed to this we have organized organic structures where there is a joint specialization in an organic structure. A person in a role is assigned to a specific task or a set of tasks. However, the person is able to learn new tasks and develop new skills and capabilities.

If you see there in the first slide there was an individual specialization A doing X, B doing Y, C doing Z, but here while the A is assigned X and B is assigned Y task and C is assigned the

Z task yet, the people work with and through each other and they are able to learn new tasks and develop new skills and capabilities. So, joint specialization is what happens in an organic structure the person is assigned to a one role or a specific task, but he is able to learn new task and develop new skills and capabilities.

So, what emerges is joint specialization and this is appropriate for organizations that operate in unstable environments, characteristics of the organic structures as we have discussed earlier are decentralized decision making, weakly defined roles, people perform changing tasks and develop new job skills there is a cross functional approach to problem solving and such structures are designed such that people can quickly adapt to the changing environment.

So, there is huge amount of flexibility. High level of integration is required which is brought about through the mechanisms which we discussed like liaison role, task forces, integrating roles integrating departments and the key to mute coordination lies with mutual adjustment and informal rules and norms.

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MECHANISTIC STRUCTURES RESULT WHEN AN ORGANIZATION MAKES THESE CHOICES.	ORGANIC STRUCTURES RESULT WHEN AN ORGANIZATION MAKES THESE CHOICES.
Individual specialization Employees work independently and specialize in a single, well defined task.	Joint Specialization Employees collaborate and coordinate their actions to determine the best way to complete a task.
Simple Integration Mechanisms The authority hierarchy is clearly defined and serves as the primary integrating mechanism.	Complex Integrating Mechanisms Task forces and teams are the primary integrating mechanisms.
Centralization The organization's authority to control tasks is maintained at the top. The majority of communication is vertical.	Decentralization People at all levels of the organization have the authority to control tasks. Most communication is lateral.
Standardization To coordinate tasks, rules and SOPs are extensively used, and the work process is predictable.	Mutual Adjustment Face-to-face contact is frequently used to coordinate tasks, and the work process is relatively unpredictable.

Redrawn. Source: Jones, G. R. (2013). Organizational Theory, Design, and Change. Seventh edition, Pearson Education Limited UK.

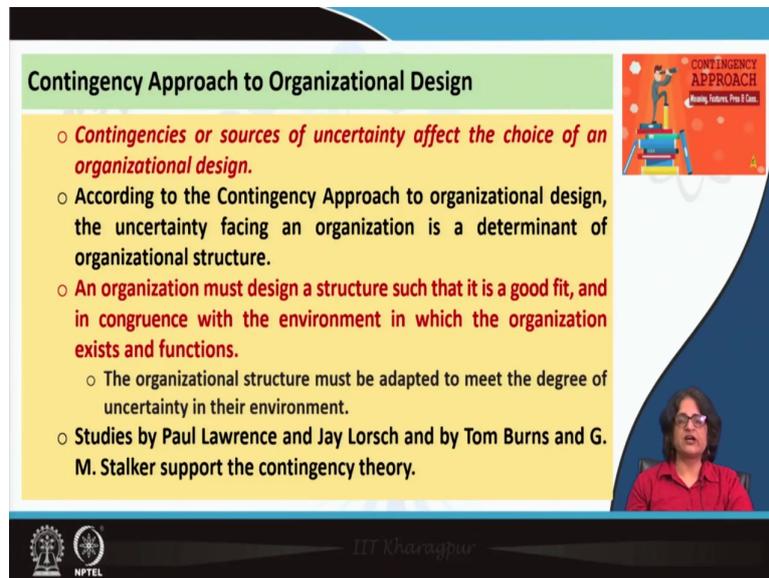


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So, here you know what I just said is mentioned in these two slides where in the case of mechanistic there is individual specialization in organic it is joint. In mechanistic structures you have simple integrating mechanisms through hierarchy in complex it is through task forces and teams.

Inorganic it is complex through task forces and teams, in mechanic structures there is centralization in organic structures there is decentralization. In mechanistic structures tasks are very standardized a standardized operating procedures are extensively used and work processes are predictable, but in the case of organic structures face to face contact is you or in today's day and age e contact is frequently used to coordinate tasks and the work process is relatively unpredictable.

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Contingency Approach to Organizational Design

- *Contingencies or sources of uncertainty affect the choice of an organizational design.*
- According to the Contingency Approach to organizational design, the uncertainty facing an organization is a determinant of organizational structure.
- **An organization must design a structure such that it is a good fit, and in congruence with the environment in which the organization exists and functions.**
 - The organizational structure must be adapted to meet the degree of uncertainty in their environment.
- Studies by Paul Lawrence and Jay Lorsch and by Tom Burns and G. M. Stalker support the contingency theory.

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So, finally, coming to the contingency approach as we have discussed earlier, an organization must design a structure such that it is a good fit and incongruence with the environment in which it exists and operates and the contingencies or sources of uncertainty should affect the choice of an organization design.

So, studies by Lawrence and Lorsch which we have discussed earlier as well as burns and stalker support the contingency theory.

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The slide features two Venn diagrams side-by-side. The left diagram, titled 'Poor Fit', shows two overlapping circles labeled 'Organization' and 'Environment'. The overlapping area is shaded a light orange. The right diagram, titled 'Close Fit', shows two overlapping circles labeled 'Organization' and 'Environment'. The overlapping area is shaded a darker orange. A legend below the diagrams shows a small orange square followed by the text 'Degree of fit'. To the right of the diagrams is a stylized atom symbol. At the bottom of the slide, there is a small video inset of a person with glasses and a red shirt. The footer contains the IIT Kharagpur logo and the NPTEL logo.

Poor Fit

Close Fit

Organization Environment

Organization Environment

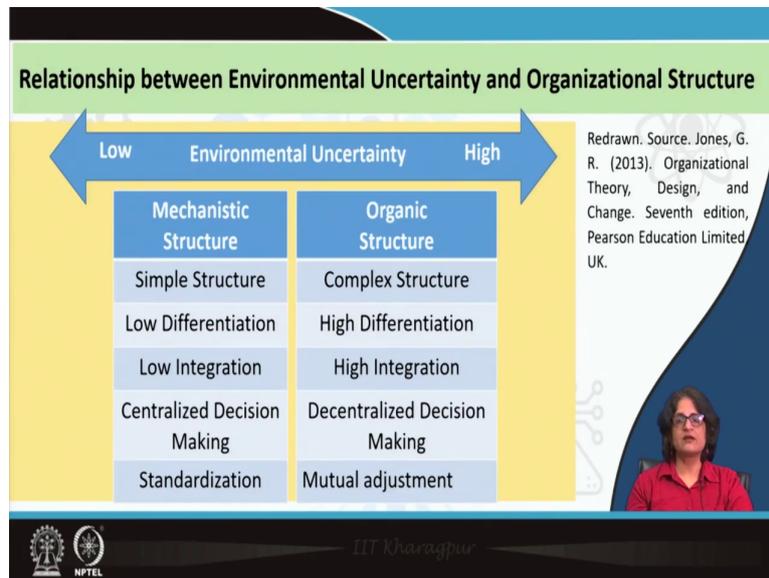
Degree of fit

Redrawn. Source: Jones, G. R. (2013). Organizational Theory, Design, and Change. Seventh edition, Pearson Education Limited, UK.

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So, here is it that if the environmental uncertainty is low ok it is low. So, you can have mechanistic structure simple structure, low differentiation, low integration centralized decision making and standardized standardization on the other hand if environmental uncertainty is high you have complex structure, high differentiation, high integration, decentralized decision making and mutual adjustment.

So, the design challenges of differentiation and integration, centralization versus decentralization and standardization versus mutual adjustment. These challenges should be clearly you know met keeping in mind the environment and the you know changing forces in the environment.

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CONCLUSION

This brings us to the end of the first lecture of Module 3.

We shall continue with the topic in the next lecture.

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And with this I come to an end of this lecture these are the references and we shall continue with the topic in the next lecture.

Thank you.