UNIT 3 ORGANISATION STRUCTURE AND EFFECTIVENESS

Structure

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3.0 OBJECTIVES

After studying this unit, you should be able to:

- discuss the concept of organisation structure;
- explain the components of organisation structure;
- analyse the dimensions of organisation structure;
- discuss the model of organisation designs; and
- explain the determinants of organisational effectiveness.

3.1 INTRODUCTION

In an organisation, a number of activities are performed. These activities are required to be coordinated. Organisation structure is designed for division of tasks, grouping of activities and coordinating and controlling the tasks of the organisation. The detailed study of all components and dimensions of organisational structure is required for creation of efficient and stable structure. Well designed organisation structure facilitates the smooth functioning of the organisation. In this unit, you will learn the concept, components and types of organisation structure. You will further learn the dimensions of structure and the models of organisational designs. You will be familiarised with the determinants of the organisational effectiveness.

2.2 CONCEPT OF ORGANISATION STRUCTURE

Organisation structure may be defined as the established pattern of relationships among the components of the organisation. Organisation structure in this sense refers to the network of relationships among individuals and positions in an organisation. Jennifer and Gareth have defined organisation structure as the formal system of task and reporting relationships that controls, coordinates and motivates employees so that they cooperate and work together to achieve an organisation's goals. In fact organisation structure describes the organisation framework. Just as human beings have skeletons that define their parameters, organisations have structures that define-theirs. It is like the architectural plan of a building. Just as the architect considers various factors like cost, space, special features needed etc. while designing a good structure, the managers too must look into factors like benefits of specialisation, communication problems, problems in creating authority levels etc., before designing the organisation structure.

The manager determines the work activities to get the job done, writes job descriptions, and organises people into groups and assigns them to superiors. He fixes goals and deadlines and establishes standards of performance. Operations are controlled through a reporting system. The whole structure takes the shape of a pyramid. The structural organisation implies the following things :

- The formal relationships with well-defined duties and responsibilities;
- The hierarchical relationships between superior and subordinates within the organisation;
- The tasks or activities assigned to different persons and the departments;
- Coordination of the various tasks and activities;
- A set of policies, procedures, standards and methods of evaluation of performance which are formulated to guide the people and their activities.

The arrangement which is deliberately planned is the formal structure of organisation. But the actual operations and behaviour of people are not always governed by the formal structure of relations. Thus, the formal arrangement is often modified by social and psychological forces and the operating structure provides the basis of the organisation.

Significance of Organisation Structure

The organisation structure contributes to the efficient functioning of organisation in the following ways.

Clear-cut Authority Relationships : Organisation structure allocates authority and responsibility. It specifies who is to direct whom and who is accountable for what results. The structure helps an organisation member to know what is his role and how does it relate to other roles.

Pattern of Communication : Organisation structure provides the patterns of communication and coordination. By grouping activities and people, structure facilitates communication between people centred on their job activities. People who have joint problems to solve often need to share information.

Location of Decision Centres : Organisation structure determines the location of centres of decision making in the organisation. A departmental store, for instance may follow a structure that leaves pricing, sales promotion and other matters largely up to individual departments to ensure that various departmental conditions are considered.

Proper Balancing : Organisation structure creates the proper balance and emphasizes on coordination of group activities. Those more critical aspect for the success of the enterprise may be given higher priority in the organisation. Research in a pharmaceutical company, for instance, might be singled out for reporting to the general manager or the managing director of the company. Activities of comparable importance might be given, roughly equal levels in the structure to give them equal emphasis.

Stimulating Creativity : Sound organisation structure stimulates creative thinking and initiative among organisational members by providing well defined patterns of authority. Everybody knows the area where he specialises and where his efforts will be appreciated.

Encouraging Growth : An organisation structure provides the framework within which an enterprise functions. If it is flexible, it will help in meeting challenges and creating opportunities for growth. A sound organisation structure facilitates growth of the enterprise by increasing its capacity to handle increased level of activity.

Making use of Technological Improvements : A sound organisation structure which is adaptable to change can make the best possible use of latest technology. It will modify the existing pattern of authority-responsibility relationships in the wake of technological improvements.

In short, existence of good organisation structure is essential for better management. Properly designed organisation can help in improving team work and productivity by providing a framework within which the people can work together most effectively. Therefore, an organisation structure should be developed according to the needs of the people in the organisation.

2.3 COMPONENTS OF ORGANISATION STRUCTURE

Organisation structure influence the division of the tasks, grouping of activities, coordinating the activities and the overall accomplishment of the tasks. Since organisation structure relates to relatively stable relationship and process of the organisation, all influencing factors must be analysed for designing the organisation structure.

According to Robbins organisation structure stipulates how tasks are to be allocated, who reports to whom, and the formal coordinating mechanisms and interaction patterns that will be followed. John Ivancevich and Michael Matteson have also expressed the same view and advocated that manager are required to take following four decisions for designing organisational structure :

- Divisions of overall task into smaller jobs.
- Distribution of authority among the jobs.
- Bases by which the individual jobs are to be grouped together; and
- The appropriate size of group reporting to each superior.

Let us discuss each of them in detail.

Division of Labour

Adam Smith emphasized on the division of labour in his celebrated work, Wealth of Nation. In the early twentieth century, Henry Ford used assembly line operations for manufacturing automobiles. He assigned a specific repetitive task to each worker. The whole tasks were broken into number of smaller steps or activities. Each step was required to be completed by separate individual. Thus, the individual attained specialisation in performing that particular activity. The manufacturing sector has been using the work specialisation extensively all over the world. The division of labour which results in work specialisation provide following benefits to the organisation.

- The performance of specialised job enhances the work efficiency. Hence, the employees skills can be used in the most efficient way.
- Since the work cycles of the job are very short, the workers can attain perfection on that job quickly.
- It enhances productivity in the organisation.

- The workers can be trained easily to perform the repetitive work.
- The training costs are reduced.
- It is easier to match workers with the specific job skills.

Despite these benefits, the division of labour has been criticised on the following ground.

- It can not be used for all types of jobs.
- It may lead to monotony and boredom.
- It focuses on physical performance of the job and underestimates the behavioural aspects of the workers.

The positive features of division of labour overshow the negative features. Hence, the work specialisation has been widely used as an important means for enhancing productivity in the organisation.

Delegation of Authority

Delegation is the process that a manager follows in dividing the work assigned to him so that he performs that part, which because of his position he can perform effectively. Delegation is legitimate authorisation to a manager or employee to act in specified ways. It enables him to function independently without reference to the supervisor but within the limits set by the supervisor and the normal framework of organisational objectives, policies, rules and procedures. Thus, delegation involves : a) entrustment of work to another for performance, b) grant of power, right or authority to be exercised to perform the work, c) creation of an obligation on the part of the person accepting delegation.

Delegation of authority is one of the most important element in the process of organisation. Organisations are characterised by a network of activities and roles. Delegation is the process through which the interrelationships are created among individuals in their different roles in the organisation.

Delegation is necessary because it is physically impossible for a single man to look after the affairs of a large organisation. The success of a manager lies in his ability to multiply himself through other people. The organisations of today are not only large but also complex in character. No manager can claim to have all the skills and expertise to perform all the diverse kinds of jobs. Again, large scale business activities are not confined to one place. It may have several branches and units at several places. Delegation becomes a necessity for running these branches.

An organisation is a continuity. Managers may go and come but the organisation continues. Delegation provides continuity of operations in the organisation. The process of delegation helps managerial development in an organisation.

Thus, delegations is important for any organisation because it reduces the burden of the managers and leaves him free to look after important matters of the organisation. It is a method by which subordinates can be developed and trained to take up higher responsibilities. It provides continuity to the organisation and creates a healthy organisational climate by creating better understanding among the employees.

The major benefits of delegation are :

- Delegation leads to professionalism.
- Managerial decisions may involve creativeness and innovativeness.
- The competitive environment may be created in the organisation.
- The mangers may take quick decisions.

The limitations of delegation of authority are :

- The managers may resist to delegate authority.
- The managers may require training for taking decisions and the costs of training may be higher.
- Every person may not be able to take high level of decision in the effective way.
- The administrative costs may also increase.

Despite these limitations, delegation of authority enhances efficiency in the organisation.

Departmentation

The division of labour divides the jobs into smaller activities. In order to coordinate these activities, they are grouped together. The basis by which these activities are grouped together are known as departmentalisation.

It may be defined as the process of forming departments or grouping activities of an organisation into a number of separate units for the purpose of efficient functioning. This term vary a great deal between different organisations. For example, in business undertaking, terms are division, department and section; in Government these are called branch, department and section; in military, regiment, batallion groups and company.

The impact of departmentation is a delineation of executive responsibilities and a grouping of operating activities. Every level in the hierarchy below the apex is departmentalised and each succeeding lower level involves further departmental differentiation.

The major benefits of departmentalisation are :

Specialisation : Departmentation leads to the benefits of specialisation as various organisational activities are grouped according to their relation with the specific functions or objectives. Every departmental manager specialises in the tasks assigned to him.

Administrative control : Departmentation helps in effective managerial control because the standards of performance for each and every department can be laid down precisely. Every department has a specific objective. This also facilitates keeping expenditure within limits.

Fixation of responsibility : Since organisation work is divided into manageable units, and authority and responsibility are precisely defined, it is easier to fix the accountability of different managers for the performance of various tasks.

Freedom or autonomy : The departments created through departmentation are semi-autonomous units. Their heads are given a sufficient degree of authority to run their departments. This increases the efficiency of the departments.

Development of managers : Departmentation helps in the development of managerial personnel by providing them opportunities to take independent decisions and initiative. The executives can develop themselves for promotion to higher jobs.

Span of Control

The departmentation reflects the types of jobs which are grouped together. Different persons are involved in performing these jobs. They are required to be supervised closely.

Span of control refers to the number of individuals a manager can effectively supervise. Thus, it is expected that the span of control, that is, the number of subordinates directly reporting to a superior should be limited so as to make supervision and control effective. This is because executives have limited time and ability.

It is sometimes suggested that the span of control should neither be too wide nor too narrow. In other words, the number of subordinates should not be too large or too small. The number of subordinates cannot be easily determined because the nature of jobs and capacity of individuals vary from one organisation to another. Moreover, the actual span of supervision affects the organisation in different ways. A wide span results in fewer levels of supervision and facilitates communication. It permits only general supervision due to the limited availability of time. Narrow span, on the other hand, requires multiple levels of supervision and hence longer time for communication. It is more expensive and complicates the process of communication. A narrow span, however enables managers to exercise close supervision and control.

Although there are certain limits to the span of control, the tendency in recent years has been to avoid specifying absolute number because it has been recognised that the ideal span depends on a number of factors. Some of the important factors are discussed below :

Nature of the Work : If the work is simple and repetitive, the span of control can be wider. However, if the work requires close supervision the span of control must be narrow.

Ability of the Manager : Some managers are more capable of supervising large number of people than others. Thus for a manager who possesses qualities of leadership, decision-making ability and communication skill in greater degree the span of control may be wider.

Efficiency of the Organisation : Organisations with efficient working systems and competent personnel can have larger span of control.

Staff Assistants : When staff assistants are employed, contact between supervisors and subordinates can be reduced and the span broadened.

Time Available for Supervision : The span of control should be narrowed at the higher levels because top managers have less time available for supervision. They have to devote the major part of their work time in planning, organising, directing and controlling.

Ability of the Subordinates: Fresh entrants to jobs take more of a supervisor's time than trained persons who have acquired experience in the job. Subordinates who have good judgement, initiative, and a sense of obligation seek less guidance form the supervisor.

Degree of Decentralisation : An executive who personally takes many decisions is able to supervise fewer people than an executive who merely provides encouragement and occasional direction.

It should be clear that the size of the span of control is related to numerous variables, and no single limit is likely to apply in all cases. A variety of factors can influence the resulting number of employees comprising the optimum span of control in any particular organisation. The span of control also influence the creation of tall and flat structure. Let us learn the concept of tall and flat structure.

Tall and Flat Structure

A tall organisational structure would have many hierarchical levels There is a long distance between the top most manager and the bottom most manager. There are large number of job titles and a career path to the employee. Fewer number of subordinates a particular manager is required to guide, the organisational structure would be taller. Contrarily, a flat structure would have wide span of management. The number of hierarchy would be less. Larger the number of subordinates a particular manager is required to guide the organisational structure would be flatter. Choosing an appropriate span of management is important for two

reasons. First, it affects efficiency. Too wide a span may mean that managers are over extended and subordinates are receiving too little guidance or control. When this happens, managers may be pressured to ignore or condone serious errors. In contrast, too narrow a span may mean that managers are underutilized.

Thus, the extent of division of work, the nature of delegation of authority, the process of departmentation and the requirement of effective supervision i.e., span of control influence the designing of organisation structure.

3.4 TYPES OF ORGANISATION STRUCTURE

Different types of Organisation structure can be created on the basis of arrangement of activities. Accordingly, three broad types of structural forms are :

- Functional Structure
- Divisional Structure, and
- Adaptive Structure

Let us learn them in detail.

3.4.1 Functional Structure

When units and sub-units of activities are created in organisation on the basis of functions, it is known as functional structure. Thus, in any industrial organisation, specialised functions like manufacturing, marketing, finance and personnel constitute as separate units of the organisation. All activities connected with each such function are placed in the same unit. As the volume of activity increases, sub-units are created at lower levels in each unit and the number of persons under each manager at various levels get added. This results in the interrelated positions taking the shape of a pyramid. Look at figure 3.1 which shows the functional structure of a medium-size organisation.

Figure 3.1 : Functional Structure

Chief Executive

Manufacturing Marketing Finance

Mechanical Work Electrical Work Advertising Sales Accounts Audit

Sub-units Sub-units Sub-units Sub-units Sub-units

The main advantage of the functional structure of organisation is that there is functional specialisation in each unit, which leads to operational efficiency of people engaged, and the organisation as a whole derives the benefit of specialised operations. The heads of the functional units are in direct touch with the chief executive who can sort out inter-functional problems, if any, and also coordinate the interrelated functions. The chief executive is also able to be in direct touch with lower level subordinates and thereby have full knowledge of the state of affairs in the organisation.

However, while the functional arrangement may be well suited to small and medium size organisations, it is incapable of handling the problems of an organisation as it grows in size and complexity. Problems of sub-units at lower levels do not receive adequate attention of higher level managers while some of the activities tend to be over-emphasized.

Functional units become unwisely and difficult to manage when there are diverse kinds of activities performed in large number of sub-units. Personal contact between superiors and subordinates become rare, and flow of communication is slow leading to problems of coordination and control.

2.2.2 Divisional Structure

The divisional organisation structure is more suited to every large enterprise particularly those which deal in multiple products to serve more than one distinctive markets. The organisation is then divided into smaller business units which are entrusted with the business related to different products or different market territories. In other words, independent divisions (product divisions or market division), are created under the overall control of the head office. Each divisional manager is given autonomy to run all functions relating to the product or market segment or regional market. Thus, each division may have a number of supporting functions to undertake. A divisional structure may consist of two or more product divisions or market or territorial divisions as depicted in the diagrams 3.2 and 3.3.

Figure 3.2 : Product Divisionalisation

Chief Executive

Corporate Planning and Control | Finance | Personnel

Chemicals Products Division | Textiles Division

Manufacturing | Marketing | Accounting | Personnel

Manufacturing | Marketing | Accounting | Personnel

Figure 3.3 : Territorial Divisionalisaton

Chief Executive

Corporate Planning and Control | Manufacturing | Finance | Marketing | Personnel

Eastern Division | Western Division | Northern Division | Southern Division

Accounting | Personnel | Accounting | Personnel | Accounting Personnel | Accounting Personnel

Manufacturing Marketing | Manufacturing Marketing | Manufacturing Marketing | Manufacturing Marketing

In a divisional structure each division contributes planned profits to the organisation, but otherwise operates as an independent business. The functional units are headed by managers while the final authority vests in the divisional manager, who coordinates and controls the activities of the various functional units in the division. The top management of the organisation, besides providing funds, determines the organisation goals and formulates policies.

The divisional structure is characterised by decentralisation of authority. Thus, it enables managers to take decisions promptly and resolve problems appropriate to the respective divisions. It also provides opportunity to the divisional managers to take initiative in matters within their jurisdiction. But such a structure involves heavy financial costs due to the duplication of supporting functional units for the divisions. Moreover, it requires adequate number of capable managers to take charge of the respective divisions and their functional units.

3.4.3 Adaptive Structure

Organisation structure are often designed to cope with the unique nature of undertaking and the situation. This type of structure is known as adaptive structure. There are two types in structures.

i) Project Organisation, and

ii) Matrix Organisation

i) Project Organisation : When an enterprise undertakes any specialised, time-bound work involving one-time operations for a fairly long period, the project organisation is found most suitable. In this situation the existing organisation creates a special unit so as to engage in a project work without disturbing its regular business. This becomes necessary where it is not possible to cope with the special task or project. Within the existing system, the project may consist of developing a new project, installing a plant, building an office complex, etc.. A project organisation is headed by a project manager in charge, who holds a middle management rank and reports directly to the chief executive. Other managers and personnel in the project organisation are drawn from the functional departments of the parent organisation. On completion of the project they return to their parent departments.

The main advantage of such a structural arrangement is that it leaves regular business undisturbed. It is exclusively concerned with the task of completing the project work on time and in conformity with the standards of performance relevant to its goal. There is better management and control over the project activities as the project manager enjoys necessary authority and is alone responsible for the results. But project organisation may create problems as well. Functional managers often resent the exercise of authority by the project manager in the functional areas and hence conflict arises. The stability of the functional departments is disturbed by transfer of personnel to project work from time to time. Shifting of personnel from project to project disrupts their developments in the specialised fields.

ii) **Matrix Organisation :** This is another type of adaptive structure which aims at combining the advantages of autonomous project organisation and functional specialisation. In the matrix organisation structure, there are functional departments with specialised personnel who are deputed to work full time in different projects sometimes in more than one project under the overall guidance and direction of project managers. When a project work is completed, the individuals attached to it go back to their respective functional department to be assigned again to some other project. This arrangement is found suitable where the organisation is engaged in contractual project activities and there are many project managers, as in a large construction company or engineering firm.

Matrix organisation provides a flexible structure ideally suited to the requirements of changing conditions. It facilitates pooling of specialised and technical personnel from different functional departments, who can be deputed to a number of projects. They acquire valuable experience of handling varied and complex problems in project work. There is speedy exchange of information and decision-making as they work under the coordinating authority of project managers.

The major drawback of matrix organisation is that the personnel drawn from specialised functional departments are subjected to dual authority, that of the functional heads and the project managers. The principles of unity of command is thereby sacrificed. This generates stresses and strains in project management, because there is simultaneous engagement of the same individual in a number of projects.

3.5 DIMENSIONS OF ORGANISATION STRUCTURE

Robins has identified three dimensions of organisation structure, i.e., formalization, centralisation and complexity. Let us learn them briefly.

Formalization : It refers to the extent to which the activities, rules, procedures, instructions, etc. are specified and written. This primarily means that the degree to which the activities of the organisation are standardised. High division of labour i.e., specialisation, high level of delegation of authority, high degree of departmentation and wide span of control lead to high degree of formalization. The major benefits of formalization are as follow :

- Standardised activities reduce the variability in the organisation.
- It promotes coordination. All activities are defined and specified which facilitate the process of coordination.
- There is least scope of discretion. The decision is taken on the basis of standard rules and procedures; hence the scope of personal discretion is reduced.
- Operating costs are reduced.
- The standard activities reduce the conflict and ambiguity.

Formalization is criticised on the following ground :

- It prevents creativity and flexibility in the organisation.
- It may be difficult for the organisation to change the rules.
- The formulation and implementation of new rules may face great resistance by the employees.

Despite these limitations formalization has been widely used in the organisation. The formalized structure helps in smooth functioning of the organisation. Well defined jobs and relationships enhance the efficiency of the organisation.

Centralisation : There are some organisations, where top management makes all the decisions and middle and lower level managers merely implement the decisions taken by the top management. At the other extreme, there are some organisations in which decisions are made at all levels of management. The first case fits into the centralised structure where as the second one is highly decentralised. One of the fourteen principles of Henry Fayol happens to be centralisation. According to him, decreasing the role of subordinates in decision-making is centralisation; increasing their role is decentralisation. Fayol believed that managers should retain final responsibility but at the same time give their subordinates enough authority to do their jobs properly. The problem is to find the proper degree of centralisation in each case. Thus, centralisation refers to the degree to which decision making is centralised in the organisation.

In centralisation little delegation of authority is the rule; power and discretion are concentrated in a few executives. Control and decision-making reside at the top levels of management. However, absolute centralisation is untenable because it would mean that subordinates have no duties, power or authority.

Centralisation may be essential in small organisation to survive in a highly competitive world. But as the organisation becomes more complex in terms of increasing size, interdependence of work-flow, complexity of tasks and spatial physical barriers within and among groups, a function requisite for efficiency is to move decision-making centres to the operating level. Thus, the larger the size of an organisation, the more urgent is the need for decentralisation. This does not mean that decentralisation is good and centralisation is bad.

On the other hand, decentralisation is the systematic effort to delegate to the lowest levels all authority except that which can be exercised at central points. It is the pushing down of authority and power of decision-making to the lower levels of organisation. The centres of decision-making are dispersed throughout the organisation. The essence of decentralisation is the transference of authority from a higher level to a lower level. It is a fundamental principles of democratic management where each individual is respected for his inherent worth and constitution.

As you know, decentralisation is a correlate of delegation; to the extent that authority is not delegated, it is centralised. Absolute centralisation decreases the role of subordinate managers which in turn encourages decentralisation. Absolute decentralisation is also not possible because managers cannot delegate all their authority.

Complexity : It refers to the differences among the jobs and units. It reflects the degree of differentiation existing within the organisation. A variety of jobs and units create more complex organisation structure. The management of complex structure may be difficult. Based on the complexity of activities, there may be horizontal differentiation, vertical differentiation and spatial differentiation. Let us learn them briefly.

Horizontal differentiation refers to the number of different units at the same level. This means if the number of activities which require more specialised skills, the organisation will tend to be more complex. Specialisation and departmentation are good examples of such differentiation. Another differentiation i.e., vertical differentiation refers to the number of levels in the organisation. It reflects the depth of the hierarchy in the organisation. This means that increase in hierarchical level enhances complexity in the organisation. In such organisation, coordination and communication become difficult. The process of interaction is influenced by span of control which determines the number of persons effectively supervised by a manager. In the wide span, the managers have more persons to be supervised and in the narrow span they have less persons to be supervised. The supervision depends on number of other factors as well.

The third types of differentiation i.e., spatial differentiation refers to the degree to which location of units and the personnel are dispersed. As you must be aware that these days activities of the organisation are located in different areas. The multiple location increases the complexity of the organisation. Coordination and interaction also become difficult in such organisation.

An increase in above types of differentiation may lead to increase in complexity in the organisation. Thus, the complexity of the organisation determines the amount of coordination, communication and control. John Invancevich and Michael Matteson have analysed that the high formalization reflects high specialisation, delegated authority, functional departments and wide span of control. The high centralisation reflects the high specialisation, centralised authority, functional departments and wide span of control. The high complexity reflects high specialisation, delegated authority, territorial, customer and product departments and narrow spans of control. The low formalization, centralisation and complexity reflect the opposite characteristics.

3.6 ORGANISATIONAL DESIGN

Organisational design refers to the process of coordinating the structural elements of organisations in the most appropriate manner. There are three distinct schools; the classical, the neoclassical and the contemporary. The classical school represented by Max Weber, F.W.Taylor and Henry Fayol; the proponents of formal hierarchy, clear set of rules and specialisation of labour. The neo-classical represented by organisational scholar such as McGregor, Argyris and Likert. They emphasize on employee satisfaction along with economic effectiveness and call for the designing of flat hierarchical structure with a high degree of decentralisation. The proponents of contemporary design emphasize on the environmental factors in which the organisations are operating. Let us now learn them briefly.

3.6.1 Classical Form of Organisation

The Simple Structure : A simple structure has low departmentalisation, wide span of control, concentration of authority in a single person, and little or no formalization. Simple structure is normally flat type of organisation having two or three vertical levels, a loose body of employees and one individual in whom the decision-making authority is centralised. Usually, practiced in small organisations having owner manager or family owned businesses. The advantage of simple structure is in its simplicity. It is fast, flexible, inexpensive to maintain and accountability is absolutely clear. However, it is very difficult to maintain especially when the organisations grow larger.

The Bureaucracy : The most common form of organisation is the classical bureaucratic structure. The structure is inflexible, impersonal and highly standardised. You may observe some of the organisations we come across very frequently. The banks, where we deposit our money and withdraw cash as and when we need them. The stores from where we buy large number of items of daily use. The income tax office, we need to file our income tax returns every year. If you observe these organisations closely, we may find that they are all having highly routinised work system carried out through specialisation, formally written rules and regulations, centralised authority, narrow span of control and all decision have to follow the chain of command. Max Weber (1947), considered it as an ideal form of organisation.

The bureaucracy, though not very ideal form of organisation in modern times but still holds ground. The strength of bureaucracy lies in its ability to perform standardised functions highly efficiently. However, obsessive observance of rules and regulations is said to be its major weakness.

The Matrix Structure : Mathematically, matrix is an array of horizontal rows and vertical columns. In order to understand the Matrix Structure, we first need to understand the Functional Organisation, a form of departmentalisation in which every member of the organisation engaged in a functional area i.e., employee engaged in marketing or production is grouped into one unit. The matrix organisation is defined as type of organisation in which each employee has two bosses or (under dual authority). They have to report to both functional and divisional manager and also to a project or group manager. This type of structure is most popular in the advertising agencies, hospitals, Research and Development laboratory and universities. The matrix structure allows for flexible use of organisations human resources, pooling and sharing of specialised resources but the major problem is with regard to coordination of task and stress caused by two bosses.

2.2.2 Alternate Design

Robins has classified the structural designs into three broad types; the team structure, the virtual organisation, and the boundary less organisation.

The Team Structure : The team structure uses the team as the central device to coordinate work activities. Robins defines work team as a group whose individual efforts result in a performance greater than the sum of the individual inputs. The primary characteristics of the team structure are that it breaks down departmental

barriers and decentralises decision making to the level of the work team. One of the prerequisites of the team structure is that the employees have to be both generalists as well as specialists. In India some of the well known multinationals like Xerox, Motorola and the IT giant H.P uses cross functional teams.

The Virtual Organisation : In the age of specialisation no organisation can survive without outsourcing. The core activity remains with the main organisation whereas parts are performed by others. The virtual organisation (also known as network or modular organisation) goes a step ahead by outsourcing major business function. In structural terms the virtual organisation is highly centralised, with little or no departmentation. When large organisations use virtual structure, they frequently use it to outsource manufacturing activities. This is the reason why do some of the very large organisations do business of crores of rupees without having manufacturing activities.

The Boundary Less Organisation : The credit for coining the term boundary less organisation goes to Mr. Jack Welch of General Electrics (GE). He wanted GE to become boundary less organisation. The type of organisation, which seeks to eliminate the chain of command, have limitless span of control and replace departments with empowered teams.

By removing vertical boundaries, management flattens the hierarchy, status, and ranks are minimized. G.E. has been using cross-hierarchical teams, participative decision making practices and 360-degree performance appraisal system to break vertical boundaries. It is the networked computers (with the help of internet and intra-net), which makes the boundaryless organisation possible by allowing people to communicate across inter-organisational and intra-organisational boundaries. Electronic Mail for example permits hundreds of employee to share information simultaneously and allows ranks and file workers to communicate directly with senior executives.

3.6.3 Organisational and Mechanistic Designs

There are two extreme models of organisational design i.e., mechanistic model and organic model. Let us learn them briefly. Robins has identified following characteristics of mechanistic and organic model of organisational design :

Mechanistic Model : The major features of mechanistic model are as follow:

- extensive departmentalisation
- high formalisation
- a limited information network; and
- centralisation

The activities are grouped together based on the strategies of the departmentation like functional, division, adaptive; etc. There are standardised policies, procedures, rules and decision making styles. The flow of information is very limited. The decision making style is highly centralised. Thus, the mechanistic model endevours to achieve efficiency because of its structural characteristics.

Organic Model : The major features of organic model are as follow:

- cross hierarchical and cross functional teams
- low formalization
- comprehensive information network
- high participation in decision making

In the organic model teams emerge from different hierarchy and functional areas. The tasks, rules, procedures and decision making are in a fluid situation and changeable. The information flow across the organisation. There exists decentralisation of decision making where participation is sought from the larger group. This model focuses on flexibility and adaptability. It encourages greater utilisation of human resources.

3.7 ORGANISATIONAL EFFECTIVENESS

The study of organisational structure is necessary to understand organisational effectiveness. In simple terms better the structure of an organisation more effective would be the organisation and *vice versa*. You must be aware that some organisations perform better and grow more rapidly than other. On the extreme side some organisations perform badly and within a short period of time go out of business. How can we measure effectiveness? In order to measure the effectiveness let us analyse following components of organisational effectiveness.

The different components of organisational effectiveness can be found from the answer to the following questions.

- Are the employees satisfied with the organisation?
- Are the customers satisfied with the organisation?
- Is the organisation profitable?
- Is the organisation growing in terms of profit, revenue, number of products, expansion into new locations, line of products etc?
- Is the organisation productive i.e., creating goods and services of high value at minimum cost? and
- Is the organisation innovative or stale?

Determinants of Organisational Effectiveness

Several factors influence the organisational effectiveness. Let us learn them in detail.

Figure 3.4 : Determinants of Organisational Effectiveness

Managerial policies and practices integrate the entire organisation, maintain balance among the interest groups in the organisation, and accommodate them with the external environment. Managerial policies and practices have a direct bearing on the Organisational effectiveness. The major managerial policies and practices are as follow :

Strategy: A strategy is a plan for interacting with the competitive environment to achieve organisational goals. Goals define where does the organisation want to go and strategies define how will the organisation reach there. In other words, strategy is the determination of basic long term goals of the organisation, the adoption of the courses of action and the allocation of resources necessary to achieve them. The strategy is the most important factor of an organisation which decides the future course of action for the organisation. New strategy is often selected based upon environmental needs, and then the top management attempts to redesign the organisation to achieve those ends.

Leadership: It is the process of influencing members towards the achievement of organisational goals. It is said that managers are people who do things right and leaders are people who do the right thing. Leaders facilitate the identification of organisational goals. They initiate the development of vision for their organisation.

Decision-making: Decision-making is choosing among alternatives. It has close relationship with all traditional management functions. The decision that management makes has a profound impact on the success of an organisation.

Rewards: Organisational success to a large extent depends on how is management able to gain support of its team by way of compensating them for the efforts they are making for the achievement of organisational goals. It is primarily meant to sustain employee morale and improve or maintain productivity.

Communication: It is the linkages among members of the organisation whereby they exchange information. The organisational structure has to provide for a perfect communication among different members of the organisation. Organisational communication is the grease that enables any organisational change.

Environmental Characteristics

Organisational effectiveness is influenced to a great degree by the external environmental characteristics. It is dependent on how is the external environment predictable, complex and hostile to the organisation and its activity. The major characteristics are as follow :

Predictability: Predictability refers to how certain or uncertain an organisation may be towards supply of various resources; human, raw material etc. It is an element of external environment.

Complexity: Environment complexity refers to the heterogeneity and range of activities which are relevant to an organisation's operations. How many diverse groups from external environment the organisations have to deal with.

Hostility: A hostile environment is one in which the underpinning of the organisation is threatened. How is an organisation viewed by the people at large. You may recall the case of Union Carbide after the Bhopal gas leakage about the hostility of environment.

Employee characteristics

The characteristics of the human resource could make or break an organisation. It is employee characteristics, which is reflected in the success or failure of an organisation. The major characteristics are as follow :

Goals: Goals define where the organisation wants to go. Goals are intentions that an individual or an organisation would like to achieve in the course of their working. Goals provide a directional nature to people's behaviour and guide their thoughts and actions.

Skills: Skill is the ability to engage in a set of behaviour that are functionally related to one another and that lead to a desired performance in a given area. The skill can be technical, managerial, behavioural etc.

Motives: A motive is an inner state of a person that energizes activates, or moves and directs towards the achievement of a pre defined goal. The motivated employees have high motives to perform better and achieve the targets.

Attitudes: Attitudes are evaluative statements- either favourable or unfavourable concerning objects, events, or people. Attitudes influence job behaviour and hence organisational effectiveness.

Values: Values represent basic convictions or a specific mode of conduct. It generally influences an individual's attitude and behaviour. The value that a person holds influences his or her motivation and subsequently behaviour.

Organisational Characteristics

Organisational characteristics refer to the general conditions that exist within an organisation. Various organisational characteristics influence organisational effectiveness. The major characteristics are as follow :

Structure: An organisational structure defines how are job tasks formally divided, grouped and coordinated. For organisational effectiveness, six elements need to be addressed while designing organisational structure. These are: work specialisation, departmentation, chain of command, span of control, centralisation and decentralisation, and formalization.

Technology: The term technology refers to how does an organisation transfer its inputs into outputs. Every organisation has at least one technology for converting financial, human and physical resources into products or services. The choice of technology and its use influences organisational effectiveness.

Size: In a narrow sense organisational size refers to the number of people in an organisation. But, if we take a broader view, size refers to the physical capacity of the organisation, the personnel available to the organisation, the organisational inputs or outputs and the discretionary resources available to an organisation. It is the size which influences the structure which in turn influences organisational effectiveness.

Benefits of organisational effectiveness:

- Structures and behaviours are aligned with business needs.
- Disruption to business is minimised which reduces operational risk.
- Employee morale is sustained which maintains productivity.
- The right employees and talent are retained.
- Employees objectives and rewards are aligned to business goals.

3.8 LET US SUM UP

Organisation structure refers to the grouping of activities and establishing pattern of relationship among the various parts of the organisation. It involves the assignment of tasks, establishment of hierarchical relationship, creation of policies, procedures, coordination and control of all activities in the organisation.

The major components of organisation structure are : division of labour, delegation of authority, departmentation and span of control.
Different types of organisation structure are created based on the arrangement of various activities. They are : functional, divisional and adaptive. The adaptive structure consists of project organisation and matrix organisation. The dimensions of organisation structure are : formalization, centralisation and complexity.

The Organisational structure has been changing over a period of time. There is not one organisational structure, which is suitable for a particular type of organisation. We find that within the same organisation there can be more than one structure in vogue. However, from bureaucracy to the matrix organisation there has been wide variety of structures. As a result of growing outsourcing the organisational structure would be more towards virtual and boundary less organisation. But bureaucracy in a limited manner shall remain true in all ages and departmentation has to be done in order to assign task and ascertain accountability.

The Organisational designs are dependent on a wide variety of factors; namely the management philosophy, the size of the organisation, the type of technology, and the external environmental factors. Therefore, there cannot be tailor-made solutions for all organisations. The ultimate aim for the organisation is to be effective and organisational structure is a tool in the attainment of organisational objectives. The components of organisational effectiveness are managerial policies and practices, employee characteristics, organisational characteristics and the environmental characteristics.

3.9 KEY WORDS

Bureaucracy: A structure with highly routine operating tasks achieved through specialisation, formal rules and regulations.

Centralisation: The degree to which decision-making is concentrated in one or a small group of individuals at the higher level of management.

Chain of Command: The unbroken line of authority that flows from the top of the organisation to the lowest level and clarifies as to who reports to whom?

Decentralisation: The degree to which decision making power is extended to the lower levels of management in the organisation.

Departmentation: The basis by which the jobs are grouped.

Division of Labour: The degree to which tasks are sub-divided into separate jobs in the organisation.

Hierarchy: Arrangement of positions in the organisations from higher to lower levels.

Organisation: Two or more people who work together in a structured way to achieve a specific goal or set of goals.

Span of Management: The number of subordinates a manager can efficiently and effectively direct.

3.10 TERMINAL QUESTIONS

1) What is Organisational Structure? Discuss the significance of Organisational Structure.
2) What are the components of organisation structure. Discuss them and explain how do they help in smooth functioning of the organisation.

3) Explain various types of organisation structure. How do they facilitate the smooth functioning of the organisation.
4) Describe various dimensions of organisation structure. Do you think that the study of formalization, centralisation and complexity help in enhancing the efficiency of the organisation. Discuss.
5) What is Organisational Effectiveness. Explain different components and determinants of organisational effectiveness.
6) Write notes on
    i) Departmentalisation
    ii) Dimensions of Organisation structure
    iii) Delegation of authority

Note : These questions will help you to understand the unit better. Try to write answers for them. Do not submit your answers to the university for assessment. These are for your practice only.

SOME USEFUL BOOKS

Dwivedi R. S., *Human Relations and Organizational Behaviour* – A Global Perspective, Macmillan, Delhi. (Recent Edition).

Jennifer M. George and Gareth R. Jones. *Understanding and Managing Organizational Behavior,* Addisson, Wesley Publishing Company, New York. (Recent Edition).

John M. Ivancevich and Michael T. Matteson, *Organizational Behavior and Management,* Irwin, Chicago. (Recent Edition).

John W, Newstrom and Keith Devis, *Organizational Behavior,* Tata McGraw, Hill Publishing Company Ltd, New Delhi. (Recent Edition).

Stephen P Robbins, *Organization Behavior*, Prentice Hall of India, New Delhi. (Recent Edition).

Steven L. Mcshane and Mary An Von Glinow, *Organizational Behavior*, Tata McGraw Hill Publishing Company Limited, New Delhi (Recent Edition).

Organisational Characteristics

- Structure
- Technology,
- Size etc

ORGANISATIONAL EFFECTIVENESS

Managerial Policies and Practices

- Strategy
- Leadership
- Decision making
- Rewards
- Communication etc

Employee Characteristics

- Goals
- Skills
- Motives
- Attitudes
- values

Environmental Characteristics

- Predictability
- Complexity
- Hostility