

## UNIT 4

### ORGANIZATIONAL STRUCTURE

#### **Groups in Organization:**

A group can be defined as two or more interacting and interdependent individuals who come together to achieve particular objectives. A group behavior can be stated as a course of action a group takes as a family.

#### **Group Dynamics Meaning:**

The term 'group dynamics' means the study of forces within a group. Since human beings have an innate desire for belonging to a group, group dynamism is bound to occur. In an organization or in a society, we can see groups, small or large, working for well-being.

#### **Group Dynamics Definition:**

According to Cartwright and Zander, group dynamics is a set of psychological, behavioural tools or procedures which help to change the nature of groups, teams available in the organization to collaborate and work together for attaining the objective of the organization.

#### **Features of Group Dynamics:**

- **Perception:** Group dynamics as defined by perception refers that every member of the group is aware of their respective relationship with others. Group consists of organisms or agents. The members or agents are engaged in interaction with one another. They have face to face meetings. They develop some impression or perception about each other and give their reaction to each other.
- **Motivation:** Members join group because they expect that the group will solve their problems. They want progress and promotion which are achieved through group performance.. Group is a collection of organisms in which the existence of members is assured by them. Their needs are fulfilled. The perception of unity and interactivity force are present in groups, which motivate the employees for better performances.
- **Group Goals:** Group Goals: Group goals are targets toward which input, process and output are directed. Group goal is the essential component of group formation although it is not the only condition for forming a group. Goal is used for motivating employees. Path goal relationship produces higher responsibility for attaining goals. They put group goals above their individual goals
- **Group Organization:** Groups and Organisation wherein different organs are composed to attend certain objectives that have structural elements of an effective organization. a socio-psychological group evolved when two or more individuals are interrelated; it has a set of norms that regulate the function of the group. Hierarchical structure disposable is visible in the group that has group force for the development of whole organization.

- **Interdependency:** The main feature of a group as members; interdependence the members of a group may have common goals but there may not be a part of the group because they are not interdependent. Interdependence must be dynamic. The group members have equality of goals and similarity of performance. Dynamism is experienced, if the interdependence is committed into group strength. Group has a social it is derived from the constituent members who are interdependent
- **Interaction:** members of the group must interact with each other if they are interdependent, but not interacting the group's goal are not achieved. Each person must communicate with others when the need arises. Groups to find on the basis of interaction between two or more persons interacting with one another. Interaction different forms of verbal interaction, physical interaction, emotion interactions etc.
- **Entitativity:** groups has its own identity. It has similarity and proximity. It is felt and realized but cannot be seen. The collection of individual experience becomes guidelines for the members of a group in an organisation

### **Organisational Structure Meaning:**

Organisational structure represents skeletal framework for organisational behaviour. Organisational structure is an important factor like individual and group behaviour to influence organisational behaviour. Organisational structure is a system of constant interaction with environment, goal, people and technology.

### **Organisational Structure Definition:**

Organizational structure is the framework of the relations on jobs, systems, operating process, people and groups making efforts to achieve the goals - **Mintzberg**

### **Characteristics of Organizational Structure:**

The structure is differentiation of functions to facilitate goal achievement. The main characteristics of Organizational structure are the following:

#### **1.Differentiation:**

Jobs are differentiated for achieving the goals more efficiently. Interrelated tasks are put in one group. Thus, many job groups of differentiations are developed under structure. The jobs are subdivided into horizontal and vertical forms.

- **Horizontal Differentiation:** The division of labour is the best example of horizontal differentiation. The jobs can be divided on the basis of purposes, process, persons and place product line change or departmentation is horizontal differentiation. Technological changes are differentiation for improvement of the process. People are motivated to perform the job in an effective manner. Decentralisation is another form of organisational structure.

- **Vertical Differentiation:** Vertical differentiation deals with hierarchy, power, influence, authority, responsibility and span of control. Level and function are vertical differentiation. Vertical distance is created between individuals and groups. Scalar or chain of command is used for differentiation. Generally five levels of authority are observed viz., top, middle, lower, supervisors and employees.

**2.Standardization:** Organisational structure is formalised or standardised for simplicity and efficiency. The process; input and consequently the output are uniform. There is minimum amount of discretion. Jobs are explicitly defined and described. Employees have least amount of freedom under standardised structure. In case of standardisation, the behaviour is known. They have to perform as per the set rules of the work process. Less standardised structure gives more freedom to employees. More freedom in behaviour is possible with less standardised structure and less freedom is there in case of standardised structure.

**3.Specialization:** Specialisation is another component of organisational structure. Each and every part of the whole work is done by specialised people. The total work is broken up in small parts and performance responsibility of each part is assigned to expert persons. This makes people more specialised and active.. Even highly sophisticated tasks can be easily performed by specialised structure. Time, money and energy are effectively utilised through specialisation.

**4.Departmentalisation:** Specialisation is grouped together to form a job which is to be performed by a department. The next step of specialisation is to combine similar activities into a group. Departmentalisation is grouping of specialisation into specific functions.

- **Product Departmentalisation:** Departments are divided on the basis of product. Each department has its own head who is looking after the total functions of his department. The accountability, authority and responsibility are specifically assigned for each department.
- **Process Departmentalisation:** The product department itself is divided into several sub-departments. The process of organisation is the basis of departmentalisation. Each process requires different skills. The people working on a process become specialised during a reasonable period.
- **Place Departmentalisation:** The department is developed according to territory, geographical areas and place of functions. The departments in one state and other states have different functions according to their nature of work. Regional departments have their specialties in performance and functions. Head office and branch offices are the basic examples of place departmentalisation.
- **Customer Service Departmentalisation:** Departments are formed according to the needs of customers' services. For example, Bata Shoe Co. in India have different showrooms and retail stores to meet the requirements of customers. Wholesaling, retailing and departmental stores are the main departmentalisation to cater to the needs of customers

- **Administration Departmentalisation:** Organisation develops its own administration department. The personnel department, secretarial department, training and placement department and so on are the various examples of administrative departments. Accounting, auditing, salary, provident fund, pension etc. are the other examples of departmentalisation, on the basis of administration

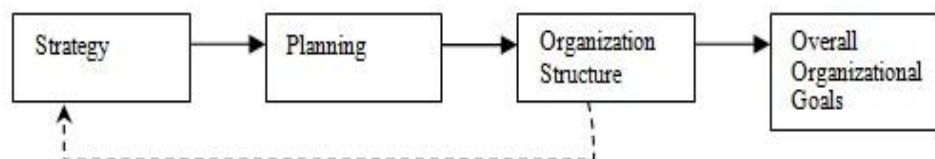
**5.Chain of command:** Organisational structure decides the mode of chain of command. Line organisation has scalar chain of command, functional organisation has supervisory command. The chain of command is the unbroken line of authority that extends from the top of the organisation to the lowest eschelon.

**6.Centralisation:** Organisational structure is also based on centralisation and decentralisation. Centralisation is the degree to which decision-making is concerned at a single point. It is the right or authority which is confined to few people in the organisation. Top management, keeps their decision-making power unto themselves under centralisation. On the contrary when lower manager is given decision-making powers; it is decentralisation.

#### **Factors Influencing Organizational Structure:**

Organization structure is designed keeping in view the following factors;

- **Strategy:** Strategy determines a course of action to direct various organizational activities. It makes plans to co-ordinate human and physical resources to work towards a common objective. Strategy is pre-requisite to organization structure and also follows it. The relationship between strategy and organization structure is depicted as follows:



- **Technology:** The technology for manufacturing goods and services also affects the organization structure. In case of mass production technology, mechanistic organization structure is more appropriate, while in case of continuous production or small scale production technology, the appropriate form is organic structure.
- **People:** Organization structure defines work, groups it into departments and appoints people to run those departments. People at different jobs must possess the skill, knowledge and efficiency to accomplish the related tasks.
- **Informal Organization:** Informal organizations are an outgrowth of formal organizations. Social and cultural values, religious beliefs and personal likes and dislikes of members which form informal groups cannot be overlooked by management.

- **Size:** A group known as Aston Group conducted research on firms of different sizes and concluded that as firms increase in size, the need for job specialization, standardization and decentralization also increases and organizations are structured accordingly.
- **Environment:** Organization structure cannot ignore the effects of the environment. Organizations must adapt to the environment, respond to incremental opportunities and satisfy various external parties such as customers, suppliers, layout unions etc.

**Organizational Change Meaning:** Organizational change refers to the actions in which a company or business alters a major component of its organization, such as its culture, the underlying technologies or infrastructure it uses to operate, or its internal processes.

**Organizational Change Definition:** “A process in which a large company or organization changes its working methods or aims, for example in order to develop and deal with new situations or markets.” - **Cambridge University**

#### **Nature of Organizational Change:**

1. The whole organization tends to be affected by a change in any part of it. for example, the introduction of new technology in the production department would have its effect on the purchase, finance, marketing, and other departments.
2. Organizational change takes place in all parts of the organization. But at its varying rates of speed and decrease of significance.
3. The change may be Reactive or Proactive. when change is brought about due to the pressure of external forces. It is called reactive change but proactive change is inserted by the management on its own to increase organizational effectiveness.
4. Organizational Change may affect people, structure, technology and other elements of the organization.
5. The changes result from the pressure of forces. which are both outside and inside the organization it disturbs the existing equilibrium in the organization

#### **Types of Organisational Change:**

**1. Organization Wide Change:** Organization wide change is a large-scale transformation that affects the whole company. This could include restructuring leadership, adding a new policy, or introducing a new enterprise technology.

**2. Transformational Change:** Transformational change specifically targets a company's organizational strategy. Companies that are best suited to withstand rapid change in their industry are nimble, adaptable, and prepared to transform their game plans when the need arises.

**3. Personnel Change:** Personnel change happens when a company experiences hyper-growth or layoffs. Each of these types of organizational change can cause a significant shift in employee engagement and retention.

**4. Unplanned Change:** Unplanned change is typically defined as necessary action following unexpected events. While unplanned change cannot be predicted. It can be dealt with in an organized manner.

**5. Remedial Change:** Leaders implement remedial changes when they identify a need to address deficiencies or poor company performance. For example, financial distress is usually due to lackluster performance and requires remedial change.

**Forces that act as stimulants to change:**

External forces are those changes that are part of an organization's general and business environment. There are several kinds of external forces an organization might face:

**Demographic.** A changing work demographic might require an organizational change in culture. For instance, Avon built and grew their business around door-to-door cosmetic sales, with the stay-at-home wife and mother as their primary front line employee. When more women entered the workforce in 9-to-5 jobs, Avon had to shift gears and find new ways to get their products in front of their customers.

**Social:** Changing social trends can pressure organizations into making changes. Consumers are becoming more environmentally conscious, a trend which has pushed fast food restaurants to replace Styrofoam containers with paper. Manufacturers of cleaning products changed product formulas to omit phosphorus and other environmentally threatening chemicals.

**Political;** Government restrictions often force change onto organizations. This can be something as simple as a change in minimum wage for employees, or as complex as rules and restrictions governing fair competition in business. For instance, when the Affordable Health Care act was put into place, businesses had to change their operations and put steps into place to confirm that all employees had healthcare coverage to comply with the new law.

**Technology:** Technological changes can make or break a business. Whether new technology is introduced industry-wide, as when the laser was introduced to modern medicine, making surgeries easier and safer; or when it's introduced to end users, as when consumers stopped renting videos to enjoy the cheaper, more convenient streaming services like Netflix, organizations must change to accommodate new technologies or suffer the consequences.

**Economic:** During the 2008 recession, consumers lost their jobs and cut back on their spending. These economic downturns had a major impact on businesses. Banks failed. General Motors and Chrysler filed for bankruptcy. Survival meant adapting to change. Companies like Lego, who experienced stagnant U.S. sales during this time, took the opportunity to build their markets in Europe and Asia. Netflix realized the potential of providing in-home entertainment to families that had cut back their entertainment budgets and grew their subscriptions by 3 million subscribers in 2009 alone. Meanwhile, in the midst of spiking fuel prices, gas guzzling Hummers were no longer en vogue and were discontinued.

### **How to overcome resistance to change:**

**Overcome opposition:** Regardless of how well companies manage a change, there is always going to be resistance. Companies should engage those who are opposed to a change. By doing this, they can actively see what their concerns are and possibly alleviate the problem in a timely manner. By allowing employees time to give their input, it assures them that they are part of a team that actually cares about its employees.

**Effectively engage employees:** Listen, listen, listen. If there is another piece of advice that a company should take, it's to receive and respond to the feedback that is provided by the employees. They are the ones making sure that all the clients are happy and that all the work gets done, so keeping them in the loop is vital. Ask employees probing questions: Is the change working? What can we do to make it work better? Do employees have any questions or concerns? These are all great questions to ask, but if feedback is going to be collected, it actually needs to be read and utilized.

**Implement change in several stages:** Change doesn't happen all at once. Companies should first prepare for the change, then take action on the change and make a plan for managing the change, and third, support the change and assure that all is going as planned

**Communicate change effectively:** The best way that you as an employer can communicate change is to explicitly tell employees what is going on. Using a blend of formal and informal communication allows you to ensure that all employees receive the news about the change in some way or another. With all the communication outlets such as email, company intranets, town halls, and face-to-face meetings, the message is going to get across the company. Employing several different ways to communicate change helps explain the vision, goals and expectations for what needs to happen and why.

### **Approaches to organizational change:**

Based on scientific research, John Kotter and Leonard Schlesinger describe Six Change Approaches to deal with organizational change resistance

1. Education and Communication.
2. Participation and involvement.
3. Facilitation and Support.
4. Negotiation.
5. Co-optation and manipulation.
6. Explicit and implicit coercion.

### **Kurt Lewin's Change Model**

Kurt Lewin developed a change model involving three steps:

1. unfreezing
2. changing
3. refreezing.

The model is still widely used and serves as the basis for many modern change models.

**Unfreezing:** Before a change can be implemented, it must go through the initial step of unfreezing. Organizational structures must all be carefully examined to show employees how necessary a change is for the organization to create or maintain a competitive advantage in the marketplace. Communication is especially important during the unfreezing stage so that employees can become informed about the imminent change, the logic behind it and how it will benefit each employee.

**Changing:** Now that the people are 'unfrozen' they can begin to move. Lewin recognized that change is a process where the organization must transition or move into this new state of being. This changing step, also referred to as 'transitioning' or 'moving,' is marked by the implementation of the change. This is when the change becomes real. It's also, consequently, the time that most people struggle with the new reality. It is a time marked with uncertainty and fear, making it the hardest step to overcome.

**Refreezing:** Lewin called the final stage of his change model freezing, but many refer to it as refreezing to symbolize the act of reinforcing, stabilizing and solidifying the new state after the change. The changes made to organizational processes, goals, structure, offerings or people are accepted and refrozen as the new norm or status quo. Lewin found the refreezing step to be especially important to ensure that people do not revert back to their old ways of thinking or doing prior to the implementation of the change.

### **Kottlers 8 Step plan for implementing change:**

Dr. Kotter developed his change model after observing numerous leaders and organizations before, during, and after the process of transforming or executing their strategies. The Kotter Change Model breaks down organizational change leadership into the following change management steps:

**1. Create a sense of urgency:** The adage "If it ain't broke, don't fix it" seems to dominate the culture of many organizations. As such, all effective change must be presented as the solution to a problem. Your business can achieve this as you;

- Assess any potential threats that could arise in the near or distant future. These threats could involve assessing changes in technology, advancements of your competition, changes in market demand, etc.
- Address potential opportunity that your company could capitalize on.

**2. Form a powerful coalition:** To lead the charge on a big company change, you will need allies and stakeholders. Having other visible company members united behind your vision sends a powerful message and quickly helps spread support. Try one of these proven methods of doing this:

- Identify the key change leaders and stakeholders in your organization, and ask for their support in implementing your vision.
- Create a coalition that consistently and publicly operates as a team.



**3. Create a vision for change:** The change process began because you had a vision for how things could and should be done

differently. Making that vision clear and understandable is paramount to achieving the change you desire. Use visuals to map out processes and systems to see what's working and what's not—they can help you establish urgency and create a clear vision for change.

As part of this process, you must also;

- Identify the core values you want to embody in your change.
- Develop a mission statement, or one to two sentences that capture the most important parts of the future you envision.
- Create a logical strategy for executing that vision.
- Make sure stakeholders and members of your coalition can communicate that vision clearly and concisely.
- Rehearse the mission and vision statement by reciting them often.

**4. Communicate the vision:** Your organization probably has lots of communication that you will be in competition with. For this reason, it's not enough to just email your vision or share it with your organization members. To effectively institute the change, you must repeat it every chance you get and also demonstrate the behavior that you wish to see. To do this, you must:

- Speak convincingly and persuasively about your vision often.
- Tie your vision to everything within your company, from operations to company morale, and tie everything back to your vision.

**5. Remove obstacles:** As you've undoubtedly encountered by this point, resistance to change is to be expected. To gain momentum for your vision, you must give yourself your best chance by taking the initiative to remove obstacles to adopting your new idea. To do that, you must:

- Find industry leaders to reinforce the value of your change by delivering on it.
- Assess the layout of your organization and ensure that your vision is aligned with the various levels of the organization, and vice versa.

**6. Create short-term wins:** Change is implemented not just by a spark, but by a consistent current. Building momentum for your vision is essential to making sure it sticks. Short-term victories are great motivators for those who are working on your new vision and are a great way to combat any naysayers or critics of your vision. Here are some ways to do this:

- Find short-term projects that aren't costly and don't require sign off from any potential opposition.
- Carefully select the right project or target—failing at an early goal can undermine the value of your proposed change.
- Reward the team members who are essential in meeting targets.

**7. Build on the change:** Early victories, while great for beginning the change, are not enough to sustain the change. Quick wins may deceive you or your teammates that the process of change is complete, but true change must be settled with repetition and expansion. To build on change, you must:

- Analyze what went right and what went wrong after each victory.
- Set gradually more ambitious goals that can build exponential momentum upon achievement.
- Bring on additional influential stakeholders or change agents

**8. Anchor the changes in corporate culture:** The final step to your change process is ensuring that it is embedded into your company culture. Time, changes in leadership, and changes in staff can evaporate the impact of your change quickly and easily. To ensure that your change remains part of the company culture:

- Talk about progress at every opportunity possible. Share stories about success from you change your vision, and repeat stories from others.
- Continue to recognize key coalition and change members, creating opportunities to honor their contribution and their legacy to the change you envisioned.
- Instill the core values of your change into every new hire and in your orientation process.
- Gain buy-in early on from all new leadership in order to sustain the legacy of the leaders