

# **ORGANIZATIONAL BEHAVIOUR ORGANIZATIONAL STRUCTURE**



**Dr.M.P.Ganesh**

**IIT Hyderabad**

# OVERVIEW

- Definition
- Dimensions of structure
- Complexity
- Formalization
- Centralization
- Systems perspective
- The life-cycle perspective



# ORGANIZATIONAL STRUCTURE

- The formal system of task and authority relationships that control how people coordinate their actions and use resources to achieve organizational goals.
- It defines how tasks are to be allocated, who reports to whom, and the formal coordinating mechanisms and interaction patterns that will be followed.

# DIMENSIONS OF STRUCTURE

1. **Administrative component** – *no. of line supervisors, managers, and staff personnel relative to total number of employees*
2. **Autonomy**
3. **Centralization** – *concentration of power arrangements, locus of decision-making*
4. **Complexity** – *no. of occupational specialties, professional activity, professional training of employees*
5. **Delegation of authority**
6. **Differentiation** – *no. of specialty functions*
7. **Formalization** – *defining employees' roles through formal documentation*
8. **Integration** – *extent of collaboration among departments, feedback and coordination mechanisms*
9. **Span of control** – *no. of subordinates that an individual manager can and should supervise*
10. **Standardization** – *range of variation tolerated within rules defining the jobs*
11. **Vertical span** – *no. of levels in the authority hierarchy from the top to the bottom*

# COMPLEXITY

- **Refers to the degree of differentiation that exists within an organization.**
  - **Horizontal differentiation** – *degree of differentiation between units based on orientation of members, nature of tasks, education and training*
  - **Vertical differentiation** – *depth in structure, number in hierarchical levels*
  - **Spatial differentiation** – *geographical dispersion of organization's offices, plants, personnel*

**Greater the differentiation, greater the complexity within the organization.**

- *Greater need and difficulty of coordinating activities of diverse groups of employees*

# **HORIZONTAL COORDINATION**

- Linking of activities across departments at similar levels
- Methods:
  - Common resources
  - Information systems
  - Lateral relations
    - Direct contact
    - Liaison roles
    - Task forces and teams
    - Managerial integrators

# VERTICAL DIFFERENTIATION

- A response to an increase in horizontal differentiation
- Span of control: *number of subordinates that a manager can effectively direct*
  - Smaller the span, taller the organization



# VERTICAL COORDINATION

- The linking of activities at the top level to middle and lower levels
- Methods:
  - Formalization
  - Span of control
  - Centralization of power
  - Delegation
  - Line and staff positions

# **FORMALIZATION**

- Written policies, rules, procedures, job descriptions and other process documents

# **FORMALIZATION**

- Refers to the degree to which jobs within the organization are standardized.
- Individual discretion on job *inversely proportional* to extent of formalization.
- Formalization can be explicit (*written*), or implicit (*unwritten...perceived*)
- Degree of formalization can vary among and within organizations
- Greater the professionalization of the job, lesser the likelihood of it being highly formalized
- Formalization inversely related to level in hierarchy.
- Extent of formalization differs with type of job (e.g. *production jobs more formalized than research, in same organization*)

# **FORMALIZATION TECHNIQUES**

- Selection
- Role requirements
- Rules, procedures, policies
- Training
- Rituals

# CENTRALIZATION

- Refers to the degree to which the formal authority to make discretionary choices is concentrated in an individual, unit, or level (usually at the higher level)
- Factors affecting centralization
  - Size
  - Geographical dispersion
  - Technological complexity
  - Environmental uncertainty

# **IMPORTANCE OF THE CENTRALIZATION- DECENTRALIZATION ISSUE**

- Decentralization helps counter information overload
- Decentralization facilitates speedy action and response
- Decentralization can provide more input into decision-making
- Decentralization motivates employees
- Decentralization provides training opportunities for lower level managers
- Centralization benefits whole organization, not any special-interest group
- Some activities are done more efficiently when centralized.
- Situational factors will determine the “right” amount of centralization required

# **SYSTEMS PERSPECTIVE**

- A system is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. (e.g. societies, automobiles, plants, human bodies).
- Subsystems within larger systems.
- Interrelationship of parts within the system.
- Differentiation Vs Integration .
- Closed systems and open systems.

# THE LIFE-CYCLE PERSPECTIVE

## Life cycle stages:

- Entrepreneurial stage:
  - *Formation, ambiguous goals, high creativity, requires steady supply of resources*
  - *Population ecology theory – “liability of newness”*
- Collectivity stage:
  - *Mission clarified, communication & structure informal, high member commitment*
  - *Institutional theory – “Organizational isomorphism”*
- Formalization-and-control stage:
  - *Structure stabilizes, rules, procedures imposed, innovation de-emphasized, conservative decision making, role clarity, organization exists beyond individual*
- Elaboration-of-structure stage:
  - *Product diversification, growth opportunities sought, structure more complex, decentralization*
- Decline stage
  - *Shrinking market, increased competition, employee turnover, increased conflicts, centralized decision making under new leadership*