

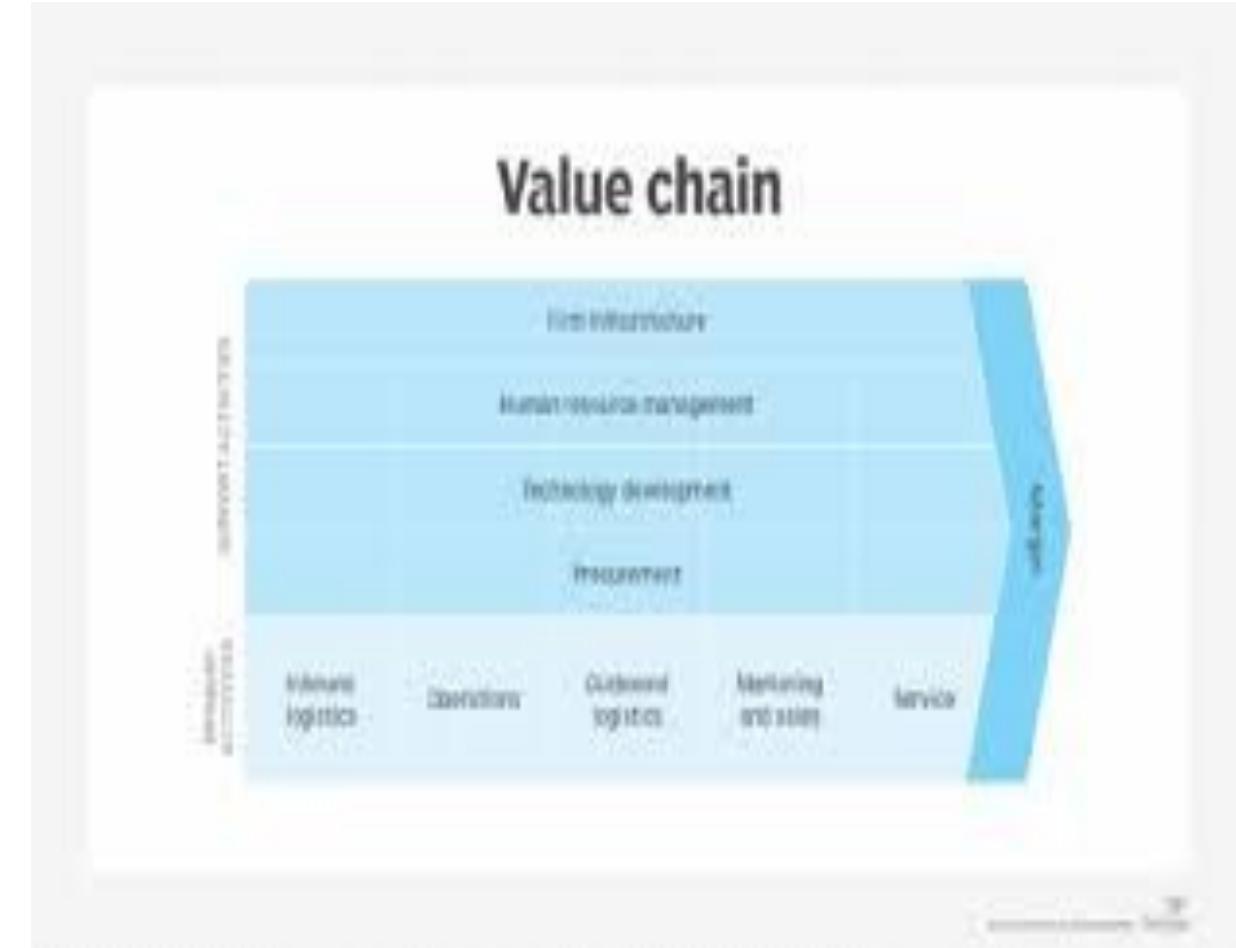
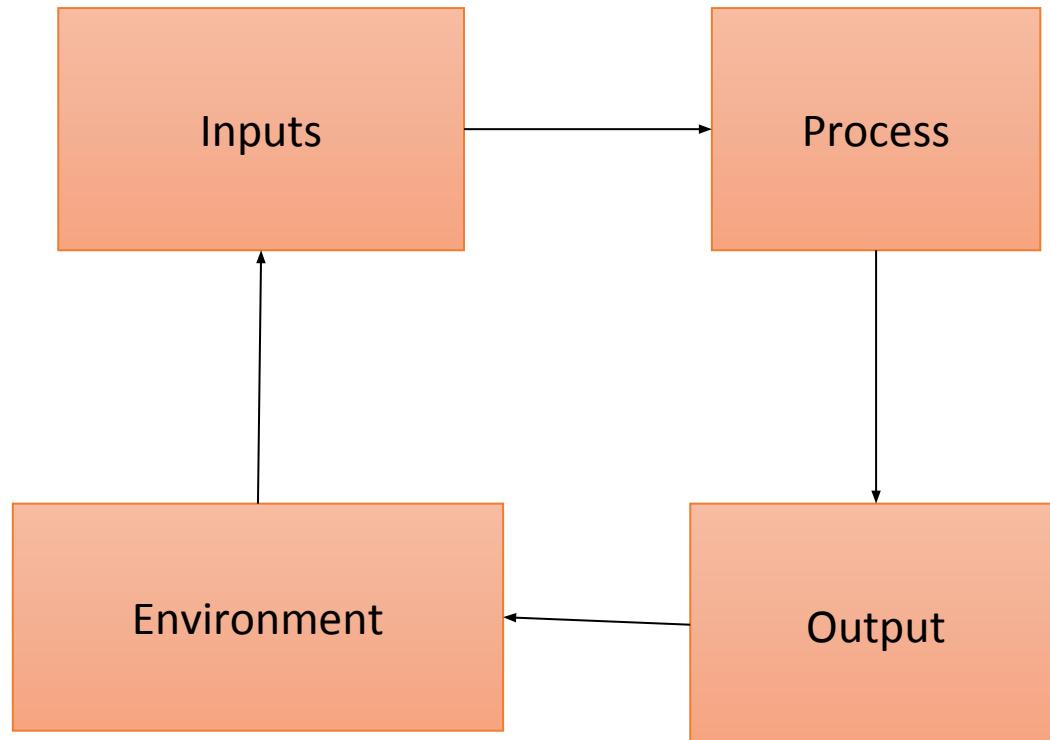
Designing Work Organizations

Session 1 & 2

Prof. Parijat Lanke

What is an Organization?

Value Creation



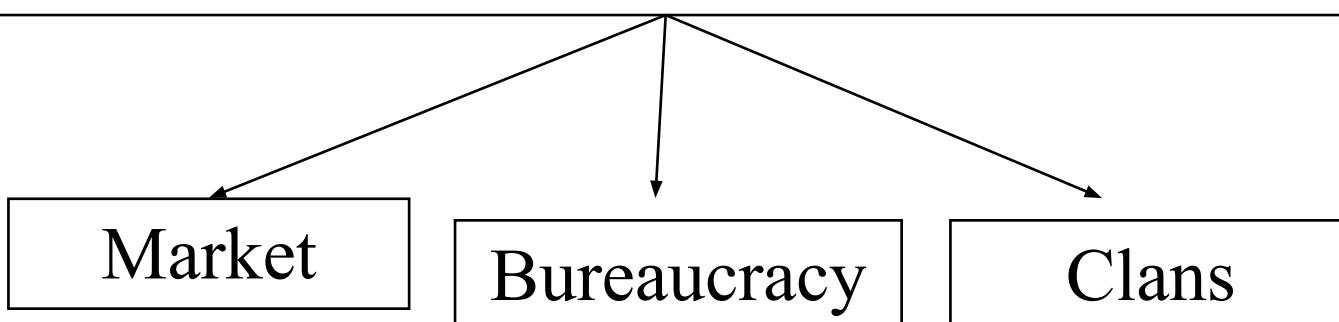
Why Do they Exist?

Cooperation ?

Efforts < Pay ?

Common and
Explicitly Defined
Goal? Really?

Transaction Costs



Contracts:

- a. Spot Market Contract
- b. Contingent Claim Contract
- c. Sequential Spot Contracting

Why Do Markets Fail?

The Market Failures Framework*

Human factors

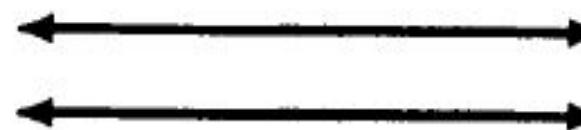
Bounded rationality

Opportunism

Environmental factors

Uncertainty/Complexity

Small numbers



An Organizational Failures Framework

Mode of control	Normative requirements	Informational requirements
Market	Reciprocity	Prices
Bureaucracy	Reciprocity Legitimate authority	Rules
Clan	Reciprocity Legitimate authority Common values and beliefs	Traditions

What does Jones Say, Why Org. Exist?

1. To Increase Specialization and Division of Labor
2. To use Large Scale Technology
3. Manage the External Environment
4. Economize on Transaction Costs
5. Exert Power and Control

What is Organization Theory?

The study of how organizations function and how they affect and are affected by the environment in which they operate.

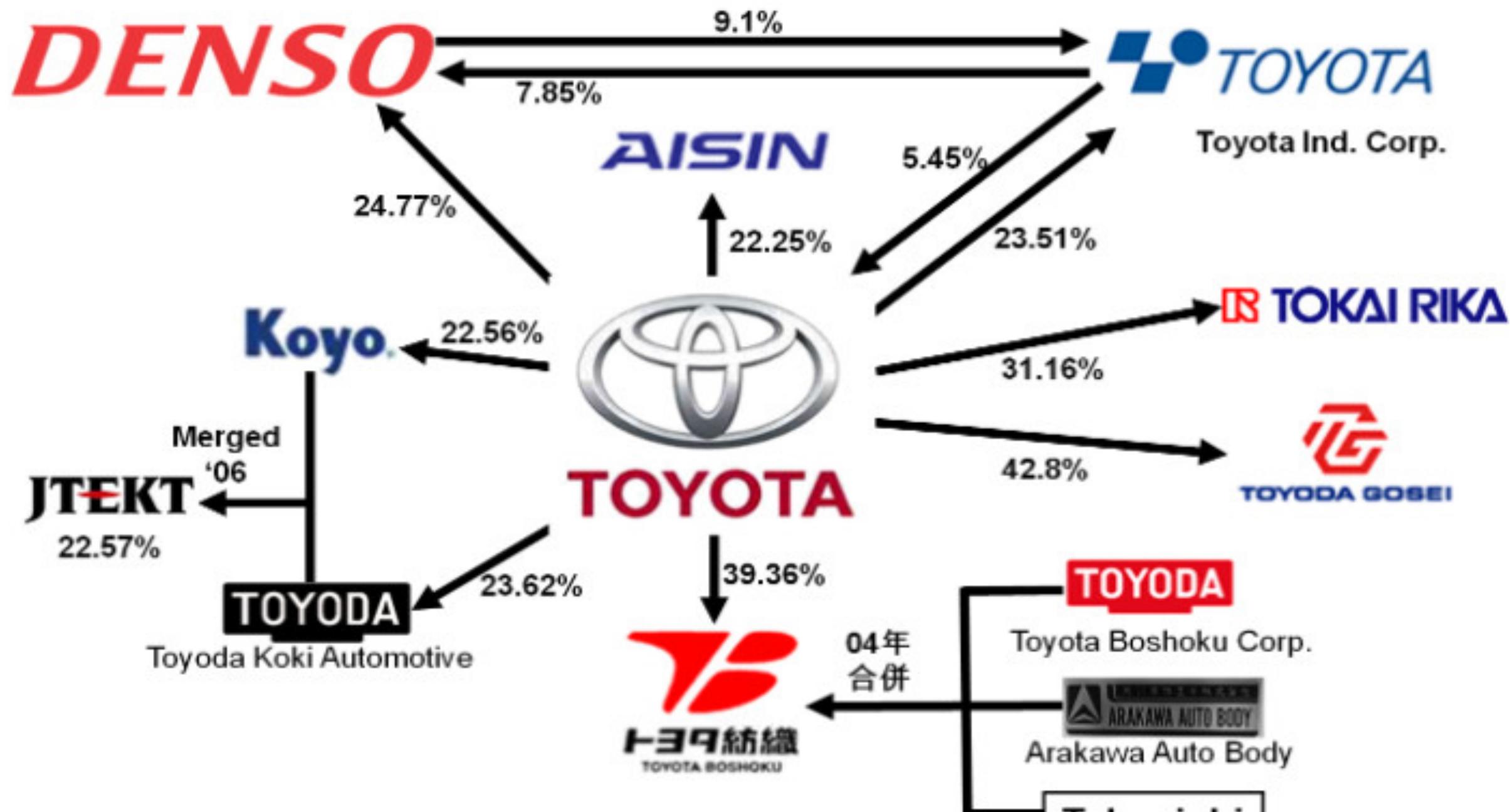
Gaining Competitive Advantage

Ability to outperform competitors by value creation and resource management

Transaction Costs and the Choice for it!

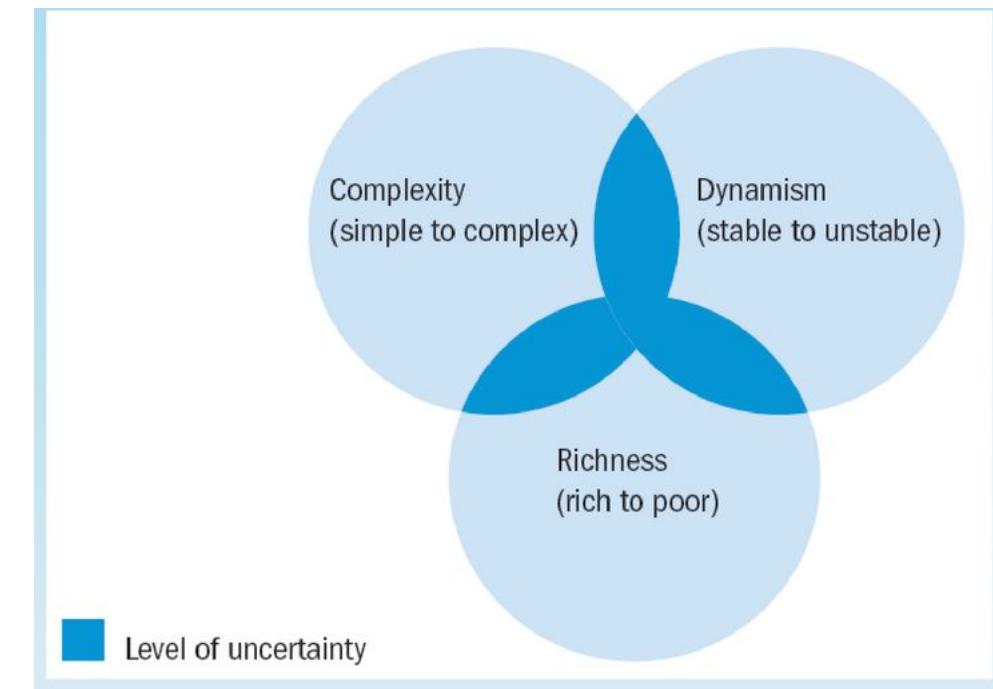
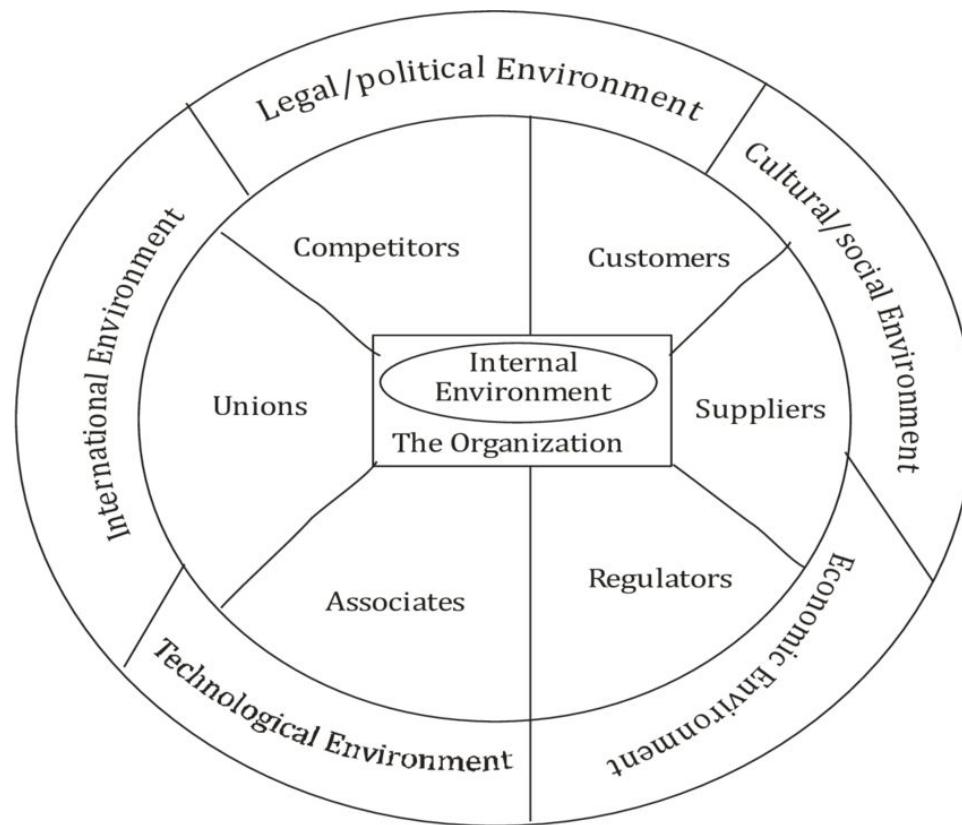
Why and When do organizations be OK with higher transaction costs or rather transact in a market vis a vis within the company?

- A. Type of Assets
 - B. Degree of Uncertainty
 - C. No. of Exchange Partners
- Which mechanisms come to your mind when managing Transaction Costs?
- 1. Outsourcing
 - 2. Franchising
 - 3. Keiretsu



Three Factors of Uncertainty in Environment

Types of Organizational Environment



Open Systems Approach

AGENCY THEORY

- Fiduciary Responsibility
- Moral Hazard

How To Resolve?

Governance Mechanisms

Imagine a YouTube Channel, How will you
measure it's Effectiveness?

Now Compare it with a B-School

Measuring Effectiveness

- External Resource Approach:- Secure, Manage, and Control Scarce And Valued Skills And Resources
- Internal Systems Approach:- Ability to be Innovative and Function Quickly And Responsively
- Technical Approach:- Converting Skills and Resources into Goods And Services Efficiently

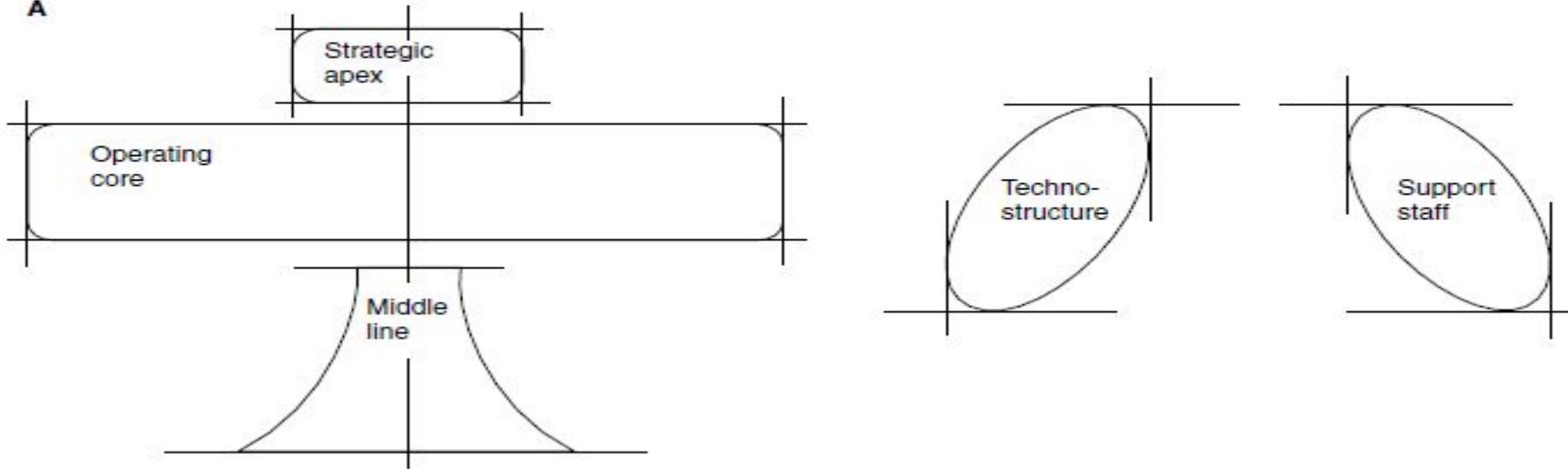
Let's Discuss the Outline

Why are we all here?

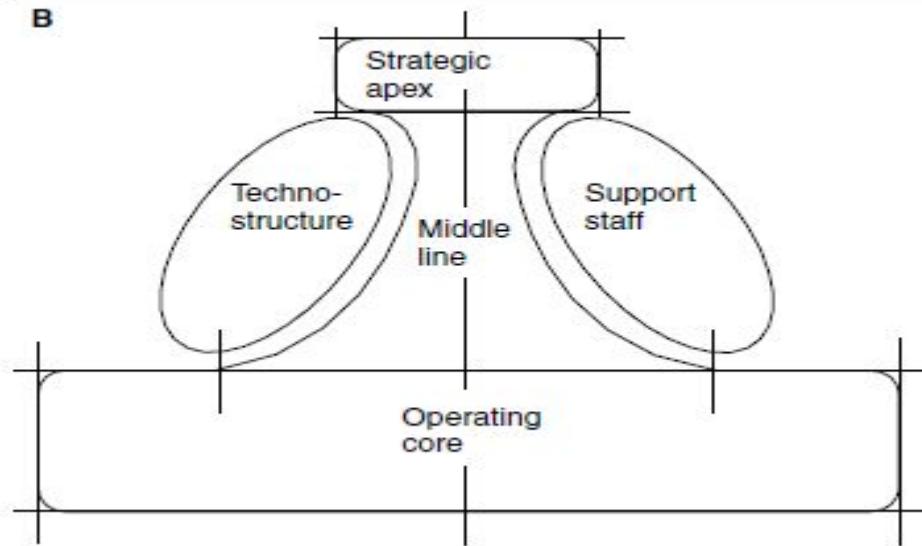
Henry Mintzberg and Org. Design

The Five Basic Parts of the Organization

A

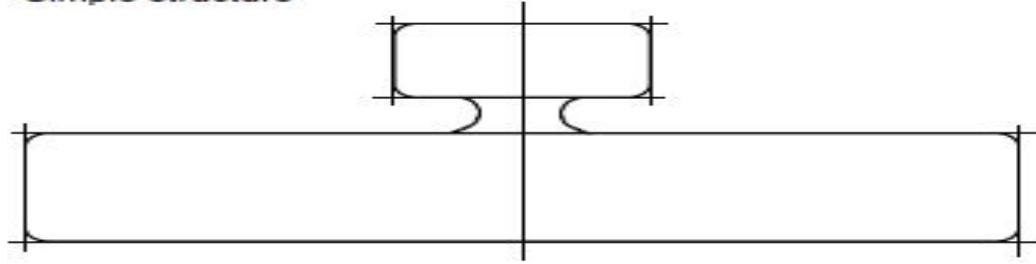


B

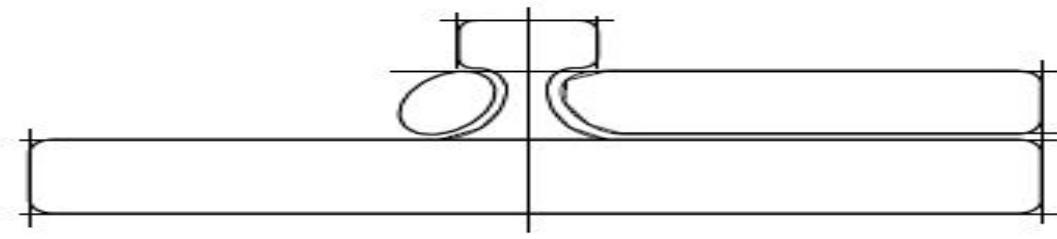


The Five Configurations

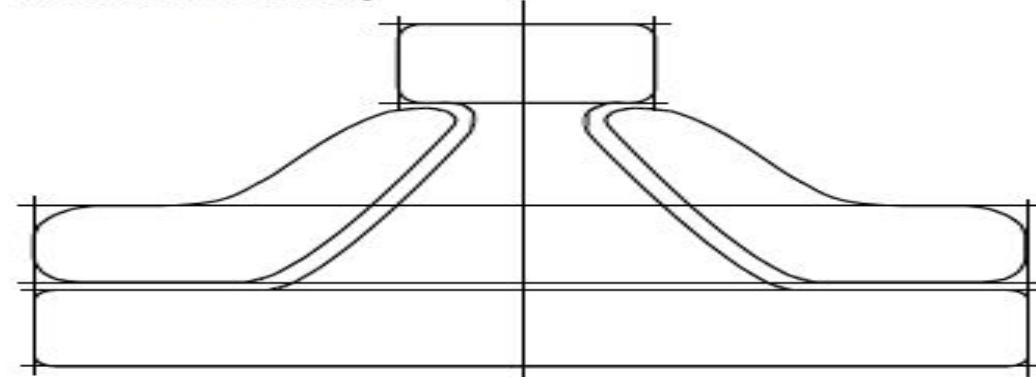
Simple structure



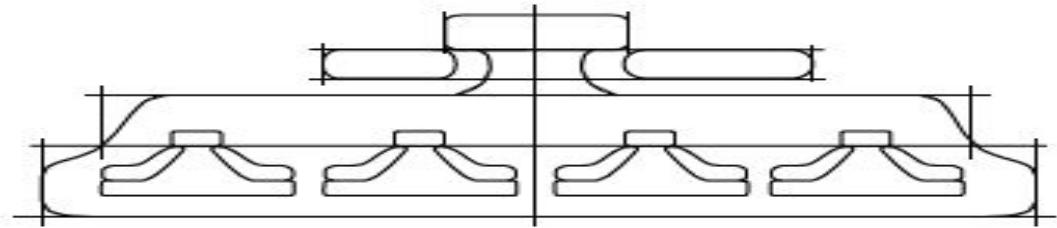
Professional bureaucracy



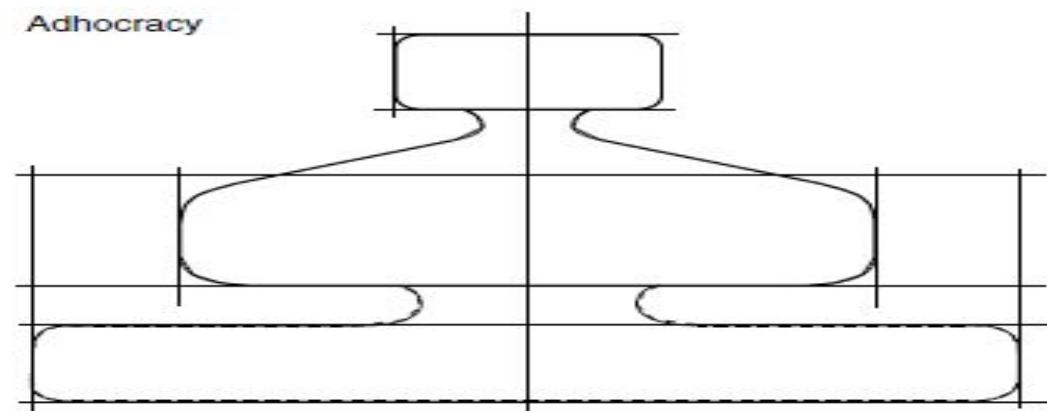
Machine bureaucracy



Divisionalized form



Adhocracy



The Design Choices

- Differentiation vs. Integration
- Mechanistic vs. Organic (environmental uncertainty)
- S.O.P. vs. Adjustments

Design Choices

- Differentiation & Integration
- Centralization & Decentralization
- S.O.P. & Mutual Adjustment

Differentiation

- Vertical Differentiation
- Horizontal Differentiation

Is one better than other?

Problem with Differentiation?

Integration Mechanisms

- Hierarchy of Authority
- Direct Contact
- Liaison Role
- Task Force
- Team
- Integrating Role
- Integrating Department

Centralization vs. Decentralization

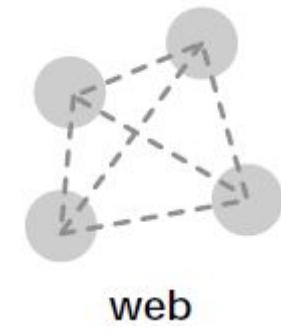
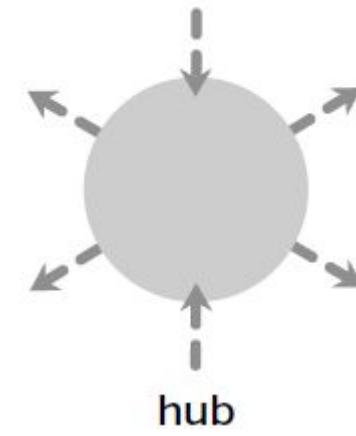
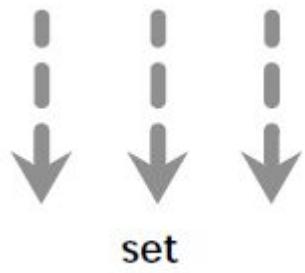
Who gets to make decisions?

Mechanistic ----- Organic

Structure Types

- Organization/management centric
- Crowd centric
- Employee centric (<https://www.youtube.com/watch?v=tJxfJGo-vkI>)

Organigraph



Organigraph of a Newspaper

