

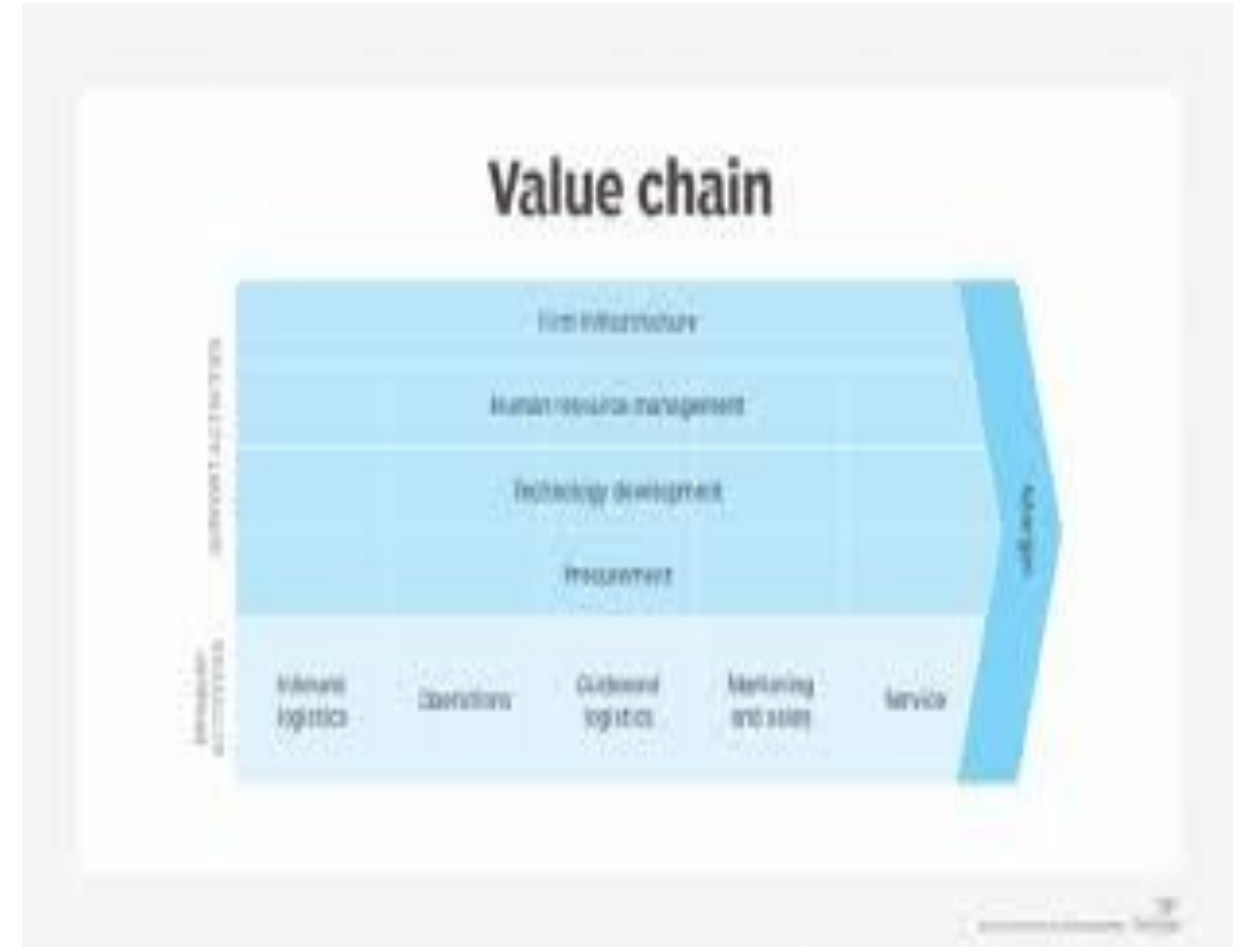
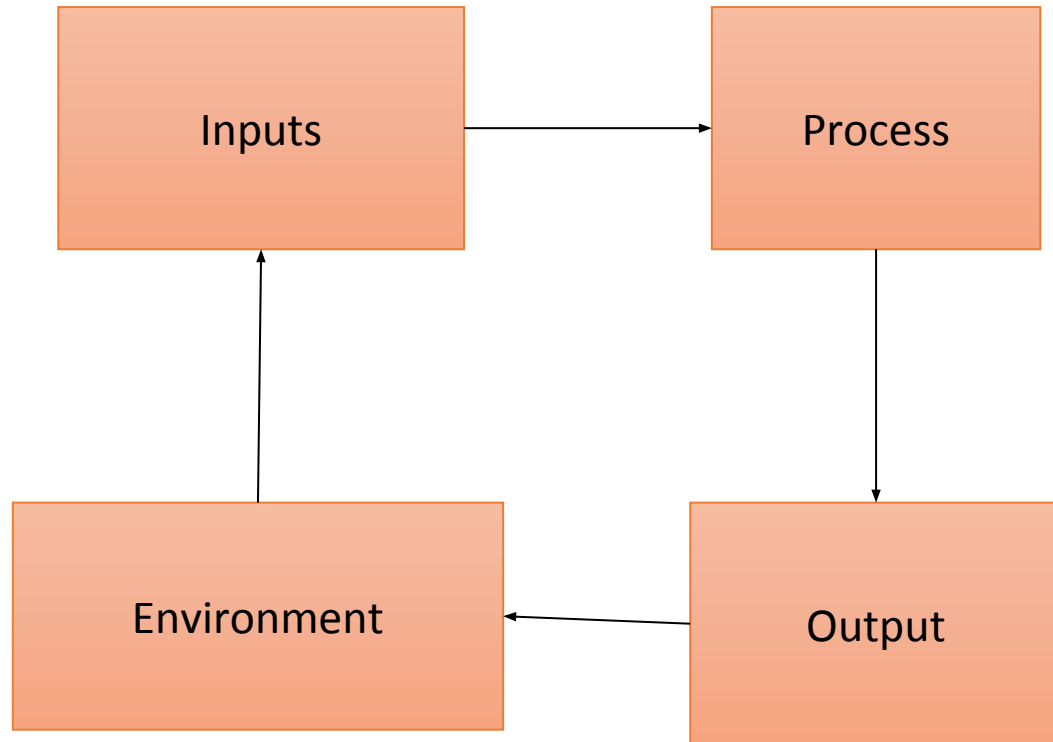
# Designing Work Organizations

## 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

```
graph TD; TC[Transaction Costs] --> M[Market]; TC --> B[Bureaucracy]; TC --> C[Clans];
```

Market

Bureaucracy

Clans

Contracts:

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

# Why Do Market's Fail?

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## The Market Failures Framework\*

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### Human factors

Bounded rationality

Opportunism



### Environmental factors

Uncertainty/Complexity

Small numbers

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## **An Organizational Failures Framework**

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

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# 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

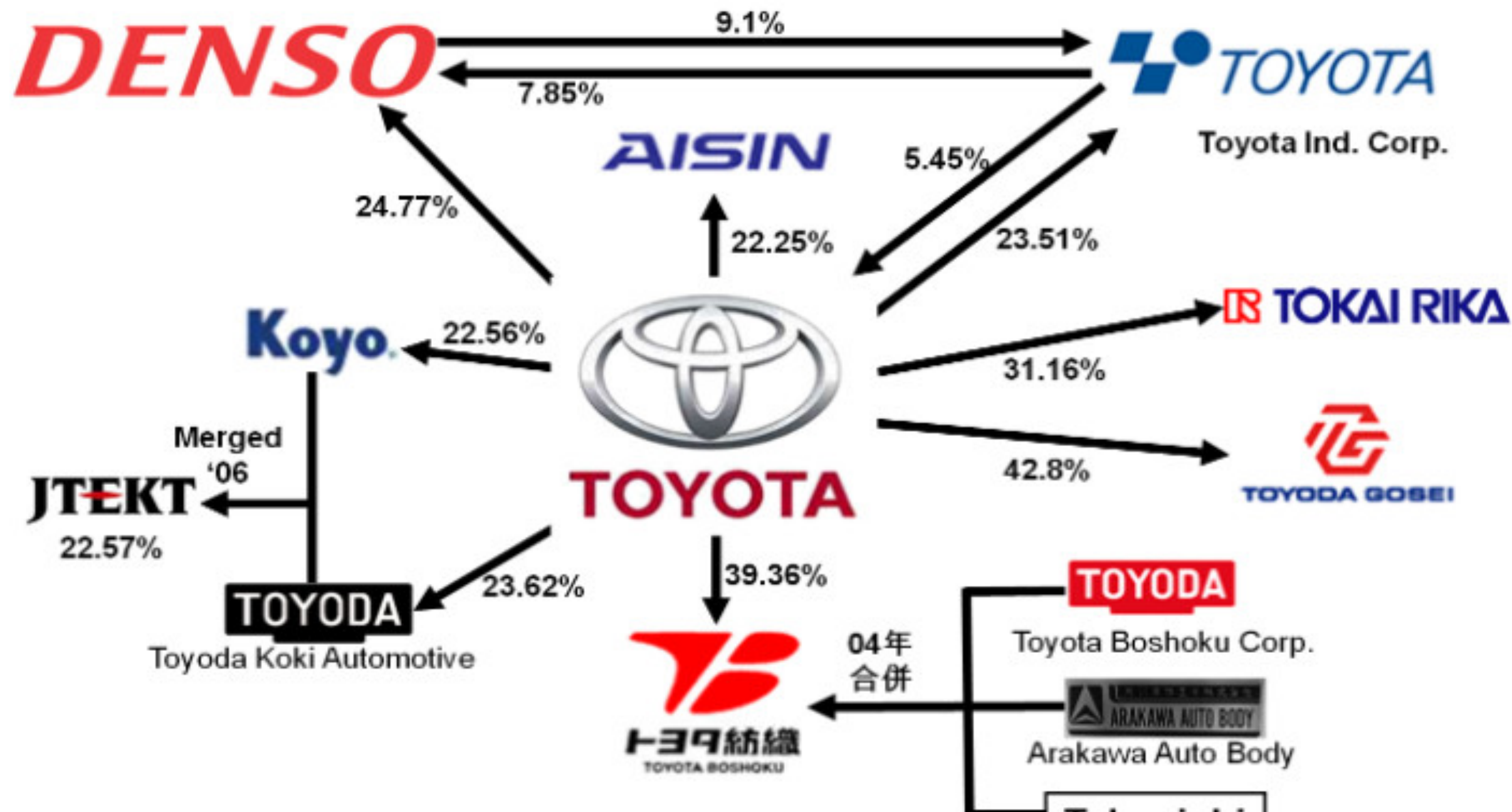
C. No. of Exchange Partners

Which mechanisms come to your mind when managing Transaction Costs?

1. Outsourcing

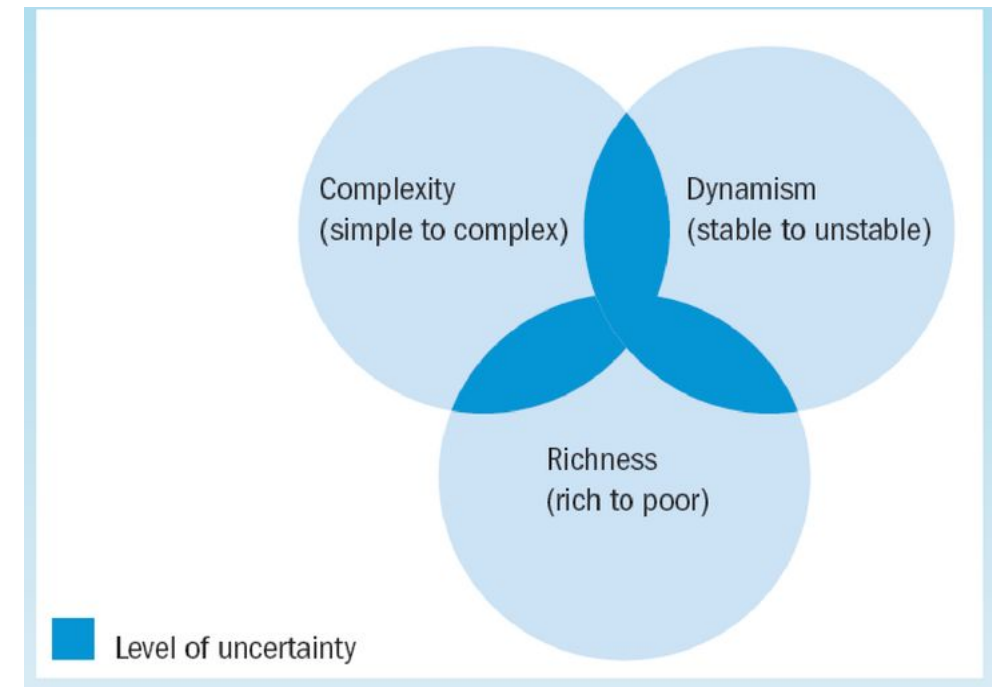
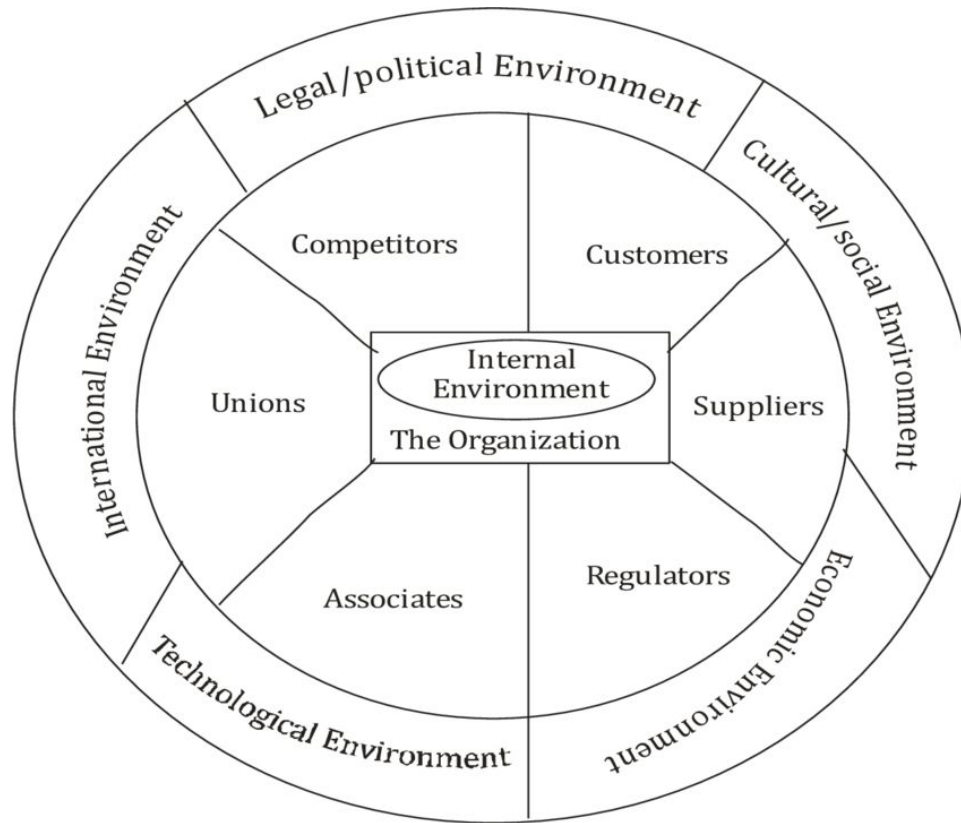
2. Franchising

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

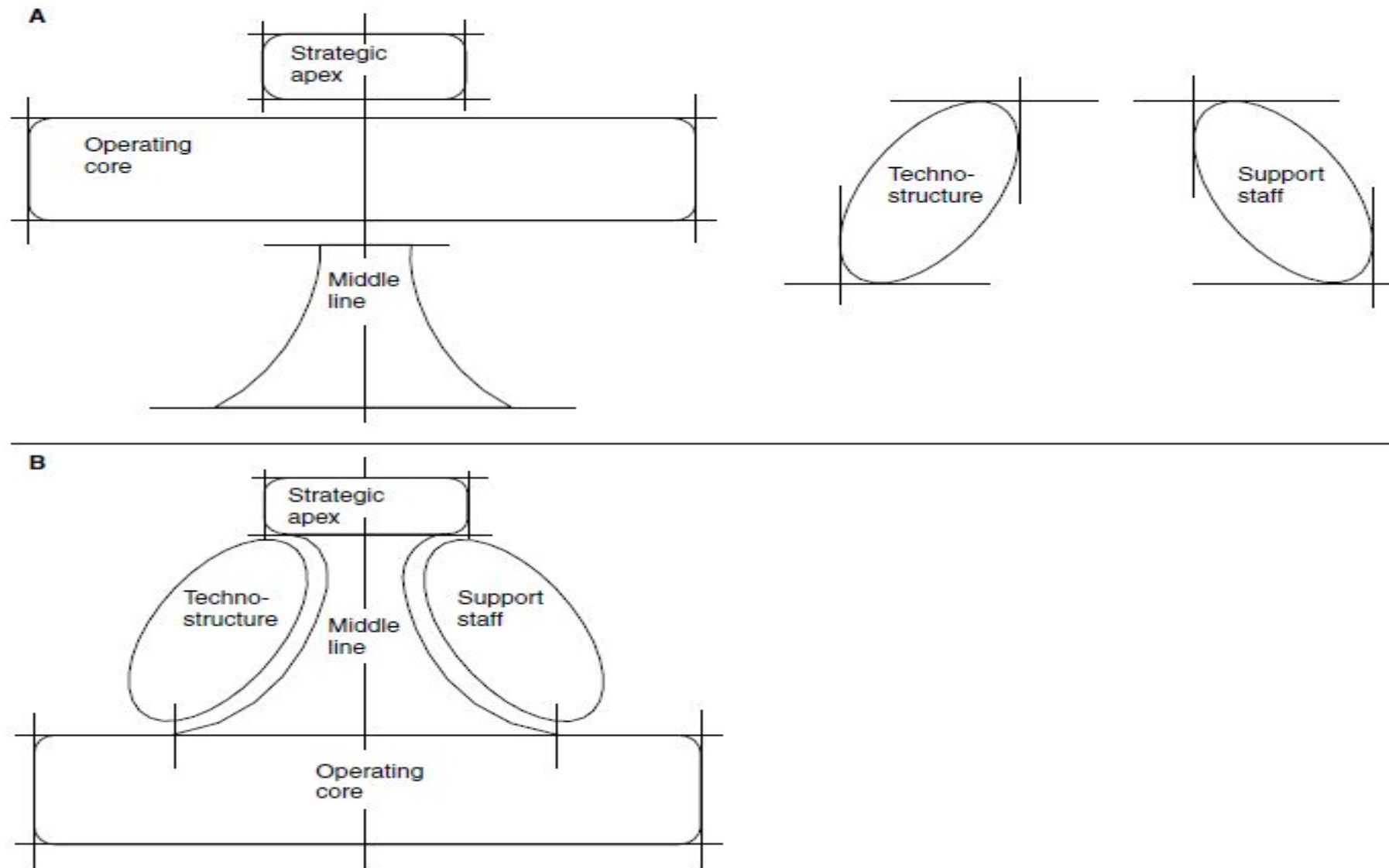
Why are we all here?



# Henry Mintzberg and Org. Design

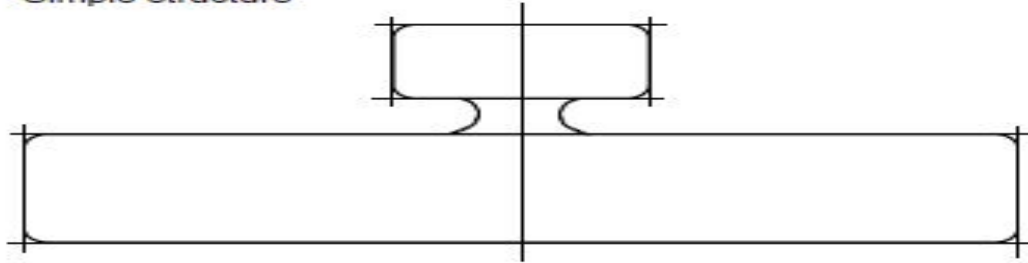
## The Five Basic Parts of the Organization

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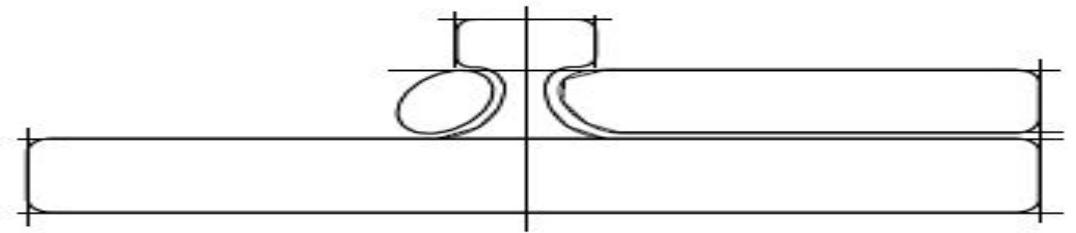


## The Five Configurations

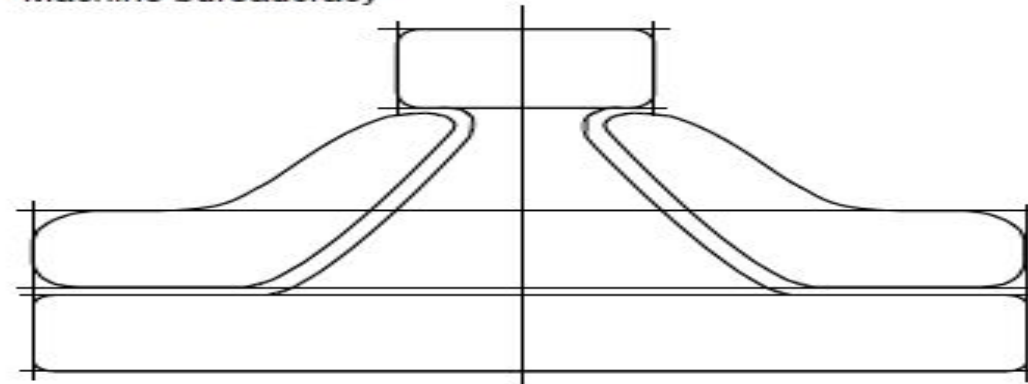
Simple structure



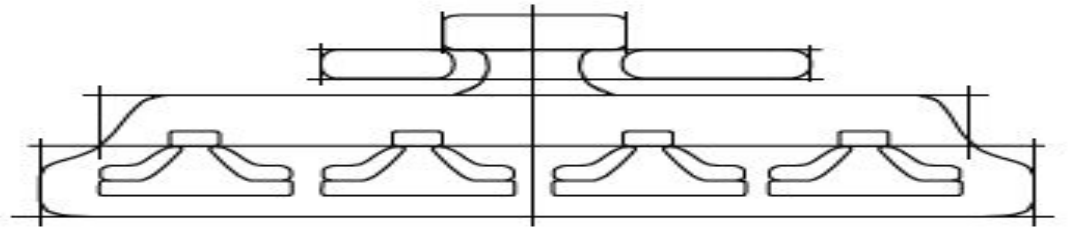
Professional bureaucracy



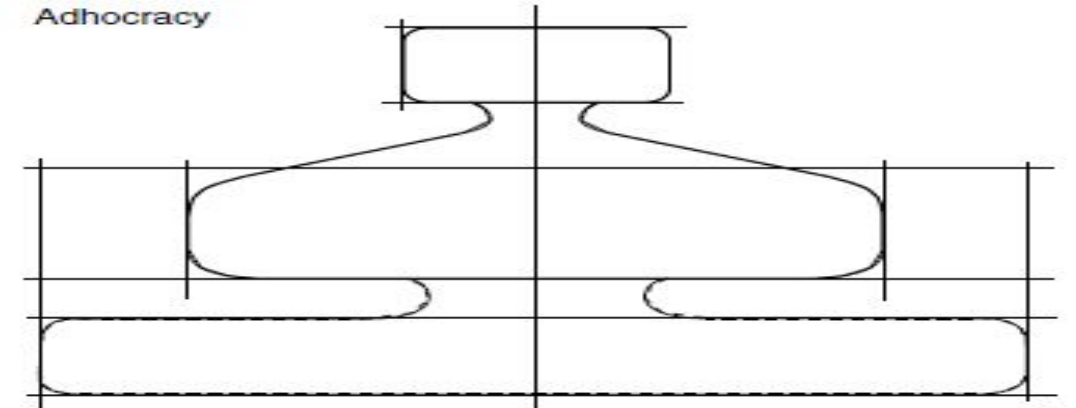
Machine bureaucracy



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?

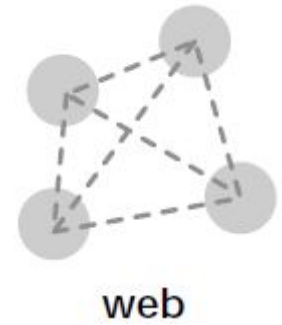
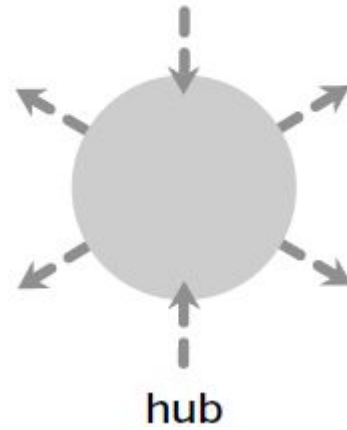
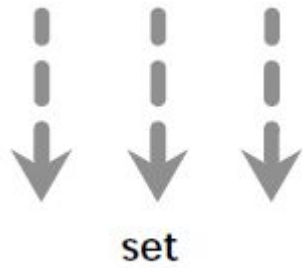


Mechanistic ----- Organic

# Structure Types

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

# Organigraph



# Organigraph of a Newspaper

