
UNIT-10 : ORGANISATIONAL STRUCTURE, PROCESSES AND FUNCTIONING

Structure

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10.0 LEARNING OUTCOME

After studying this unit, you should be able to:

- Know the concept of organisation.

- Understand characteristics and types of organisations.
 - Discuss organisational goals, organisation structure. and
 - Explain Organisation-Environment interface and organisation change.
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10.1 INTRODUCTION

Organisations are pervasive in modern organisational society. In fact, the existence of organisations is as old as civilisation. They meet any kinds of human need – social, emotional, spiritual, intellectual and economic. Argyris stated that organisations are usually formed to meet objectives that can best be met collectively. Organisations are social inventions for accomplishing goals through group effort. They combine structure and relationship – technology and human beings. In this unit an attempt has been made to discuss organisational structure, processes and functioning.

10.2 CONCEPT OF ORGANISATION

Organisations are different creatures to different people, and this phenomenon is unavoidable. Thus organisations are defined according to the contexts and perspectives peculiar to the person who is defining it. For example, Victor A. Thompson states that an organisation is a highly rationalised and impersonal interaction of a large number of specialists cooperating to achieve some announced specific objective”, Chester I. Barnard defines an organisation as “ a system of consciously coordinated personal activities or forces of two or more persons”, E. Wight Bakke says an organisation is “a continuing system of differentiated and coordinated human activities utilising, transforming, and welding together a specific set of human material, capital, ideational and natural resources into a unique, problem-solving whole whose function is to satisfy

particular human needs in interaction with other systems of human activities and resources in its particular environment”. These definitions are quite different and lead to quite different conclusions. Bakke, a social psychologist viewed organisation in sociological point of view, with little regard for how organisations get their tasks accomplished. Conversely, Barnard explained in his definition how cooperation and coordination were achieved in organisations. Thompson’s emphasis is on rationality, impersonality, and specialisation in organisation. None of these definitions is wrong. Different theorists have emphasised different characteristics of organisation. In other words, it is very difficult to define the term organisation precisely bringing all the characteristics of a good definition. The basic reason for this is the non-standardised use of the term organisation. For example, Urwick states that: “In English-speaking countries, and particularly in the USA, the term organisation has two popular meanings or usages. And these are incompatible. First, there is the meaning or usage in which the term was employed by the so-called classicists of management. There is a second usage of the term organisation which is very general particularly in the USA, but also in Great Britain. That is synonymous for the corporation or undertaking, the human group regarded as a whole. That these usages of the same term are incompatible is obvious”. Thus the term organisation is used in two ways: organisation as a process and organisation as a unit. Naturally a single definition cannot cover both.

As a subject matter of organisational analysis, the term organisation is used in the sense of organised unit. In this context, Barnard feels that it is the individual who must communicate and must be motivated; it is he who must make decisions. Individuals are the basis for the existence of the organisation. He states that: “An organisation comes into existence when there are a number of persons in communication and relationship to

each other and are willing to contribute to a common endeavour”. According to Barnard, there are four characteristics of the organisation: (i) Communication, (ii) Cooperative efforts, (iii) Common objectives, and (iv) Rules and regulations.

Weber has defined organisation as corporate group. Accordingly, “A corporate group is a social relation which is either closed, or limits the admission of outsiders by rules,...its order is enforced by the actions of specific individuals whose regular function this is”. Weber’s definition has served as the basis for many other definitions of the organisation. His focus is basically on legitimate interaction patterns among organisational members as they pursue goals and engage in activities. Parsons has emphasised structuring and restructuring of human groups for certain specified goals as the basis for constituting an organisation. He defines organisation as “social units (or human groupings) deliberately constructed and reconstructed to seek specific goals”. Based on this definition, Etzioni stresses three characteristics of the organisations: (i) division of labour, (ii) the presence of one or more power centers, and (iii) substitution of members.

Scott has defined organisation more elaborately. He defines organisation as collectivities...that have been established for the pursuit of relatively specific objectives on a more or less continuous basis. Scott has emphasised the characteristics of organisations as relatively fixed boundaries, a normative order, authority rank, a communication system and an incentives system which enables various types of participants to work together in the pursuit of goals. Hall has elaborated this definition further when he defines organisations:

“a collectivity with relatively identifiable boundary, a normative order, authority ranks, communication systems, and membership coordinating systems; the collectivity exists on a relatively continuous basis in an environment and engages in activities that are usually related to a goal or set of goals.

This definition provides the basic identifiable characteristics of organisations. A review of definitions reveals that Organisations are complex entities that contain a series of elements and are affected by many diverse factors. Thus, *the organisation may be defined as human group deliberately and consciously created for the attainment of certain goals with rational coordination of closely relevant activities.*

10.3 CHARACTERISTICS OF ORGANISATION

Organisations have the following distinguished characteristics.

1. Identifiable Aggregation of Human Beings. Organisation is an identifiable aggregation of human beings. The identification is possible because human group is not merely a number of persons collected at random, but it is a group of persons who are interrelated. Identifiable aggregation does not mean that all the individuals know each other personally because, in large organisations, this is not possible. The identifiable group of human beings determines the boundary of the organisation. Such boundary separates the elements belonging to the organisation from other elements in its environment. The amount of interaction can be thought of in terms of permeability of the organisation's boundary. This refers to the flow of both people and information across the boundary.

2. Deliberate and Conscious Creation. Organisation is a deliberately and consciously created human group. It implies that relationship between organisation and its members is contractual. They enter in the organisation through the contract and can be replaced also, that is, unsatisfactory persons can be removed and others assigned their tasks. The organisation can also recombine its personnel through promotion, demotion, and transfer. As such, organisation can continue for much longer period than their members. Such deliberate and conscious creation of human groups differentiates between casual or focused gathering having transitory relationships like a mob and social units.

3. Purposive Creation. The organisation is a purposive creation, that is, all the organisations have some objectives or set of objectives. The objectives are mutually agreed upon by the members of the group. An organisational objective is a desired state of affairs, which the organisation attempts to realise. Organisations are, thus, intervening elements between needs and their satisfaction. The success or failure of an organisation is measured in terms of achievement of its objectives.

4. Coordination of Activities. In the organisation, there is a coordination of closely relevant activities of the members. The coordination is necessary because all the members contribute to commonly agreed goals. The object of coordination is activities, not individuals, as only some of the activities of individuals are relevant to the achievement of a particular objective. From this point of view, the organisation must spell out the activities or roles, which must be fulfilled in order to achieve the goal. Which particular person performs this role may be irrelevant to the concept of organisation, though it will be relevant how well the organisation actually operates.

5. Structure. The coordination of human activities requires a structure wherein various individuals are fitted. The structure provides for power centers which coordinate and control concerted efforts of the organisation and direct them towards its goals. It is obvious that coordination among many diverse individuals is not possible without some means of controlling, guiding, and timing the various individuals or groups. Since the individuals are structured in the hierarchy, there is also hierarchy of authority, and depending upon the size and nature of a particular organisation, there may be many centers of authority in the organisation.

6. Rationality. There is rationality in coordination of activities or behaviour. Every organisation has some specified norms and standards of behaviour – such norms of behaviour are set up collectively by the individuals and every member of the organisation is expected to behave according to these norms or standards. The behaviour is governed by reward and penalty system of the organisation which acts as a binding force on its members. The desirable behaviour is rewarded and undesirable one is penalised.

These characteristics differentiate an organisation from other social units. However, modern organisations, though not all, tend to be large and complex. Such characteristics are important from the point of view of the management. In simple, organisations:

- are purposeful, complex human collectivities;
- are characterised by secondary (or impersonal) relationships;
- have specialised and limited goals;
- are characterised by sustained cooperative activity;

- are integrated within a larger social system;
- provide services and products to their environment;
- are dependent upon exchanges with their environment.

10.4 TYPES OF ORGANISATIONS

Organisations may be classified on various bases. A simple and descriptive classification may be based on size-small, medium, large, and giant; ownership-public, private, and mixed; legal form-sole trader, partnership firm, joint stock company, corporation, and co-operative society; area of operation-local, regional, national and international. Such classifications are fairly easy but do not present analytical framework for the study of organisations. There are various schemes of classifying organisations based on analytical criteria. For example, Parsons differentiates four types of organisations based on their functions. These are: (i) economic organisations, (ii) political organisations, (iii) integrative organisations, and (iv) pattern maintenance organisations. Hughes provides another classification of organisations in the form of (i) voluntary association, (ii) military organisation, (iii) philanthropic organisation, (iv) corporation, and (v) family business. Blau and Scott have taken beneficiary of organisations' output as the basis for classifying organisations. This puts organisations into four categories: (i) mutual benefit associations, (ii) business organisations, (iii) services organisations, and (iv) commonweal organisations. Etzioni has used compliance as the basis of classifying the organisations. Thompson and Tuden have based their classification on decision-making strategies. These classifications show a great amount of diversity. This further suggests that there is no single typology of the organisations. These broad categories of typology are based on : (i) function or purpose, (ii) primary

beneficiary, and (iii) compliance. The above types of organisations has been already discussed in the Unit 2 of this course.

10.5 ORGANISATIONAL GOALS

Organisations, being deliberate and purposive creation, have some goals. Goals are the end results for which organisations strive, and these end results are referred to as mission, purpose, goals, objectives, targets etc. Though there are some differences in these terms, but these terms are used interchangeably.

- **Mission and Purpose**

Mission and purpose are often used interchangeably, though at theoretical level, there is difference between the two. Mission has external orientation and relates the organisation to the society in which it operates. A mission statement helps the organisation to link its activities to the needs of the society and legitimise its existence. Purpose is also externally focused but it relates to that segment of the society to which it serves; it defines the business, which the organisation will undertake.

- **Goals**

An organisation is a group of people working together to achieve common goals. Top management determines the direction of the organisation by defining its purpose, establishing the goals to meet that purpose, and formulating strategies to achieve the goals.

Establishing goals converts the defined purpose into specific, measurable performance targets. Organisational goals are objectives that management seeks to achieve in pursuing the purpose of the firm. Goals motivate people to work together. Although each individual's goals are important to the organisation, it is the organisation's overall goals that are most important. Goals keep the organisation on track by focusing the attention and actions of the members. They also give the organisation a forward-looking orientation.

Organisations are purposive creations. Therefore, they must have goals; the nature of organisational goals is as follows:

- Each organisation or group of individuals has some goals.
- Goals may be broad or they may be specifically mentioned.
- Goals may be clearly defined or these may not be clear and have to be interpreted by the behaviour of organisational members. Particularly those at top level.
- Organisational goals have social sanction, that is, they are created within the social norms.
- An organisation may have multiple goals; many of these goals are intertwined and interrelated.
- Goals have hierarchy. At the top level, it may be broad organisational purpose, which can be broken into specific goals at the departmental level.
- Organisational goals can be changed; new ones may replace old goals.
- **Official and Operating Goals**

Another feature of organisational goals analysis is that there is often difference between official goals and actual operating goals. Perrow states that: Official goals are the general purposes of the organisation as put forth in the charter, annual reports, and

public statements by key and other authoritative pronouncements. Operative goals, on the other hand, designate the ends sought through the actual operating policies of the organisation: they tell us what actually the organisation is trying to do, regardless of what the official goals are.

- **Role of Organisational Goals**

Responsibility of Goal-setting

Organisational goals should be clearly specified because they perform a number of functions. Virtually all organisations have a formal, explicitly recognised, legally specified organ for setting the initial goals and their amendments. Generally, top management determines the overall objectives which the members of an organisation unite to achieve. When top-level managers set overall goals, managers at lower levels set goals for their departments within the context of these goals.

There are many factors that enter into the struggle to determine goals and, thus, goals are the result of a continual bargaining learning – adaptive process in which not only internal factors but external environmental factors also play important role. Therefore, various determinants of organisational goals may be grouped into (1) environmental determinants of organisational goals and (2) personal determinants of organisational goals.

Environmental Determinants of Organisational Goals

One of the key elements in determining organisational goals is the environment with which the organisation interacts. The organisation as input-output system receives inputs from the environment, transforms these inputs, and returns the outputs to the

environment. The organisation, therefore, depends upon the environment for its survival. Thus environment affects the way in which the organisation must operate including the goal setting. In this process of interaction, the organisation must adopt suitable strategies for coming to terms with the environment this strategy may be in the form of competition or cooperation.

Personal Determinants of Organisational Goals

Personal factors affect the choice of organisational goals in two ways. First, choice of particular organisational goals is an ordering of a kind of personal preference, particularly of top management/founders of the organisation and they cannot eliminate their personal preferences. Second, choice of organisational goals depends on various qualitative information, the interpretation of which is likely to be personalised. There are three important personal factors, which affect choice of goals. These are: personal preferences and aspirations, value system of top management, and managerial power relationship.

- **Goals Succession**

Organisational interaction with environment may result in the limitation on goals-choice. This may reflect the goal-choice at the initial stage or modification of existing goals. This may also result into goals succession. Goal succession means adoption of new goals. This may happen in three specific conditions:

1. If the existing goals have been achieved and the organisation is left with not alternative, it must adopt new goals for its continuous existence.

2. In the context of changed environmental or internal circumstances, if it is not desirable to pursue the existing goals, the organisation will have to evolve new goals.
3. If the existing organisational goals are such that they cannot be achieved, the organisation has to adopt, modify, or later the goals.

The goals succession may take the character of goals multiplication, expansion; or substitution of existing goals depending upon the situations.

- **Organisational and Individual Goals**

Goals may be considered from three perspectives: (i) environmental level, (ii) organisational level, and (iii) individual level. These three level goals interact and influence each other. While the interaction between environment and organisation has been identified, this section deals with interaction between organisational and individual goals.

In actual practice, no organisation and individual has completely opposite or completely identical goals. Thus, it can be said that some integration is always there between individual and organisational goals. Based on this, two models suggest the process through which two sets of goals are integrated. One is fusion process and other is inducement-contribution process.

- **Fusion Process**

Fusion Process is based on the assumption that there are certain organisational characteristics and individual characteristics, which interact. Out of this interaction, two

processes-socialising and personalising-operate simultaneously. The socialising process is that by which individuals are made into agents of the organisation and/or the informal group. The personalising process is defined as that by which the individual actualises himself and by which aspects of the organisation and informal group are made into agencies for the individual. Both these processes occur simultaneously and are important.

- **Inducement – Contribution Process**

Another process through which individual and organisation goals are integrated is inducement-contribution process developed by March and Simon. The basic features of this process are as follows:

1. Each member of the organisation gets inducements for the contributions which he makes to the organisation.
2. Each member will continue to give his contributions so long as the inducements are more or equal to contributions. It is based on the assumption that the member can value both contributions and inducements.
3. The contributions from various members are the source through which the organisation produces the inducements for the members.
4. The organisation will continue to give inducements or receive contributions so long as contributions are sufficient to give inducements.

The fusion and inducement-contribution models speak of the process through which individual and organisation goals will be integrated. Both emphasise that higher level of balance between the two will bring higher satisfaction to organisation members, and consequently better organisational results.

10.6 ORGANISATION STRUCTURE

Strategies are specific action plans that enable the organisation to achieve its goals and thus its purpose. Pursuing a strategy involves developing an organisation structure and the processes to do the organisation's work. Organisation structure is the system of task, reporting, and authority relationships within which the work of the organisation is done. Thus, structure defines the form and function of the organisation's activities. Structure also defines how the parts of an organisation fit together, as is evident from an organisation chart.

The purpose of an organisation's structure is to order and coordinate the actions of employees to achieve organisational goals. The premise of organised effort is that people can accomplish more by working together than they can separately. The work must be coordinated properly, however, if the potential gains of collective effort are to be realised.

The structure must identify the various tasks or processes necessary for the organisation to reach its goals. The structure must combine and coordinate the divided tasks to achieve a desired level of output. The more interdependent the divided tasks, the more coordination are required. Every organisation structure addresses these two fundamental requirements. The various ways they do so are what make one organisation structure different from another.

Organisation structure can be analysed in three ways. First, we can examine its configuration, or its size and shape as depicted on an organisation chart. Second, we can analyse its operational aspects or characteristics, such as separation of specialised tasks,

rules and procedures, and decision-making. Finally, we can examine responsibility and authority within the organisation.

- **Structural Configuration**

The structure of an organisation is most often described in terms of its organisation chart. A complete organisation chart shows all people, positions, reporting relationships, and lines of formal communication in the organisation. An organisation chart is a diagram showing all people, positions, reporting relationships, and lines of formal communication in the organisation.

An organisation chart depicts reporting relationships and work group memberships and shows how positions and small work groups are combined into departments, which together make up the configuration, or shape, of the organisation.

- **Structure and Operations**

Some important aspects of organisation structure do not appear on the organisation chart and thus are quite different from the configurational aspects. The structural policies that affect operations and prescribe or restrict how employees behave in their organisational activities. The policies are centralisation of decision-making and formalisation of rules and procedures.

- **Centralisation**

The first structural policy that affects operations is centralisation, wherein decision-making authority is concentrated at the top of the organisational hierarchy. At the opposite end of the continuum is decentralisation, in which decisions are made throughout the hierarchy. Increasingly, centralisation is being discussed in terms of

participation in decision-making. In decentralised organisations, lower-level employees participate in making decisions.

Decision-making in organisations is more complex than the simple centralised-decentralised classification indicates. Some decisions are relatively routine and require only the application of a decision rule. These decisions are programmed decisions, whereas those that are not routine are non-programmed. This difference between programmed and non-programmed decisions tends to cloud the distinction between centralisation and decentralisation.

If there is little employee participation in decision-making, then decision-making is centralised, regardless of the nature of the decisions being made. At the other extreme, if individuals or groups participate extensively in making non-programmed decisions, the structure can be described as truly decentralised.

Participative management has been described as a total management system in which people are involved in the daily decision-making and management of the organisation. As part of an organisation's culture, it can contribute significantly to the long-term success of an organisation. It has been described as effective and, in fact, morally necessary in organisations. Thus, for many people, participation in decision-making has become more than a simple aspect of organisation structure.

- **Formalisation**

Formalisation is the degree to which rules and procedures shape employees' jobs and activities. The purpose of formalisation is to predict and control how employees behave on the job. Rules and procedures can be both explicit and implicit. Explicit rules are set down in job descriptions, policy and procedures manuals, or office memos.

Implicit rules may develop as employees become accustomed to doing things in a certain way over a period of time. Though unwritten, these established ways of getting things done become standard operating procedures with the same effect on employee behaviour as written rules.

We can assess formalisation in organisations by looking at the proportion of jobs that are governed by rules and procedures and the extent to which those rules permit variation. More formalised organisations have a higher proportion of rule-bound jobs and less tolerance for rule violations. Increasing formalisation may affect the design of jobs throughout the organisation as well as employee motivation and work group interactions. Organisations tend to add more rules and procedures as the need for control of operations increases.

Although rules exist in some form in almost every organisation, how strictly they are enforced varies significantly from one organisation to another and even within a single organisation. The test of a good manager in a formalised organisation may be to sue appropriate judgment in making exceptions to rules.

- **Responsibility and Authority**

Responsibility and authority are related to both configurational and operational aspects of organisation structure. Often there is some confusion about what responsibility and authority really mean for managers and how the two terms relate to each other.

- **Responsibility**

Responsibility is an obligation to do something with the expectation that some act or output will result. For example, a manager may expect an employee to write and present a proposal for a new program by a certain date; thus, the employee is responsible

for preparing the proposal. Responsibility ultimately derives from the ownership of the organisation.

- **Authority**

Authority is power that has been legitimised within a specific social context. Authority includes the legitimate right to use resources to accomplish expected outcomes. Like responsibility, authority originated in the ownership of the organisation. Authority is linked to responsibility, because a manager responsible for accomplishing certain results must have the authority to use resources to achieve those results. The relationship between responsibility and authority must be one of parity; that is, the authority over resources must be sufficient to enable the manager to meet the output expectations of others. But authority and responsibility differ in significant ways. Responsibility cannot be delegated down to others, but authority can.

Authority as a “top-down” function in organisations; that is, authority originates at the top and is delegated downward as the managers at the top consider appropriate. In Chester Barnard’s alternative perspective, authority is seen as originating in the individual, who can choose whether or not to follow a directive from above. This perspective has been called the acceptance theory of authority because it means that the manager’s authority depends on the subordinate’s acceptance of the manager’s right to give the directive and expect compliance.

- **Classical views of structure**

The earliest views of organisation structure combined the elements of organisation configuration and operation into recommendations on how organisations should be structured. These views have often been called “classical organisation theory”

and include Max Weber's idea of the ideal bureaucracy, the classic organising principles of Henri Fayol, and the human organisation view of Rensis Likert. Although all three are universal approaches, their concerns and structural prescriptions differ significantly.

Thus, the classic views of organisation embody the key elements of organisation structure. Each view, however, combined these key elements in different ways and with other management elements. These three classic views are typical of how the early writers attempted to prescribe a universal approach to organisation structure that would be best in all situations.

- **Contingency approaches to organisation design**

Organisation designs vary from rigid bureaucracies to flexible matrix systems. Most theories of organisation design take either a universal or a contingency approach. A universal approach is one whose prescriptions or propositions are designed to work in any situation. The classical approaches are all universal approaches. A contingency approach, on the other hand, suggests that organisational efficiency can be achieved in several ways. In a contingency design, specific conditions such as the environment, technology, and the organisation's workforce determine the structure.

Weber, Fayol, and Likert each proposed an organisation design that is independent of the nature of the organisation and its environment. Although each of these approaches contributed to our understanding of the organising process and the practice of management, none has proved to be universally applicable. Several contingency designs, which attempt to specify the conditions, or contingency factors. The contingency factors include such things as the strategy of the organisation, technology, the environment, the organisation's size, and the social system within which

the organisation operates. The decision about how to design the organisation structure is based on numerous factors.

Strategy

A strategy is the plans and actions necessary to achieve organisational goals. Structural imperatives environment, technology, and size – are the three primary determinants of organisation structure.

Size: The size of an organisation can be gauged in many ways. Usually it is measured in terms of total number of employees, value of the organisation's assets, total sales in the previous year (or number of clients served), or physical capacity. Larger organisations tend to have more complex organisation structures than smaller organisations.

Traditionally, as organisations have grown, several layers of advisory staff have been added to help coordinate the complexities inherent in any large organisation. In contrast, a current trend is to cut staff throughout the organisation. Known as organisational downsizing, this popular trend is aimed primarily at reducing the size of corporate staff and middle management to reduce costs.

Technology

Organisational technology refers to the mechanical and intellectual processes that transform inputs into outputs. In small organisations the structure depends primarily on the technology, whereas in large organisations the need to coordinate complicated activities may be more important.

Organisational Environment

The organisational environment is everything outside an organisation and includes all elements – people, other organisations, economic factors, objects, and events – that lie outside the boundaries of the organisation. The general environment includes the broad set of dimensions and factors within which the organisation operates, including political-legal, socio-cultural, technological, economic, and international factors. The task environment includes specific organisations, groups, and individuals that influence the organisation.

Environmental uncertainty exists when managers have little information about environmental events and their impact on the organisation. When the organisational environment is complex and dynamic, the manager may have little information about future events and have great difficulty predicting them.

Strategy and the imperatives of size, technology, and environment are the primary determinants of organisation design. Several different organisational designs that have been created to adapt organisations to the many contingency factors they face.

A mechanistic structure is primarily hierarchical; interactions and communications typically are vertical, instructions come from the boss, knowledge is concentrated at the top, and loyalty and obedience are required to sustain membership. An organic structure is set up like a network; interactions and communications are horizontal, knowledge resides wherever it is most useful to the organisation, and membership requires a commitment to the organisation's tasks.

The socio-technical systems approach to organisation design views the organisation as an open system structured to integrate the technical and social

subsystems into a single management system. Rather than focusing on structural imperatives, people, or rules, Mintzberg's description of structure emphasises the ways activities are coordinated. In his view, organisation structure reflects how tasks are divided and then coordinate. Mintzberg described five major ways in which tasks are coordinated: by mutual adjustment, by direct supervision, and by standardisation of worker (or input) skills, work processes, and by outputs. These five methods can exist side by side within an organisation.

Matrix Organisation Design

The matrix design combines two different designs to gain the benefits of each; typically combined are a product or project departmentalisation scheme and a functional structure. The matrix structure attempts to build into the organisation structure the ability to be flexible and provide coordinated responses to both internal and external pressures.

A virtual organisation is a temporary alliance between two or more organisations that band together to undertake a specific venture.

Contemporary Organisation Design

The current proliferation of design theories and alternative forms of organisation gives practicing managers a dizzying array of choices. The task of the manager or organisation designer is to examine the firm and its situation and to design a form of organisation that meets its needs. A partial list of contemporary alternatives includes such approaches as downsizing rightsizing, reengineering the organisation, team-based organisations, and the virtual organisation. These approaches often make use of total quality management, employee empowerment, employee involvement and participation, reduction in force, process innovation, and networks of alliances.

Reengineering is the radical redesign of organisational processes to achieve major gains in cost, time, and provision of services.

Rethinking the organisation means looking at organisation design in totally different ways, perhaps even abandoning the classic view of organisation as a pyramid.

Managers working in an international environment must consider not only similarities and differences among firms in different cultures but the structural features of multinational organisations. More and more firms have entered the international arena and have found it necessary to adapt their designs to better cope with different cultures.

The four dominant themes of current design strategies are the effects of technological and environmental change, the importance of people, the necessity of staying in touch with the customer, and the global organisation. Technology and the environment are changing so fast and in so many unpredictable ways that no organisation structure will be appropriate for a long time. The changes in electronic information processing, transmission, and retrieval alone are so vast that employee relationships, information distribution, and task coordination need to be reviewed almost daily.

Unfortunately, there is no one best way. Managers must consider the impact of multiple factors-socio-technical systems, strategy, the structural imperatives, changing information technology, people, global considerations, and a concern for end users – on their particular organisation and design the organisation structure accordingly.

10.7 ORGANISATION – ENVIRONMENT INTERFACE

- **Organisation as a System**

Organisation may be well studied and analysed if it is taken as a system. A system is an assemblage of things connected or interrelated so as to form a complex unity: a whole composed of parts and subparts in orderly arrangement according to some scheme or plan.

The organisation works within the framework provided by the various elements of society. All such elements lie outside the organisation and are called external environment or simply as environment. At the same time, organisation may create environment internal to it, which affects the various subsystems of the organisation. Environment includes all the conditions, circumstances, and influences surrounding and affecting the total organisation or any of its part. Thus the environmental forces are quite broad.

There are many forces in the environment which influence the working of the organisations. These forces may be classified as economic, legal, political, technological, sociological, cultural, etc. These forces set forth the framework for different organisations and they have homogenising effect. These general environmental forces have an important effect in determining the resources available for inputs, the most appropriate organisational processes, and the acceptability of organisational outputs. Various characteristics of such factors may be favourable or unfavourable for the growth of organisations in general.

For analysing organisation-environment interface, understanding of two features of environment-complexity and variability – is important as their different degrees affect the organisations differently.

- **Environment Complexity**

Environmental complexity is referred to the heterogeneity and range of activities, which are relevant to an organisation's operations. The heterogeneity relates to the variety of activities in the environment affecting the organisation. Complexity or non-complexity of environment is a matter of perception. The same environment one organisation perceives as unpredictable, complex, and evanescent, another organisation might see as static and easily understood.

- **Environmental Variability**

The degree of environmental variability is an important determinant of organisational functioning. In fact, the environment, being dynamic, changes over a period of time, but it is the rate of change which is a matter of concern. There can be low or high change rate, though again it is a matter of perception.

Environmental variability refers to the degree of change that may be seen as a function of three variables: (i) the frequency of change in relevant activities; (ii) the degree of difference involved at each; and (iii) the degree of irregularity in the overall patterns of change. The degree of variability in the environment affects the organisational functioning by affecting the task performance. More is the variability in the environment; more will be the uncertainty in the task performance.

Every organisation has to work within the framework of environmental forces, and there is a continuous interaction between the organisation and its environment. This

interaction creates influences; the environment affects the organisation and, in turn, the organisation affects the environment, though the former effect is stronger than the later. This interaction can be analysed in three ways. First, the organisation may be treated as an input-output system. Second, the organisation can be taken as the central focus for realising the contributions of many groups, both within and outside the organisation. Third, the organisation can be treated as an operating unit in environment presenting opportunities and threats to it. Thus how an organisation can make the best use of the opportunities provided or threats presented is a matter of prime concern for it.

Any single approach by itself is not sufficient to explain the complex relationship between the organisation and its environment. Moreover, these approaches are not inconsistent to each other; they are complementary. Thus the environment in which it works will affect an organisation. Such effect will be on the various aspects of management such as organisation structure, organisational processes, product line, market served, price of the product, resource allocation, community services, etc.

- **Strategies to deal with environment**

While designing strategies for dealing with environment, an organisation faces two types of problems. First, there is interdependence between organisation and its environment because of a variety of exchange relationships and these relationships are not uniform. Therefore, the organisation has to evolve different strategies to deal with different segments of the environment. Second, there is uncertainty in the exchange relationships as the organisation may not have full information about these. In dealing with the environment, the organisation has to overcome the problems of interdependence and uncertainty in exchange relationships. For overcoming these problems, the

organisation has to scan its environment on a regular basis and devise suitable strategies.

These strategies may be of three types:

- (i) strategies for insulating the organisation from the environmental forces,
 - (ii) strategies for gaining control over certain aspects of the environment, and
 - (iii) strategies for organisational adaptation.
- **Insulation of the Organisation:** Strategies for insulation the organisation from environmental forces aim at minimising the negative impact of environmental forces.
 - **Gaining Control over Environment:** The basic objective of this type of strategy is to gain control over some aspects of the environment so that the organisation can reduce its dependence on the environment. This can be done in a number of ways.
 - **Organisational Adaptation:** One of the most frequently adopted strategies to respond to the environment by organisations is to adapt organisation structure and systems and processes according to the needs of the environment.

10.8 ORGANISATION DEVELOPMENT AND CHANGE

Organisation development is simply the way organisations change and evolve. Organisation change can involve personnel, technology, competition, and other areas. Thus, in the broadest sense, organisation development means organisation change. Over the past thirty years, organisation development has emerged as a distinct field of study and practice. Experts now substantially agree as to what constitutes organisational development in general, although arguments about details continue.

Organisation development is the process of planned change and improvement of the organisation through application of knowledge of the behavioural sciences. The most comprehensive type of organisation change involves a major reorganisation, usually referred to as a structural change – a system wide rearrangement of task division and authority and reporting relationships. A structural change affects performance appraisal and rewards, decision-making, and communication and information-processing systems.

Another way to bring about system-wide organisation development is through changes in the tasks involved in doing the work, the technology, or both. Groups and individuals can be involved in organisation change in a vast number of ways. Change is inevitable; so is resistance to change. Paradoxically, organisations both promote and resist change. Resistance to change within the organisation can come from sources that are either external or internal to the organisation. Managing resistance to change means working with the sources of resistance rather than trying to overpower or overcome resistance.

Successfully managing organisation change means taking a holistic view of the organisation, obtaining top management support, encouraging participation by all those affected, fostering open communication, and rewarding those who contribute to the change effort.

10.9 CONCLUSION

An organisation is simply a social unit with some particular purposes. The most common formal definition of an organisation is a collection of people engaged in specialised and interdependent activity to accomplish a goal or mission. The basic

components of organisations have not changed very much over centuries. All organisations have explicit or implicit purposes, attract participation, acquire and allocate resources to accomplish their purposes. Often among competing interests and activities, establish some form of structure to assigned and coordinate tasks and permit some members to lead or manage others.

Rules are needed to make certain people know who is responsible of what, to coordinate activities, and to limit the scope of peoples' activities and decisions. Organisations are different creatures to different people... Organisations are 'defined' according to the contexts and perspectives peculiar to the person doing the defining. Organisations are such enormously complex social/economic/political systems, that multiple perspectives are needed to understand the numerous relationships and variables in and around them. Different types of theories are needed for different purposes.

Government organisations have changed dramatically since World War II, and organisation theories have also. Myriad "school" or "paradigms" of organisation theory have emerged to help us understand government organisations and why they-and the people in and around them-act in the ways they do. The human relations school of organisation theory in the late 1950s and early 1960s – that departed radically from the tenets of classical organisation theory. Since the decade of the 1960s, some of the new "paradigms" of organisation theory have included system terms theories, critical theories, "modern" structural theories, cultural theories, feminist theories, rational choice theories, post-modern theories, and ...on ... and ...on.

The major (groups of) theories challenge the hierarchical authority model. The organisational theories rooted in the dynamics of human relations, condemn the impersonality of bureaucratic hierarchies and so plead for the humanising of

organisations. It is no wonder that a larger number of theories have appeared, given the multitude of perspectives from which to examine organisations. Any one theory about public organisations may appear to be wrong.

10.10 KEY CONCEPTS

Group Dynamics: The sub-field of organisational behaviour concerns about the nature of groups, how they developed, and how they interrelate with individuals and other groups.

Norms: The socially enforce requirements and expectations about basic responsibilities, behaviour and thought patterns of members in their organisational roles.

Organisation Development: An approach or strategy for increasing organisational effectiveness.

Organisational Culture: The culture that exists within an organisation; a parallel but smaller version of a societal culture.

10.11 REFERENCES AND FURTHER READING

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10.12 ACTIVITIES

- Q.1 Discuss the characteristic future of organisation.
- Q.2 Explain the organisation interface with environment.