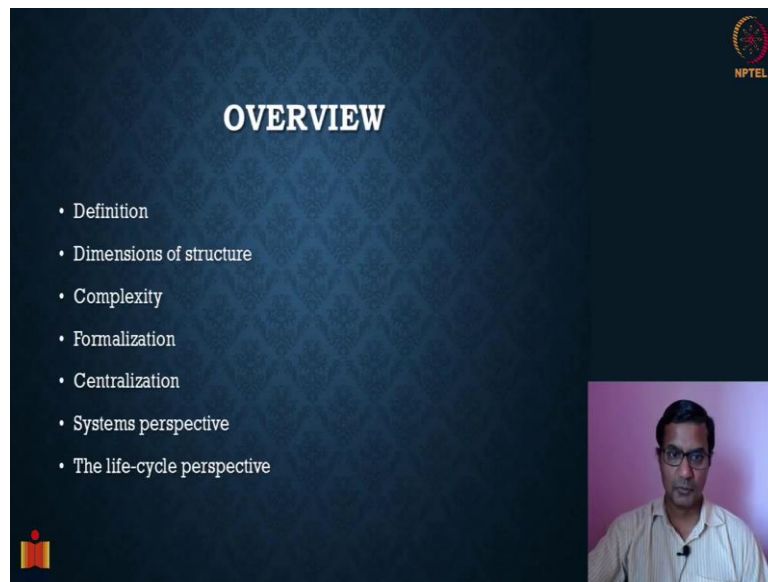**Organizational Behaviour**
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Lecture – 54
Organizational Structure

Warm welcome to this lecture series on Organizational Behaviour, we are in the chapter on Organizational Structure. So, this is going to be the broad overview of the chapter. We will define what is meant by organizational structure. We will also look at some of the important dimensions of organizational structure.

So, these include complexity, formalization and centralization. So, in each of these important dimensions of organizational structure we will talk about how these dimensions are manifested in the organization and how they influence employee behaviour. We will also talk about two important perspectives on organizational structure – one which is systems perspective and the other one is life cycle perspective.

So, organizational structure is a very important aspect of understanding organization as a unit. Even though organizational structure is considered to be a separate discipline it has a strong overlap with organizational behaviour because how an organization is structured has a strong influence on how people behave in the organization.

So, to give the audience the macro picture of how organizations are structured and how they influence the behaviour of employees is the objective of this particular chapter. So, I will be explaining some of the basic elements of organizational structure and while explaining them I will talk about how those elements influence employee behaviour but, before that we need to understand what is organizational structure.

In very simple words organizational structure is how organizations are structured. In other words, how the task and authority are distributed in the organization. So, when I say task it means what are the responsibilities which has to be done by the employee; when I say authority how much power the person is assigned to.

So, the power a person is assigned to is also involved how much decision making authority the person has or how much power does the person has to influence others which means how many subordinates he or she has, how much control he or she he has over them and also like I said earlier how much power he has in terms of the decisions he can make without consulting with others.

So, structure in a very formal way we can define it as a formal system or the mechanism through which task and authority relationships are defined and through that how people are controlled,
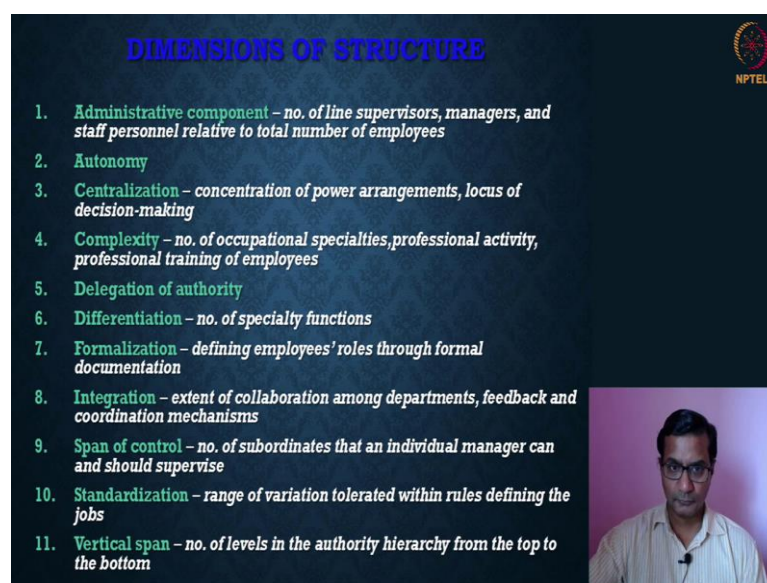
so that they coordinate their activities and use resources in order to achieve organizational goals.

So, the ultimate objectives to achieve organizational goals. So, if the organizational goals have to be achieved, people have to coordinate and share resources. So, in order to make people or facilitate people to coordinate and share resources you need to define what are the task of the individual and also how much authority the person has. So, this entire you know that the entire set of relationships and connections are called as organizational structure.

And, they are not informally driven. So, unlike informal groups, organizations everything should be clearly defined and everything should be clearly prescribed. So, all these things are formally defined and that system is called organizational structure. So, organizational structure the purpose of organizational structure is to define how tasks are allocated, like I said earlier who does what and also who reports to whom.

And, also how people will coordinate with each other; when I say coordinate how will they share information, how will they share resources, how will information flow within the organization, how will resources resource allocation will be decided and all those things and also how interaction patterns will be defined.

So, who reports to whom, when I say interaction pattern, who reports to whom, who coordinates with whom, all those co-ordinations and definitions of relationship are included in organizational structure.

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

When you say organizational structure there are different components or different dimensions of organizational structure. In fact, in this particular chapter we are going to talk about three components or three dimensions, but there are many dimensions, there are many components. The first component is administrative component. So, when I say administrative component how many of them actually you know are involved in value generation in terms of direct activities.

And, how many of them are support staff, when I say support staff it can be supervisors, managers, staff personnel, people who are may not be directly involved in you know the value creation or the core task. For example, in a production company in a company which manufacturers let us say cars, the actual people who are involved in manufacturing car are the ones who are in the assembly line.

But, you need other people to ensure everything run smoothly. For example, you need people to ensure raw materials reach the assembly line at the right time. You also need people to sell the cars so, who are marketing department, you also need people to manage these assembly line you know we have operations managers.

We also need people to ensure all the you know compensation and all those things are taken care of for the employees. So, that is HR department. So, even though the core is the assembly line the workers who are in the assembly line operations, we need many people to ensure everything runs smoothly and to ensure the you know the organizations core businesses supported. So, this is administrative component.

Sometimes the people who are involved in core functions will be lesser than the number of people who are in the administrative component. In some cases, there will be equal number of people. Sometimes the people who are involved in core will be more than support function. So, this ratio denotes the efficiency of the organization which means if there are more people as support staff they are not directly adding value. So, the most of the resources will go to paying these employees.

On the other hand, if there are less support staff, then the core employees will not be able to pay attention or focus on the core functions or the value adding functions. Then they may be distracted or they their energy will be diverted towards doing all these non-core activities. So, that will also reduce efficiency.

So, there is always a balance how many people you should have as support staff, support staff and how many people you should have as you know people who are doing core functions. So, we call them line and staff personnel line managers are people who are actually doing the core value adding task. Support staff are the ones we call them staff managers; line managers and staff managers.

So, line managers like I said are the ones who are doing core things; staff managers or staff personnel are the ones who support this line. So, there should always be some level of justification for number of people who are there in the staff. This is one dimension. The second dimension is autonomy how much freedom people get in decision making, how much decentralization and delegation has happened.

Centralization is how much is the power concentrated in one place or one department. In fact, we have spoken about centralization in our earlier chapter. So, whether the power is centralized or decentralized. Complexity means in that particular organization how many different groups exist.

When I say groups, formal groups; formal groups in the sense horizontally or vertically how many different groups exist. Complexity means complexity also involves special grouping which means are there any different units of the same organization in different places all those things.

And, delegation of authority, which is similar to autonomy and which is opposite of centralization. Differentiation is similar to complexity; how many different groups exist, how people are differentiated in the organization in terms of job title, in terms of positions and things like that.

Formalization is the extent in which things are formalized, in other words to what extent the rules are rigidly followed and clearly written down. Integration is to what extent different groups; different occupational groups are connected through some formal mechanism.

It can be integration in terms of vertical levels or horizontal levels. Span of control means how many people report to the manager or on an average how many people report to one manager, because it actually has an influence on the depth or the height of the organization which means how tall is the organization or how flat is the organization is represented by span of control or it is decided by span of control.

Standardization is similar to formalization how much variation is tolerated within the organization. So, if the rules how strongly are they reinforced. Vertical span is number of levels in the hierarchy so, which is decided by span of control. So, in fact, all these dimensions are interrelated to each other and to some extent they influence the others and also to some extent they overlapped with other dimensions.

So, like I said earlier we are going to talk about only three dimensions, three important dimensions; complexity, formalization and centralization. Complexity means, the degree of differentiation that exists within an organization. When I say differentiation groups or how people are grouped. So, when I when we group people we are obviously, differentiating one group from the other.

So, in terms of grouping we can have three kinds of grouping. The first grouping can be horizontally grouping; horizontal means maybe departments as departments. So, we call it horizontal differentiation. So, horizontal differentiation is differentiation in terms of units, horizontal units. So, the rationale behind horizontal differentiation can be orientation of the members.

When I say orientation of the members what are their background? For example, all the people who have background in finance and accounting they are grouped as finance department or it can be based on nature of the task. For example, you know let us say in a bank people who address or people who cater to the needs of one particular kind of customers.

So, for example, insurance or corporate customers. So, we group them as one unit based on what things they do or who are their customers, similarity of the customers. Other ways of grouping horizontal can be education and training which is similar to orientation of the members based on you know their background, based on the kind of training they have underwent we can group people. So, this is horizontal differentiation.

Vertical differentiation is levels; so, based on how much power they have. Vertical differentiation also denotes depth in the structure. If there are many vertical levels, then the organizational structure will be very deep they will be like when information flows it will take lot of time to reach from top to bottom or bottom to top. Vertical differentiation denotes how many numbers are there in the hierarchical level how many levels are there in the organization.

Spatial differentiation is spatially or geographically how organizations a particular organization is differentiated. For example, we can have zonal units; Indian railways have different zones or it can be based on country based dispersion also. For example, you know there might be in multinational companies they have offices in different countries.

So, it can be based on country wise or regional wise or zone wise. When we say units it can be an office or it can be a manufacturing plant or it can be just you know number of people in that particular place ok. They may not be actually office space. People are sent to certain place geographically to work from there.

So, why complexity is important or understanding complexity is important? Because greater the differentiation greater the complexity within the organization and greater the complexity it becomes difficult for the managers to coordinate between these units. So, when there are many levels either horizontally or vertically or spatially also you need to coordinate between many of these units.

So, you need to ensure that information flows between these units, you need to ensure that resources are shared or allocated properly within these units. You need to be sure that these subgroups cooperate between themselves without any problem. So, especially if you remember we spoke about subculture formation in cultural culture chapter.

So, when there are many departments or many levels there will be subcultures in within those levels or within those groups and that can be challenging to the larger organizational culture in

terms of bringing in synergy within the organization. So, people should work from their own department and they have their own identity in terms of their department or their level.

At the same time, they should also understand that they belong to the larger organization. So, they need to not deviate from the larger organizational goals. So, it becomes difficult to bring the synergy when there are many units in the organization.

So, that is where the manager's role comes in coordinating different units or different levels or different departments. So, first we will see how managers or what kind of mechanisms can we use to coordinate between horizontal units. So, the first method is using common resources. One way we can coordinate or create cooperation between different horizontal units, different departments is having a common using common resources.

For example, if it is a huge office which has huge organization which has different departments we can have common resources like a mess which where everybody come and eat or there can be a library or there can be a physical space where people can come and you know interact with each other.

So, for example, many a times when people meet in coffee places in the organization, they may interact with people from other departments. It will encourage people to converse with others. It can also be formal mechanisms like common pool of resources where they have to cooperate to take permission from others in the organization.

So, for example, there are common tools or common machineries. When people from different department are dependent on the common resources or this pool of resources they have to interact with others in the organization. When I say others other department people. So, that brings in a; brings in a sense of dependency and that dependency puts pressure on people to cooperate with each other or collaborate with each other.

For example, in educational institution when there are different departments there will be common laboratories or common you know resources like a machine or a you know or probably a microscope or you know computer, super computers and things like that.

So, when there are common resources or resources owned by one department which has to be shared with other department it creates a sense of you know situation where people interact with each other in terms of other department people also. So, that can bring in a sense of collective you know affinity.

They feel that we all belong to the same organization not individual departments. So, this can create horizontal coordination. Second mechanism is having information systems. So, information systems mean especially when there are different departments it can lead to you know it can lead to barriers in information flow. People may not pass on the information to other departments unknowingly also because they may not know who know who will need this kind this information.

So, sometimes it can lead to re-invention of wheel which means if there are too many departments same things will be done by different departments without knowing others are also doing it. So, every time department wants to do something or want a particular information they may not know that already somebody has this information. So, they will put lot of effort to get this information without knowing it is available in some other department.

So, to you know these kind of information barriers we can have information system. So, whenever people generate information or new knowledge in an organization they put it in a common pool or they will put it in a system online system where it can be access by people who are in need depending on their you know hierarchy.

So, creating such information systems can help facilitate information flow especially, information which might be used by people in other departments or different departments. So, this is one way creating automated systems, online systems.

Third mechanism is having lateral relationships. Lateral relationship means if there are different departments we can assign people in each of those departments where they can help coordination between different departments, especially passing information or seeking information or connecting to people right people for resources between department and all those things. So, these kind of relationships or these kind of people who help in establishing relationships are can be called as liaisons.

So, there can be direct contact. For example, every department you assign one person. So, whenever you need some information or need some you know resource, you meet that person in that department and that that person will help you direct you to the right person. Or you can have one person in the entire organization a liaison who can who will be the central node for connecting different people in different departments. So, this is liaisoning role.

The third kind of mechanism is task force or teams. So, we can have inter-departmental teams where we can call them task forces like people from different departments they are pulled together and they are made as a team. So, the role of this team is to ensure knowledge sharing between different departments.

So, they will have multiple accountability. So, one they are accountable to their interdisciplinary team and they are also accountable to the department which they belong to. So, that creates a sense of corrective or collective effort in terms of sharing information to all the departments.

The fourth lateral relationship is or creating roles is managerial integrators. So, which was like couple of people in the organization who ensure that information is shared between people in other departments which is similar to liaisoning role which is like combination of direct contact and liaisons role. Instead of one person we have multiple people, but not for every department fewer people who ensure that you know information flows between departments.

So, the next kind of differentiation which we are going to talk about is vertical differentiation. If you remember we spoke about how different levels they can be different groups and each of the groups will have their own culture, subculture they will have their own identity. So, vertical differentiation in fact, is a product of horizontal differentiation which means if there are more people in the organization horizontally there will be more levels.

But, again same number of people sometimes it can have 10 levels sometimes it can have 4 levels. For example, in this particular graph in this particular diagram you can see same number of people in both the organization, but in one organization there are like 6 levels, 6 hierarchical levels.

In the next organization there are only 8 levels, sorry there are only 4 levels. So, the same number of people different hierarchical levels can happen that depends on span of control; when I say span of control how many people a manager can manage. In the first organization each manager manages only 4 people.

So, it leads to 8 or 6 levels. In the second organization each manager manages 8 people. So, it looks very flat, the organization looks very flat because there are only 4 hierarchical levels. So, smaller the span taller the organization. So, this is the connection you know horizontal differentiation and vertical differentiation.

Again, span of control depends on many factors. So, what decides whether a manager can manage 8 people or 4 people depends on various factors, so that you know something which

needs lot of discussion. So, I am not going to focus on that, but you need to understand span of control decides whether the organization will be tall or flat.

So, how will we coordinate vertically? So, how will we link people from different levels? There are different methods – the first method is formalization which means instead of waiting for lower level people to get decisions authorized by top level we can have clear cut rules which say ok, if you follow the rule you do not need to get acknowledgement or acceptance from the top level management.

So, if there are clear cut rules we do not need to wait every time for the decisions to be authorized by top level management and also you do not have to wait for instructions from the top level management. So, if all the instructions are clearly written down you do not need to; you do not need human intervention for decision making. So, formalization in terms of having clear cut rules will ensure vertical coordination happens.

Span of control means like I said earlier decision in terms of how many people a person can manage will reduce the height of the organization. So, increase the span of control which will reduce the number of levels which may facilitate information flow in the information flow across levels hierarchical levels.
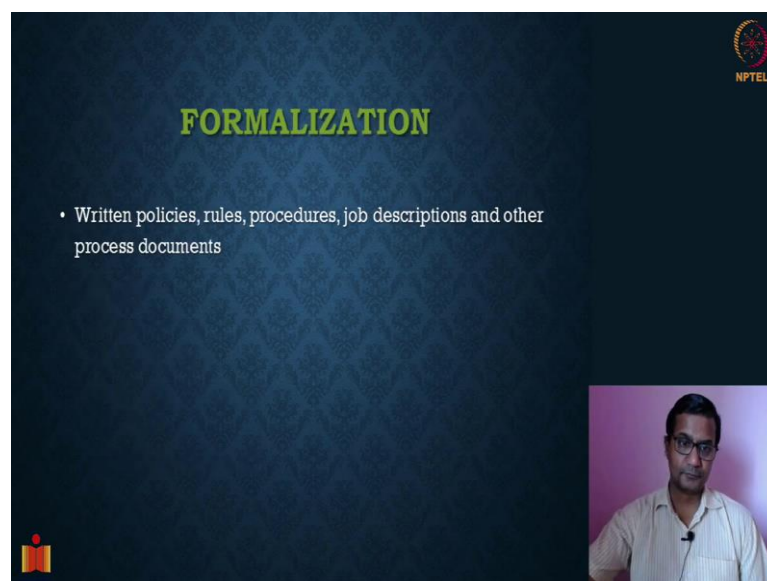
Centralization of power: sometimes you centralize the power. So, you do not need to every time you do not there is no confusion in terms of whom you should ask for advice or ask for instructions. Similarly, delegation can also opposite of centralization which is delegation which

can also have facilitate information flow. So, centralization you know to whom you should ask for your doubts or for instructions.

Delegation you are delegated to decide whatever you want. So, both helps in vertical coordination. So, which one will suit depends on the nature of the task, the nature of the organization.

And, also you can have staff position support staff. So, the role of the support staff is to ensure information flow happens among the line functions and also it takes away the burden from the line function which is the core function of the organization in terms of doing other things which may not add value. For example, if I am a core staff or core function in my organization which is an education institution, I am a faculty. My job is the core function, teaching job, teaching and research.

So, instead of me searching for all the details about buying a new equipment or a recruiting some PhD students all the support functions of recruitment of PhD students, I can delegate it to staff functions which means I can have people office people support staff who ensured that where to buy things for ask equipments for my lab or maybe you know when in PhD interview they will ensure that all the you know coordination happens in terms of PhD interviews and things like that. So, having support staff also reduces the burden on the line staff especially at the vertical level.

So, I will stop here. In the next section of this chapter we will talk about formalization and what are the issues related to formalization.

Till then take care, we will meet in the next lecture.