

Public Organization and Management
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Lecture – 27
Structure of Public Organizations – II

Hello dear learners, let's continue our discussion on dimensions and the influences on organizational structure. In the previous session, I have started discussing about the meaning of organizational structure and we discussed about the various definitions proposed and we discussed about what are the purposes of the organizational structures. After that, I talked about the various dimensions, started discussing about the dimensions and the influence they have on the structure wherein we discussed about the organizational size as one of the dimension of structure and how it influences the structure of the organization. Let us continue this discussion on dimensions of organizational structure and their influence. The second dimension of organizational structure and we'll look into the influence of this dimension, this structure is centralization versus decentralization. Now, what is the meaning of centralization and decentralization? It's about power and authority concentrated at higher levels.

If the power and the authority in an organization is concentrated at higher levels, we will say that the organization is centralized. There is centralization in the organization, meaning there is a lot of control of resources which lies at the center. The control on resources can be physical resources, the financial resources or any kind of resource. The controls of these resources lies with the centralized authority. Power, you know, the power emphasis is in the center. Who can control the resources? It lies at the higher levels in the organization. Decision making authority, decision making power also lies at the centre. So all the bigger decisions are perhaps taken at the central level so we will say that this kind of characteristic which is talking care taking about talking about the controlling of resources or decision making concentrated higher levels talks about the concept of centralization so in some organization it is more centralized in other it can be decentralized. On the other hand, if the power and authority is delegated to the lower levels in the organization, to the managers and the assistant managers and of course subordinates, some kind of power and resources are delegated, authority is delegated to take decisions and control resources, we will say that it is more of a decentralized organization and hence decentralization.

So, we will see how centralization and decentralization they impact the organizational structure. Now, centralization and changes in the strategy. For example, if we look at the strategies of the organization, right? Now, we say that the strategical change, it can only happen after the discussions with the top level in the hierarchy. The change in strategy

cannot take place at the lower level in the organization. It can be only done at the higher level. So centralization and changes in the strategy, decision makers in the decentralized structures may find it difficult to bring changes in the strategy. Because this is something which is important and the resource control lies with the top level. So, if the decision makers in the decentralized organizations are to take some kind of decision, they may find it difficult to take the decision with respect to strategy because strategy is something which can lead to either losses or profits so might be that there are chances that if the delegation is given to the lower level some kind of strategy failure could happen so the power lies with the centre, central authority concentrated at higher levels they will only look into the various aspects with respect to how the strategic change will happen, how the decisions are to be taken. Now centralization sometime is required it is advantages for environmental turbulence and complexity see in case of turbulence and complexity we need to take decisions quickly if it is a decentralized authority what will happen decision-making can be time-consuming. decision making authority is decentralized pushed to the lower levels.

So decision making in case of environmental turbulence and complexity is the time consuming. So in that kind of situation it is better that the decision making is resting with the central authority. Now, they can quickly take decisions to take care of the environmental turbulence and complexity, take care of the decisions so that the organization come out of the bubble of this kind of uncertainty and turbulence. So, depending upon the situational context, depending upon what is going to be apt for an organization, organization can choose either to go for a centralized structure or a decentralized structure. So, it is not like which is better, is centralization better or decentralization better? The question here is that it is important that what is going to work for the organization in different situational context and depending upon that the organization can switch between centralization and decentralization, which is another research which says that decentralization high performing activities see why the organization go for decentralization so that high performing activities can take place in the organization but once you decentralize you also need to reintegrate the work of these decentralized subunits so whatever subunits are working their work also has to be again reintegrate right so they have to again bring back to the centralization in reintegration interdependence among various activities Because various departments which are working in the organizations, various activities they are doing, they are doing their separate work, they are high performing activities.

But there is also requirement of strong coordination and interdependence between the units. So we need to reintegrate. So, switching between flexible and efficient structure. So, it is important that how organization will take care of this aspect because decentralization can have performance advantages of switching between efficient and flexible structure. So, if you really want it to be flexible structure, decentralization can

take place, but you can always find out to reintegrate back to centralization to improve the efficiency of the system that you are working into.

So, depending upon what is going to work in an organization, depending upon what kind of work they are doing, what kind of business they are into. So, ultimately it can lead to the organization take different kind of action. Let us look into the public organization for that matter. See, because there is lot of accountability being there. So, there is lot of hierarchical control, administrative control in the organization.

Public sector organization. So largely bigger decisions, especially related to money or related to some kind of change perspective, some kind of decision to be taken. For example, decision related to the action against some employees in the organization, depending upon rules and regulation, lies with the central authority or perhaps come from the agency outside the boundary of the organization. Central rules and guidelines have to be followed. So depending upon what is the context See, the organization can, depending upon the dimension, the organization structure can take shape irrespective of whether they are public or private sector.

That's what I'm trying to tell you here. That various dimensions need to take into consideration depending upon how organization structure will take shape, not their public versus private comparison. Similar thing can also happen in the private organization, in private organization if the scope is huge and some kind of decision making are to be done it can also happen at the central level and centralized so we will say that public organization will always go for centralization and private for always the decentralization no we cannot say that private sector organization can always also go for centralization depending upon what is apt in that particular time and what suits better in that particular organization. So organizational size is one dimension, centralization versus decentralization another dimension. Then comes the configuration.

You remember in the definition of organizational structure, we talked about configuration of hierarchical levels and the activities, right? Design of the hierarchical levels, communication structure and span of control. Let me tell you what about the span of control. Span of control in simple terms, how many, you know, the subordinates a manager is controlling at the movement. For example, if we say that somebody is controlling or I will say somebody is directing the activities of some people here. These boxes represent number of people in one's under supervision and this is a supervisor.

How many subordinates are being supervised by a supervisor? So, this define the span of control. If a supervisor is actually supervising a large number of people, the subordinates, we say he has or she has a greater span of control. So, in this case what will have what is happening here is we can have more flatter structure you see. More number of people under working under the supervisor so the structure is not tall we are not adding layers

under layers we have more number of people you know being supervised by a supervisor flatter structure with more vertical interaction, interaction between supervisor and subordinate, but at the same time the span of control is also dependent upon so many other factors. For example, what is the maturity level of the people in the organization? If the people are trained, they are skillful, perhaps a supervisor can handle many subordinates.

But if they are not, then supervisor has to constrain their span of control to limit limited number of people so that he or she can better coordinate the activities and interact with them on daily basis. And of course, coach them, train them on the various activities. So, this span of control also varies depending upon the quality of subordinates and what kind of interactions are to take place. They say that, research says that, large span of control, larger span of control, they are complementary to the production of goods and high value. I have mentioned a research study here conducted by Wu in 2015, which is published in Management Science.

Article title, Organizational Structure and Product Choice in the Knowledge Intensive Firm. They found that the larger span of control, they are more prevalent in the production of goods with the higher value. And this research also says that this particular complementary you know largest span of control complementary with production of higher value good this relationship is enhanced in the presence of acquisition of knowledge by employees, now you see larger span of control you look at the levels of the employees acquisition of the knowledge by these employees and the firm's effort to enhance the capability of communicating knowledge, how it is communicating knowledge and how employees acquire the knowledge in the organization this relationship between the span of control and production of goods with high value also enhances, because these people are becoming more skillful these people are acquiring knowledge and feeding it back to the system which act as a complementary to production of goods with high value. So please read this paper and find out more interesting inputs on this particular aspect of organizational dimension. Moving on, we have specialization. Specialization of the function or task. Division of labor. It's on basis of functional and or task. Functional specialization. What is the meaning of function? What is the meaning of task? So there are specialized tasks which are to be performed.

There are specialized functions which are to be performed in the organization. So depending upon these functions, the labor is grouped. Division of labor, they are grouped depending upon the various functions and tasks. So that it helps the organization coordinate the activities and also helps them to integrate. See, different task and functional areas will take care of different kind of task outcomes and the functional outcomes. The organization needs to do task functions, task outcomes and the functional outcomes. Different departments, different depending upon what their specialization areas are. For example, engineering as a specialization. Or let's say if we talk about even

within engineering we have various sub units welding as more specialized task, polishing as more specialized task, cutting as more specialized task, electrical work more specialized task, so what happened is we even try to divide the work depending upon the task and the function and we say division of labour depending upon functional and or the task it is the case of specialization and it has advantage it helps organization to integrate different units and subunits working on different tasks based on specialization and their efforts when integrated leading to the outcomes in terms of products and services and of course the achievements of the goals of the organization right And it's also strengthen the complementarities between the subdivision. Very important. What is the meaning of complementarities? Now, we have various specialization and functions and tasks which are happening in the organization. One task is having competence in doing one function. Another function is having, you know, competence in doing various other activities. So, leverage can be taken by, you know, using each other's complementary in the subdivisions to create value. Some functions will have more competence, some kind of competence, other subunits will have some more other kind of competence.

So, when this specialization comes together in terms of the integration, these departments, they only strengthen each other in terms of their complementarities because they come up with the different kind of expertise and specialized knowledge. So, when integration helps there, they come together in the coordinated effort, it is good for the organizational outcomes in terms of products and services. Looking for the alternative ways to do work, looking for bringing in the process innovations, creative ways to look into the decision problems, problem solving, finding our solution to the problems. For example, let's say a manufacturing unit is having a problem of quality related issue in assembly line some kind of quality related issues are coming up and one department function is not able to find out what the issue is so the other department function which is more specialized function can you know integrate and you know the efforts can be integrated they can be consulted to take care of this issue. So what happens when you have specialized function people available they have expertise and integration happens in there ultimately this can help organization come out with the better production services, but there's also some kind of problem which can be attached to it sometime more specialized units they start working in isolation they become more of silos because they think that they have a specialized knowledge and they don't need any kind of dependence on other subunits.

So, we, you know, as manager in the organization, the managers need to understand that the integration of the efforts of the subunits are very, very required because without that, it is not going to be possible for organizations to, you know, produce better outcomes in terms of products and services. There is also interdependence of subsystem I just talked about, we have specialization based upon division of labour, depending upon task and function, but these organizational internal functions, for example, between engineering

units, within the sub units of the engineering, within the sub units of the supply chain department, within the sub units of the human resource department or marketing or any other internal function, quality assurance function, total quality management and the quality assurance. So, the lot of internal functions are there. So, there is degree of interdependence or degree of autonomy. So, if these functions are dependent upon each other, we say that there is a high degree of interdependence or if they are not, there is high degree of autonomy.

Now coordination across these functions it's a greater adaptation challenge than coordination within, for example coordination within engineering unit becomes easy. Because these people are working as a one group, right? Even if they have subunits, they are working as a one group because they are grouped together. They are attached together depending upon their specialization, right? But if there is another organizational function, let's say we talked about quality assurance is another department being created as far as the specialization is concerned. So, coordination across becomes a challenge, right? But coordination within is okay.

There's no problem. Right. So ultimately what happened is it is important to look into these aspects that how the coordination will take place, how the systems are to put in place when these kind of things are to be taken care of. There is an interesting study which I have mentioned on this slide here by Glynn and Kazanjian, Drazin, fostering innovation in complex product development setting. They talked about the concept of team identification versus inter-team interdependence and they found some kind of interesting finding. I suggest you to read the paper and find out more. When the teams are more identified with the organization, and there is inter-team interdependence. Two, three teams are interdependent upon each other. What kind of outcomes it can relate to. They found some interesting contrasting finding. This is an assignment for you. Go and check what kind of findings they have concluded.

Depending upon, is coordination across difficult or coordination within. Let's say if the teams are more identification. Teams are very closely, cohesively working together, they are strongly identified with their team versus when there is inter-team, interdependence, what kind of outcomes it can lead to? Please refer to that paper and find out. The other dimension to the organizational structure is the complexity. Now, complexity has been equated with number of levels, subunits and specialization in the organization.

How many number of levels are there, in terms of hierarchical levels? We have top level, middle level and the first line level manager and then there are workers working in the organization. How many levels are there? How many subunits and specializations are there? You know, depending upon division of labor across subunits. So, what is the meaning of horizontal differentiation? It is specialized division of labour across subunits and individuals. So, we have been, you know, a lot of specialized divisions are being created.

We talked about time and again the same thing. It can be engineering, it can be total quality management and quality assurance department. Then it can be financial and budgeting department. They can also be termed as a functional department. Division of labor can happen there also. Then there is a horizontal differentiation, meaning that engineering tasks are specialized different from the tasks done by the quality department with differentiating from the tasks done by financial and budgeting department.

So there is a specialized division of labor across subunits and individuals. Even if engineering have the subunits there, whether there are differences which are existing in the various subunits of the engineering section, so horizontal differentiation is there. Then vertical differentiation number of hierarchical levels tallness or flatness, if there are more levels in the organization let's say if I say there is a top level let us CEO is there and there are four division working I will say rather only two layers are there in fact only one layer is there I will say the more of a flat structure right but it has if we have more sub units and there are we are keeping on adding more and more number of sub units here each department each sub unit will have their own sub unit so what happened as the number of layers keep on adding in the structure of the organization it makes the organization structure more taller. So, complexity is defined by number of levels and subunit and specialization where there are two aspects horizontal differentiation and vertical differentiation. Horizontal differentiation means that the specialized division of labour that we have created, they are different from each other that's why they are being grouped as differently right engineering specialized division of labour then financial budgeting or then human resources or marketing or sales right but then when you have more levels within subunits level also within engineering there can be processes which can be different from each other Welding versus polishing versus other cutting and etc.

Painting etc. So could be another. But with each level the responsibility keep on adding. Which is upper people have more responsibility. Lower people have lesser responsibility. So adding that kind of responsibility also there is leading to vertical differentiation. Why we are creating vertical differentiation? Because some people are doing more work in terms of their skills and expertise.

And the lower level people they are required to do routine work. where the upper level people will give them more guidance. So, they have more skills and expertise. So, there is vertical differentiation and also there is horizontal differentiation. So, complexity is defined in terms of number of levels, subunits and the specializations.

This also impacts how the structure of organization will take place, in terms of shape, what kind of shape an organization structure can take depending upon the complexity in number of levels. Usually it says that because public organization scope is huge, they are larger organization, they have more complexity, they are more tall structure than the private sector organization, they have more flatter structures. Let's look into the just, you know, a company which started its own business. They are a budding entrepreneur.

They will not have many of the hierarchies. You know, perhaps some of the functions which are specialized functions are being performed by same set of people, right? So, they don't have much of a much of layers in the structure so they are more flat structure but looking at the complexity you know in the terms of organizational size and the you know the scope of the business and the activities the structure can take a complex form in the terms of in terms of levels, subunits and specialization right, now then comes the red tape as important dimension red tape what is red tape burdensome administrative rules and requirements difficult processes, administrative rules and requirements which makes the process more burdensome and also it delays various outcomes, for example services provision or product outcomes or you know taking care of the citizens expectations because of this procedures it can lead to delay, delay in outcomes right it has negative impact on organizational performance because everything will move slow right because they have to comply with rules and regulation there are tough administrative rules and requirements. There's a research study which talks about very interesting work on green tape we'll say red tape there's also green tape it says that it is important that there are controlling mechanism in place right there should be rules put in place we should also look into the concept of helpful rules versus onerous rules, onerous rules are more burdensome right because they have to we have to be complying with the you know rules, regulation, discipline lot of activities are to be taken care of. Helpful rules we have rules, rules is not a problem, have rules but make them effective rules which actually enhance the performance of the organization which they call is as green tape please refer to the paper mentioned number source number two, there 'Green tape and public employee rule abidance: Why organization rule attributes matter'. Rules are good, rules are important, there should be rules but these rules should not relate to, these rules should not relate to delays in the outcomes and should not negatively impact the performance of the organization. Rules should be there, effective rules should be there to put in place accountability and control mechanism.

Because you see, if you completely leave it, who is going to be accountable and who will be answerable to this thing? You know the outcome that they are producing people in the organization so these rules are important but you have to make these rules effective, as effective as possible so that it leads to enhance the performance of the organization positively and effectively. So, there is important that we should have helpful rules which not only help the organization take care of the routine activities in an efficient way, also leads to the positive organization outcomes in terms of better public service delivery. If you look at the common perception among the public and citizens, you will ask them what is their experience about public organization.

They will always say that. There is no point. We are not even reaching out to them. They will not solve our problems. Every time you go there, they will send you 100 documents and say, OK, you submit this, that thing because of rules, you know, abidance. Rules are

good. Rules have to be there. But the organization should not make it burdensome. Administrative rule. Try to find out rules which can be effective and help the organization perform better and better and also give the citizens a better experience. Then, we have administrative burdens. Now, the difference between red tape, there is a burdensome administrative rules and regulations that one has to comply with. Administrative burdens are actually from the point of view of a citizen, somebody who experiences. It refers to an individual's experience of policy implementation as onerous. Like somebody who is trying to get the access to services, especially by the public organization, what is happening is that individual, they experience lot of problems in terms of very difficult rules, very burdensome rules in terms of the policy implementation, right? Now, what happens is once it is done, if the rules are onerous, very difficult, very burdensome rules, it impacts the citizen access to public services. Sometimes they stop, they stop going to even get access to services because for them, it is a burdensome experience.

Some research study has put that into the categories, cost categories. I believe the paper number three on this is highlighting this by Herd and Moynihan, 'Administrative Burdens in Health Policies'. They talked about you know, the cost categories in terms of individual experiences with the government in terms of learning cost, psychological cost and the compliance cost. I'll talk about. See, when first of all we talk about the individual experience with the government and it's about policies and policy implementation. Sometime people are not even aware of that these policies exist. So first is the learning cost which the author talked about. What is the cost which is associated with learning about the policies and finding out how one can get access to it? So when this kind of burden is there, there's a cost which is attached to learning about that the policy is there. And also how to get access to that policy is basically the experience of the individual with the government in terms of learning cost about that particular policy program. Then there is a psychological cost. It says that administrative burdens that a person has to experience while applying for that particular policy or program and get access to this.

That leads to psychological cost. And then there is a compliance cost. Compliance cost is something they talked about in terms of, you know, you have to go to some places. There's the fees attached to it. You have to comply with those. So that relates to the compliance cost. So in terms of cost categories and administrative burden which are experienced by the individuals when they try to get access to the government policies and procedures, sometimes they are not aware of. So there is sometimes of course which is attached to the learning about those public policy program and then how to get access to this. Psychological costs which are like administrative burden experience that the person has to experience while getting the excess of that particular source. For example, number of documents to be submitted, forms to be filled and so on and so forth. And there are compliance costs, there are some kind of cost to pay for some fee or some kind of legal

support that you have to take. These kind of costs that the authors have talked about. This is another dimension to the organization structure and how it influence the structure of the organization. Then it is environment. Is organization functioning in the simple stable environment? If it is such, so they can be formalized and centralized structure. If it is uncertainty, then more flexibility, lateral communication, delegation of authority at lower levels. Because they say that in terms of uncertainty, flexibility, lateral communication and delegation of authority can be there at the lower levels.

Now, based on the institutional models, adoption of roles and structures and based on the appropriateness. Now, again we are saying that depending upon what is the contextual factor, the various dimensions, various variables rather than the context of the organization, we need to look into the appropriateness of one particular structure depending upon what kind of factors or what kind of contingency the organization is confronting and depending upon that the organization structure can take place. Another important factor is if there is a government ownership and funding there can be an influence on structure. We talked about this thing in the goal ambiguity, when we talk about the concept of, you know, directive goal ambiguity, evaluative goal ambiguity and priority goal ambiguity. We talked about this, that if there is a financial publicness, if the funding you are receiving from the government, then you can have more directive goal ambiguity and can also be having more evaluative goal ambiguity.

So, depending upon whether you are receiving funding from government or there is a government ownership, they can have influence on structure. Why? Because of accountability. Because of effectiveness, we talked about these principles already that sometimes in the government organizations, structures are put in place to control so that power doesn't lie with the one particular person center and the activities are controlled in a way that nobody is abusing the system because the organizations are accountable for their actions. Right. So in this way, we have talked about the various dimensions such as organizational size and its influence on structure, centralization, decentralization, configuration, specialization, complexity, red tape, administrative burdens and environment.

I suggest all the learners to refer to the chapter on structures by Rainey, Fernandez and Malatesta. You will find the details of the content mentioned here on the slides here. Go to the chapter and find out more. And also look into the various references which I have mentioned in the source listing. See each slide you will find that I have mentioned the sources and there are also number being put in. For example, number two here mentioned here that this particular thing is from this particular paper mentioned here. So you please find out these papers and get as much detail as possible to clarify your confusions and doubts. And also you are free to post on the platform which is being created for the course. where you can initiate discussion as such, then I will be able to handle some of the queries and will have an effective way of very creative way to encourage the

interactions between the learners in this course. We will continue our discussion in the next session.