

Public Organization and Management
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Lecture – 30
Structure of Public Organizations – V

Hello, dear learners. Let's continue our discussion on the topic of organizational structure and design. In the previous sessions, we have talked about the definition of organizational structure, the purpose of the organization structure, the design elements, and the various configurations as proposed by Henry Mintzberg. We also have discussed about the dimensions that influence on the organizational structure. This is the concluding session of this particular module on structures of public organization wherein I will discuss about the major design alternatives. Now if you look into the literature and you look into references which I have mentioned on this slide here, various types of design alternatives are available in literature.

The organization structures can take a shape of a functional structure or product or divisional structures. In some texts, it is written as product structure. In others, it is called as divisional form structure. Then some organization can also have a metrics-based structure, market or customer-focused, geographical structures, process-based structures, and holacracy. So I will discuss all these design alternatives one by one, and I will also talk about some of the examples from the public sector organization which have some of these design alternatives as their structures in place. Let's first of all start talking about the functional design. Now as per the functional structures, the structures in this particular form, the activities are grouped together by common function from the bottom to the top of the organizations. Now, if I give you an example of let's say management as function. Management has many functions, managerial functions, management functions if we talk about.

If I want to say that management function have functional expertise in terms of let's say human resource as a function, marketing as a function, purchase or I will say operations as a function. Finance as a function. So if the organization is structured in such a way that the entire organization is divided into functions across activities are grouped together by a common function then we can say that the structure is following the functional design because the activities are grouped in such a way that the similar kind of activities are grouped in as per their function that they serve right for example engineering as a function so if we group the activities of engineering into one because that these activities are defined by their common function of engineering we say it is a function. So when we group the activities and then you know define them into the various functions the organization will take a function of a shape of functional design. Now what is the

applicability and the features of the functional design? This particular structural configuration and the structure is most effective in cases of requirement of in-depth expertise for meeting the organizational goals now wherein we are looking for an in-depth expertise for example if you look at engineering all the people in this particular domain will be expert in their field or let's say marketing all the people in that particular domain will be expert in the marketing field and if we are looking forward for this kind of configuration this kind of structure to meet the organizational goal in that case the functional design will be more appropriate right control and coordination by vertical authority because in the functional structure we will have layers we'll have top management, middle management and then there are sub units so vertical authority means people at the higher level will have more control over the lower levels and the coordination will help you know will be taking place with the help of vertical authority So, here is efficiency focus.

The focus of the structure is on efficiency. Effective when little coordination is required for horizontal coordination. So, this is basically, this particular functional structure will be effective when you need little coordination between engineering, marketing function or the HR function, then it will be fruitful. Advantages are accomplishment of the functional goals, enables in-depth knowledge and skill development. And disadvantages are these structures are not able to respond to the changes in the business environment because each function will act as a separate entity.

You will have more specialized function. They will take time to respond to the changes outside. So disadvantage is that they are not very apt to respond to the changes in the business environment. They will have poor horizontal coordination. The reason is because they will be working as more silos, more specialized units.

So coordination is a difficult thing there. They will have less innovation and hierarchy overload because top level people will have more of the admin work because they have to coordinate and control the activities of the lower level. There will be a lot of hierarchical overload there, right? Let us look into the example of this functional structure from one of the public sector undertaking in the country. I have taken this extract structure from the article which is given over here. I have taken it from the site of Bharat Heavy Electrical Limited.

So if you look at on the top we have top management if you see right. then if you see that we have each function engineering and R&D, finance as a function, director of hr, chief business officer, director power, director industrial system and functions you see that function function function function and function so activities are grouped according to the function and you see below there are also a subunits being created right so what is happening is director HR here or the finance or the power and here they will have more vertical authority to control and coordinate the activities of the subunits below the line.

So, ultimately if you look at this structure here, it gives you a glimpse of the functional structure in an Indian public sector undertaking. I hope you have understood this, that there is a top management and just below the top management, we have created the functions, functional structure where we have engineering and R&D as one function, finance is another function, HR is another function, power is another function, industrial systems and products are other functions. And within each domain function here, we have subunits.

For example, in case of engineering as a function, we have corporate R&D, corporate digital transformation. In case of HR, we have corporate HR and down the line recruitment and industrialization. In case of power, we have nuclear business and hydro business. So the activities control, you see, in this case, what is happening is more control is there with the vertical authority. But if you look at the coordination between these two, director R&D and finance and these departments, it is little, it is effective, there is no coordination, much coordination is required there.

So, this is about the functional structure prevalent in BHEL. Then comes the product slash divisional design. This particular structure, they have separate divisions which can be organized with responsibility for individual products, services or business. Now what you can do is you can actually segregate the various units, divisions depending upon different products. or services or businesses.

Strategic business unit is the other term which is being used for product divisional design. You please look into the reference mentioned here and find out more about it. Applicability and features. These structures are more effective in case of requirement of change and flexibility. There's a decentralized authority means in case of functional structure we say there's no vertical authority, here in this case of decentralized authority means the power to take decision making is passed down to the lower levels in the organization, they are excellent in achieving coordination across functional departments, now you see how it works for example if I say there is a top management here if you look at okay then we have the structure like this we have product A, product B, and product C each product will have their own functional unit for example they have HR, manufacturing, I'm just giving example of some finance, engineering let's say now within the product division you will have better coordination right but in the functional structure it was not possible right, so in this case when the divisions are made according to the product there is a better coordination within, excellent in achieving coordination across functional departments.

Now what are the advantages ? It's suited for fast change, higher customer satisfaction because products divisions are created high coordination across, good for organization with many products, decentralized decision making so decision making has been headed over to the product divisions. They can then manage their own divisions with the help of

the various functional expertise. Disadvantage is poor coordination across product line. There could be the issue of poor coordination across the product line. For example, product A and product B and product C makes integration and standardize across the product lines difficult because different divisions are having different functional units which are working, there may be some difficulty in bringing integration and standardization across the product lines.

Let's look at the structure of National E-Governments Division, NEGD. They have different teams for different products, which include software developers, app designers, analysts, testers, you know, in terms of we talk about the support functions. For example, the product like UMANG, Digi Locker, LMS, My Scheme, API Setu, and the Poshan Tracker. These are some of the products division being created in terms of you can say products, services or businesses and then there are different teams which are working for them. So it exemplifies the product or the divisional form in the Indian public sector.

Then comes the matrix structure. Now, this structure, it's actually focused on multi-focused with both product and function getting emphasis at the same time. I'll also tell you what is the meaning of how these are coming together. Now what happened is we will have broad function at the top and then we will see vertically different product lines, product A, B, C and D and over above we have all support functions given there. So what happened is each of the product will have support from the supporting functions there and in this case what happened is this becomes most effective when both technical and product innovation and changes are important to meet the organizational goals.

We need both technical support from the functions and product innovation is required to meet the goals of the organization. Both product divisions and functional structures are implemented simultaneously. In this case, what happened is the feature is product and functional managers have equal authority. So the people who are working in let's say product division A, they also need to report to the managers in product A as well as the functional department there. It is appropriate for medium-sized organization with different products.

Let's look into the advantages, then I'll give you the example. These are suited for complex decisions and frequent changes. Opportunity for both product and functional skill development in this case because both are getting the prominent and prevalence at the same time. Disadvantages is there is a dual authority leading to frustration and confusion among the members of the divisions. Great effort is required to maintain power balance because you see there are dual authority. There are product managers, there are functional managers. More meetings and conflict resolution sessions because of the misunderstanding and the conflicts happen between the organizations and the divisions. Look at this matrix organization structures at UR Rao Satellite Center ISRO. I have taken this from the reference mentioned here.

Please go through this. You see that if you look at this particular, you know, aspect of the metric structure here, you see that these Deputy directors are from different functions. You see. They are all different kind of function. Okay. And we have different kind of programs. There I talked about the products, different programs in case of ISRO, science and space, satellite navigation, user funded projects, technical application, technology & application project and special projects. And then there are support functions which are being given here. Now you see, in case of functions, and if you look at science and space they will get resources from all the functions which are mentioned over here satellite navigation reporting to the manager here and reporting to the managers who are having a different kind of functional division there so this is how the functional sorry the matrix structure will look like you know in in the organizational setup. This again I have taken as an extract from the you know mentioned over here. You can just go and find out the details of this.

Herein you see that there are deputy directors for each of the function here which are mentioned over here. These are all function controls and digital, management and information system, integration and checkout. And then these are the programs. You can also equate with them the product I have just mentioned. For example science and space program. Special projects program, technology application projects. So, each one of that will have their own heads as well as they're getting support from the deputy directors of the various functions mentioned over here. Then comes the geographical design. In this kind of a structure, the structural grouping is based on the organization's users or customer and most common structure based on geography. For example, we can say that we have an office structure depending upon northern region, the southern region, the western and the eastern region depending upon where the customers are.

So, the applicability of this particular structure, the research says is on non-profit organization with central headquarters and various local units. I will talk about the examples from India. Headquarters handle administrative function and daily activities. Control and decision making lies with the local units. So headquarters are responsible for administrative function and daily activities control and decision making lies with the local units.

Advantages, organizations can adapt to specific needs of its local unit because they are geographical based, horizontal coordination within the region is of emphasis within the region there will be a lot of local units will be available so within the region it is going to be easy the coordination but there could be poor coordination across region which is a disadvantage of this particular code this particular structure. Look at the structure of large organization. We have National Informatics Center. National Informatics Center is headed by Director General, which is further subdivided in Delhi headquarters and 36 state UT centers. Headquarters will have groups which are further subdivided into divisions.

While state UT centers, state information officers followed by assistant SIOs. NIC has office in every districts of the country with their offices located in the district magistrate and collector office usually and is manned by district information officer, informatic officer and assistant district informatic officer. The interactive organizational chart of this is available on the NIC structure. You please click on this particular link and find out what is the structure there. Let us see, if you can look at here there is a Director General, then there are headquarters, headquarters further into heads of various groups and there are heads of divisions and then product and services.

On the other hand we have 36 UTs/ state centres then there is a state informatic officer then there are assistant state informatic officer, you see that how many district centres and HODs of the state production services so this gives an example of geographical structures based on the geographical how the structure can take place depending upon this right we've just talked about national information centre as the example of geographical structure Then we talk about market and customer focused grouping based on customer and markets, more applicability in service sector. If you look at the banking sector, you know, they have actually structured them as far as the banking is concerned based on what the customer, you know, you have retail banking, you have corporate banking and then division depending upon which category of customer that you are serving. So, largely the division of the various group, various units in the organization or departments are based on the customers and markets. On the other hand, if we have process focused, divisions are organized around the processes such as customer acquisition, new product development processes, etc.

This is a process focused. Typical organization of structure of an Indian ministry, if you look at, I'm just talking about the, you know, the structure of the Indian, any Indian ministry, you have a ministry and then you have minister and minister of state. Then there are departments, departments, they will have secretary, wings will have special secretary, additional secretary, joint secretary, divisions will have deputy director or deputy director and deputy secretary. Branches will have undersecretary, sections will have section officer and then assistants, UDC and LDCs. Look into this particular link over there to look into the organizational structure of Government of India, typical structure of the Government of India. You will see this kind of structure prevailing there.

Now, finally, the structure type of holacracy, which is defined as a decentralized management and organizational structure of governance that claims to distribute authority and decision-making via self-organizing teams. So in this case, what happened is basically a no-structure structure. There is no structure which is prevailing. The coordination and authority decision-making happens through the self-organizing team. Some considered it to be an extension of adhocracy.

You remember that we discussed about the configurations proposed by Henry Mintzberg. He talked about the adhocracy also, very complex structures where we have very specialized people for the functioning in the organization. So coordination happened through mutual adjustment. So in this case, some researchers considered it an extension of adhocracy. Holacracy focus on self-organization without formal hierarchy, without job titles and job descriptions.

It's one of the form. Researchers says that in times to come, this is going to be the future of the organizational structure, but more and more research evidence is required to look into this, right? Let's look at some of the interesting research papers on the structures in the public sector organization. Organizational structure, work involvement, and job performance of the public servants, public employees. This study is by Johari and Yahya, article titled 'Structure, Involvement and Performance of Public Sector Servants', published in International Journal of Public Administration. The emphasis of this study is on role of codification. This particular codification is a component of the structure as a predictor of job performance.

We need to see that whether this structure has any impact on the job performance in the organization. So the authors have to find out job performance is positively impacted if roles and responsibility are clearly codified. If it is very clear that the roles and responsibility, what are expected from the people in the organization, the job performance is going to be positively impacted. In this research, they considered work engagement as a mediator. Means when public servants are more involved in their work, the positive effect of structures on the job performance are enhanced.

It says that there is a structure, there is a performance. We are linking the structure impact on performance of the people, public servants. They say that it is contingent on the work engagement levels among the people, work involvement level among the people. So, the structure can lead to higher level of job satisfaction if the public servants are also very much involved in their work. The paper also highlights the importance of designing and maintaining a clear organizational structure within the public service agencies because they are linked with the job performance and that is what we need in the organization.

So, it also points out the need for continuous evaluation and adjustment of the structure to keep them aligned with the changing needs and expectations of both the public as well as the employees. So structure has important implications for the job performance of the employees in the organization. So it is good that the organization is clear about what kind of structure it wants to give in the organization to its employees so that their job performance is enhanced. Another study, 'Effective Leadership in Public Organization: The Impact of Organizational Structures in Asian Countries' by Valero, published in 2015, Journal of Contemporary Eastern Asia. This paper highlights the importance of structure and leadership in the context of disaster.

This is a case of South Korea. Hierarchical structures seem to be the norm where lower level organizations work at the direction of higher level organizations, right? So, it's a hierarchical structure. Now, in case of Japan, extensive preparedness was seen during the disaster where transformational leaders under different organizational structures are empowered to effect change. You see that context varies. In case of South Korea, more hierarchical structure. In case of Japan, transformational leaders, they are better prepared during the disasters and it affects the change.

This also suggests the further avenues of research in the areas of impact of structures on transactional leadership. This particular aspect of culture and the transactional and transformational leadership, I will pick up in the discussion on leadership module also, wherein we'll talk about the detail of leadership and the impact of culture and vice versa. Further, this research study suggests future research should also be directed to analyze the impact of centralization and formalization on whether public manager exhibit transactional or transformational traits, whether centralization or formulation can lead to either of this, either transactional or transformational traits. With this, we have come to the final section of this session, which is reorganization. As we talked about the organization, reorganization is about process of rearranging organizational units to meet new needs.

There is a dynamic change, a lot of dynamism in the environment, the environment in which the organizations are functioning. So, depending upon the changes in the outside environment, there is a need to bring in change inside the organization also and for that sometime there is requirement of rearrangement of the organizational units. Right, what is the purpose break up the dysfunctional patterns of organizational behaviour, OB says that sometimes the structures lead to some kind of this dysfunctional patterns so in order to change those dysfunctional patterns we need to change this structure remember we talk about the concept of informal and formal networks in the organization when we talk about the contribution of Chester Bernard. In the module 2, we did talk about the importance of informal communication network. But sometimes the structures lead to some kind of dysfunctional patterns and to break that, sometimes reorganization is required.

Then creation of more logical combination of functions to enhance the effectiveness. So this change is required to sometime enhance the effectiveness. It's not only about when something changes outside, then only you need to bring in changes. Sometime it also happens that to increase the efficiency of the processes. If you remember, we talked about the high performance organization in the module on goals and goals effectiveness and performance. We talked about that process innovation. Finding out the creative ways to bring in changes in the process is also one of the character of a high performance organization. So reorganization to enhance the effectiveness is one of them. Also, emphasize new or modified goals, missions or objectives. As you change your goals or

missions or objectives, there would be a need to reorganize the organizational units to increase the performance.

And also, rewarding or encouraging excellent performers. Sometimes you need to bring in some kind of changes in the structure. Costs of reorganization so if you decide to go for reorganization what will happen, first negative impact on employee morale because organizational employees have already accustomed to one way of working they already have the informal network in place of communication they already know how things work in here so if you try to shake things up in terms of reorganization there will be some kind of course resistance and employee morale, disruption in the informal pattern of, I have just talked about because once you shake the organizational structure where people already have the informal networks ready, for example if you move people away from each other because they are together because of the informal network or let's say formal network and you move away these people ultimately It will negatively impact the employee morale, right? It impacts the productivity negatively, at least for in the beginning when you start reorganization, maybe after some time it will pick up. But in the beginning, the productivity will be negative. It's not good. Sometime it is a mismatching of functions, great burden on informal mechanism.

Sometime you bring in those people together where there is a mismatching of functions and then informal mechanism why it is a great burden on them. Overall organization effectiveness impacted negatively, now these are some of the negatives which are mentioned here but we don't need to say that you need to not go for reorganization because of this you may also have these kind of issues whenever you decide to go for reorganization but you see in the beginning There will always be these kind of problems which you encounter, but you have to overcome this. Perhaps in the beginning there is a problem, but as you go along with the reorganization, if you have thought about it strategically, then it can favor you in the long run. Decision to reorganize you should not just decide to reorganize based on one day you think that okay There's a we need to reorganize the structure. No, it should be strategic, long-term thinking right where, why do you want to change the structure of the organization and where do you want take this organization forward with the new structure, you have to thorough analysis of costs and benefits.

So, if the benefits are going to be larger than the cost, then you can go for these structural changes in the organization, right? Also, you need to make an assessment based on the human terms and in terms of likely functional matchup. Please do this exercise carefully that you have considered all the aspects related to the reorganization. You have looked into the aspects of human terms and of course, looking into which functions can match up together. Otherwise, you will end up increasing the burden of the informal mechanisms there. Let's look at some of the cases here. Transformational change process in a large corporation, a case of prominent Indian public sector undertaking, authored by Lather,

Jain and Verma, published in Vilakshan-XIMB Journal of Management. Now they have looked at the transformation that happened in one of the India's public sector undertaking. The name is not disclosed because of the anonymity in the paper. So they talked about the Indian public sector undertaking. Now in this case what they have seen is many factors like incorporation as a company, recognition as a Navratan, entry to capital market etc., opening up of oil sector to private sector have necessitate change. There's a necessity because of this reason that has kind of influenced organization to go for change, right? The organization have been recognized as a Navratan company, opening up the oil sector to the private sector players. So intense competition will be, you know, going to increase and then these all factors which have changed in the environment outside has organizations necessitated for change, bringing in change. This exercise was undertaken in 1997 and it took them more than 5 years to reinforce this transformation. See, whenever you are going to go for any kind of change, there will be some kind of resistance. So, you have to continually reinforce by the way of incentives or communication or encouraging people to go for this process.

Change is always difficult, painful. And then this process was questioned as a project involving internal and external stakeholders. This is important because you need to know which direction you want to go to. Many brainstorming sessions happened. SWOT analysis to review and reframe the vision of the organization was undertaken because transformation is a lengthy process. Steering committee and several other committees were formed to implement the change, the process has transformed the company into risk-taking and future ready organization so whenever the change has come in and you have tried to change the you know transformation in particular organization so this change process has led to the company becoming more risk-taking and future ready organization right.

According to employees, the company has improved its communication, decision-making standard, quality concern, physical facility at workplace, use and application of individual competence, structure, that's what we are saying, structure change, cooperation and collaboration, competency building, empowerment and delegation, HR system, technology and financial strength. So whenever the transformation takes place, it's not only about the structure, it's about various other factors as they mentioned, decision-making, quality concern, application of individual competence and so on and so forth. So this transformation change also is indicating that because of the changes happening outside the organizational environment sometime influence and direct organization to change themselves. So, with this we are concluding the session on structures of public organization where we have talked about in detail the meaning of the organization.

We studied about the purpose of the organization. We had discussion on various dimension and the influence of this dimension on the structures of the organization. Then we moved ahead with the discussion on organizational design, wherein I have talked about the configurations proposed by Henry Mintzberg in terms of the various structures types. We talked about the various types of structures and their prevalence in the public sector organization. We talked about the aspects of reorganization, their costs and benefits attached to it. We also have included discussion on some of the research studies on organizational structure and its impact on the job performance and why and in what cases the organizations undergo changes in their organizational structure.